

PUL - TSXV	\$0.16
TARGET:	\$0.50
PROJ. RETURN:	213%
VALUATION:	70% Risked NAV

#### Share Data

Basic Shares O/S (mm):*	144.5
Fully Diluted O/S (mm):*	205.2
Market Cap (\$mm):	23.1
Enterprise Value (\$mm):	12.8
Net Debt (W.C.) (\$mm):	(10.3)
Next Reporting Date*	November 2018

\*Estimated as at June 30, 2018, adjusted for financings

#### 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

### Phase Two Of Bigoray EOR Reservoir Model Complete; Final Phase Three Underway

#### ACTION – Reiterate SPECULATIVE BUY And \$0.50 Target Price

This morning, Pulse Oil Corp. (“PUL”) announced that it has successfully completed Phase Two of the Bigoray Enhance Oil Recovery (“EOR”) dynamic reservoir model (“DRM”) of the company’s two Bigoray Nisku reefs (100% W.I.) with favorable results. The final Phase Three has now commenced and is expected to be completed prior to year-end. We reiterate our **BUY** recommendation and our \$0.50 target price on the potential for low risk production growth through reactivation, recompletions and low risk drilling, and the massive upside potential from the miscible flood EOR project at Bigoray.

#### DETAILS – EOR Reservoir Model Nearing Completion

**Phase 1 Confirmed Excellent Reservoir Properties:** Phase One of the DRM included analysis and interpretation of the logs and petrophysical data associated with 15 wells drilled within the two Nisku pools, followed by analysis and interpretation 10 cores cut within the two pools. The study confirmed that the Nisku D and Nisku E reservoirs have a tri-modal porosity system, with matrix, vugular and fracture porosity, that compares favorably with off-setting pools where EOR implementation has resulted in recovery factors as high as 85% of petroleum initially in place (“PIIP”).

**Phase 2 Structural Study Complete:** Phase Two involved the construction of an architectural and structural reservoir model incorporating the petrological and petrophysical data gathered in Phase One with the company’s 3D seismic data base. Of note, this is the first time that 3D seismic data has been applied to the evaluation of these pools, which helped to better define the pool boundaries and could increase the interpretation of the structure closure.

**Phase 3 Solvent Injection & Development Study To be Completed Prior to Year-end:** Phase 3 consists of running multiple simulations of different solvent and injections scenarios in order to determine the best type of solvent to inject as well as the optimal location of the production and injection wells. This will help to maximize oil recovery from the well-established Nisku D and Nisku E reservoirs.

**Bigoray Nisku Reactivations:** On November 26, 2018, PUL announced that the Alberta Energy Regulator (“AER”) has approved the transfer of a 100% interest in a well in the Bigoray Nisku E Pool from the Orphan Well Association. The AER also approved the transfer of the remaining 75% interest from an arms-length third party in a well in the Nisku D Pool. With a 100% interest in both wells, PUL plans to initiate reactivation operations shortly which combined could add ~ 200 boe/d (~80% light oil).

**Mannville Drilling Update:** In early December 2018, PUL plans to commence a two horizontal well program, drilled back-to-back from a single multi-well pad. The wells are will target the Mannville Glauco Lithic Channel deposits identified in 3D seismic.

#### IMPACT – Positive. Capital In Place To Fund Immediate Growth

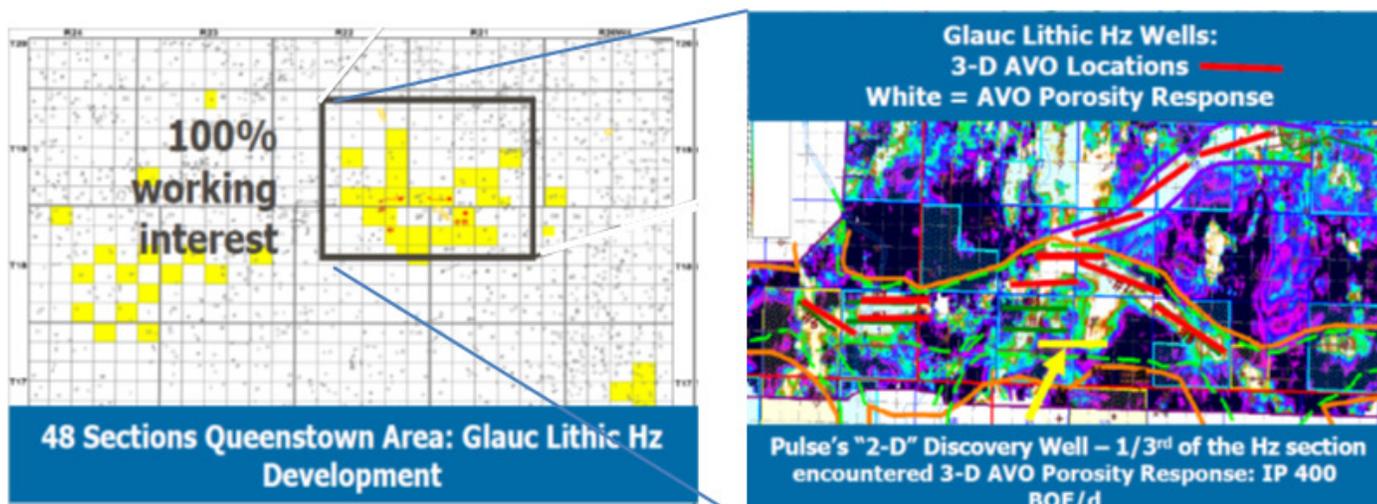
With the recently completed financing, PUL is fully funded for a two Mannville well drilling program and to commence the next phase of the Bigoray EOR project. A successful Nisku Reef EOR project could be a game changer.

*This report has been created by analysts who are employed by Mackie Research Capital Corporation, a Canadian Investment Dealer. For further disclosures, please see last page of this report.*

## QUEENSTOWN – IMMEDIATE PRODUCTION GROWTH POTENTIAL

**Mannville Drilling to Commence December:** PUL holds an operated 100% interest in 48 sections (30,720 net acres) in the Queenstown area in southern Alberta and the company has identified over 20 drill-ready horizontal development locations within established oil pools. The primary target is the Mannville group, specifically Glauconite lithic channel sandstone reservoirs found at a relatively shallow depth of between 1,500 to 2,000 metres which allows for relatively low drilling costs. Earlier this year, PUL acquired a 3D seismic data set covering the core of the Queenstown asset. The reinterpretation of 3D seismic data, combined with Amplitude Versus Offset (“AVO”) analysis has helped to identify the “sweet spots” in its existing horizontal wells, resulting in ten high-graded development locations, targeting Glauconite lithic channels. Of note, the AVO work completed by PUL determined that **only 1/3 of the horizontal sector of the 8-5 discovery well, which initially produced at ~400 boe/d, was in within the targeted reservoir.** In early December 2018, PUL plans to commence a two horizontal Mannville oil well program from a single multi-well pad. Based upon the recently interpreted 3D seismic, locations are within the lithic channel sweet spot.

Figure 1: Queenstown Core Area



Source: Company reports, Mackie Research Capital

## 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** | A portion of PUL's expenditures are directed to exploration activities. There can be no assurance that PUL's exploration activities will result in material additions of reserves.

**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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