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November 22, 2011

Exall Energy Corporation

EE: TSX

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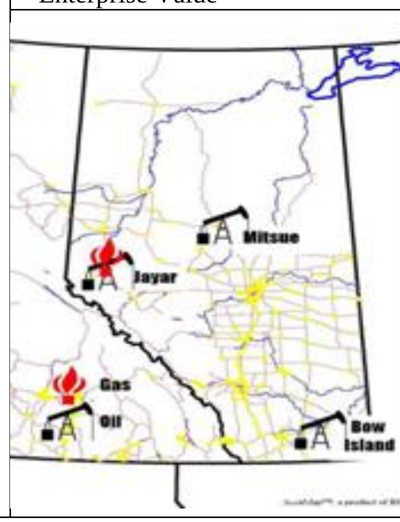
"All the Ingredients to be a Top Tier Light Oil Producer"

Recommendation: **STRONG BUY** **12 Month Target: $3.15**

Operations	**Q3-2011A***	**2011E**	**2012E**
Oil & NGL - BOPD	879	1,123	2,275
Natural Gas - MCF per Day	707	667	1,350
BOE per Day 6:1	997	1,235	2,500
Reserves (P+P) - MMBOE's***	3.25	n/a	n/a
Net Undeveloped Land (acres)	135,688	n/a	n/a
Financials - $MM			
Revenue (Net of Royalties)	$16.6	$27.8	$57.5
Net Earnings	$4.7	$8.1	$19.4
Cash Flow	$12.4	$21.1	$45.6
DACF	$12.4	$22.2	$47.4
Net Debt	$24.2	$26.8	$44.1
Capital Expenditures (excl. A&D)	$34.9	$46.2	$65.9
Net Asset Value - FD**	$1.39		
EPS - FD**	$0.07	$0.12	$0.29
CFPS - FD**	$0.19	$0.31	$0.67
DACF per share - FD**	$0.19	$0.33	$0.70
Market Valuations			
P/E - Basic	15.9x	14.1x	5.9x
P/CF - FD**	8.1x	5.5x	2.7x
P/DACF - FD**	8.3x	5.7x	2.6x
Net Debt/Cash Flow	2.0x	1.3x	1.0x
EV per avg. BOEPD - $M	$124.1	$114.9	$63.7
EV/DACF	7.5x	6.4x	3.4x
Price Assumptions			
WTI - U.S.$ per barrel	$92.63	$90.00	$95.00
Natural Gas - C$ per MCF	$4.29	$3.25	$4.25
Exchange Rate (C$/U.S.$)	n/a	$1.03	$0.98

Market Data	
Last Price (November 21, 2011)	$1.85
52 Week High	$2.50
52 Week Low	$0.95
Share Capital - MM	
Shares Outstanding - Basic	62.2
Shares Outstanding - FD**	67.7
Capitalization - $MM	
Est. Net Debt - December 2011	$26.8
Market Value	$115.0
Enterprise Value	$141.9



Exall Energy Corporation – Areas of Operation

Source: Exall Energy Corporation

*-*Q3 2011A is for nine months ended September 30, 2011*
*-**FD share calculations assume all options and warrants.*
****Reserves – AJM Petroleum Consultants*
-Market and Enterprise Values are based on total basic shares outstanding.
-Net Debt includes all debt and working capital.
-DACF is debt adjusted cash flow.
-Oil price assumptions adjusted for corporate differential and natural gas liquids pricing.
-Expected Market Valuations based on EE-T closing price November 21, 2011. Actual Market Valuations based on weighted average historical EE-T stock price.

Chart: www.globeinvestor.com

The key requirements to be a real winner among juniors focused in the western Canadian sedimentary basin include; an experienced and successful management team, significant undeveloped land position in a proven hydrocarbon area, low cost operations, record of successful drilling and production growth, and a very high weighting to light oil reserves, and production.

