

MZ Perspectives

Are Mexico's Proposed Energy Reforms a Game Changer?

On August 12, 2013, Mexico's President Enrique Peña Nieto formally proposed a plan to reform the country's oil and gas sector. Among the most potentially impactful parts of his proposal are changes to Mexico's national constitution to permit investments in domestic hydrocarbon exploration and production and ownership in domestic companies, including the state oil firm Petroleos Mexicanos ("Pemex"). If the National Congress passes these changes as proposed, this would mark the first time since Mexico privatized the oil and gas industry in 1934 that foreign companies would be permitted to have direct interest in production and/or ownership in the country's oil industry in general and Pemex in particular. We review some of the most significant implications these changes could have on Mexico, global energy prices and the oil and gas industry.



Mexico is currently the 7th largest oil producer in the world, producing an average of 3 million barrels of oil per day (*see chart 1*). It ranks 18th in the world in terms of proved reserves, with approximately 10.3 million barrels according to the Oil and Gas Journal (*see chart 2*). Due to many years of under investment in technology, infrastructure and exploration, Mexico's production and reserves have been declining steadily since the early part of the decade (*see chart 3*). Foreign investments into Mexico's oil and gas sector have been limited due to the aforementioned restrictions and Pemex has under invested in technology and exploration due to the government taking an increasing percentage of the company's cash flows to subsidize government spending (*see chart 4*). Because Pemex generates 32% of Mexico's annual revenues, it is imperative that President Peña Nieto take aggressive steps to reverse these trends.

Chart 1: Top 10 Oil Producing Countries

| Country | Oil Production (bbl/day) |
|------------------------|--------------------------|
| 1 Saudi Arabia | 10,520,000 |
| 2 Russia | 10,270,000 |
| 3 United States | 9,688,000 |
| 4 Iran | 4,252,000 |
| 5 China | 4,073,000 |
| 6 Canada | 3,483,000 |
| 7 Mexico | 2,983,000 |
| 8 United Arab Emirates | 2,813,000 |
| 9 Iraq | 2,642,000 |
| 10 Nigeria | 2,458,000 |

Source: CIA World Factbook

Continued on page 2

August 2013

Thanks for reading the August edition of our MZ Newsletter, focusing on Mexico's proposed energy reforms. Please visit us at the upcoming Euro Pacific Capital Global Investment Conference and Rodman & Renshaw Investment Conference, both in New York. Visit us at www.mzgroup.us to learn more about our complete set of investor relations products and services. -The MZ Team

MZ Client News

[Envision Solar Announces Second Quarter 2013 Results 8/14/13](#)

[Mandalay Digital Reports First Fiscal Quarter 2014 Financial Results 8/14/13](#)

[ENSERVCO's Second Quarter Revenue Increases 44% to \\$7.9 M on Continued Strong Demand for Well Enhancement Services; Six-Month Revenue Advances 76% to \\$26.5 M 8/13/13](#)

[Fission Hits 13.41m Total Composite "Off-Scale" Radioactivity in 48.5m of Mineralization at R780E Zone 8/12/13](#)

[CRAILAR Reports Second Quarter Results 8/8/13](#)

[International Stem Cell Corporation Announces Second Quarter 2013 Financial Results 8/8/13](#)

[Fission Uranium Corp.: 18.5m Mineralization Including a Total Composite of 4.94m "Off-Scale" as Fission Expands R00E Zone 8/8/13](#)

[BOFI Holding, Inc. Announces Record Fourth Quarter Net Income of \\$11.1 Million 8/7/13](#)

[Shoreline Provides Corporate Update and 2013 Guidance 8/6/13](#)

[Torchlight Energy Announces Update on Its Boeckman Hunton Well 8/5/13](#)

[Miller Energy Resources Provides Drilling Update 8/5/13](#)

Continued from page 1— Are Mexico's Proposed Energy Reforms a Game Changer?

