

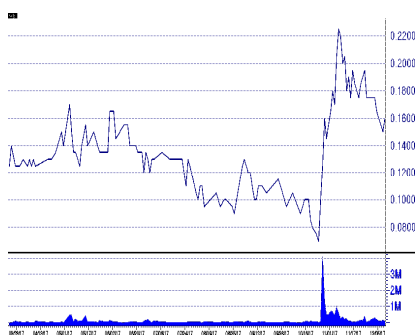
PUL - TSXV	\$0.19
TARGET:	\$0.50
PROJ. RETURN:	163%
VALUATION:	65% NAV/FD
	SHARE

Share Data	
Basic Shares O/S* (mm):	88.1
Fully Diluted O/S* (mm):	127.1
Market Cap (\$mm):	16.7
Enterprise Value (\$mm):	15.3
Net Debt (W.C.) (\$mm)**:	(1.4)
Next Reporting Date	March 2018

*Includes 14.1 mm shares for the Bigoray transaction.

**As at September 30, 2017, adjusted for financing & Bioray transactions

Thomson Chart – One Year



Corporate Profile

Pulse Oil Corp. is an oil and gas exploration and production company targeting oil rich Mannville plays in Alberta. The company plans to grow through a combination of strategic acquisitions and through low risk, technically diligent drilling. Pulse also offers substantial upside from its the miscible flood of tow Nisku Pinnacle reef at its 100% owned Bigoray property.

PULSE OIL CORP. – SPECULATIVE BUY

Production Increases To Over 300 boe/d

ACTION – Reiterate SPECULATIVE BUY and \$0.50 Target Price

This morning, Pulse announced that it has increased corporate production to over 300 boe/d (84% oil) from ~70 boe/d through well reactivations in its Bigoray core area (100% W.I). The company also completed a strategic acquisition of a 100% interest in 160 acres in Bigoray adjacent to its Nisku D Pinnacle reef. We reiterate our **SPECULATIVE BUY** recommendation and our \$0.50 target price. We base these on low risk production growth through the reactivation and recompletion program currently underway and the massive resource upside potential from the miscible flood Enhanced Oil Recovery ("EOR") project of the two Nisku Pinnacle reefs at Bigoray (100% W.I.).

DETAILS – Production Update & Strategic Acquisition

Net Production Increases To Over 300 boe/d; Addition Adds Expected Shortly: Pulse announced that it has increased corporate production to ~300 boe/d (84% oil) from ~70 boe/d, through the completion of the first phase of well reactivations in its Bigoray core area (100% W.I). After flush production, these wells are expected to add ~250 boe/d of long life production. In the coming weeks, Pulse plans to reactivate another five to seven wells at Bigoray and Queenstown. We estimate potential production additions of another ~250 boe/d taking corporate production to ~500 boe/d.

Strategic Acquisition of 160 Acres: Pulse announces that it has completed the acquisition of 160 acres (1/4 section) at Bigoray located immediately adjacent to the Bigoray Nisku D Enhanced Oil Recovery project. The acquisition provides further upside within the EOR program.

Massive Low Risk Upside From Miscible Flood of Nisku Pinnacle Reefs: The company's Bigoray assets include a 100% interest in two Nisku Pinnacle reefs that have produced an average of 35% of the 26 million barrels (mmboe) of petroleum initially in place ("PIIP") under waterflood. The average recovery factor of 52 nearby analogous reefs that have been developed with a miscible flood is approximately 80%. Assuming Pulse achieves a similar recovery factor, a miscible flood has the potential to add up to 12 mmboe of reserves with production additions of over 2,000 boe/d. **We assumed a recovery factor of only 60% translating into ~6.5 mmboe of new reserves conservatively valued (at \$65 million (\$0.74 per share)). With a recovery factor equal to the average of 80%, we see upside value potential of \$177 million (\$2.01 per share).** As most of the required infrastructure is in place (100% owned by Pulse), the miscible flood project requires a relatively small investment per Nisku Reef providing massive upside without the risk and significant cost of an extensive horizontal drilling program.

IMPACT – Positive. Building A Production & Cash Flow Base

Pulse is executing on its strategy to build a production and cash flow base through the completion of low risk well reactivations and recompletions. We maintain our **SPECULATIVE BUY** recommendation and our \$0.50 target price on the potential of the Nisku Reef EOR project, which has substantial upside if the miscible flood achieves expectations at the low end of the range.