Exall Energy Corporation (Exall) has all these attributes, including:

1) The technical team which including the president and two senior executives have over 80 years of combined relevant experience (biographies in the Appendix).
2) For the foreseeable future the commodity of choice is clearly light oil and this company is about 90% weighted to light oil (40-42 degree API) with a current cash flow netback of over $45/bbl.
3) With a recent major land acquisition in their central Alberta core area of Marten Mountain, Mitsue, Exall now has an enormous undeveloped land position here of 138,000 net acres (212 net sections) at a very low average cost of $33/acre. This provides light oil drilling opportunities for at least the rest of this decade.
4) Unlike most juniors chasing very competitive, expensive, and high decline light oil plays such as the Cardium, Bakken and Viking, Exall's claim to fame is the Gilwood formation. So far the company has experienced outstanding success in the Gilwood which offers very low decline rates, very high NPV's and a very short payback compared to other oil and gas plays.
5) Production via the drill bit has grown rapidly from 877 Boe/d in 2010 to approximately 1,250 Boe/d in 2011 and with an exit rate this year of close to 2,500 Boe/d. And again as WTI exceeds $100/bbl, we stress the company is about 90% weighted to light oil.

Background

There are many junior oil producers that operate in the western Canadian sedimentary basin, however very few offer any similarities to Exall. Exall's uniqueness stems from their experience and focus on the Gilwood oil formation in Mitsue, Alberta. President and CEO Roger Dueck, has invested over 25 years of experience studying this oil formation.
Exall was a spin-out company containing all the oil and gas assets of Exall Resources Limited, and given a tax free dividend to Exall Resources Limited shareholders. The company was then listed on the TSX through an IPO and began trading on March 22, 2007. Management's interests are aligned with shareholders, currently holding 25% of the 67.8 million fully diluted shares outstanding.

Why the Gilwood?

First, unlike most current unconventional light oil plays such as the Cardium and the Viking which typically have greater than 50% production decline in the first year with a large component of associated gas, the Gilwood has virtually no decline due to the pressure maintenance of the reservoir utilizing waterfloods and limited associated gas. The wells have profiles of initial production rates in the 300-600 Boe/d range, recoverable reserves of 300-600 Mboe's, and successful wells payout within six months. See Figure 1.

Exall Energy Corporation (EE: TSX)

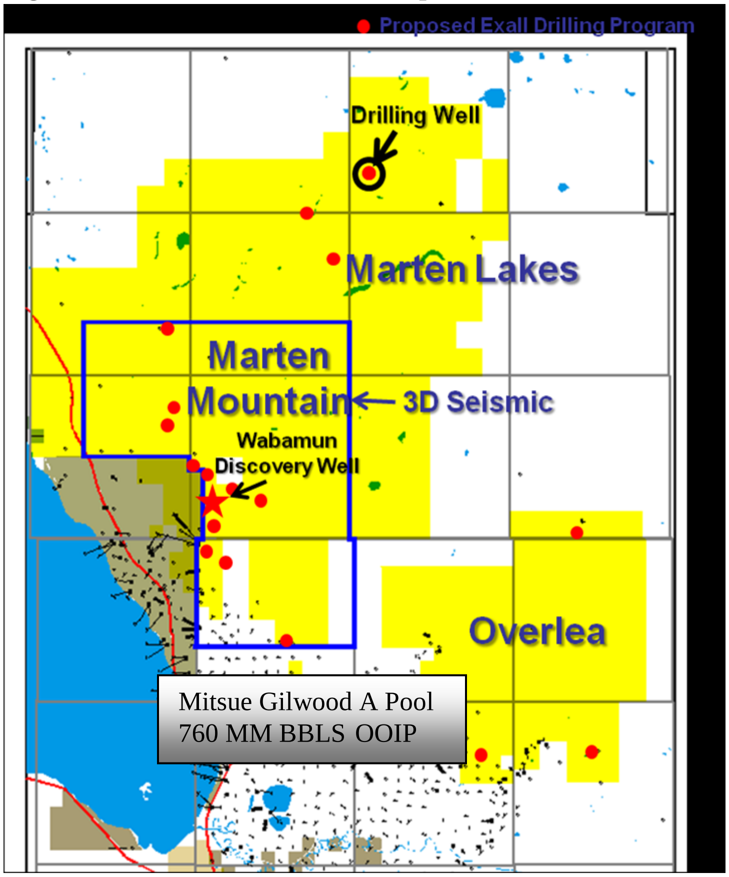
Figure 1 – Production and Reserve Profile of Potential Wells on Exall's Properties

