

EXALL ENERGY CORPORATION

EE-TSX: \$1.90

OUTPERFORM

Target Price: \$2.75

The Perfect Little Oil Play — Initiating Coverage

Kuno Ryckborst

kryckborst@stonecapsecurities.com

403.817.2011

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Exall Energy Corporation (EE-TSX, \$1.90)

Outperform; Target: \$2.75 — Initiating Coverage

EE-TSX	\$1.90
Rating	Outperform
Risk	Above Average
Target Price	\$2.75
Projected Total Return	45%

Market Data

52-Week Trading Range	\$1.30 - \$2.27
30-day average volume	105,730
Share Outstanding, Basic (mm)	67.80
Share Outstanding, FD (mm)	72.01
Market Capitalization C\$MM	128.82
Enterprise Value (mm)	153.07

	2010A	2011E	2012E	2013E
WTI Crude Oil (US\$/bbl)	\$79.43	\$97.38	\$95.00	\$100.00
NYMEX gas (CDN\$/mcf)	\$3.88	\$3.88	\$3.50	\$4.50
US\$/CDN\$	\$0.971	\$1.016	\$1.014	\$1.014

Production

Crude oil & Liquids (bbls/d)	759	1,045	2,049	3,672
Natural Gas (mcf/d)	703	840	1,142	1,001
Total Production (boe/d)	876	1,185	2,239	3,839
Production/MM Basic share:	14	19	36	62
Oil Weighting	87%	88%	91%	96%
Growth	n/a	35%	89%	71%

Financial

Net Income (\$000)	\$4,176	\$10,123	\$29,798	\$58,366
Cash Flow (\$000)	\$11,235	\$20,247	\$43,185	\$78,350
CFPS (fd)	\$0.19	\$0.31	\$0.60	\$1.09
Net D/CF	1.3x	1.2x	0.8x	0.23x

Valuation

P/CF	11.9x	6.7x	3.17x	1.7x
EV/DACF	11.7x	7.7x	3.7x	1.8x
EV/BOEPD	\$157,601	\$135,250	\$73,562	\$38,213
EV/P+P boe	\$42.67	\$47.97	\$48.29	\$43.89
NAV/share	\$1.54			
P/NAVPS	135%			

Source: Capital IQ, Company reports, Stonecap Securities Inc.

This report was prepared by an analyst employed by a Canadian affiliate, Stonecap Securities Inc., who is not registered as a research analyst under FINRA rules. See the last page of this report for important disclosure information.

The Perfect Little Oil Play

- We are initiating coverage of Exall Energy Corporation (Exall) with an Outperform recommendation and a 12-month target of \$2.75. At current price levels, Exall shares provide an attractive potential rate of return of 45% based on a low execution risk.
- The company's production profile is weighted 88% to light oil yielding solid well head prices with nominal price discounts. The average production for 2011E is 1,185 boe/d, up 35% from 2010A and on its way to our 2012E projection of 2,239 boe/d.
- Exall recently reported a lower exit rate of 1,602 boe/d than the anticipated 2,250 boe/d guidance due to the shut-in of 648 boe/d in late December in conjunction with necessary waterflood applications. Said guidance otherwise would have been met and Exall is now producing 1,900 boe/d.
- Exall also offers hidden reserve value and potential economies of scale benefits as management continues to transform the company into a multi-formation (Gilwood & Wabamum) producer focused in the greater Mitsue area of Central Alberta near Slave Lake.
- A large contiguous land position (215 net sections) in its key Gilwood Sands oil play with 40+ identified drilling locations provides scope for repeatable low risk step out drilling. Adding to the investment appeal are high working interests (avg. 72.9%) and a solid management track record of superior organic growth.

Valuation

Our target price of \$2.75 per share is based by applying a 5x EV/DACF multiple. This is supported by the company's 88% weighting to light oil, repeatable low risk drilling program with multi producing formation potential and solid cash netbacks.

Conclusion

Exall is poised to capitalize on its existing asset base to grow 2012E average production two fold to 2,239 boe/d organically. Management's development strategy is to map out and follow the Gilwood channel sands, drilling into trends that are proven to contain light oil. Should Exall successfully execute its business plan, it should be able to meet our projections.

Pro Forma Outlook

- Our 2012E financial forecast includes a \$55mm capex program and annual average production of 2,239 boe/d weighted 88% to oil. Applying Stonecap's oil price forecast, the 2012E cash flow is \$43.2mm, or \$0.60 per fully diluted share.
- We estimate that the company will exit 2012E with net debt of \$35.9mm, and net debt/CF of 0.8x versus 1.2x in 2011E and 1.3x in 2010A.
- Funding of the 2012E \$55mm capital expenditure program will be comprised of \$43.2mm in estimated operating cash flow supplemented bank debt advances of \$13.8mm on current authorized availability of \$32mm that is expected to increase to \$42mm on further bank review.
- 2012E projections assumes drilling 15 (10.94 net) development wells with an average 72.9% W.I. targeting the Gilwood Sands at an aggregate gross cost per well of \$3.25mm (drill/complete and tie-in), adding approximately 225 boe/d net production utilizing a 77.5% success rate due to the risk associated with drilling delineation wells in the trending Gilwood channel sands. The company has 40+ low risk drilling locations prior to shooting its 2012E seismic program.
- The repeatability of the drilling program, 88% weighting to light oil, strong cash net backs (2012E \$52.69/boe) and a strong management team warrant an optimistic viewpoint.
- Committed management team with insiders holding approximately 20% basic (25% fully diluted) of the common shares.
- The company is not taxable for the 2012E and 2013E period with estimated tax pools as of December 31, 2010, of \$32.8mm.

Company Description

Exall Energy Corporation a junior exploration and production company primarily focused on the exploration and development of a multi-formation light oil resource play near Slave Lake, Alberta. Exall Energy Corporation was incorporated under the laws of Ontario on September 15, 2006. The company was created to acquire certain oil & natural gas assets from Exall Resources Ltd. in a transaction that was completed in December 2006. Subsequent to the initial asset acquisition, the company merged with Southern Star Resources Inc. and acquired Kingsmere Exploration Ltd. in January 2007. It then amalgamated with its wholly owned subsidiary, Kingsmere Exploration Inc., effective July 1, 2008.

Corporate Strategy

Management's current strategy is to increase oil production from the recent greater Mitsue and Marten Mountain discovery made during the 2010 winter drilling season. Growth is expected to be attained predominantly through the drill bit complemented by selective acquisitions opportunities should accretive opportunities arise. Operational

focus is on driving high cash netbacks with favourable recycle ratios. Management intends to exploit the Greater Mitsue property to achieve maximum shareholder value.

Recent Key Events

- On January 18, 2012, Exall announced a FYE operational update citing that its FYE 2011E exit rate of 1,602 boe/d fell short of its projected 2,250 boe/d guidance because four wells were shut-in due a drop in reservoir pressure. Although this is normal for the course, the timing just before FYE was unexpected as Exall would otherwise have met guidance. Management expects these wells to be shut-in for 90 days until waterflood approvals are granted by the ERCB, which is expected by Q1/2012. Further clarification was made on a well location driven by recent seismic interpretation that spudded on November 29, 2011, with strong test results of 513 boe/d net. Gilwood wells are bought on stream in accordance to the new oil well production practice (NOWPP) that sets the maximum annual production volume at 66,000 boe/year.
- Management issued an operational update on December 1, 2011, confirming that production had exceeded 2,000-boe/d; drilling and testing was completed on one Gilwood Sand A well (115-boe/d net flush production) and a second multi Gilwood Sands A (340-boe/d net flush production) & B (215-boe/d net flush production) well both expected to be tied-in by the middle of December 2011. The update also confirmed Exall spudded another Gilwood A well November 29, 2011, and announced a test program for the Wabamun exploration well (results expected around Q2/2012).
- On November 8, 2011, Exall released Q3/2011 results highlighted by production averaging 1,049 boe/d, a 23% Y/Y increase; very strong operating net backs of \$58.82/boe, a 19% Y/Y increase; and announced additional land acquisition to its core Mistue property (128,249 net acres for \$32.61/acre) back in Q1/2011. CFPS for the quarter was \$0.08/share and \$0.20/share YTD on a fully diluted basis.
- On November 3, 2011, Exall announced new light oil discovery found in the upper Devonian Wabamun formation up hole from the current producing Gilwood A & B sand formations. While still requiring additional exploratory confirmation, which is expected over the upcoming winter months, this newly found resource could conservatively add to the current proven reserve base from existing land positions. Management was encouraged by the both the core samples and well test results plus the preliminary log interpretations.

