

July 2018

## Permex Petroleum Corporation

### Summary

Permex Petroleum Corporation, (CSE: OIL<sup>1</sup>) ("Permex" or the "Company") is a uniquely positioned junior Oil & Gas company with assets and operations across the Permian Basin of West Texas and the Delaware Sub-Basin of South East New Mexico. Permex has a current focus on identifying, evaluating and acquiring oil and natural gas assets in North America and enhancing and developing its currently held oil and natural gas assets in Texas and New Mexico. Permex owns and operates on Private, State and Federal land. Permex owns and operates over 6,500 Net acres of held by production ("HBP") land within the region (100% operated, Working Interest ranging from 41.46% - 100%, 100% HBP). The Company's Net Revenue Interests on its properties range from 34.96% to 81.25%. The Company owns and operates on Private, State, and Federal land.

Permex's assets include over 72 producing oil and gas wells, 35 Shut-in wells, 10 Salt Water Disposal<sup>2</sup> wells, 24 Water Injection Wells and 2 Water Supply Wells<sup>3</sup>, allowing for Enhanced Oil Recovery ("EOR")<sup>4</sup> on its fields. The Company has 8 oil and gas properties, of which 5 have been identified for EOR. The Company's properties mainly contain 20 and 40-acre spacing, however two fields carry 10-acre spacing.

### KEY HIGHLIGHTS

- **Timing:** Company strategically acquired assets during a down cycle.
- **Geography:** Assets located in the highly sought-after Permian & Delaware Basin.
- **Geology:** Targeting productive formations such as San Andres, Bone Springs and Wolfcamp.
- **Capital Structure:** No debt & tightly held share structure at ~35M shares outstanding.
- **Immediate Scale:** Five horizontal San Andres PUD wells, capable of producing 2,000 boepd.
- **Additional Upside:** Over 167 vertical drilling locations on current assets.

### RECENT TRANSACTIONS & OPERATIONS UPDATES

**July 2018** - Permex Petroleum Corporation completes the acquisition of the ODC San Andres and Taylor properties in Gaines County Texas. This acquisition increases Permex's total oil and gas holdings in Texas and New Mexico to 6,500 acres, increases the company reserves by 25.6% and increases its NPV10 by 30.4% to \$150MM USD.

**June 2018** - Permex begun its re-stimulation and re-entry program on its Bullard and West Henshaw fields. The re-stimulation and re-entry of all 35 shut-in wells are expected to provide the company

<sup>1</sup> Permex Petroleum Corporation is listed on the Canadian Securities Exchange through an Initial Public Offering under the trading symbol "OIL" as of May 15, 2018.

<sup>2</sup> A Salt Water Disposal well is a disposal site for water collected as a by-product of oil and gas production.

<sup>3</sup> A hole in the ground drilled to obtain water for the purpose of injecting water into an underground formation in connection with the production of petroleum or natural gas.

<sup>4</sup> EOR is the process of obtaining stranded oil not recovered from an oil reservoir through certain extraction processes.

with an additional 150 barrels of oil in production per day (“boepd”) targeting a 400 – 500 barrels per day exit rate for 2018.

**June 2018** - Permex started its Enhanced Oil Recovery (“EOR”) program within the Upper and Lower Tannehill formation. Water flooding an oil reservoir is to encourage oil production thus increasing oil recovery to 30% or more of the total of original oil in place.

June 2018 -

**May 2018** - Permex recently completed its initial public offering (the "Offering") of 8,135,500 common shares ("Common Shares") of the Company at a price of \$0.50 per share for aggregate gross proceeds of \$4,067,750 led by Canaccord Genuity CF (TSE). The Common Shares were listed on the Canadian Securities Exchange (the "CSE") on May 15, 2018 under the symbol "OIL".

**Permex's independent NI 51-101 Reserve Report prepared by MKM Engineering as at September 30, 2017 estimates a Net Present Value of Future Net Revenue (discounted at 10%, before deducting future income tax expense) of \$115MM USD (2P Reserves)<sup>5</sup>. A NI 51-101 was also conducted by MKM on its newest acquisition “ODC & Taylor leases”, which devoted an additional Net Present Value of Future Net Revenue (discounted at 10% before deducting future income tax expense) of \$35MM USD (2P Reserves). The combined NPV10 of \$150MM USD equates to approximately \$4.28 USD per share.**

#### **FOR FURTHER INFORMATION, PLEASE CONTACT:**

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#### **NOTICE TO INVESTORS**

The information contained in this summary does not purport to be all-inclusive or to contain all information that prospective investors may require. Prospective investors are encouraged to conduct their own analysis and review of Permex and of the information contained in this summary. Without limitation, prospective investors should read the prospectus, and any amendments thereto, consider the advice of their financial, legal, accounting, tax and other professional advisors and such other factors they consider appropriate in investigating and analyzing Permex. An investor should rely only on the information contained in the prospectus relating to the Offering, which will include this summary, and is not entitled to rely on parts of the information contained in the prospectus to the exclusion of others. None of Permex or the Agents

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<sup>5</sup> The undiscounted or discounted net present value of future net revenue attributable to reserves estimated by MKM Engineering do not represent the fair market value of those reserves. See “Oind Gas Disclosures” below.

have authorized anyone to provide investors with additional or different information, and any such information should not be relied upon.