Area	Target Production	Horizon	Potential IP (risked)	Average Prod.	Potential Reserves	Cost	NPV 10 BT	Locations (net)	Locations (net) 2011-2012
Martin Mountain, Mitsue, AB Martin Lakes, Mitsue, AB Overlea, Mitsue, AB Hiding, Mitsue, AB	Light Oil	Gilwood A, Gilwood B, Wabumun	600 Boe/d	275 Boe/d	350 mboe	$2.75 MM	$4.0 MM	28.0	15.6

Source: Exall Energy Corporation

Mitsue, AB – Core Areas

Figure 2 - Mitsue, AB Future Development



Source: Exall Energy Corporation

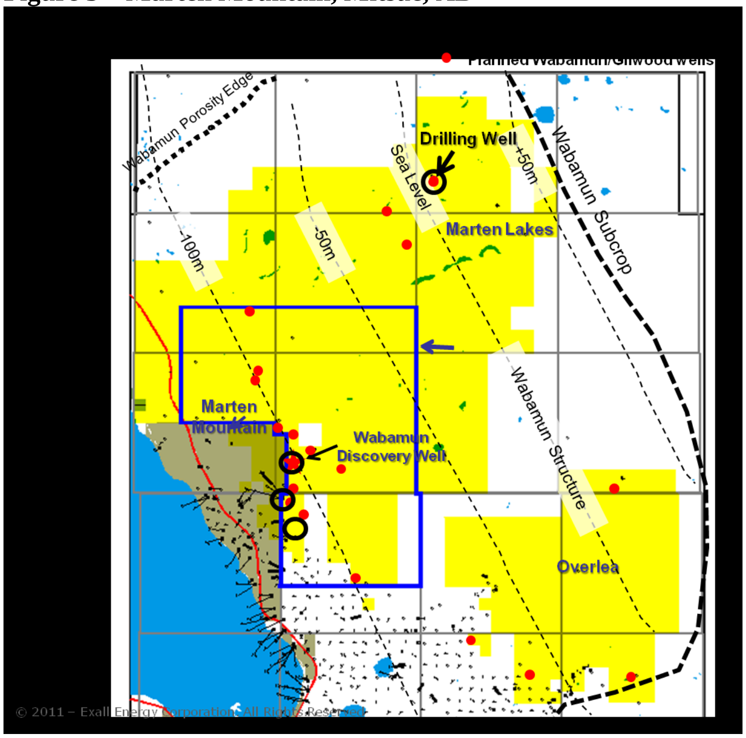
As shown on the map in Figure 2, the Gilwood A pool contains over 760 million barrels of light oil with about 400 million barrels produced to date. A sample of approximately 600 wells indicate that only about 10% of them did not produce the economic minimum of about 70,000 barrels. The major players in the area are Canadian Natural Resources, Penn West Exploration, and Daylight Energy.

It appears that these major companies have come to the conclusion that, after several dry holes to the northern and eastern edges the Gilwood pinches out at the dispositional edge of a shoreline deposit. The map shows that very few wells have been drilled on these massive land holdings. However, Exall has developed a geological model which indicates that the Gilwood sand extends further northeast in a series of channels that could ultimately converge into a larger sand accumulation. The areas of focus for Exall are Marten Mountain and Overlea.

Exall Energy Corporation (EE: TSX)