Production History

Since inception, management has demonstrated organic growth through the drill bit. Figure 1 illustrates the production history and percentage growth from 2010A to 2013E, incorporating average 20% declines over the entire type curve to the existing Gilwood production plus all new additions from the 2012E and 2013E drilling programs.

Figure 1: Production

	2010A	2011E	2012E	2013E
Crude oil & Liquids (bbls/d)	759	1,045	2,049	3,672
Natural Gas (mcf/d)	703	840	1,142	1,001
Total Production (boe/d)	876	1,185	2,239	3,839
Production/MM Basic shares	14	19	36	62
Oil Weighting	87%	88%	91%	96%
Growth	n/a	35%	89%	71%

Source: Company reports, Stonecap Securities Inc.

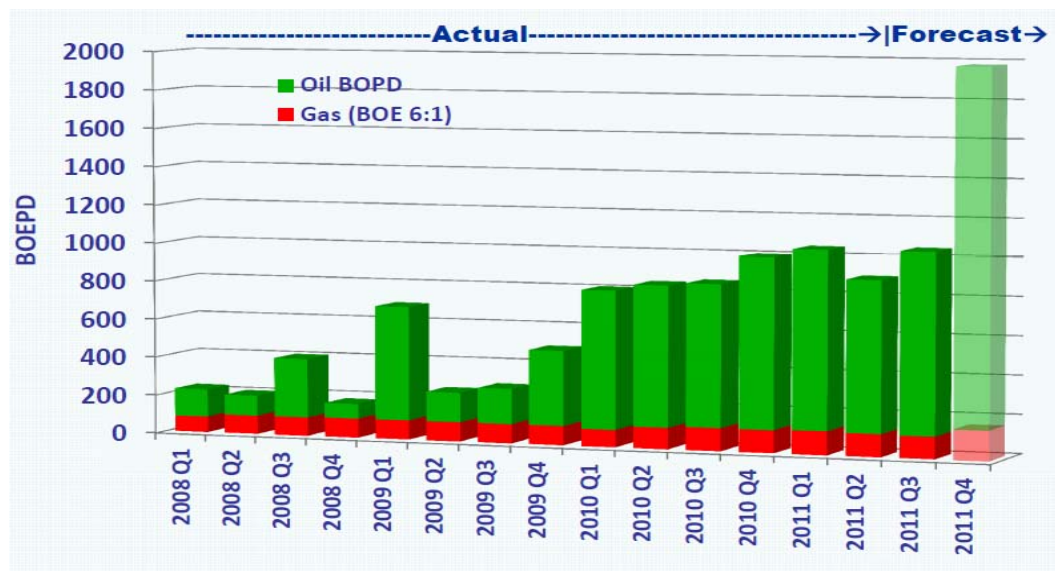
- As of early December 2011, the company was still producing 2,000 boe/d with an achievable 2011E exit rate of 2,250 boe/d. Due to the shut-in of four producing wells in late December due to a drop in reservoir pressure, Exall actually exited 2011E at 1,602 boe/d. The shut-in production of ≈648 boe/d represents a nominal 5% y-o-y increase over the 2010A exit rate of 1,531 boe/d. This production blip does not, however, skew average 2011E production as we are expecting that to come in at 1,185 boe/d. 2012E average production however, will be affected and hence we have lowered our average 2012E production to 2,395 boe/d as a result of cutting back by the shut-in volume for a period of 120 days.
- Before the wells were shut in, these four wells produced between a few months to 1.5 years. The shortest producing well will be converted into the water injector well. It appeared that this well might not have struck the channel sand entirely.
- All wells are brought on in accordance with the new oil well production practice setting a maximum annual production volume at 66,000 boe/d. The well can be produced at any daily rate but dividing said volume by 365 days suggests a well would produce at 181 boe/d. Management's strategy is to flow new wells at a higher rate between 225 and 300 bbls/d indicating 293 and 220 days of flow respectively. This means that the well would have to be shut-in for 72 and 145 days under these respective scenarios. In our model we have elected to produce at 225 boe/d using a 20% per annum decline estimate is in accordance with allowable volumes prescribed by the Energy Resources Conservation Board (ERCB) under the new oil well production practice (NOWPP).
- Our estimated average production for 2012E of 2,239 boe/d is derived by incorporating production additions from a 15 (10.94 net) well development drilling program with an average 72.9% W.I. Each Gilwood well drilled in 2012E was risked at a 77.5% success rate, adding 225 boe/d net as per the ERCB prescribed new oil well production practice. Adding 15 wells at 225 boe/d to the Q4/2011 average production number less 20% declines in volumes quantifies our projected 2012E average rate. Our 2013E number was calculated in the same manner.
- The company also plans to drill three exploration wells in 2012E in an attempt to prove up whether production from the Wabamum and Exshaw formations will be economical. We have risked these three wells at a 30% success rate and have not included any resulting production into our production forecast.

- Exall has been playing catch up in the second half of fiscal 2011 due to the devastating forest fire in Slave Lake and announced a force majeure on May 16, 2011, shutting in 921 boe/d of its production for precautionary reasons. This resulted in 15% drop in the average daily production for both Q2 and H1 2011, respectively, and will skew the percentage in production growth of 2012E (126%) vs. 2011E (35%).

Why are there production fluctuations?

Management tends to press release actual achieved production rates together with a subsequently higher production capacity. Although confusing at first, Exall follows a strategy that maximizes early cash flow by producing new wells slightly over the suggested average rate of 181 boe/d for the first 120 days, but within the maximum allowable annual volume as prescribed by the ERCB. It can do so without penalty as long as the overproduction is retired by either producing less than the adjusted maximum rate limitation over the remaining life of the well, or by shutting in the well in the immediate month(s) following overproduction. The ERCB instills these policies in order to maximize the recoverability of a reservoir. This explains the production peaks as seen in Q3/2008 and Q1/2009, and the subsequent valleys of Q4/2008 and Q2/2009 as illustrated in the Figure 2. This production strategy provides Exall with more up-front cash flow to re-coup its drilling and completion costs. Please note that Figure 2 was prepared prior to the announced exit rate of 1,602 boe/d.

Figure 2: Actual and forecast production, Q1 2008 to Q4 2011



Source: Company reports

Management estimates that incremental fluctuation in production currently experienced by the bringing on and shutting in of new wells will begin to diminish to the point where it is hardly noticeable once the overall number of producing wells reaches a critical mass. In time, management expects the ERCB to grant approval to convert from the

NOWPP to the GPP (good production practice) system. Under GPP, Exall will have more flexibility and input as to how it will manage both production and depletion rates.

At the point where the maximum well volume as prescribed by the ERCB has been met, a well will have to be shut-in while the company applies for water flood approval. The ERCB will only grant approval if operations prove that by converting a produced well into a water injection well, it will in fact lead to an overall increase to, and/or a long-term stabilization of, production to the surrounding wells.

In July 2011, the ERCB approved the Marten Mountain South Waterflood Project application. GPP status was also granted to the three producing oil wells, an injector well, and a saline water source well. The subject waterflood area encompasses approximately 640 acres and is determined by the area encompassing the scheme as set forth with the ERCB.

Exall currently has an amendment to the Marten Mountain South Waterflood Project pending as it pertains to the four suspended wells as press released on January 18, 2012. Exall had 11 wells on production prior to shutting these wells. The reservoir pressure dropped below the 2,400 kpa due to the accumulated production causing the wells to hiccough. The application put forth contemplates drilling a water source well and converting well 9-30 into an injector well. Since this is the third waterflood application with the ERCB for the Greater Mitsue area, management expects a positive verdict by the end of Q1/2012. As a result, the company has shut in about 162 boe/d per well for an approximate aggregate volume of 648 boe/d.

Each waterflood application is based on a production/recoverability scheme that identifies a water source well, an injector well, and the surrounding producing wells. The objective is for management to obtain GPP status from the ERCB for the entire Greater Mitsue property enabling it to produce all new wells using waterflood in accordance with a pre-approved production scheme. The more waterflood applications are approved, the quicker the ERCB may grant Exall with GPP status.

