

|               |                |
|---------------|----------------|
| PUL - TSXV    | \$0.18         |
| TARGET:       | \$0.50         |
| PROJ. RETURN: | 178%           |
| VALUATION:    | 70% Risked NAV |

#### Share Data

|                          |               |
|--------------------------|---------------|
| Basic Shares O/S (mm):*  | 144.5         |
| Fully Diluted O/S (mm):* | 205.2         |
| Market Cap (\$mm):       | 26.0          |
| Enterprise Value (\$mm): | 15.7          |
| 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 miscible flood of tow Nisku Pinnacle reef at its 100% owned Bigoray property.

## PULSE OIL CORP. – SPECULATIVE BUY

### 1<sup>st</sup> Mannville Horizontal Oil Well Encounters High Quality Reservoir; 2<sup>nd</sup> Horizontal To Spud Within Days

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

Yesterday, Pulse Oil Corp. (“PUL”) announced that its first horizontal Mannville oil well (“16-4”) has been drilled and cased after encountering high quality reservoir and oil shows. Within days, PUL will spud a second horizontal Mannville oil well (“12-9”) from the same surface location but in the opposite lateral direction. After drilling is complete, multi-stage frac operations on both wells will commence which could boost oil production in early Q1/19. Maintain **SPECULATIVE BUY** and \$0.50 target price.

#### DETAILS – Update of Mannville Horizontal Oil Well Drilling Program

##### 1<sup>st</sup> Mannville Oil Well Drilled & Cased After Encountering High Quality Reservoir:

PUL holds an operated 100% interest in 48 sections (30,720 net acres) in the Queenstown area in southern Alberta. The primary target is the Mannville group, specifically Glauconitic lithic channel sandstone reservoirs. On December 18, 2018, PUL announced that the 16-4 well has been drilled on time and on budget to a total measured depth of 3,332 metres, which included a 1,282 metre lateral section. The entire lateral section is oil stained, with porosities of up to 18%. PUL believes the drill results confirm its interpretation of new 3D seismic data, which highlighted the high porosity lithic sandstone section of the Glauconite channel. The well will be completed with approximately 15-stage fracs immediately after drilling of the 12-9 well.

**2<sup>nd</sup> Mannville To Spud Shortly:** The 12-9 well will be drilled from the same surface location, but in opposite lateral direction from the 16-15 well (Figure 1). Once drilling is complete, PUL will release the drilling rig and commence multi-stage frac operation on both wells with results expected in January 2019.

#### IMPACT – Positive. First Horizontal Well In The Sweet Spot

The initial drilling results of the first horizontal well are encouraging and we expect a significant production and cash flow boost in Q1/19 after both wells have been tested.

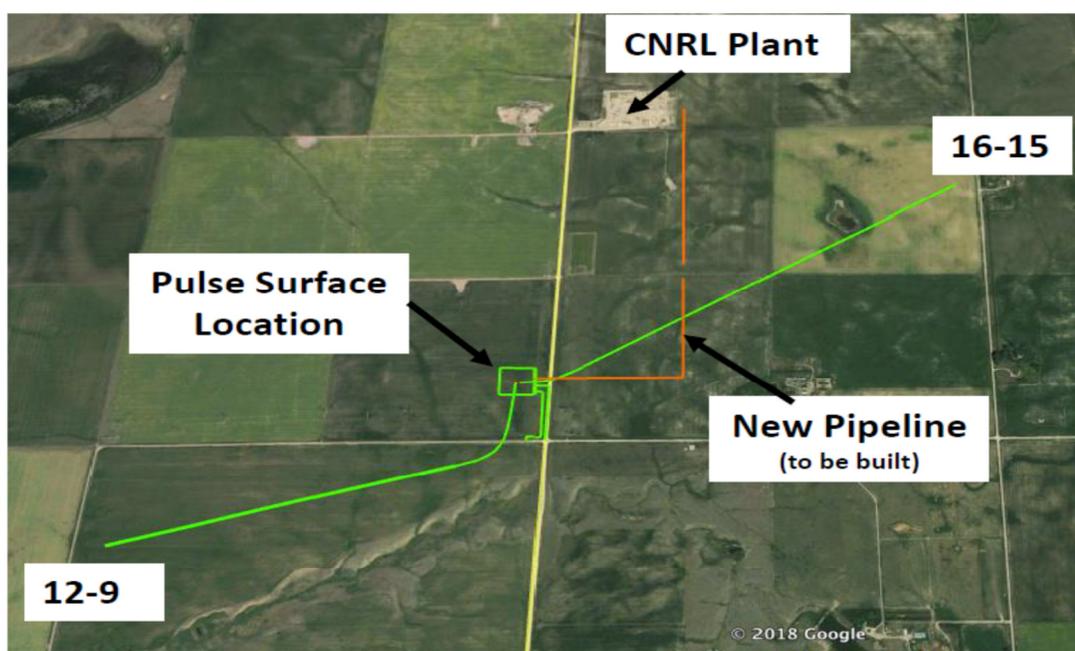
We reiterate our **SPECULATIVE BUY** recommendation and our \$0.50 target price on the potential for low risk production growth through reactivation, recompletions and low risk drilling, and the massive upside potential from the miscible flood EOR project at Bigoray.

*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 Underway:** 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 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. On December 18, 2018, PUL announced that it had drilled and cased the 16-15 horizontal well on a north east heading. The 12-9 well will spud within the next few days from the same surface location, but drilled in the opposite location on a SE heading within the heart of the reservoir. Completion and testing is expected to commence late this year with production on-stream in early Q1/19.

**Figure 1: 16-15 Horizontal Well Drilled on a NE Heading; 12-9 Horizontal Well on a SW Heading**



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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