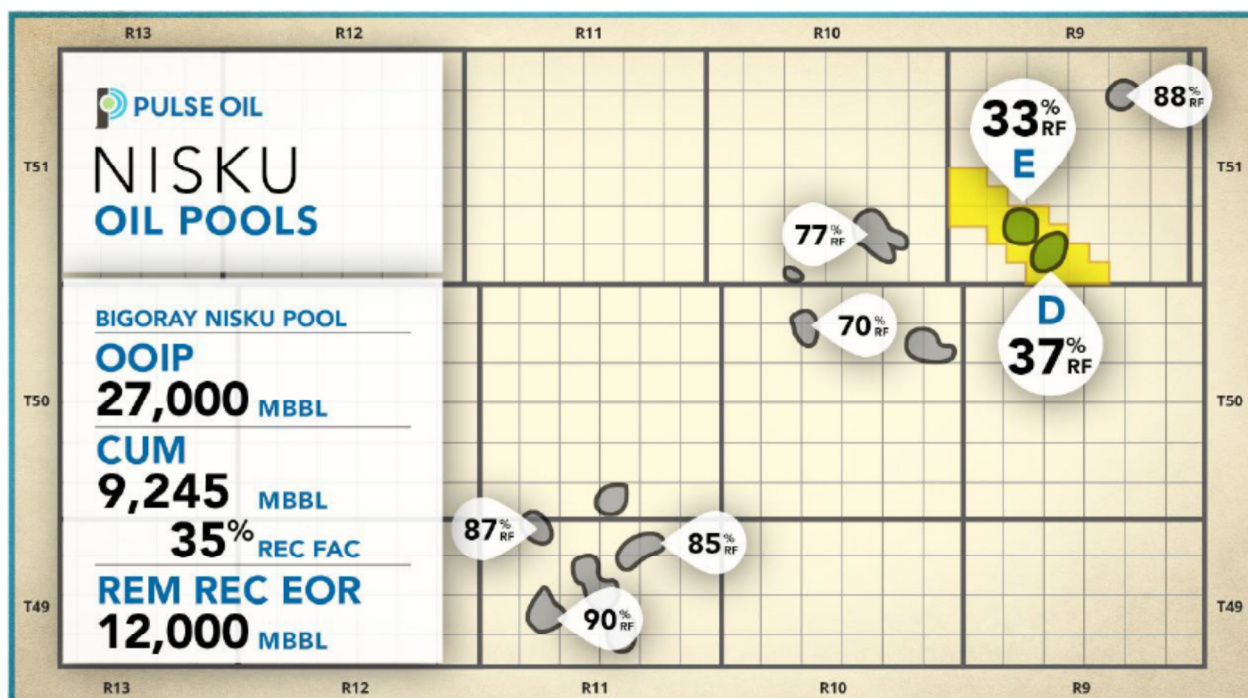
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BIGORAY – POTENTIAL VALUE OF \$177 MILLION WITHOUT DRILLING A WELL

Average Recovery Factor of a Miscible Flooded Nisku Pinnacle Reefs is 80%

Pulse identified 52 Nisku pinnacle reefs within the Bigoray greater area. Almost all of these nearby analogous reefs have been developed with a miscible flood achieving a remarkable average recovery factor of ~80% of PIIP (Figure 1). The Nisku-D and Nisku-E reefs owned by Pulse have produced on primary and secondary recovery (water flood) but have not yet been developed with a miscible flood.

Figure 1: Recovery Factors of Nisku Pinnacle Reefs Near To Pulse's Nisku-D and Nisku E Oil Pools.



Potential Reserves Additions of 6.5 mmboe to 12 mmboe

Combined the Nisku-D and Nisku-E reefs have an estimated petroleum initially in place ("PIIP") of ~26 mmboe of which only an average of 35% has been recovered to date (Figure 2). Assuming a successful miscible flood achieves the average recovery factor of 80% (the average of surrounding similar Nisku Pinnacle Reefs), the estimated additional reserves are 12 mmboe. Assuming a more conservative low case scenario with only a 60% recovery factor, the reserve additions are still significant at an estimated 6.5 mmboe. Nisku pinnacle reef wells are prolific producers and a successful EOR program is expected to add production of ~1,000 – 1,500 boe/d for each reef, which would generate substantial free cash flow. Using sliding sleeve completion technology Pulse plans to expedite the production response to within months of initiation of the flood.