We have adjusted our 2012E production estimates for a 120-day period in order to be conservative as we cannot be certain exactly when the ERCB will grant its approval. We also expect well 1-24 to be shut-in for a short period in accordance with the NOWPP in May 2012. The downtime depends on the well and the amount of over production. In this case the well may produce at 300 boe/d rates and will thus have a longer shut in window as a well cannot exceed the 66,000 boe annual prescribed volume. We estimate Q1 and Q2/2012E volumes to average 1,765 boe/d and 1,831 boe/d, respectively. The second half of 2012E should show a jump in production back to normal volumes enabling the company to average 2,239 boe/d for the year. Although conservative, we believe this to be achievable.

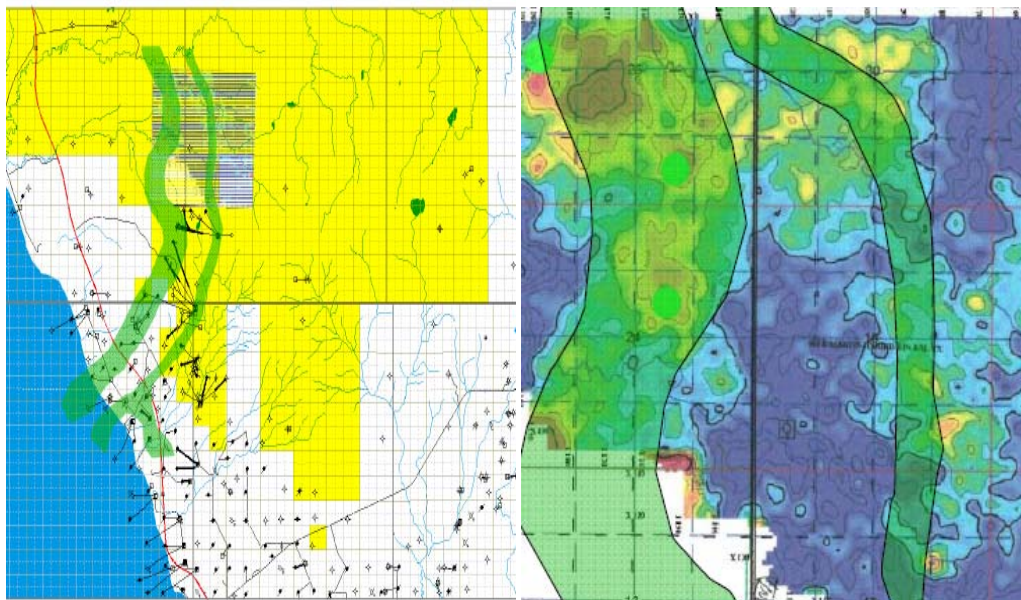
Properties

The Greater Mitsue property was initially acquired by Exall through the acquisition of Kingsmere Exploration Ltd. in February 2007. Here it operates and holds close to 215 contiguous net sections of land in the area with an average working interest of 72.9% (ranging between 63% & 100%).

Play Concept: In-Size Valleys

The Gilwood sands are braided reservoirs found in trending estuary channels that are predictable to some degree but require further 3-D seismic and development drilling to be properly identified and defined (see Figure 3). These channels were created during erosional periods of subsiding sea levels and subsequently filled by braided depositional sands when the sea level rose. These channels do not meander, but rather trend out within the boundary of the estuary. The shallower channels are referred to as the A sands, and the deeper channels as the B sands. The A and B sands are typically separated by layers of mud, and the B sands are offset slightly to the A sands as opposed to being situated directly below. Sometimes the A sands cut down into the B sands, making the pay zone thicker. Thus a vertical well bore drilled into a channel can either hit an A or B sand, but seldom would they strike both. The sands vary in thickness depending on how active the dispositional system was. These porosity traps are found at depths of approximately 2,000m below surface, and dip upwards in a NE direction from the lakeshore.

Figure 3: Gilwood sand trends mapped and 3-D seismic



Source: Company reports

Figure 4 is a picture of braided flow and an erosional channel. These channels were subsequently filled with hydrocarbon source sands. Now imagine these channels 2,000 metres below the surface, and trying to drill into them as you delineate out your well program. The play concept is to map out and follow these channels by drilling into their trends because it is proven that these channel sands contain light oil.

Figure 4: Photos of braided channels in an in-size valley and erosional channel



Source: US Geological Survey

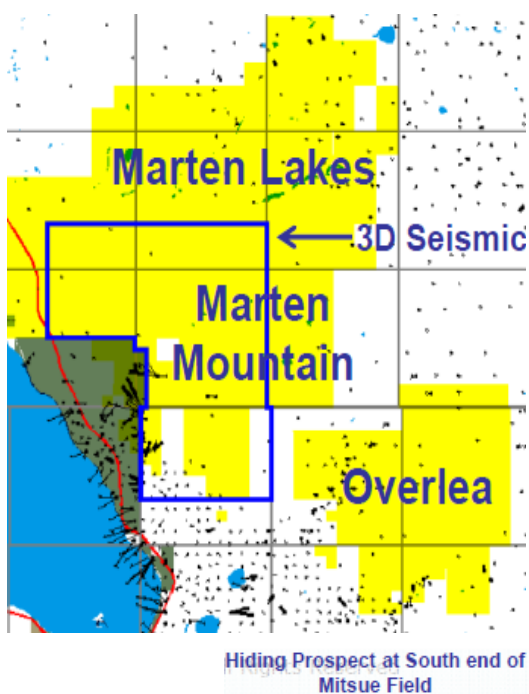
This geological trend is found throughout the Greater Mitsue area and each play is broken down as the Marten Mountain, Marten Lakes, Overlea and Hiding properties. The latest reserve report dated December 31, 2010, assigned 83% of P1 and 90% of P2 reserves to the Greater Mitsue play concept. Given the repeatable nature of this drilling program, we risked wells that are to be drilled into the Gilwood sands at a 77.5% success rate in 2012 and 70% success rate in 2013. This was based on the analogy that the trends become more challenging to follow, as the drilling program steps out (see above photo).

Greater Mitsue Property, Alberta

Marten Mountain was discovered during Exall's 2010 winter drilling program where it operates with an average 72.9% working interest. The other working interest group members are three private partners that management has extensively worked with in the past. Neighbouring land positions are held by Canadian Natural Resources Ltd. (CNQ-TSX) and AltaGas Ltd. (ALA-TSX). Management is exploring additional acreage offsetting existing lands on these identified trends.

The company traditionally names each sub-prospect as cited in Figure 5 below, despite falling under the broader scope of the Mitsue Property. As such, our report will not break down the sub-properties as the play concept in each is identical.

Figure 5: Property Map of the Greater Mitsue property



- 138,040 net acres (215.7 net sections);
- 40+ identified development drilling well locations;
- producing 1,900 boe/d net (66-74% W.I.);
- 244 km² 3-D seismic Program planned for 1H-2012;
- multiple sand layers - A, B and C;
- request for and implement additional waterflood projects granting GPP status;
- \$55mm 2012E capex program broken down by drilling 15 (10.94 net) development wells, three (2.19 net) exploration wells and the above cited seismic program;
- contracted two drilling and two service rigs for 2012; and
- further land acquisitions through either Crown land sales or possible farm-ins on updip Gilwood Sand trends (NE direction from the lakeshore).

Source: Company reports, Stonecap Securities Inc.

Development

After having accumulated lands in two separate 2011 land sale initiatives, the company is focused on shooting and purchasing additional proprietary seismic to help identify these channel trends. The company has basically de-risked the Gilwood sands with the identification of some 40 low-risk well locations, which represents a two-plus year drilling inventory. We agree with the company that it will need to identify more well locations to properly unlock P1 reserves. We fully expect early 2012E drill results together with the planned H-1/2012 244 sq. km 3-D seismic program to drive the number of well locations further. Additional lands may also be acquired at various upcoming land sales where operations are focused on acquiring Crown Land updip (northeast direction from the lake shore) from the current Mitsue Gilwood A Pool.