Marten Mountain, Mitsue, AB

Figure 3 – Marten Mountain, Mitsue, AB



Source: Exall Energy Corporation

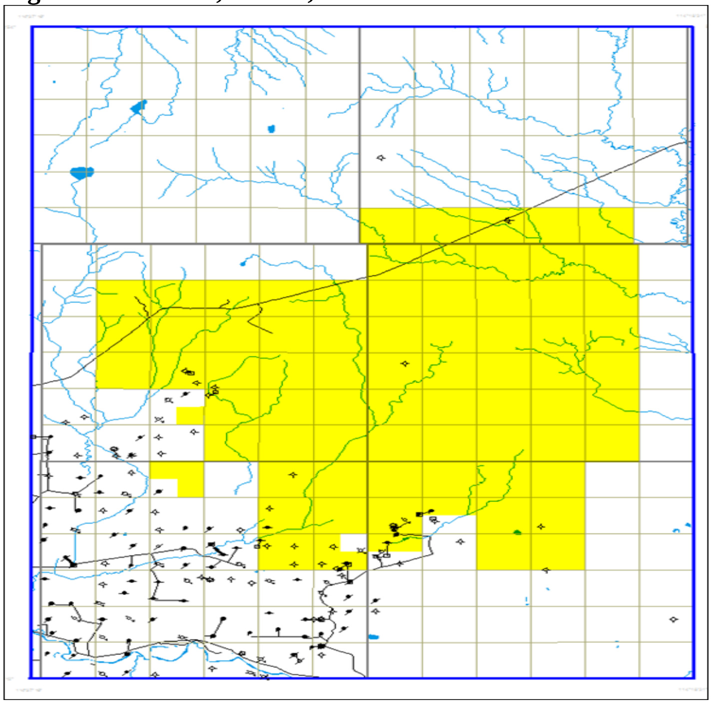
At Marten Mountain, Exall has successfully extended drilling activity further to the northeast in two Gilwood channel sands (the "A" and "B", the B channels lying below the A channels) that have been identified using borehole micro-imaging techniques and analyzing core samples from sidetracked vertical wells to predict the direction and orientation of the channels. Since Exall entered this area in 2007 until today, this borehole imaging has led to the successful drilling of 12 horizontal wells and six vertical water injection wells into the Gilwood A and B sands. Current production here is close to 1,700 Boe/d.

Based on interpretation of 3D seismic that Exall shot early this year, the company recently acquired an additional 197 net sections of Gilwood rights on the northern and eastern up-dip end of the Gilwood A pool at Marten Mountain and the greater Mitsue area. (shown above in Figure 3).

So far in 2011 (to the end of October) Exall drilled 10 wells (7.01 net) with up to another four wells (2.72 net) planned for the rest of the year. A total of five wells (3.54 net) have been completed with up to eight more wells (5.53 net) targeted to be completed before year end. In addition 4 wells (2.88 net) have been tied in and up to 7 more wells (4.8 net) should be onstream by year end. While production was relatively flat through the first three quarters of 2011 at about 1,000 Boe/d, the company expects to exit this year at a rate of 2,250-2,500 Boe/d. Current mapping has identified 16-20 drilling locations in two sands providing two years of drilling inventory.

Overlea, Mitsue, AB

Figure 4 – Overlea, Mitsue, Alberta

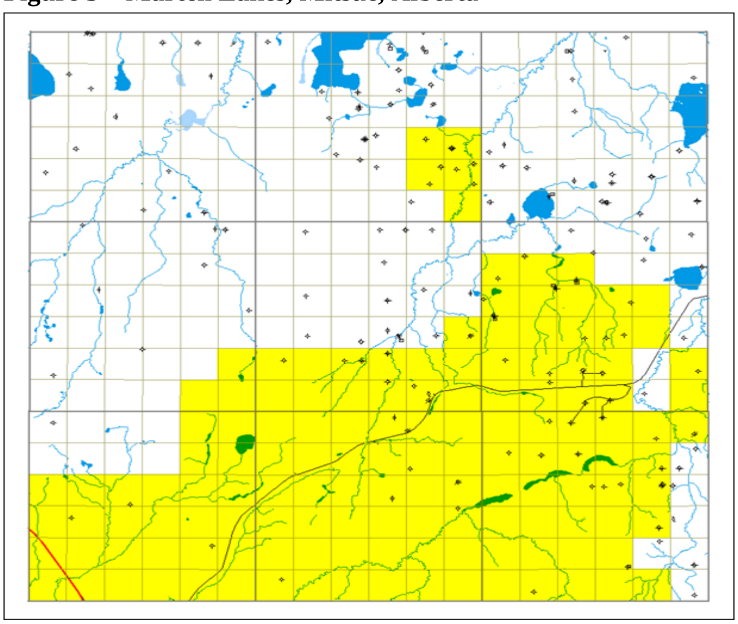


Source: Exall Energy Corporation

Exall has undeveloped lands of 72 (51 net) sections at Overlea offering multiple sandstone reservoirs – the A, B, and C. Current production is only 13 Boe/d, but recent mapping has identified eight drilling locations (a two year drilling inventory).