Massive Potential Value with a Minimal Investment: The estimated start-up cost to complete pipeline work, convert water injector wells into miscible injectors, facilities upgrades and to install compression is approximately \$3.0 million for each reef and the cost of purchasing the miscible solvent (likely propane) is ~\$9 million (per reef) over the life of the project. Note that near the end of the project during the blowdown period, Pulse will be able to resell the propane, likely at a significant premium due to the higher liquids content. In Figure 3, we show the potential value for new reserves additions from the miscible flood base upon a range of ultimate recovery factors and value of reserves in the ground. Assuming a successful miscible flood achieves an average recovery factor of 80% we estimate the potential incremental value is \$177 million (\$2.01/sh). **Taking a much more conservative 60% recovery factor, we estimate a potential value of \$65 million (\$0.74/sh). In other words, the low case scenario has tremendous upside.**

Figure 2: Summary of Petroleum Initially In Place, Recover Factor to Date, and Potential Ultimate Recovery

Reserves		Base Case			Low Case		
		D-Pool	E-Pool	Total	D-Pool	E-Pool	Total
Petroleum Initially In Place	mmboe	13.9	12.5	26.4	13.9	12.5	26.4
Produced To date	mmboe	5.1	4.2	9.3	5.1	4.2	9.3
Remaining Oil In Place	mmboe	8.8	8.3	17.1	8.8	8.3	17.1
rf to date	%	36.7%	33.6%	35.2%	36.7%	33.6%	35.2%
Ultimate rf	%	80.0%	80.0%	80.0%	60.0%	60.0%	60.0%
Additional Reserves	mmboe	6.0	5.8	11.8	3.2	3.3	6.5

Source: Company reports, Mackie Research Capital

Figure 3: Range of Potential Value Based Upon the Ultimate Recovery Factor and Value of Reserves in the Ground

		Ultimate Recovery Factor						
		55%	60%	65%	70%	75%	80%	85%
		Reserves Additions (mmboe)						
		5.22	6.54	7.86	9.18	10.5	11.82	13.14
		Incremental Value of Reserves Additions From Solvent Flood (\$MM)						
\$/boe								
\$ 5.00	\$	26	\$ 33	\$ 39	\$ 46	\$ 53	\$ 59	\$ 66
\$ 10.00	\$	52	\$ 65	\$ 79	\$ 92	\$ 105	\$ 118	\$ 131
\$ 15.00	\$	78	\$ 98	\$ 118	\$ 138	\$ 158	\$ 177	\$ 197
\$ 20.00	\$	104	\$ 131	\$ 157	\$ 184	\$ 210	\$ 236	\$ 263
\$ 25.00	\$	131	\$ 164	\$ 197	\$ 230	\$ 263	\$ 296	\$ 329
		Ultimate Recovery Factor						
		55%	60%	65%	70%	75%	80%	85%
		Reserves Additions (mmboe)						
		5.22	6.54	7.86	9.18	10.5	11.82	13.14
\$/boe								
\$ 5.00	\$	0.30	\$ 0.37	\$ 0.45	\$ 0.52	\$ 0.60	\$ 0.67	\$ 0.75
\$ 10.00	\$	0.59	\$ 0.74	\$ 0.89	\$ 1.04	\$ 1.19	\$ 1.34	\$ 1.49
\$ 15.00	\$	0.89	\$ 1.11	\$ 1.34	\$ 1.56	\$ 1.79	\$ 2.01	\$ 2.24
\$ 20.00	\$	1.19	\$ 1.49	\$ 1.78	\$ 2.08	\$ 2.38	\$ 2.68	\$ 2.98
\$ 25.00	\$	1.48	\$ 1.86	\$ 2.23	\$ 2.61	\$ 2.98	\$ 3.35	\$ 3.73

Source: Company reports, Mackie Research Capital

SUMMARY AND RECOMMENDATION – ITS ALL ABOUT THE NISKU

At the current market price, we believe Pulse Oil Corp. represents a strong speculative buying opportunity for the following reasons.