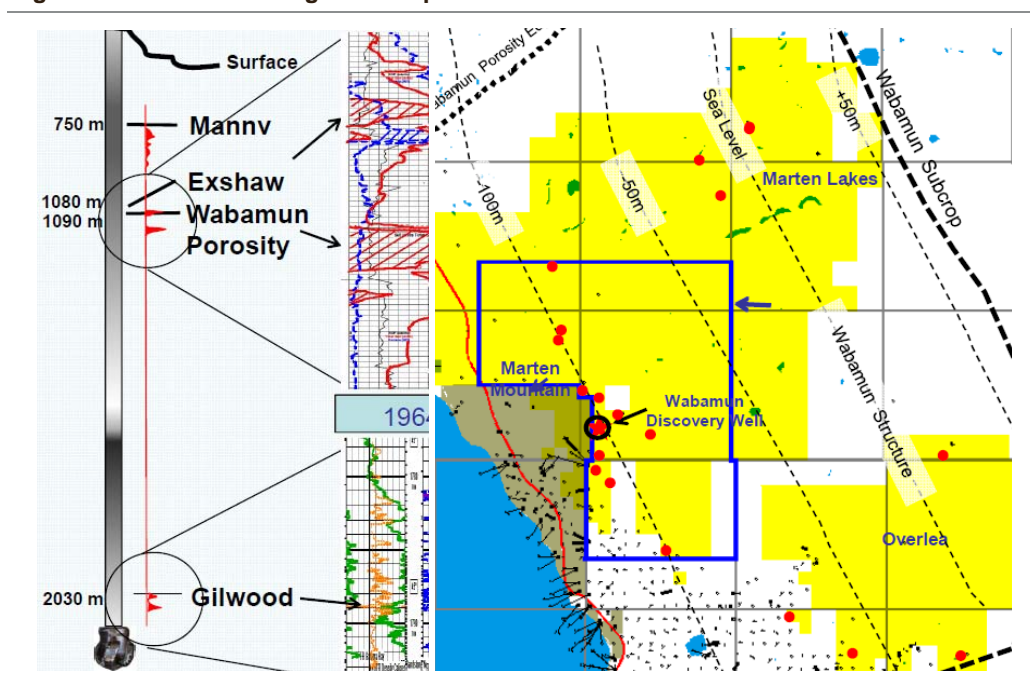
Pure exploration play – Wabamun and Exshaw formations

As Exall was drilling the deeper Gilwood Sands, it consistently encountered source rocks in the shallower Wabamun and Exshaw formations. The initial results appear encouraging pending further core analysis and log interpretation. The company estimates a minimum original oil in place of 9.5-mmboe per section with a still to be determined recovery factor. We have not given any production value to the three Wabamun exploration wells slated to be drilled in 2012E, but would risk these wells at a 30% success rate until proven up by a third party reserve evaluator (i.e., AJM Deloitte). Our model assumes the drilling of three exploration wells in each of the 2012 and 2013 capex programs.

On November 3, 2011, Exall announced the successful drilling of two exploration wells targeting the Wabamun formation. A production test from the Wabamun formation showed 37° API oil, between four and eight ppm H₂S, and water cuts between 45% and 65%. The wells were drilled to a total vertical depth of 1,175m with an approximately 9.2m vertical pay zone. Initial test flow rate was 30 boe/d, but it should be noted that oil flowed to surface using swabbing techniques versus natural flow. Swabbing is never perceived as favourable as oil flowing to surface naturally/unassisted through pressure gradient. The logs do show good porosity in the source rock, but the high water cut suggests that the relative permeability to enable the oil to flow is between 15% and 30%.

Before making the discovery public, Exall aggressively posted and acquired 128,249 net acres of undeveloped land in the Greater Mitsue area for a cost of \$32.61/acre. The total land position is now at 138,040 net acres (215.7 net sections) and should provide it with the necessary land base for more multi-formation well bore locations.

Figure 6: Well bore and logs and map of the multi zone formations



Source: Company reports

Should the exploration prove to be economical, the plan would be to supply this crude to a nearby third-party facility with ample unused processing capacity. The intention is to keep the sulphur production separate from the cleaner Gilwood oil. Given that this facility is located at the north end of the above map, any wells will need to be tied-in with appropriate gathering lines. Our model has not yet taken this expenditure into account given that first oil from the Wabamum/Exshaw is not expected until 2013 at the earliest.

Going forward, larger well pads will also be utilized along with larger bore-hole diameter to accommodate the possibility of multi-zone production. This will create economies of scale in both the drilling, completion and production part of the process and in a perfect world, we should see Exall producing from several formations simultaneously in the near future. However, operationally, this could lead to the unnecessary shut-down of both producing formations in case of required maintenance or infill work on just one of the zones.

Other non-core properties

The company also posts production from several other non-core properties, as follows:

a) Jayar property, Alberta

At Jayar, Exall holds a 14.5% working interest (operator Twin Butte Energy Ltd. (TBE-TSX) holds the balance) in approximately 25 gross wells, 7 sections of land, and shared production facilities that include natural gas compression and processing facilities, treatment facilities plus associated gathering lines. It currently produces close to 70-boe/d net with 50% of the revenue coming from liquids rich natural gas and oil. We do not attribute capex dollars to this asset and we expect the property to be sold. Twin Butte is the most likely acquirer, however it is more focused on its heavy oil play with probably little to no capital earmarked for this acquisition.

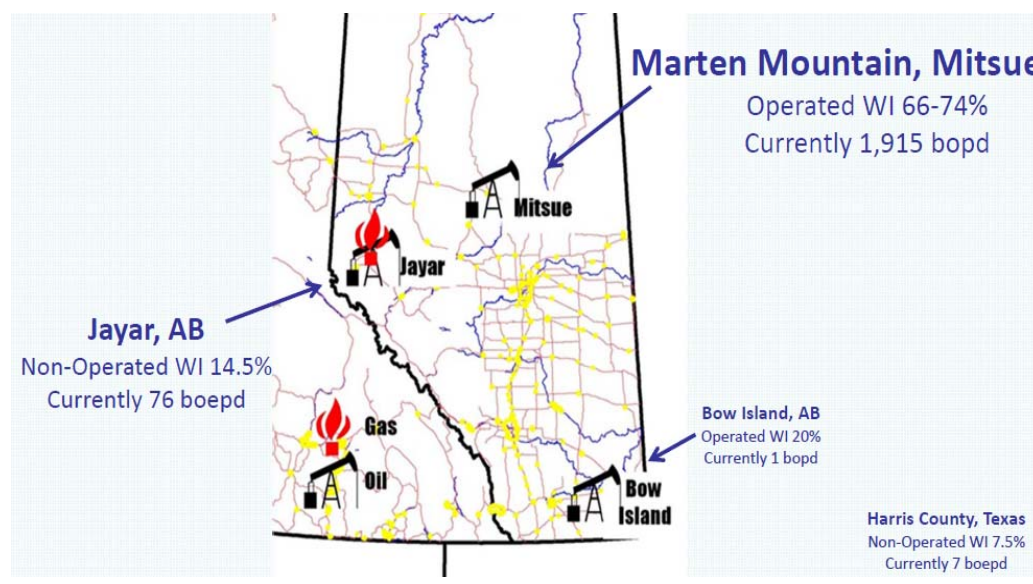
b) Bow Island property, Alberta

The Bow Island property consists of a 20% working interest in one heavy oil well that produces approximately 2 bbls/d net. A dry hole was drilled in Q4/2007 and as a result no additional development was ever planned. The property continues to sit idle and is not included in any of Exall's long-term plans. We have not included this property in our projections.

c) Texas Gas Units

Exall announced yesterday the sale of this asset to a private American company with a January 31, 2012 effective date. No value was announced although we expect said proceeds to be used in operating cash flow. Exall held 7.5% working interest in the Susan B. Harris Gas Unit #2 that produced close to 31 mcf/d net from eight natural gas wells. It also held a 1% working interest in the adjacent Layton Gas Unit, where it produced 4 mcf/d net from five natural gas wells. Overall production is 6 to 7 boe/d.

Figure 7: Map of Jayar, Bow Island and Marten Mountain properties



Source: Company reports

Infrastructure Overview

From its oil battery situated near the South end of Slave Lake, all oil production is sold to and transported by pipeline and truck to Enerchem International Inc. Enerchem also purchases a small portion of its natural gas in order to operate the plant. All remaining natural gas and liquids are shipped to a nearby compressor and facility owned and operated by CNRL. Exall executed a handling and operating agreement with CNRL back in October 2010, enabling it to flow all natural gas production to CNRL's Mitsue natural gas pipeline. At that time Exall upgraded its Marten Mountain oil battery to facilitate the flow of its liquids rich natural gas into the CNRL Mitsue NG pipeline. This tie-in work, battery upgrade and compressor installation was completed during Q4/2010, which subsequently led to increased production of 160 boe/d natural gas and 1,937 boe/d of oil per day from its Marten Mountain operations.

