

Permex Petroleum Corporation

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Permex Petroleum CEO: Company 'continues on a growth trajectory' despite deep downturn in oil sector

Permex Petroleum Corporation (CSE:OIL) (OTCMKTS:OILCF) CEO Mehran Ehsan told shareholders that the company "continues on a growth trajectory" despite a deep downturn in the oil sector in 2019.

"From world price fluctuations, excess supply and pipeline constraints to restricted access to capital, 2019 brought many struggles," Ehsan said in the company's annual letter to shareholders. "Nevertheless, through it all, I am pleased to say that Permex rose to the challenge and continues its progress."

Permex and its working interest partners have been a fixture in the Permian Basin since early 2015, which is located in west Texas and southeastern New Mexico. In 2018, Permex expanded its Permian oil and gas lease ownership by 25% to a gross 6,500-acre ownership in the region.

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Last year, he said the company continued its focus on profitable properties while temporarily shutting down projects that were unprofitable due to lower West Texas Intermediate (WTI), the US benchmark for crude oil prices. The price averaged \$57 a barrel in 2019, \$7 lower than in 2018.

"For example, our McMurry & Loving property which carries a certain amount of plugging liability was not profitable. As such we tested multiple zones within the Mississippi, Caddo and Strawn formations, of which none were commercially profitable at \$50 - \$55 WT," he said.

"In turn, the field was temporarily shut down in order to avoid any additional capital and operational expenses as well [as] unnecessary general and administrative overheads costs it carried. The fact Permex has a series of diverse properties helps, as it mitigates the risk of full shutdowns."

He said that in 2019, the company "achieved solid operational results" in the face of challenges in the oil and gas industry, noting that fiscal year revenue increased 71% year-over-year to \$1.61 million.

Other performance highlights include:

- Oil & Gas revenue increased by 71%;
- Operating cost per barrel decreased by 30%;
- Net oil revenue increased by 110%;
- General & Administration costs decreased by 51%;
- Gross profit margin increased by 36%;
- Net loss decreased by 69%; and
- Loss per share decreased by 80%

"With the appropriate capital to devote to horizontal drilling programs, we expect substantial production growth from our

Price: 0.04

Market Cap: \$1.6 m

1 Year Share Price Graph



Share Information

Code: OIL

Listing: CSE

52 week High Low
0.19 0.025

Sector: Oil & Gas

Website: www.permexpetroleum.com

Company Synopsis:

Permex Petroleum (CSE:OIL): A junior oil and gas company focusing on identifying, evaluating and acquiring oil and natural gas assets in North America.

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operation in the Permian basin over the next several years as we transition from a vertical well asset base to horizontal wellbores with the drilling of 1 - 2 San Andres wells," Ehsan said.

"Although market conditions may remain volatile, our portfolio is resilient. We are focused on creating value through a disciplined capital program that prioritizes efficient, low-risk, short-cycle investments. Our Upstream portfolio is anchored by large, long-lived assets with a low production decline."

Reserve highlights include:

- Proved developed producing reserves decreased by 1.3%, from 659 mboe to 650 mboe;
- Proved developed non-producing and shut-in reserves increased by 3.5% from 280 mboe to 290 mboe;
- Proved reserves increased by 10% from 439 mmboe to 486 mmboe;
- Proved and probable reserves increased by 6.5% from 9.1 mmboe to 9.8 mmboe; and
- Permex maintains a strong reserves life index of 7.6 years based on proved reserves and 13.4 years based on proved and probable reserves.

Looking ahead, Ehsan said Permex is moving ahead with efforts to accelerate the development of lower-risk-properties.

"We have an ambition to not only increase our production, free cash flow, but enhance corporate presence by expansion into the Dallas market," he said.

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