Not Your Typical Junior (*Huge Upside Could Be Achieved with Little Capital*): What differentiates Pulse from other junior E&P companies is the massive upside from the miscible floor of its Nisku-D and Nisku-E reefs at Bigoray which has the potential to add reserves of 6.5 mmboe base on our conservative estimates and up to 12 mmboe of reserves base upon nearby analogs. **Our valuation for the miscible flood is \$65 million (\$0.74/sh) on the low end with upside to over \$177 million (\$2.01/sh).** As most of the required infrastructure is in place, the miscible flood project requires a relatively small investment providing massive upside without the risk and significant cost of an extensive horizontal drilling program.

Management with a Large Vested Interest: Garth and Drew have combined invested \$1.3 million into Pulse at an average cost of ~\$0.11 per share holding ~14% of the outstanding shares, while taking no salary for the last 2 years. The significant level of ownership aligns the interest of management with shareholders.

Large Discount to Net Asset Value: At the current market price, PUL currently trades at a discount to our core NAV estimate of \$0.23/fd share which excludes the Nisku miscible flood. Our NAV increases to \$0.75/fd share when we include are conservative valuation for the flood. We expect this discount to diminish as the company secures funding to complete the Nisku EOR program.

Massive Upside Based on Conservative Assumptions: The potential upside from a successful Nisku Reef EOR project is so large that we expect substantial stock price appreciation even if the miscible flood achieves expectations at the low end of our expectations. Production additions of ~2,000 boe/d from Bigoray should generate substantial free cash flow that can be invested into drilling the company's large inventory of Mannville locations providing long term growth potential.

Figure 4: Summary

Pulse Oil Corp.			PUL		
Share Data		Market Value	Stock Price		Target Price
Basic Shares (mm):	88.1	Market Cap. (\$ mm):	\$ 16.3	Close:	\$0.19
Diluted Shares (mm):	127.1	Enterprise Value (\$ mm):	\$ 14.9	High:	\$0.25
Fully Diluted (mm):	127.1	Net Debt (W.C) (\$ mm):	\$ (1.4)	Low:	\$0.07
<p>NAV, Reserves and Concessions</p>					
Net Asset Value*			Reserve Estimate (31/12/2016)		
	<u>C\$m</u>	<u>C\$/share</u>			<u>(mboe)</u>
Reserves (P + P)	21.3	\$0.24	Proven	62%	1,613
Working Capital Net of Debt	1.4	\$0.03	Probable	38%	1,003
Undeveloped Land	-	\$0.00	P+P		2,616
Net Asset Value (Basic)	22.7	\$0.26			
Dilution	6.6	\$0.07			
Core NAV/FD Share	29.3	\$0.23			
Price to core NAV		0.80x			
Risked Resource Value (C\$)	65.4	\$0.74			
Risked NAV/FD share	94.7	\$0.75			
Price to risked NAV (multiple)		0.25x			
			Undeveloped Land		
					<u>net acres</u>
			Bigoray		12,179
			Mannville Assets		30,720
					42,899

Source: Company Reports, Thomson Reuters, Mackie Research

RISKS TO TARGET

While this is not an exhaustive list, we view the following risks as being noteworthy to investors in PUL.

Financial Risk: At the current production level, PUL is generating a limited amount of cash flow. Future expenditures will be dependent on cash flow as well as external capital sources which may include debt or equity. Should it not be possible to obtain the necessary financing, there would likely be an adverse impact on the company's development or production activities.

EOR Miscible Flood Program: PUL plans to implement a miscible flood program on the Nisku-D and Nisku-E oil pools. Although both pools responded well to a waterflood program, the effectiveness of a miscible flood program is unknown at this time.

Commodity Price Risk: Operational results and financial condition, and therefore the amount of capital expenditures are dependent on the prices received for crude oil and natural gas production. A prolonged or significant weakness in the price of oil and natural gas would affect PUL's ability to spend capital and potentially lead to shut-in of operations.

Regulatory Policy Risk: Various levels of government extensively regulate the energy industry with influence over exploration and production activities, prices, taxes, royalties and export restrictions. New regulations or modifications to existing regulations could adversely impact the company's profitability.

Exploration Risk: The majority of PUL's capital expenditures is directed to towards lower-risk development projects including well reactivation and workovers. As the company grows production and cash flow, a portion of PUL's future capital expenditures may be directed to toward exploration activities that carry a higher degree of risk.

Exchange Rate Risk: PUL operations are exposed to changes in the exchange rate between the U.S. dollar and Canadian dollar.

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