

Update

October 9, 2018

**PUL - TSXV** **\$0.24**  
**TARGET:** **\$0.50**  
**PROJ. RETURN:** **108%**  
**VALUATION:** **65% NAV/FD SHARE**

#### Share Data

Basic Shares O/S (mm): 89.1  
Fully Diluted O/S (mm): 127.9  
Market Cap (\$mm): 21.4  
Enterprise Value (\$mm): 21.1  
Net Debt (W.C.) (\$mm): (0.3)  
Next Reporting Date November 2018

#### 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 it's the miscible flood of tow Nisku Pinnacle reef at its 100% owned Bigoray property.*

## PULSE OIL CORP. – SPECULATIVE BUY

### Bigoray Well Reactivations To Boost Oil Production; Drilling At Queenstown In Q4/18

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

This morning, Pulse Oil Corp. ("PUL") released on operational update. In Q4/18, PUL expects to reactivate two more Bigoray wells which combined, could boost light oil production by ~200 boe/d. These wells are highly economic given the recent strength in the price of oil. The company also plans to spud its first horizontal oil well in Q4/18, targeting the Mannville Lithic formation. We reiterate our \$0.50 target price on the potential for low risk production growth through reactivation, recompletions and low risk drilling, as well as the massive upside potential from the miscible flood EOR project at Bigoray.

#### DETAILS – Low Cost Production Adds From Bigoray Well Reactivations

**Bigoray Nisku E Pool Reactivation:** PUL expects the Alberta Energy Regulator ("AER") to transfer a 100% interest in a well in the Bigoray Nisku E Pool by October 23, 2018. This well had previously been shut-in several years ago due to low oil prices and lack of funding by the previous operators. The reactivation is expected to add net production of approximately 80 to 100 boe/d (~80% light oil) in November 2018.

**Bigoray Nisku D Pool Reactivation:** PUL currently holds a 25% interest in a suspended well in the Nisku D pool. Subject to standard regulatory approvals, PUL will acquire the remaining 75% interest from an arms-length third party. The transfer of the well licence is expected within the next 30 to 45 days and reactivation is expected in January 2019. After completion of the acquisition of this final well, PUL will hold a 100% interest in fourteen wells within Bigoray Nisku D and E Pools. The newly acquired well was one of the best wells in the Nisku D pool which was on continuous production for 34 years and was still producing over 100 boe/d before being shut-in due to low oil prices.

**Mannville Drilling To Commence In Q4/18:** 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 found at a relatively shallow depth of between 1,500 to 2,000 metres which allows for relatively low drilling costs. Pulse has identified over 20 drill-ready horizontal development locations within established oil pools. 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 vs. Offset (AVO) analysis has helped to identify the "sweet spots" in its existing horizontal wells, resulting in eight high-graded development locations, targeting Glauconite Lithic Channels. PUL has secured surface access and is ready to proceed with the construction of a drilling pad. The first horizontal **Mannville oil well is expected to spud in Q4/18**. If successful, PUL plans to drill a second well from same drilling pad.

#### IMPACT – Positive. Low Risk, Low Cost Oil Additions

The two Bigoray reactivations could double production to ~400 boe/d (80% oil) in early January 2019. If the Mannville horizontal oil well is successful, production could double again in Q1/19. In addition, PUL continues to make progress on building its dynamic EOR model which should allow the company to determine the best development and solvent injection methodology that will maximize the oil recovery from its Nisku Reefs. **MAINTAIN SPECULATIVE BUY.**

*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.*

## 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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