Chart 2: Estimated World's Proven Oil Reserves Holders

| Rank | Country | Proved reserves (billion barrels), Jan 1, 2013 | Proved reserves (billion barrels), Jan 1, 2012 | Proved reserves (billion barrels), Jan 1, 2011 | Share of total, Jan 1, 2013 |
|--------------------------------|------------------------------------|--|--|--|--------------------------------|
| 1. | Venezuela [^] | 297.6 | 211.2 | 211.2 | 18.2% |
| 2. | Saudi Arabia ^{^*} | 265.4 | 264.5 | 260.1 | 16.2% |
| 3. | Canada | 173.1 | 173.6 | 175.2 | 10.6% |
| 4. | Iran [^] | 154.6 | 151.2 | 137.0 | 9.4% |
| 5. | Iraq [^] | 141.4 | 143.1 | 115.0 | 8.6% |
| 6. | Kuwait ^{^*} | 101.5 | 101.5 | 101.5 | 6.2% |
| 7. | United Arab Emirates ^{^~} | 97.8 | 97.8 | 97.8 | 6.0% |
| 8. | Russia | 80.0 | 60.0 | 60.0 | 5.0% |
| 9. | Libya [^] | 48.0 | 47.1 | 46.4 | 2.9% |
| 10. | Nigeria [^] | 37.2 | 37.2 | 37.2 | 2.3% |
| 11. | Kazakhstan | 30.0 | 30.0 | 30.0 | 1.8% |
| 12. | China | 25.6 | 20.4 | 20.4 | 1.6% |
| 13. | Qatar [^] | 25.4 | 25.4 | 25.4 | 1.6% |
| 14. | United States | 20.7 | 20.7 | 19.1 | 1.3% |
| 15. | Brazil | 13.2 | 14.0 | 12.9 | 0.8% |
| 16. | Algeria [^] | 12.2 | 12.2 | 12.2 | 0.7% |
| 17. | Angola [^] | 10.5 | 9.5 | 9.5 | 0.6% |
| 18. | Mexico | 10.3 | 10.4# | 10.4 | 0.6% |
| 19. | Ecuador [^] | 8.2 | 7.2 | 6.5 | 0.5% |
| 20. | Azerbaijan | 7.0 | 7.0 | 7.0 | 0.4% |
| 21. | Oman | 5.50 | 5.5 | 5.5 | 0.3% |
| 22. | India | 5.48 | 5.6# | 5.7 | 0.3% |
| 23. | Norway | 5.37 | 5.32 | 5.7 | 0.3% |
| World total | | 1,637.9 | 1,520.1# | 1,469.6 | 100.0 |
| Total OPEC^{^*} | | 1,204.7 | 1,112.9 | 1,064.8 | 73.6% |

*Excluding one-half of the reserves in the Neutral Zone.

[^]OPEC member.

[~]Including Abu Dhabi – 92.2, Dubai – 4.0, Sharjah – 1.5 and Ras al-Khaimah – 0.1.

^{**}OPEC has a total of 12 member countries: Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela. Rounding out the total OPEC reserves are the Kuwait-Saudi Arabia's Neutral Zone reserves of 5 billion bbl.

#Revised figure.

Sources: Petroleum Insights by David Rachovich. "Worldwide Look at Reserves and Production [Table]," Oil & Gas Journal, Dec, 2012; and previous reports.

While none of the structural deficiencies in Mexico's policies and hydrocarbon production and reserve trends are new, this is the first time in several years that the political and economic momentum appears to favor change. We see several potential positive and negative implications if these reforms occur.

Chart 3

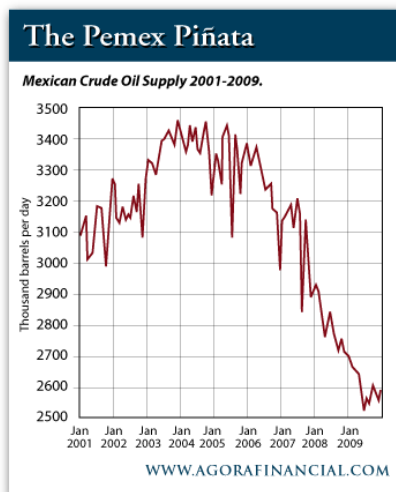


Chart 4



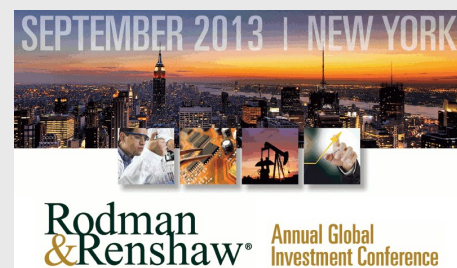
The big league
Oil companies

| Company | Production, 2012 or latest, m b/d* | Reserves, 2010 or latest, bn barrels* | Market value, 2013 [†] , \$bn |
|------------------|--|--|---|
| Saudi Aramco | 12.7 | 307 | na |
| Gazprom (Russia) | 8.4 | 112 | 92 |
| NIOC (Iran) | 6.1 | 311 | na |
| Exxon Mobil | 4.1 | 25 | 417 |
| PetroChina | 3.6 | 23 | 239 |
| Kuwait Petroleum | 3.3 | 112 | na |
| Shell | 3.3 | 8 | 218 |
| Pemex | 3.2 | 11 | na |
| BP | 3.0 | 7 | 130 |
| Chevron | 2.9 | 9 | 244 |

Sources: Oliver Wyman; Wood Mackenzie; Bloomberg; company reports

*Of oil equivalent
†July 31st

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Visit MZ at the Rodman & Renshaw 2013 Annual Global Investment Conference

MZ will be a sponsor at the 2013 Rodman & Renshaw Annual Global Investment Conference in New York City from September 8 to 10, 2013 at The Millennium Broadway Hotel.