Marten Lakes, AB

Figure 5 – Marten Lakes, Mitsue, Alberta

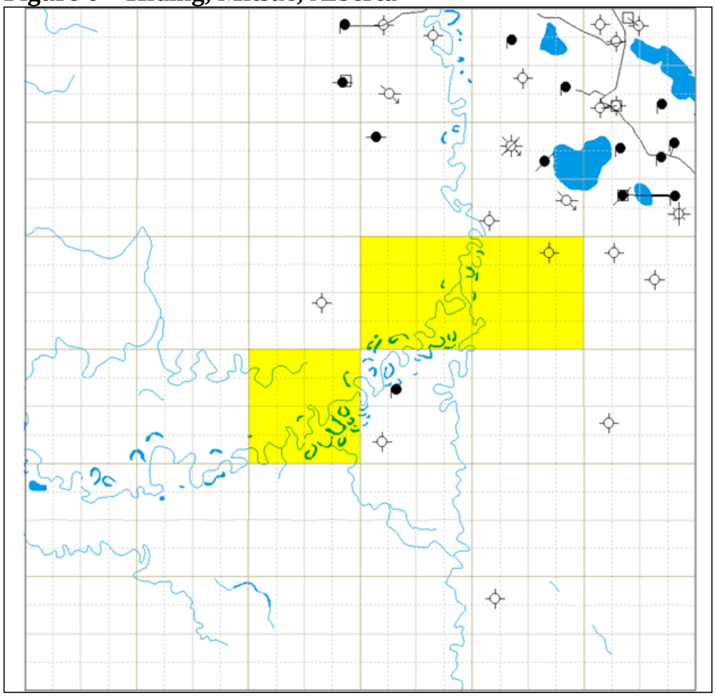


Source: Exall Energy Corporation

At Marten Lakes, the company has 129 (95 net) sections of undeveloped lands, no production although current mapping has identified six multiple-zone, light oil drilling locations.

Hiding, AB

Figure 6 – Hiding, Mitsue, Alberta



Source: Exall Energy Corporation

Exall has a 100% working interest in the Hiding area with three undeveloped sections, no production and three drilling locations identified for 2012.

Other Properties

Exall has two other non-core properties in Alberta: Jayar with 10.2 (only 1.2 net) sections and net production of about 100 Boe/d, and Bow Island with only 40 (8 net) acres and very small production. Both properties may be sold in the near future.

Exciting Wabamun and Exshaw Potential

A few weeks ago, Exall announced that they successfully twinned a vertical well that found hydrocarbon in the Wabamun formation. From core analysis, the company estimates that the second well has potential oil in place per section of 26.3 MMBbls. The plan is to drill six exploration wells this winter testing the Wabamun and Exshaw potential. The first well will spud at the end of November 2011 with results by mid December 2011. If successful, Exall will shoot 3D seismic to validate the play.