In 2011, the company further expanded its existing oil battery and completed modifications to handle additional fluid and NG volumes resulting from increases to production and waterflood handling. Exall completed the bulk of facility upgrades in Q1/2011 comprised of the installation of both treater and vapour recovery units in conjunction with the main oil battery.

As part of approval granted by the ERCB for waterflood and GPP status, Exall was required to install a second solution gas compressor and a larger dehydrator facility to handle the increased solution gas. These facilities became operational in late September 2011.

Exall also expects to install power transmission lines in 2012 in order to improve both operational costs and efficiencies. Further production equipment and pump jacks are expected to arrive by the end of February 2012 as required to bring the four shut-in wells back on production.

Management is also exploring future production options for its Wabamum and Exshaw operations by considering a nearby AltaGas Ltd. facility and pipeline that apparently has ample capacity.

Capital Expenditure Program

Exall found itself behind the eight ball early on, as the majority of its Q2/2011 capex program was postponed due to the devastating May 2011 fires that destroyed Slave Lake, Alberta. These were followed by excessive wet weather and extensive flooding to the area in June and July of 2011. In the balance of 2011, Exall drilled 14 (9.73 net) wells, completing 11 (7.91 net) and tying-in 10 (7.08 net), leaving three wells to complete and four to tie-in by fiscal year end.

The \$3.8 million spent on improving and expanding handling facilities was conditional to the approval granted by the ERCB pertaining to the Marten Mountain South Waterflood Project and GPP status. In all, the company spent an estimated \$46 million in 2011, as illustrated in Figure 8.

Figure 8: 2011 estimated capital expenditure program

Drilling 14 wells (9.73 net)	\$25.5mm
Completions \$ 7.7mm	\$7.7mm
Equipping \$ 2.7mm	\$2.7mm
Facilities \$ 3.8mm	\$3.8mm
Geological & Seismic \$ 1.9mm	\$1.9mm
Land \$ 4.4mm	\$4.4mm
	\$46.1mm

Source: Stonecap Securities Inc.

Our 2012 capex estimates of \$55 million net includes the drilling of 15 development wells (10.94 net) in identified low risk drill locations targeting the Gilwood sand channels. Exall hired two drilling rigs and two service rigs for the year. The cost to drill, complete and tie-in one Gilwood well is \$3.25 million (\$2.275 million net). As discussed earlier, Exall operates the Greater Mitsue area with an approximate 72.9% working interest and has three private partners that it has worked with extensively in the past.

Also included in the capex number is the drilling of three exploration wells into the Wabamum and Exshaw formations. No resulting production additions are included from this exploration program.

In addition, we have projected \$16 million (\$12 million net) to be spent in the H1/2012E on a 244-sq. km 3-D seismic program. Our estimated capex program for 2012 is as follows:

Figure 9: 2012 estimated net capital expenditure program

Drilling 16 (11.76 net) development & 3 (2.21 net) exploration wells, completion, and tie-in	\$39.9mm
Geological & Seismic	\$11.66mm
Land	\$1.46mm
Facilities Upgrade	\$2.04mm
	\$55.06mm

Source: Stonecap Securities Inc.

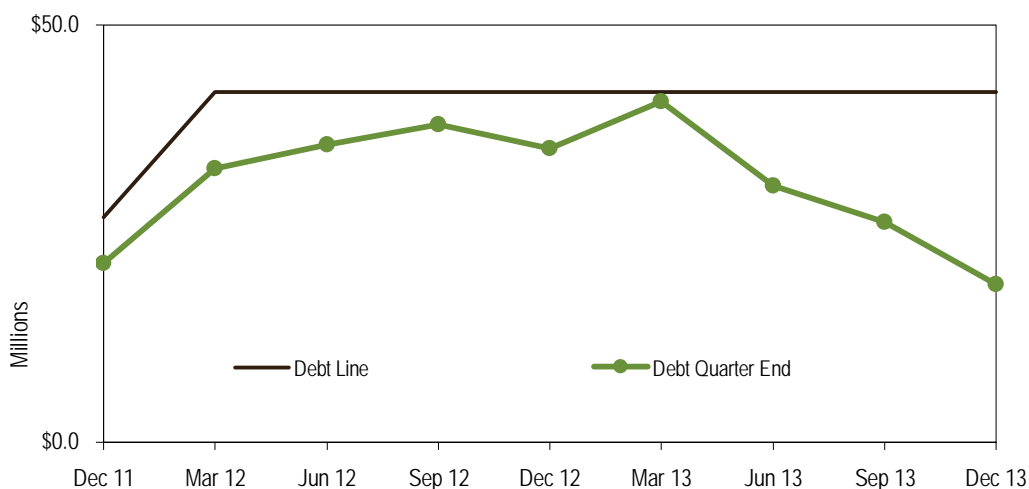
Well economics

The gross cost to drill, complete and tie-in one Gilwood well is \$3.25mm. All successful Gilwood wells will produce 66,000 boe per annum as prescribed by NOWPP. Given a reserve life index of 5.2 years, the aggregate production from one Gilwood well is 343,200 boe. Management expressed that any production over 400 mboe is considered gravy. Using a net back of \$47.50/boe, the resulting cash spun off is \$16.3mm per well. Discounting that at 10% produces a NPV per well of \$8.17mm.

Funding

Exall expects to self-fund its 2012E \$55 million program primarily from 2012E cash flow of \$43.2 million and intermittent bank debt draws, as illustrated in Figure 10. The company’s revolving loan is currently authorized at \$32 million. Our estimates take into consideration management’s preliminary discussions with its lender to re-determine a higher borrowing base. We estimate a borrowing base of ≈\$42 million in our estimates. Debt measured at each fiscal quarter-end for 2012E has a high/low of \$38.1mm/\$21.3mm, and remains fairly flat, averaging around \$35 million for the year.

Figure 10: Debt schedule



Source: Stonecap Securities Inc.

To date in 2011, Exall has managed to finance its capex program through a combination of cash flow, bank debt and equity financings. Exall last raised equity capital in February 2011, by issuing 5.75 million special warrants at a price of \$2.00/share for gross proceeds of \$11.5 million. Based on our projections, Exall is not in immediate need for equity proceeds assuming it can re-determine its borrowing base loan at \$42 million.

Sensitivity outlook

We ran several sensitivities on our projections highlighting the key results in Figure 11 below. No commodity hedges were used in the sensitivities as the company has none

in place. We used Stonecap's oil price outlook to represent our base case scenario, running two lower priced and one premium priced scenarios.

For 2012E, the base case shows the company not self-funding its capex program from cash flow, with a resulting \$11.82 million shortfall and exiting with net debt of \$35.9 million using US\$95 WTI. Only in three of the four cases does the company have sufficient availability to fund its 2012E capex program, with net debt running between \$49.1 million at US\$75 WTI and \$29.5 million at US\$105 WTI. The 2012E valuations for P/CF range from 3.0x at US\$105 WTI to 4.5x at US\$75 WTI. Similarly, the 2012E EV/DACF ranges from 3.3x to 5.5x. We are comfortable with three of the four price sensitivity scenarios in our estimates and our resulting targets. A prolonged price environment of US\$75 WTI will require the company to either cut back its capex program, issue equity capital, or both.

Figure 11: Sensitivity outlook

	SSI			
WTI Crude Oil (US\$/bbl)	\$75.00	\$85.00	\$95.00	\$105.00
NYMEX gas (US\$/mcf)	\$2.50	\$3.00	\$3.75	\$4.00
US\$/CDN\$	1.016	1.016	1.016	1.016
2011E				
Valuation @ 1.90/share				
EV/DACF	8.7x	8.2x	7.7x	7.3x
P/CFPS	7.4x	7.0x	6.6x	6.3x
Funding				
CF (\$mm)	\$18.1	\$19.1	\$20.2	\$21.3
CAPEX (\$mm)	(\$42.5)	(\$42.5)	(\$42.5)	(\$42.5)
Shortfall (\$mm)	(\$24.40)	(\$23.40)	(\$22.27)	(\$21.20)
Net Debt (\$mm)	\$26.2	\$25.1	\$24.0	\$23.3
Bank Line (\$mm)	\$27.0	\$27.0	\$27.0	\$27.0
2012E				
Valuation @ 2.75/share				
EV/DACF	5.5x	4.6x	3.7x	3.3x
P/CFPS	4.5x	3.8x	3.2x	3.0x
Funding				
CF (\$mm)	\$32.2	\$37.6	\$43.2	\$48.6
CAPEX (\$mm)	(\$55.0)	(\$55.0)	(\$55.0)	(\$55.0)
Shortfall (\$mm)	(\$22.80)	(\$17.40)	(\$11.82)	(\$6.40)
Net Debt (\$mm)	\$49.1	\$42.6	\$35.9	\$29.5
Estimated Bank Line (\$mm)	\$42.0	\$42.0	\$42.0	\$42.0

Notes:

Sensitivity applicable to Q-4/2011e and 2012e

We assume no changes to Price Differentials, Royalty, Operating Costs, and G&A etc... in this cash flow sensitivity within our commodity price or corporate forecast.

