

Company Summary

May 28, 2010

Novus Energy Inc. (NVS : TSX-V)

Current Price : \$0.89

Coverage Initiated:
\$0.89 (March 12, 2010)

Highlights:

- new management team with history of success
- numerous recent acquisitions have boosted production to over 875 boepd, with a focus on light oil
- company has remained debt free with significant working capital to fund an aggressive drilling program
- over 230 drilling targets have been identified

DISCUSSION:

Novus Energy is a Canadian oil and gas company with operations in BC, Alberta, and Saskatchewan. Novus is managed by the previous executive team of Gentry Resources Ltd., which grew from an initial market capitalization of \$2.5 million and merged with Crew Energy Inc. on August 22, 2008 for a value of approximately \$300 million with a production level of over 5,000 boe/d.

On April 1, 2009, the current management team was appointed in conjunction with a \$13.9 million financing completed through the issuance of 277.5 million common units at \$0.05 per unit. Each unit consisted of one common share and one common share purchase warrant exercisable at \$0.075 for 3 years. On August 5, 2009, the company changed its name from Regal Energy Ltd. to Novus Energy Inc. and consolidated its common shares on a 10:1 basis.

On November 5, 2009, the company acquired certain assets in the Kindersley and Rocanville areas of Saskatchewan for consideration of \$3.75 million. On November 24, 2009, the company completed a private placement consisting of 46.2 million shares at a price of \$0.65 per share for gross proceeds of approximately \$30 million.

On December 11, 2009, Novus acquired Ammonite Energy Ltd. on the basis of 0.825 of a Novus share for each Ammonite share. Total consideration for the purchase was \$23.2 million, consisting of \$22.3 million of equity value and the assumption of \$900,000 of net debt. The acquisition included production of 285 boe/d (67% light oil), proved plus probable reserves of 588,000 boe, net undeveloped land of 21,323 acres, and 64 net drilling locations. On December 18, 2009, the company closed the acquisition of two separate parcels of land in the Doddsland and Kerrobert areas of Saskatchewan for cash payments of \$850,000. These lands provided Novus with four additional net horizontal drilling locations. On December 30, the company closed the acquisition of 8 net sections of land in the Flaxcombe area of Saskatchewan for \$1.2 million in cash and 850,000 Novus shares at a deemed price of \$0.94 per share.

On January 18, 2010, the company completed two farm-out and royalty agreements with a private company pursuant to which Novus will be licensing four horizontal multi-stage frac Viking oil wells on lands located in the Kindersley/Doddsland area of Saskatchewan. The company will drill at least 3 test wells by July 30, 2010.

In early March 2010, Novus closed the acquisition of a private company through the issuance of 18.7 million shares. This purchase included production of 214 boepd, 1,151,100 boe of proven plus probable reserves, 16,300 net undeveloped acres of land in Doddsland, SK, as well as positive working capital of about \$8 million. In mid-March, Novus acquired another private company with assets located exclusively in its core focus area of Doddsland for \$925,000. The transaction provides continued strategic expansion of the company's operating base in the Viking oil resource play, and increases the company's inventory of higher-impact resource-style prospects.

In late April 2010, Novus acquired 9 net sections of land at Doddsland for total consideration of \$2.3 million plus 390,000 common shares. Furthermore, on May 6, 2010, Novus entered into a farm-in agreement on 10,400 acres in the Doddsland area whereby the company will earn up to a 100% interest in the land by funding 100% of the drilling costs and paying a royalty on the production. In total, Novus now controls over 44,000 net acres at Doddsland with more than 230 horizontal Viking oil drilling locations. In mid-May 2010, the company completed a \$25 million bought deal financing through the issuance of 22.73 million shares at \$1.10 per share.

During Q1 2010, Novus drilled 11 (9.5 net) wells including 6 horizontal Viking oil wells at Dodsland. To date in 2010, Novus has drilled 19 wells including 14 wells cased at Dodsland with 2 additional horizontal oil wells presently drilling.

Novus currently has plan to drill 16 wells in the Whiteside, Flaxcombe, Kerrobert and Dodsland areas of SK in the first half of 2010. Surveying is continuing and it is expected an additional 20-25 horizontal wells will be drilled in the second half of 2010.

At Wembley, Alberta, Novus has recently completed a 100% interest 2,200m exploration well which is expected to be tied-in during the fourth quarter of 2010 at a rate of 100-150 bpd of 44-degree API oil. Additional activity is planned in the Wapiti, Roncott, and Rocanville areas.

Given the number of acquisitions completed by Novus, the trailing 12 month financial results are not meaningful. Over the course of its first 12 months of operations, the company has increased its production from 275 boepd to current levels exceeding 875 boe/d. Novus has changed its fiscal year-end to December 31 and the results for the year ended December 31, 2009 are for a 15 month period.

Novus has approved a 2010 capital expenditure budget of \$36 million which is expected to incorporate the drilling of 44 (37.5 net) wells, the majority of which will be horizontal wells targeting light Viking oil at Dodsland. Production is expected to average 1,300 boe/d with a 2010 exit production rate of 2,200 boe/d. Cash flow for 2010 is forecast to reach \$13.0 million using an average natural gas price of \$4.75/mcf and an average oil price of US\$80/bbl. Novus currently has cash of approximately \$33 million and expects to exit 2010 with no debt.

We closely watched Gentry Resources' performance from 2000-2008 and were highly impressed with management's ability to produce results and consistently exceed expectations. Given the number of transactions completed in the short history of Novus Energy, this same management team appears to be committed to again building an active, mid-tier producer that should be well recognized in the investment community. With a cash balance of \$34 million and no long-term debt, the company is well positioned for a very active drilling campaign as well as having the ability to complete accretive acquisitions during a period of depressed corporate valuations. Based on the projected 2,200 boe/d exit rate, cash flow for 2011 should reach at least \$30 million not including any future production increases or further acquisitions. Novus is presently trading at just 5 times this amount, a significant discount to its peers, despite an industry leading balance sheet and significant drilling opportunities targeting light oil.

FINANCIAL AND OPERATING RESULTS

	3 months ended Mar. 31		Fiscal Year ended	
	2010	2009	Dec. 31/09	Sep. 30/08
FINANCIAL				
Revenues	\$2,986,670	\$911,220	\$4,962,382	\$4,924,134
Cash Flow	(78,731)	(1,379,031)	(3,524,854)	(43,784)
per share	(0.001)	(0.090)	(0.10)	(0.006)
Net Loss	(2,823,843)	(9,146,943)	(15,956,453)	(3,085,655)
per share	(0.022)	(0.60)	(0.45)	(0.43)
PRODUCTION				
Oil & NGLs (bpd)	273	75	81	53
Natural Gas (mcf/d)	2,620	1,385	1,457	1,138
Boepd (6:1)	710	306	324	242

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BALANCE SHEET

(As at March 31, 2010)

Current Assets	\$ 26,901,850
Total Assets	98,234,457
Current Liabilities	6,418,993
Long-Term Debt	nil
Shareholders' Equity	87,696,462

SHARES OUTSTANDING

(As at May 19, 2010)

Basic	165,249,063	* mgmt and directors own approx 10% of
Fully-diluted	205,400,163	the fully diluted shares outstanding.