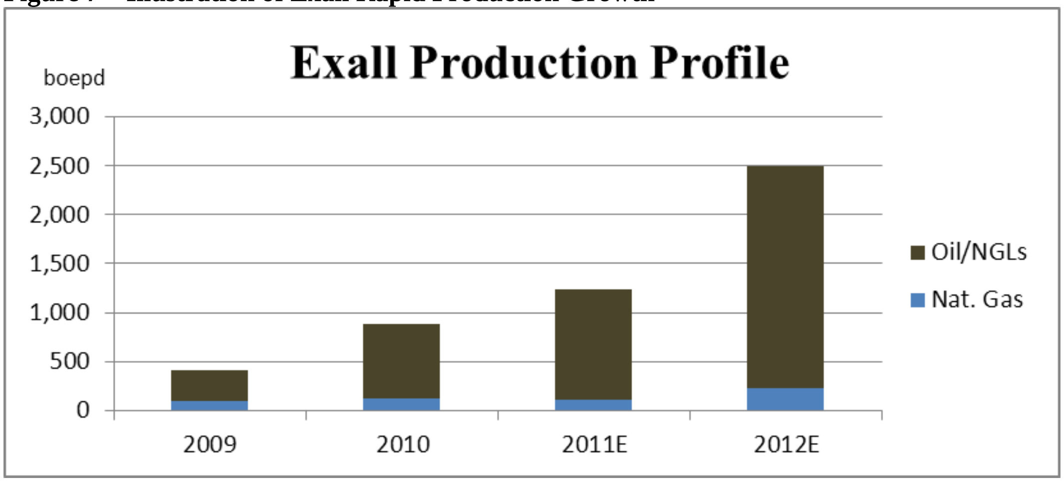
2012 Capital Program

Exall has an ambitious approximately $65 million capital spending program for 2012. During this winter, Exall plans to spend approximately $16 million shooting 3D seismic at Mitsue to identify new fluvial channels and more drilling locations. A total of approximately 22 wells are planned for 2012 with two rigs contracted full time.

Very Strong Production Growth

After no production growth in first three quarters of 2011 due to severe forest fires, and wet weather, Exall has basically doubled production in 4Q/2011 to average close to 2,000 Boe/d and exit the year approaching 2,500 Boe/d. For 2012 we have assumed an average production rate of 2,500 Boe/d. We stress that future production rates can significantly vary depending on the degree of drilling success and the timing of bringing on new production. A 2012 exit rate approaching 3,500 Boe/d is certainly a possibility.

Figure 7 – Illustration of Exall Rapid Production Growth



Emerging Equities Inc. Capital Markets

Exall is in the enviable position to quickly ramp up production over the next few years with the company's huge land base offering the potential of several hundred drilling locations. And if the Wabamun potential is considered, then the number of locations could easily exceed 1,000.

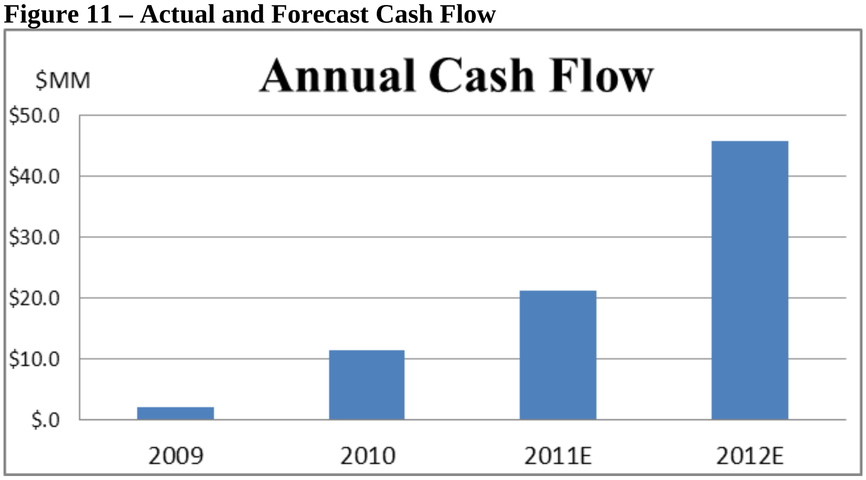
In two years (2009-2011) Exall's production has nearly tripled, despite the serious issues of wet weather and extreme fires earlier in 2011. We project another 140% increase for 2012 which will continue to be largely attributed to oil.

Within the next five years, we expect Exall's production, excluding any acquisitions, to exceed 6,000 Boe/d, and note that we're talking about mostly light oil with a price that should easily exceed $125 per barrel within the next few years.