Current authorized revolving line of credit is \$32mm; expectations are to increase to \$42mm based on 31/Dec/2011 reserve report.

Source: Stonecap Securities Inc.

Royalty framework

Recent changes to the New Royalty Framework (NRF) by the Alberta government including transitional rates and drilling incentives have improved the overall economics of Exall's drilling activity. The key royalty changes that directly effects Exall are:

- 1) a reduction to the maximum royalty rate on oil wells from 50% to 40% effective January 2011. This will have a direct impact on both the operating cash flow and operating net backs per boe;
- 2) the government of Alberta made assurances that the 5% royalty cap will indeed remain permanent as it pertains to the first year of production, or the first 50mm to 70mm bbls of oil produced, depending on the measured depth. After that volume, the maximum royalty rate increases to 40%; and
- 3) continued drilling incentives by offering drilling credits of \$200/meter to April 1, 2011, provided Exall an opportunity to have its drilling credits assigned to, or collected from, other companies. This effectively reduced the royalty paid by Exall plus it provided another capital vehicle to fund its capex program.

The Modified Royalty Framework thus provided Exall with the necessary incentives to continue to aggressively explore and develop its Greater Mitsue light oil property.

Both our 2012E and 2013E estimates assume a corporate royalty rate of 26%.

Netbacks

Figure 12: Revenue and netback per boe

<i>All amounts in CDN unless otherwise noted</i>	2010A	2011E	2012E	2013E
Revenue per boe	\$69.83	\$83.36	\$87.24	\$89.82
Royalty	(\$23.99)	(\$22.35)	(\$22.36)	(\$23.14)
Operating Costs	(\$6.52)	(\$9.50)	(\$9.31)	(\$9.16)
G&A	(\$6.51)	(\$3.44)	(\$1.28)	(\$0.83)
Interest	(\$1.78)	(\$1.27)	(\$1.60)	(\$0.77)
Cash Flow Netback per boe	\$31.04	\$46.80	\$52.69	\$55.92
Recycle Ratio	1.8x	1.7x		

Source: Company reports, Stonecap Securities Inc.

Given its weighting to oil and operating efficiencies, Exall has generated solid cash net backs. G&A/boe has trended down nicely as production grew and overhead stabilized. Estimates of its diminishing dependence on debt to fund future capital expenditures, interest/boe is also trending downwards.

Despite the improved royalty framework, royalties are trending up due to an increase in realized commodity prices and that more of its production has moved from the 5% royalty category to the maximum 40% rate based on volume as prescribed under the NRF.

Operating expenses per barrel have stabilized and are trending towards management's target of approximately \$9/boe. 2011E operating cost was slightly

higher at \$9.50/boe due to all the infrastructure and facilities work that was required. The fire at Slave Lake also hampered operations as the company had to shut-in all of its Greater Mitsue production.

Well-head prices are solid as the company typically receives only a six dollar per barrel discount to WTI. The oil production is of quality and thus attracts a price approximating the Edmonton Light, sweet oil price. Its natural gas in fact attracts a premium price due to its high heat content. We have summarized our projected realized prices in Figure 13 below:

Figure 13: Projected realized prices

<i>All amounts in CDN unless otherwise noted</i>	2010A	2011E	2012E	2013E
Light Oil (\$/bbl)	\$76.83	\$92.11	\$94.00	\$94.00
Natural Gas (\$/mcf)	\$4.29	\$4.16	\$3.50	\$3.50
NGL (\$/boe)	\$60.68	\$63.42	\$66.94	\$66.94

Source: Company reports, Stonecap Securities Inc.

Overall, Exall exemplifies strong cash net backs that compare very favourably as at Q3/2011 to its broader peer group as published by iQ Report by Iradesso in December 2011. Here, Exall reported net backs of \$48.85/boe versus its larger peer group median of \$20.94/boe. We project 2012E cash and operating net backs to be \$52.69/boe and \$55.57/boe, respectively. The company recently press released that based on pricing of C\$90.33 and C\$4.01/mcf natural gas that its 2012E estimated operating netbacks are \$62.31/boe after deducting \$9.00/boe operating costs and \$21.60/boe in royalties.

Management

Members of both management and the board of directors have proven histories of execution and deliverability. We have confidence in newly appointed CEO (March 22, 2011), Roger Dueck, who previously held the executive position as COO. Mr. Dueck was instrumental in his preliminary geological work on the Gilwood channel sands in the Greater Mitsue area while with his preceding company, Kingsmere Exploration Ltd., which was acquired by Exall in January 2007. The Play Concept as described in more detail herein was Mr. Dueck's hypothesis and ultimate vision.

The Board of Directors is similarly led by the former CEO and now Board Chairman Steven Roman, who was instrumental in leading Exall during its formative years. See Appendix C for biographies of the members of the executive management team and the board of directors.

Reserves – No Longer A One-Trick Pony

The last reserve report was prepared by AJM Deloitte Petroleum Consultants as at December 31, 2010, and is NI 51-101 compliant. NI 51-101 sets out standards of disclosure for oil and natural gas activities and mandates the application of evaluation standards defined in the Society of Petroleum Evaluation Engineers and Canadian Oil

and Gas Evaluation Handbook. The reserve report summarized Exall's working interest ownership in several petroleum and natural gas assets in the Western Canadian Sedimentary Basin plus a minority working interest representing two natural gas units in Harrison County, Texas. The latter was sold yesterday effective January 31, 2012.

The proven (P1) reserves discounted at 10%, which represents the norm in the oil & gas industry, is \$67.2 million as at December 31, 2010. At the same date the proven + probable (P2) reserves discounted at 10% were valued at \$101.5 million (\$58.6 million in FYE 2009). Discounted at 15%, the reserve values were \$60.68 million and \$89.2 million for P1 and P2, respectively.

The reserve report assigned company working interest for both total P1 and P2 reserves at 2,093.3 mboe and 3,253.1 mboe, respectively, up 82% and 32%, or 1,151.6 mboe and 2,473.6 mboe, respectively, from 2009. We estimate that P1 reserves as at FYE 2011E, based on an exit production rate of 1,602 boe/d, to be approximately 3,204 mboe.

We expect a new and updated reserve report dated Dec. 31, 2011 by mid-April 2012.

Hidden Value

In summary, our expectations are that the anticipated Q4/2011E and 2012E success derived from Exall's development drilling program focused on the Gilwood Sands should lead to reserve additions under the P1 category by AJM Deloitte at FYE 2012E. Using our FYE projected 2102E exit rate of 4,000 boe/d, P1 reserve estimates should be approximately 8 mmboe. Further exploration success from the Wabamum and Exshaw formations could possibly add reserves under the P2 or P3 categories based on the projected capex program firming up the STOIP per section of 9.5 mmstb as supported by ongoing core samples, log interpretations and well test flow data.

Valuation

We are initiating coverage of Exall Energy Corporation with an Outperform recommendation and a 12-month target price of \$2.75. Our target price of \$2.75 per share is based by applying a 5x EV/DACF multiple. This is supported by the company's 88% weighting to light oil, repeatable low risk drilling program with multi producing formation potential and solid cash netbacks.

Our 12-month target price is further supported by our estimated 2012E NAV of \$2.74/share. Using our future production estimates after taking into consideration both production declines and only the production additions from our future capex programs, we applied our Stonecap Securities price deck to derive at future production revenues going out to 2031 (terminal). After deducting applicable royalties, operating costs and G&A, we discounted the resulting cash flow at 10% to generate a NPV of \$206 million. We note that the recently announced reduction in production of 648 boe/d was taken into account for the first 120 days of 2012E. Adding back land, aggregate share options and warrants and deducting projected net debt in 2012E, resulted in a NAV of \$178 million or \$2.74/share.