More than 200 public & private companies from around the world are expected to present to an audience of over 1,500 attendees. The conference will feature tracks devoted to Biotechnology/Healthcare, Technology, Natural Resources, and Growth.

The Conference will include corporate presentations and Q & A sessions, investor one-on-one meetings and daily networking opportunities. A Gala Dinner at New York City's Rockefeller Center Sunken Plaza will be hosted, featuring a performance from the world famous musical CHICAGO.

Date:

September 8 - 10, 2013

Location:

The Millennium Broadway Hotel
145 W 44th St, New York, NY

Register online at
www.rodman.com

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Positive:

1. Increased investment in hydrocarbon exploration, development and production technologies.
2. Increase in direct and indirect foreign investments into Mexico.
3. Creation of 1,000s of high paying jobs.
4. Decreased dependence on OPEC countries for global oil and gas supply.
5. Increase in revenues for Mexican government.
6. Increase in Mexico's hydrocarbon production and reserves.

Negatives:

1. Decreased investment in frontier regions: Arctic, Alaska, Africa.
2. Reduced urgency among global leaders to move away from fossil fuels to renewable energy sources.
3. Bureaucracy and high production costs can create significant delays and uncertainties in policy implementation.

Investors Taking more Risks

As we approach the halfway point of the third quarter, it is apparent that investors in general have finally capitulated and increased their risk appetite. Anxiety and fear created by the economic and political uncertainties related to the European debt crisis and the U.S. debt ceiling and sequestration have subsided, offset by aggressive monetary easing measures enacted by central banks around the globe. The net effect has been an impressive rally in U.S. home prices and small and microcap stocks.

| Through 7/31/13 | 1-Month | YTD | 1-Year | P/E (TTM) |
|-------------------------------------|---------|-------|--------|-----------|
| S&P Large Cap 500 Index | 5.0% | 18.2% | 22.2% | 14.3x |
| S&P Midcap 400 Index | 6.1% | 20.7% | 31.0% | 17.6x |
| S&P Small Cap 600 Index | 6.8% | 23.3% | 33.1% | 17.2x |
| iShares Micro Cap ETF | 7.2% | 26.5% | 34.6% | 16.0x |
| S&P Case-Schiller 20-City Composite | +2.5% | N/A | +12.2% | N/A |

Source: Standard and Poor's and ETF Database

With over 75% of companies listed on a U.S. exchange having reported second quarter earnings, the general takeaways have been:

1. Anemic revenue growth offset by better than expected margins and earnings.
2. More aggressive redeployment of capital into expansion and M&A vs. buybacks and dividends.
3. 2013 consensus EPS still heavily dependent on 2H results.

| Operating EPS Growth (YOY) | Q1 2013 | Q2 2013 | Q3 2013 (E) | Q4 2013 (E) |
|----------------------------|---------|---------|-------------|-------------|
| S&P Large Cap 500 Index | 6.3% | 3.9% | 13.9% | 26.1% |
| S&P Midcap 400 Index | 3.5% | 10.6% | 17.9% | 27.9% |
| S&P Small Cap 600 Index | 10.0% | 19.1% | 34.2% | 51.8% |



Visit MZ at the Euro Pacific Capital Global Investment Conference 2013

MZ will be a sponsor at this year's Euro Pacific Capital Global Investment Conference in New York on Sept 10th.

Euro Pacific Capital has assembled a group of senior executives from global companies who will offer insights into their own firms as well as their analysis of trends in their respective industries.

The information offered will help attendees gain a better understanding of trends in the global economy while introducing them to scores of innovative international firms in the sectors Euro Pacific feels most strongly about.

Conference Highlights:

- Presentations from executives of high profile companies from around the globe
- Q&A session with firm executives
- Keynote speaker, Peter Schiff, CEO of Euro Pacific Capital

Date:

September 10, 2013

Location:

Sofitel New York

45 W 44th St, New York, NY 10036

This conference is by invitation only.