Valuation

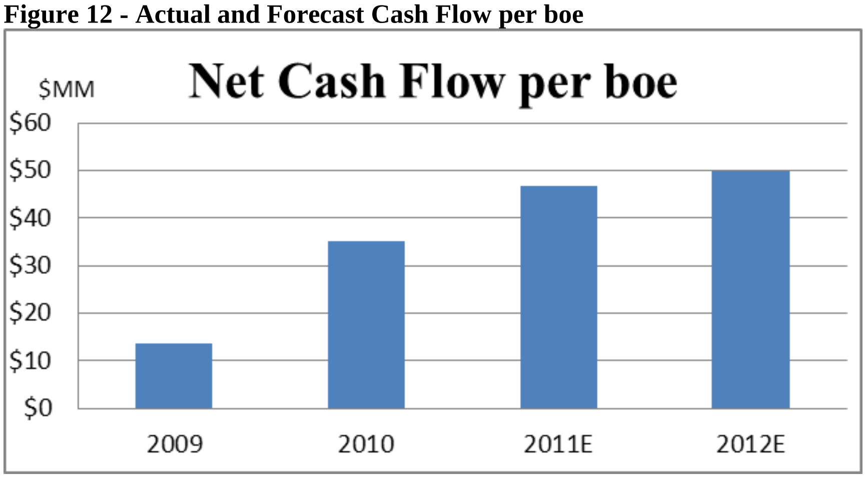
The two tables below illustrate actual and our projected cash flows (Figure 11) and cash flow per boe (Figure 12) for Exall through 2012. Exall's strong production growth, significant exposure to light oil, and combined with our forecasted $100/bbl WTI average price for 2012 generate a projected 2012 cash flow of $45.6 million. Despite the significant increase to capital spending in 2012 to $65.9 million, cash flow also more than doubles, therefore keeping net debt/cash flow at an attractive level of 1.0x.
We have assumed an asset disposition of $3.0 million, but assume no corporate or asset acquisitions.

Figure 11 – Actual and Forecast Cash Flow



Source: Emerging Equities Inc. Capital Markets

Figure 12 - Actual and Forecast Cash Flow per boe



Source: Emerging Equities Inc. Capital Markets

Emerging Equities Inc. uses market based valuations from publicly traded companies and corporate transactions in the oil and gas sector and takes the arithmetic average of all selected metrics. Using these metrics, current company data, and forecasted net reserves added over 2011, Exall's stock price currently trades at a fair value.

Figure 13 – Exall Valuation Metrics

Description	Valuation
Cash Flow Multiple (6.0x @ $46 Netback and 1,700 boepd)	$ 2.14
Flowing Barrel Metric ($100k)	$ 2.12
Est. P+P 2011 Reserves Value (@$27.7 per boe)	$ 2.51
Est. P+P 2011 Reserves Value (@$27.7 per boe; incl. land)	$ 2.80
Arithmetic Mean	**$ 2.39**

Source: Emerging Equities Inc. Capital Markets

In every respect, Exall's current share price can be considered great value, despite the fact that it has risen in recent weeks. The stock is trading at only 2.6x our 2012E debt adjusted cash flow (DACF) based on $0.67 per share fully diluted, and a 3.4x EV/2012E DACF . Growth stories like Exall usually trade at a premium. Given the metrics forecasted for 2012, a range of share prices are presented in Figure 14 below with implied metrics at each price given estimated unbooked reserves after 2012 risked capital program. Exall at around $2.00 looks like at attractive entry point.

Figure 14 – Exall Implied Metrics at Implied Stock Prices

	Implied Metrics @ Share Price Scenarios				
Share Price	$ 1.90	$ 2.20	$ 2.50	$ 2.80	$ 3.20
EV per Flowing Barrel (2500 boepd)	$ 68,127	$ 76,263	$ 84,398	$ 92,534	$ 103,382
Reserve Value (EV/2P)	$ 14.2	$ 15.9	$ 17.6	$ 19.3	$ 21.6
EV multiple (@$50 netback)	3.7	4.2	4.6	5.1	5.7

Source: Emerging Equities Inc. Capital Markets

Recommendation and Conclusion

We strongly believe that now is an ideal time for investors to buy Exall shares for the following reasons:

1) Huge undeveloped and largely undeveloped land base potentially offering years of quality drilling opportunities
2) Exposure to the right commodity with about 90% weighted to 42 degree API oil
3) The $16 million seismic program (100 square miles) to be shot this winter should identify numerous Gilwood channel locations, and additional Wabamun upside—translates into significant value.
4) Very experienced "Gilwood technical team" running the exploration program.

Emerging Equities Inc. is initiating coverage of Exall Energy Corporation with a **STRONG BUY** recommendation and 12 month target price of **$3.15**, which translates to **4.5x our 2012E DACF**, based on $0.67 per share fully diluted, and a **5.1x EV/2012E DACF**. However over the next few years, assuming the company delivers the strong operational results that we expect, the company will earn a multiple expansion. We would not be surprised if the share price reaches well over $5.00 by 2014 (or sooner).