By comparison, the reserve report as prepared by AJM Deloitte dated December 31, 2010, valued the P2 reserves at \$101 million (10%, before tax). After deducting net debt, adding back land value and options and warrants the resulting NAV was \$1.54/share.

Figure 14: Valuation

	2010A	2011E	2012E	2013E
P/CF	11.9x	6.7x	3.17x	1.7x
EV/DACF	11.7x	7.7x	3.7x	1.8x
EV/BOEPD	\$157,601	\$135,250	\$73,562	\$38,213
EV/P+P boe	\$42.67	\$47.97	\$48.29	\$43.89
NAV/share	\$1.54			
P/NAVPS	135%			

Source: Stonecap Securities Inc.

At \$1.90/share, Exall currently trades at a 3.7x EV/DACF multiple, 3.17x P/CF multiple and \$73,562/boepd based on our 2012E estimates. This compares favourably to analyst consensus of 3.64x, 3.19x and \$64,163/boepd respectively that was done at a share price of \$1.88.

Our 12-month target price of \$2.75/share is valued at \$99,297/boepd using our 2012E estimates. A recent arm's-length market transaction was done in early 2012 at \$89,450/boepd that involved a similar oil weighted asset (96% oil) further qualifying our valuation.

We are confident that Exall will successfully execute its corporate strategy and therefore meet our projections.

Appendix A: Financial Statements

Exall Energy Corporation Financial Summary

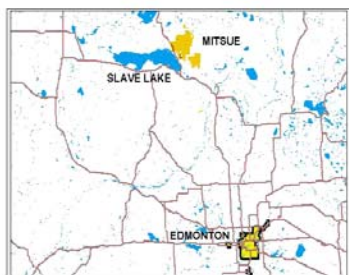
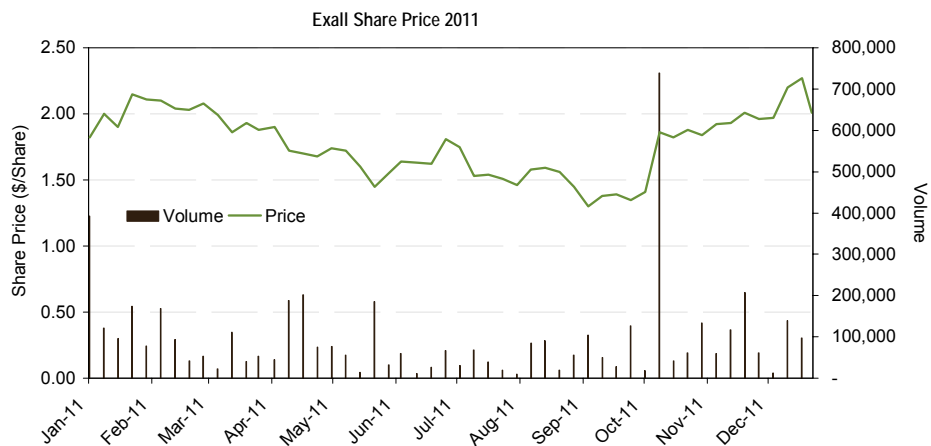
All amounts in CDN unless otherwise noted	2010A	2011E	2012E	2013E
Production				
Light Oil (bbl/d)	747	1,024	1,913	3,348
Natural Gas (mcf/d)	703	840	1,142	1,001
NGL (boe/d)	12	22	136	324
Total Avg (boe/day)	876	1,185	2,239	3,839
Income Statement (000)				
Revenue	\$22,332	\$36,061	\$71,497	\$125,852
Expenses	\$18,156	\$25,939	\$41,700	\$67,487
Net Earnings	\$4,176	\$10,123	\$29,798	\$58,366
EPS - Fully Diluted	\$0.07	\$0.15	\$0.81	\$0.81
Cash Flow Statement (000)				
Operating	\$9,959	\$17,169	\$41,297	\$76,576
Financing	\$9,907	\$20,746	\$13,835	(\$16,262)
Investing	(\$19,892)	(\$38,006)	(\$55,063)	(\$60,314)
Changes in Cash & Cash Equivalents	(\$26)	(\$91)	\$68	\$0
CFPS - Basic	\$0.22	\$0.33	\$0.64	\$1.16
Balance Sheet (000)				
Current Assets	\$5,889	\$13,439	\$24,637	\$38,586
Property and Equipment	\$40,984	\$70,932	\$114,634	\$156,991
Other	\$1,386	\$7,115	\$7,115	\$7,115
Total Assets	\$48,259	\$91,486	\$146,386	\$202,691
Current Liabilities	\$20,064	\$37,470	\$60,546	\$56,458.70
Long-term Liabilities	\$3,073	\$4,856	\$4,856	\$4,856.00
Shareholders' Equity	\$25,121	\$49,160	\$80,984	\$141,376
Total Liabilities and Equity	\$48,259	\$91,486	\$146,386	\$202,691
Revenue per boe				
Royalty	(\$23.99)	(\$22.35)	(\$22.36)	(\$23.14)
Operating Costs	(\$6.52)	(\$9.50)	(\$9.31)	(\$9.16)
G&A	(\$6.51)	(\$3.44)	(\$1.28)	(\$0.83)
Interest	(\$1.78)	(\$1.27)	(\$1.60)	(\$0.77)
Cash Flow Netback per boe	\$31.04	\$46.80	\$52.69	\$55.92
Recycle Ratio	1.8x	1.7x		

Source: Company reports, Stonecap Securities Inc.

Appendix B: Company Snapshot

Company Statistics

Bankers	ATB Corp Financial
Reserve Evaluators	AJM Deloitte
Auditors	PWC LLP
Symbol	EE - TSXV
FYE	Dec-31
Last Reported	Q3/2011
Website	www.exall.com



Earnings Summary	2010A	2011E	2012E	2013E
Crude oil & Liquids (bbls/d)	759	1,045	2,049	3,672
Natural Gas (mcf/d)	703	840	1,142	1,001
Total Production (boe/d)	876	1,185	2,239	3,839
CFPS (fd)	0.19	0.31	0.60	1.09
EV/DACF	11.7x	7.7x	3.9x	1.9x
EV/BOEPD	\$157,601	\$135,250	\$76,892	\$40,156
EV/P+P boe	\$42.67	\$47.97	\$51.52	\$46.13

Source: Company reports, Stonecap Securities Inc.

Appendix C: Senior Management & Board of Directors

Senior Management

Stephen G. Roman, Executive Chairman, Director

Mr. Roman is an entrepreneur/financier who has been involved in the resource industry over the past 30 years and has successfully identified, financed, developed, and brought into commercial production a number of mining and oil and gas projects. His past experience includes acting as a director and senior officer of Denison Mines Limited, Lawson Mardon Group, and Zemex Corporation. He also worked to modernize Canada's Armed Forces in 1984/1985 as policy adviser to the minister of national defense. In addition, Mr. Roman spearheaded the privatization of two major petrochemical companies in Central Europe and was appointed Chairman of Novacke Chemicke Zavody, a.s., in 2002.

In recent years, Mr. Roman's focus has been to finance and develop emerging junior, publicly listed companies, which include Gold Eagle Mines Ltd., Exall Energy Corporation, Polar Star Mining Corporation, Silvermet Inc., Verena Minerals Corporation, Global Atomic Fuels Corporation (a private Ontario corporation) and Gabriel Resources Ltd. Mr. Roman was recently the founder, Co-Chairman and Director of Gold Eagle Mines Ltd., which was acquired by Goldcorp Inc. for \$1.5 billion, the highest price ever paid by a major for a junior gold exploration company.

Mr. Roman holds a Bachelor of Arts degree from the University of Guelph, Ontario, in the field of Geology and Geography. He is also a member of the Canadian Institute of Mining, Metallurgy and Petroleum and a director of the Advisory Board of the College of Management and Economics at the University of Guelph.

Roger N. Dueck, P. Geol., President & CEO, Director

Mr. Dueck graduated from the University of Saskatchewan with a degree in geological engineering in 1974. In August 1985, he co-founded Kimberly Resources Ltd. (KRL) as a private corporation. From 1985 to 1993, he managed six joint venture programs and participated in the drilling of more than 100 wells in Western Canada. After the sale of the joint venture interests in December 1993, KRL turned its attention to developing selected oil and gas properties in west central Alberta through a newly formed joint venture with GIEL. Gross production from these properties grew to over 600 barrels of oil and three million cubic feet of natural gas per day.