REGULATORY AUTHORITY, OR ANY CANADIAN PROVINCIAL SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY, INCLUDING THE CANADIAN SECURITIES EXCHANGE, PASSED UPON THE ACCURACY OR ADEQUACY OF THIS SUMMARY. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

## **FORWARD LOOKING STATEMENTS**

Certain statements in this summary are forward-looking statements or information (collectively "forward-looking statements"). All statements other than statements of historical facts contained in this summary, including statements regarding the expected use of proceeds from the Offering; indications as to the expected future performance of the Company, including the potential future net revenue of Oil and Gas Properties; management's view regarding the oil and gas market; the prospects for development of certain Oil and Gas Properties the Company has invested in; the Company's future results of operations, financial position and business strategy; and plans and objectives of management for future operations are forward-looking statements.

The Company is providing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in these forward-looking statements. Any statements that express or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases including, but not limited to, and including grammatical tense variations of such words as: "may", "anticipates", "is expected to", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

The Company has based the forward-looking statements largely on its current expectations, estimates, assumptions, and projections about future events and financial and other trends that the Company believes, as of the date of such statements, may affect its business, financial condition and results of operations. Such expectations, estimates, assumptions, and projections, many of which are beyond the Company's control, include, but are not limited to: the assumption that the Offering will be completed and that any additional financing needed will be available on reasonable terms; the ability of the Company to successfully acquire Oil and Gas Properties; the ability of the Company to obtain equipment, services and supplies in a timely manner to carry out its activities; the ability of the Company to successfully market oil and natural gas to customers; the timing and costs of pipeline and storage facility construction and expansion and the ability to secure adequate product transportation; the timely receipt of required regulatory approvals; the ability of the Company to raise sufficient proceeds in the Offering to pursue its stated objectives or to obtain alternative financing on terms acceptable to the Company, or at all; currency, exchange and interest rates; future oil and natural gas prices; the effectiveness and efficiency of advertising and promotional activities; the Company's intention not to pay dividends; claims, lawsuits and other legal proceedings and challenges; and competitive conditions in the oil and gas industry.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as of the date they are made and are based on information currently available and on the Company's then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and assumptions described in the prospectus. Factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, include, but are not limited to, risks and uncertainties related to: risks related to the completion of financings and the use of proceeds; expectations regarding revenue, expenses and operations; anticipated cash needs and the need for additional financing; the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; the speculative and competitive nature of the oil and gas industry; the risks of the oil and gas industry, both domestically and internationally, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand; the risks and uncertainties involving geology of oil and natural gas deposits; the risks inherent in the Company's marketing operations, including credit risk; the uncertainty of reserves estimates and reserves life; the uncertainty of estimates and projections relating to production, costs and expenses; potential delays or changes in plans with respect to production or development projects or capital expenditures; the Company's ability to enter into or renew leases; fluctuations in oil and natural gas prices, foreign currency exchange rates and interest rates; health, safety and environmental risks; the ability of the Company to add production and reserves through development activities; general economic and market factors, including commodity rates, interest rates, business competition and changes in government regulations or in tax laws; the inability to receive regulatory approvals required to achieve the Company's business objectives; the Company's ability to compete with more established oil and gas companies; volatility of the Company's share price following a listing on a public exchange; ability to attract and retain personnel; lawsuits and other legal proceedings and challenges; conflict of interests with directors and other management; regulatory developments and the regulatory environments in which the Company operates; unanticipated trends and challenges in the Company's business and the markets in which it operates; other risks described in the prospectus and described from time to time in the Company's documents filed with Canadian securities regulatory authorities; and other factors beyond the Company's control.

Further, any forward-looking statement speaks only as of the date on which such statement is made and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Please also refer to "*Risk Factors*" and "*Management's Discussion and Analysis*" in the prospectus.

## **OIL AND GAS DISCLOSURES**

### **Reserves**

All estimates of reserves and future net revenue contained in this news release with respect to the San Andres ODC Unit & Taylor leases are derived from independent evaluations by MKM Engineering with an effective date of June 30, 2018, as set forth in the Reserves Report. The reserves data summarizes the crude oil, natural gas and natural gas liquids reserves of Permex and the net present values of future net revenue for these reserves as of September 30, 2018 using forecast prices and costs, not including the impact of any price risk management activities. The Reserves Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101 and CSA 51-324. Permex engaged MKM Engineering to provide an evaluation of its Proved and Proved plus Probable Reserves and no attempt was made to evaluate possible (as defined in NI 51-101) Reserves.

All evaluations of future net revenue are after the deduction of royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. The undiscounted or discounted net present value of future net revenue attributable to reserves estimated by MKM Engineering do not represent the fair market value of those reserves. There is no assurance that the forecast price and cost assumptions contained in the Reserves Report will be attained and variations could be material. Other assumptions and qualifications relating to costs and other matters are summarized in the prospectus. Readers should review the definitions and information contained in "*Oil and Gas Information*" in the prospectus in conjunction with the reserves information contained in this summary. The recovery and reserve estimates described herein are estimates only. The actual reserves associated with the Company's properties may be greater or less than those calculated.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

### **Barrels of Oil Equivalent**

Disclosure provided herein in respect of BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of crude oil reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.