History has proven that junior oil weighted producers that are still in the early stage of proving up a major new play (extension of the Gilwood at Mitsue), coupled with strong initial drilling results, quickly surface on the radar screens of many potential buyers who will pay a premium price.

Appendix – Management and Director Biographies

Stephen G. Roman – Executive Chairman*

30+ years experience – Denison Mines; Lawson Mardon Group; Zemex Corporation; Canadian Armed Forces; Novacke Chemicke; Gold Eagle Mines; Polar Star Mining; Silvermet; Verena Minerals; Global Atomic Fuels; Gabriel Resources

Roger N. Dueck, P. Geol. – President & CEO*

36+ years experience – Kimberly Resources; Mesquite Exploration; Kingsmere Exploration

Warren F. E. Coles, MBA – VP–Finance & CEO

18+ years experience – Applied Terravision Systems; Deep Resources; Dual Exploration; DeeThree Exploration; Black Mountain Exploration

Glen Kerr, P.Eng. – VP-Operations & COO

30+ years experience – ENCO Gas; Pioneer Natural Resources; Norwich Resources; Home Oil; Kingsmere Exploration

Janet MacKenzie, P.Geol. – VP – Exploration

20+ years experience – Talisman Energy; HighPoint Resources; Mesquite Exploration; Devon Energy; Lionheart Energy; Glen Isle Exploration; AGAT Labs

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

24+ years experience – Skana Exploration; Cordero Energy; ConocoPhililips Canada; Burlington Resources Canada; Viking Energy Royalty Trust; Pioneer Natural Resources Canada; Encal Energy; AEC Oil & Gas; Husky Oil Corporation

INDEPENDENT DIRECTORS

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

34+ years experience – Kaiser Energy; poco Petroleum; Canada Northwest Energy; Golden Eagle Oil & Gas; Canada Cities Services

Bernard Lang – Director

40+ years experience – Synenco Energy; Suncor Energy

D. Allen Menzies, CA – Director

36+ years experience – Grant Thornton LLP

Wayne T. Egan – Director

20+ years experience – WeirFoulds LLP

Roderick I. Phipps, P.Eng. – Director

35+ years experience – Lauren Concise

*Non-Independet Directors

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INVESTMENT RATINGS

Risk: Based upon several different parameters including but not limited to stock price volatility, asset diversification, geographical location, exploration orientation, EEI assigns a risk profile to each recommendation as either Medium risk or High risk**. Potential Return:** Based on a 12- month period unless otherwise stated, potential return is a function of relative cash flow multiples, relative net asset value, cash flow and production growth potential, as well as capital composition.

	Potential Return	Risk	Ratings Distribution
STRONG BUY:	30% or more	Medium	100%
STRONG SPECULATIVE BUY	30% or more	High	0%
SPECULATIVE BUY:	20% or more	High	0%
BUY:	20% or more	Medium	0%
HOLD:	10% or more	Medium	0%
REDUCE:	10% or less	Medium	0%
RESTRICTED:	Involved in Investment banking		

ANALYST DISCLOSURE	Yes or No
At the date of the Research Report, does the Analyst hold a position in the stock?	No
Has the Analyst received, directly or indirectly, compensation in exchange for expressing the specified recommendations?	No
The Analyst certifies that the views expressed in this report are his own.	Yes
Is EEI a market maker for the Company or income trust?	No
Does Emerging Equities beneficially own more than 1% of any class of the issuer's common stock (as of the most recent month end)?	No
Does any director, officer, employee of EEI or member of their household serve as a director or officer or advisory capacity to the issuer? (If so, list name):	No

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	Yes or No
Does EEI or the analyst have any material conflicts with the issuer? If so, explain:	No
Has EEI received remuneration for investment banking and/or related services from the issuer during the past 12-months?	No
Has EEI provided the issuer with non-investment banking securities-related services in the past 12-months?	No
Has EEI managed or co-managed an offering of securities by the issuer in the past 12-months?	No
Has the analyst viewed the material operations of the issuer? If so, explain:	No

Note: EEI may receive or intends to seek compensation for investment banking services from all issuers under research coverage within the following three months.

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