Mr. Dueck served as the vice president, exploration and development for Mesquite Exploration Ltd. from July 1999 to January 2002. He developed an exploration and development program, and was responsible for direction of staff and consultants in drilling operations, reservoir development, evaluations and acquisitions. During this time, production increased from 115 boe/d in 1999 to 2,000 boe/d by January 2002.

In February 2002, Mr. Dueck founded Kingsmere Exploration Ltd., a private oil and gas exploration company. Kingsmere is an operating company with a full-cycle exploration program. As founder, president, CEO and chairman, Mr. Dueck has been responsible for all aspects of its operations.

Mr. Dueck is a member of APEGGA, the CSPG, the AAPG and Society of Vertebrate Paleontology.

Warren F.E. Coles MBA, Vice President Finance & CFO

Mr. Coles joined Exall in February 2010, as vice president finance & CFO. Prior to joining Exall, Mr. Coles served as the vice president finance for Black Mountain Energy Corporation from May 2008 and as chief financial officer for DeeThree Exploration Inc., Dual Exploration Ltd., and Deep Resources Ltd. from 2004 to 2008. Prior to Deep Resources Ltd., Mr. Coles spent 10 years with Applied Terravision Systems Inc., a publicly traded technology firm that developed software for the North American oil & gas industries, culminating in his role as chief financial officer.

Mr. Coles has over 18 years of financial and business experience and has a track record of economically achieving stakeholder growth through enhanced business productivity as well as through acquisitions. Mr. Coles has an MBA from the University of Calgary, as well as a Bachelor's Degree in Commerce from the University of Calgary.

Glen Kerr, P.Eng., Chief Operating Officer

Glen Kerr has over 30 years of experience in all facets of operations within the oil and gas industry. Mr. Kerr joined Exall in August 2008, after several years consulting with Exall and its predecessors. Prior to running his own consulting business, Mr. Kerr worked for ENCO Gas, Pioneer Natural Resources, Norwich Resources, and Home Oil.

Mr. Kerr holds a Bachelor of Science degree from the University of Alberta and is a Professional Engineer. Mr. Kerr is a Member of the Association of Professional Engineers, Geologists, and Geophysicists of Alberta.

Janet MacKenzie, P.Geol., Vice President Exploration

Janet MacKenzie has 20+ years' experience in the oil and gas industry with proven track record/discoveries throughout Alberta and British Columbia. She has also been actively involved in evaluation and recommendations resulting in several significant acquisitions and divestitures for both major and minor oil and gas corporations, most recently, Talisman Energy. Prior to joining the Exall team, Ms. MacKenzie worked for Geotechnical Resources, GIEL, North Star Energy (Devon Canada), Mesquite Exploration (Highpoint Resources), and Talisman Energy.

Ms. McKenzie holds a Bachelor of Science degree from the University of Calgary, and is a member of APEGGA, CSPG, and AAPG. She is currently involved with the Federation of Calgary Communities and Partners in Planning/Plan It Calgary.

John P. Feradi, P.Eng., Manager – Production Operations

John Feradi has over 24 years of experience in all facets of operations within the oil and gas industry. Mr. Feradi joined Exall in October 2011, after spending three years with Skana Exploration Ltd. as its production manager. Prior to Skana Exploration, Mr. Feradi worked for Codero Energy.

Mr. Feradi holds a Bachelor of Science in Petroleum Engineering from the Montana College of Mineral Science and Technology and is a professional engineer. Mr. Feradi is a member of the Association of Professional Engineers, Geologists, and Geophysicists of Alberta.

Independent Board of Directors

The Board of Directors is comprised of seven members, of which five are deemed independent with no direct or indirect relationship with the company. The Board meets regularly to review audits (NI 52-110 compliance); reserves (NI 51-101 compliance); compensation, nomination and corporate governance; and health, safety and the environment.

Frank S. Rebeyka, P. Geol., Vice Chairman, Director

Frank S. Rebeyka has 34 years of experience in the oil & gas industry, and has been with Exall Resources Limited as vice president of operations since 2003. Previously, Mr. Rebeyka worked for Kaiser Energy Ltd., Poco Petroleum Corporation, Canada Northwest Energy Ltd., Golden Eagle Oil & Gas Ltd., and Canada-Cities Service Ltd.

Mr. Rebeyka's career experience has focused on reservoir engineering, including mergers and acquisitions, and engineering operations, which includes drilling, completions, and production engineering.

Mr. Rebeyka holds a bachelor of science advanced degree from the University of Saskatchewan and is a professional geologist. He also studied mechanical engineering technology at the Saskatchewan Technical Institute and attended the Petroleum Engineering Co-operation Program sponsored by Cities Service Company. Mr. Rebeyka is a Life Member of the Association of Professional Engineers, Geologists, and Geophysicists of Alberta.

Wayne T. Egan, Director

Mr. Egan is a partner at the law firm of WeirFoulds LLP in Toronto, Ontario, and acts for several public companies on the TSX and TSX Venture Exchange. He has been a director of Aspen Group Resources Corp. since June 1996, a director of OceanLake Commerce Inc. since September 2001 and a director of James Bay Resources Inc. since March 2008. From June 1998 to March 2008, Mr. Egan was also a director of Verena Minerals Corporation. Mr. Egan obtained a B.Comm from the University of Toronto and an LL.B from Queen's University.

Bernard A. Lang, Director

Mr. Bernard A. Lang is a chemical engineering graduate from the University of Birmingham and a graduate of the Harvard Business School's Advanced Management Program. Mr. Lang is currently president of Bert Lang & Associates, a mega projects and energy consulting organization. He was formally executive vice president engineering & design at Synenco Energy Inc.

Mr. Lang has over 40 years of industry experience including 19 years of petrochemical experience, overseeing the engineering, procurement and construction of a \$400 million gas phase propylene plant. Mr. Lang has a further 23 years of oil sands experience, during which time he directed an award-winning changeover project of an upgrader control room from manual to computer control and a \$210 million flue gas desulphurization.

In addition, from 1997 to 2001, Mr. Lang served as vice president, millennium project with Suncor Energy Inc. where he was accountable for a \$3.4 billion oil sands expansion.

Mr. Lang recently completed the academic requirements for the Directors Education Program of the Institute of Corporate Directors, at the Rotman School of Management, University of Toronto and University of Alberta. He has also received the ICD.D designation from the Institute of Corporate Directors.

D. Allan Menzies, CA, Director

Mr. Menzies is a chartered accountant who received his CA designation in 1975. He has 36 years of experience in the public accounting profession and from 1970 to 2006 was with Grant Thornton LLP and predecessor firms. He was managing partner of the Calgary office, regional managing partner for the prairie provinces, and a member of the firm's policy board for a three-year term. His practice was primarily focused on entrepreneurial businesses including some smaller public entities in a vast range of industries including real estate, oil & gas service, hospitality, and professional entities.

Roderick Phipps, P. Eng., Director

Mr. Roderick Phipps is a professional engineer who graduated from the University of Calgary in 1973. Since 1975, Mr. Phipps has been providing engineering consulting services to the oil and gas industry and has been the managing partner of Concise Design since June 1994. Concise Design provides engineering services for production and processing facilities to the oil and gas industry. Mr. Phipps has served as a director for several private and public oil and gas companies and is currently on the board of Avenger Petroleum Inc., a private company engaged in exploration in N.E. British Columbia.

Sourced from the company website

Company Name	Disclosures
Exall Energy Corporation (EE-TSX)	1

Disclosure List

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2. Within the last 12 months, a director, officer, or analyst with Stonecap has provided services for remuneration, other than investment advisory or trading services, to the subject issuer.
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Outperform: The stock's risk adjusted total return is expected to materially outperform sector peer returns over the next 12 months.
Sector Perform: The stock's risk adjusted total return is expected to approximate sector peer returns over the next 12 months.
Underperform: The stock's risk adjusted total return is expected to materially underperform sector peer returns over the next 12 months.
Under Review: The stock rating is under review, pending evaluation of material new information.

Risk Qualifier Guidelines

Average: Operational and financial risks are assessed as being in line with sector peer levels.
Above Average: Operational and financial risks are assessed as being significantly above sector peer levels.
Speculative: Operational and financial risks are assessed as being exceptionally high, low predictability of financial results.

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Stonecap Securities Inc. 181 Bay Street, Suite 900
P.O. Box 779 Toronto, ON M5J 2T3

416.342.8590

www.stonecapsecurities.com