[Visit the Conference Website](#)

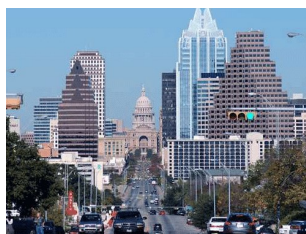
MZ Announcements

MZ Announces Expansion of Energy Practice with New Office in Austin, TX

MZ is proud to announce the launch of full service investor relations consulting and global corporate out-reach services in Austin TX, focused on its growing energy and natural resources practice. To capitalize on the vast growth opportunities in the energy sector, Derek Gradwell, Senior Vice President - Natural Resources, will spearhead MZ's efforts in Austin.

"We are excited to launch our office in Austin" said Gradwell, "With our focus on energy and natural resources companies, Austin is an ideal location to manage our investor relations efforts in this sector."

Derek Gradwell joined MZ Group in 2011 to head up the North American Natural Resources efforts including traditional energy, new energy, and metals & mining. He has been actively involved in the natural resources industry for over 19 years, mainly focused on investment opportunities in North America with extensive experience investor relations and corporate communications. He has worked with numerous companies in the oil and gas and metals and mining sectors gaining exposure to most global geological plays.



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MZ Adds New Client Actinium Pharmaceuticals

MZ is pleased to announce the addition of new client Actinium Pharmaceuticals who has chosen to utilize MZ as their premier investor relations service provider.

Actinium Pharmaceuticals, (OTCQB: ATNM) is a New York, NY based biopharmaceutical company that develops innovative alpha



Actinium Pharmaceuticals, Inc.

particle immunotherapeutics based on its proprietary platform for the therapeutic utilization of alpha particle emitting actinium-225 and bismuth-213 radiopharmaceuticals in association with monoclonal antibodies. For more information, please visit www.actiniumpharmaceuticals.com.

MZ Client Calendar

| Date | Client | Event | Location |
|-----------|---|--|----------------------|
| 8/19 | MNDL | Nasdaq Bell Ringing | New York |
| 8/20 | MNDL | East Coast Non Deal Roadshow | Multiple |
| 8/21 | HIMX | Oppenheimer Dragon Conference 2013 | New York |
| 8/21-22 | TRCH | Accredited Members Investment Conference & Non Deal Roadshow | Denver |
| 8/22 | BOFI | Raymond James Regional Banking Conference | Chicago |
| 9/4 | HIMX | Annual Shareholders Meeting | Taiwan |
| 9/6-10 | FCU | Non Deal Roadshow | New York |
| 9/8-10 | FCU, ISCO, MILL, PLM, KLH, TRCH, VNRX, BMIX | Rodman & Renshaw Annual Global Investment Conference | New York |
| 9/8-10 | ENSV | Non Deal Roadshow | New York |
| 9/9-11 | APWC | Non Deal Roadshow | TBD |
| 9/10 | BIMI, PLM, ENSV, MILL | Euro Pacific Capital Global Investment Conference | New York |
| 9/11 | TRCH | Non Deal Roadshow | New York |
| 9/11-12 | MILL | Non Deal Roadshow | New York |
| 9/12 | APWC, TRCH | SeeThru Equity Conference | New York |
| 9/11-13 | HIMX | Credit Suisse Technology Conference | Taiwan |
| 9/17 | HIMX | Oppenheimer Semi Conference | New York |
| 9/18-27 | HIMX | U.S. Non Deal Roadshow—New York, Boston, Chicago | Multiple |
| 9/17-18 | EVSI | Electric & Hybrid Vehicle Expo | Novi, MI |
| 9/23-27 | EVSI | Charge Across Town | San Francisco Region |
| 9/26 | HIMX | Craig Hallum Investment Conference | New York |
| 9/30-10/2 | ENSV, MILL, TRCH | IPAA OGIS | San Francisco |
| 10/1-2 | TRCH | Non Deal Roadshow | San Francisco |
| 10/3-4 | MILL | Non Deal Roadshow | San Francisco |

MZ Group is a multinational company and the world's largest independent investor relations, corporate communications, IPO journey, governance, market intelligence and applied technology firm. Founded in 1999, it focuses on innovation and personalized services, supported by its exclusive one-stop-shop business model. With offices in New York, Chicago, San Diego, Austin, Vancouver, Hong Kong, Taipei, Sydney and São Paulo, MZ has over 300 professionals serving 530 clients in 11 countries.



MZ serves as a premier informational resource for institutional investors, brokers, analysts, private investors, and the media which creates a dynamic audience and assists in diversifying our clients' shareholder base.



Visit our North American website at
www.mzgroup.us



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