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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

Permex Petroleum Corporation

Speculative Buy

Howard Halpern
February 21, 2022

OILCF $5.48 — (OTC)

	2021A	2022A	2023E	2024E
Revenues (million)	$0.1	$0.9	$2.8	$7.0
Earnings (loss) per share	$(1.84)	$(1.76)	($0.84)	$0.11

52-Week range	$22.86 – $1.64	Fiscal year ends:	September
Common shares out as of 2/10/23	1.9 million	Revenue per share (TTM)	$0.57
Approximate float	1.0 million	Price/Sales (TTM)	9.6X
Market capitalization	$10.4 million	Price/Sales (FY2024)E	1.9X
Tangible book value/share	$5.41	Price/Earnings (TTM)	NMF
Price/tangible book value	1.0X	Price/Earnings (FY2024)E	49.8X

** Per share amounts reflect a 1 for 60 reverse stock split effective November 2, 2022*

Permex Petroleum Corporation, headquartered in Vancouver, British Columbia, is a junior oil and gas company that is primarily engaged in the acquisition, development and production of oil and gas properties in North America. Permex currently owns and operates various oil and gas properties located in Texas and New Mexico, and holds various royalty interests in 73 wells and 5 permitted wells across 3,800 acres within the Permian Basin of West Texas and Southeast New Mexico.

Key investment considerations:

Maintaining our Speculative Buy rating on Permex Petroleum Corporation and establishing a post-reverse split twelve-month price target of $17.00 per share.

Permex has substantial growth potential as it begins unlocking the oil and gas assets acquired since 2017. The company acquired over 11,700 acres primarily at prices below their current land values. At September 30, 2022, Permex reported it had proved and probable reserves in excess of 27 million barrels of oil equivalent.

Our forecasts should be supported by increased drilling and production activity. In FY22, the company averaged net oil-equivalent production by final product sold of 34.5 barrels per day. Entering FY23, that daily average production is likely to have doubled. We anticipate once Permex completes (early in 2H23) its first horizontal drilled well in Martin County, Texas, average production should increase by at least at least 400 barrels per day.

For FY23, we project total revenue of nearly $2.8 million, up from $878,000 in FY22. Our net loss forecast is $1.7 million or ($0.84) per share. Our forecasts reflect successful completion of its initial horizontal drilling program.

For FY24, we project net income of $266,000 or $0.11 per share on total revenue more than doubling to $7 million from an estimated $2.8 million for FY22. Our forecast reflects the successful completion of a second horizontally drilled well early in 1Q24.

On February 13, 2023, Permex reported it FY22 full year results. FY22 revenue was $878,000 versus $85,000 in FY21. The net loss was $2.7 million or $(1.76) per share from a loss of $1.3 million or $(1.84) per share in FY21.

****Please view our disclosures on pages 14 - 16.***

Recommendation and Valuation

We are maintaining our Speculative Buy rating on Permex Petroleum Corporation and establishing a post-reverse split twelve-month price target of $17.00 per share.

Our rating reflects the substantial growth potential of the company as it begins to unlock the oil and gas assets acquired since 2017. The company acquired over 11,700 acres primarily at prices below their current land values. At September 30, 2022, Permex reported it had proved and probable reserves in excess of 27 million barrels of oil equivalent. The key to the company's revenue growth will the successful completion (in the early part of 2H23) of its first horizontally drilled well in Martin County, Texas. That one well should increase average oil and gas production by at least 400 barrels per day. A second horizontally drilled well should at least another 400 barrels per day of oil and gas production during the early part of 1Q24.

Our 12-month price target of $17.00 per share implies shares could more than triple over the next twelve months. Shares of OILCF are currently trading at an EV/1P (Enterprise Value/Proved Reserves) multiple of 0.8X (0.7X previously). A comparable peer group currently trades at an average EV/1P multiple of 15.2X (12.8X previously). We believe the large discrepancy lies in the fact that Permex is currently trading at a pre-production valuation versus the peer group, which consists of larger, producing companies. As production volumes increase, OILCF's multiple should trend towards its peers. Applying an EV/1P multiple of 7X (prior was 6.7X) to its proved reserves, discounted for execution risks and estimated share issuances for services, we derive a 12-month price target of approximately $17.00 per share.

Permex's valuation improvement is contingent upon successful development, drilling, and oil and gas production on its New Mexico and Texas properties that should drive revenue growth, cash earnings, and net income. We forecast the company generating total revenue of $7 million in FY24, up from an estimated $2.8 million in FY23. We anticipate the company generating cash earnings of $3 million in FY24, up from an estimate $319,000 in FY24. The company had a cash loss of nearly $2.2 million in FY22. In FY24, the company should generated net income of $266,000 compared to an estimate net loss of $1.7 million in FY23.

We believe Permex Petroleum is most suitable for investors that seek exposure to a domestic junior oil and gas producing company that has substantial proved and probable reserves.

Recent Developments

On September 28, 2022, Permex announced it began drilling on its Breedlove Field Prospect located in Martin County, Texas. This is the first well to be drilled on the 7,780 gross acre Breedlove oil field. Two initial wells have been permitted and are expected to be drilled and completed.

On November 2, 2022, the company announced the drilling on its Breedlove Field Prospect located in Martin County, Texas achieved the target depth of 8,100 feet and the casing was run to total depth. The electric wireline logging sequence of the wellbore was completed with positive results achieved. The drilling has shown to be favorable as multiple zones have been found that should allow the company to proceed with the next steps of perforation and completion. The well is positioned vertically but set up for a horizontal well. If results from the drilling continue to be beneficial, Premex expects to replicate them across the 7,780 gross acres of the Breedlove Field, as additional wells are already permitted.

Business Overview

Permex Petroleum Corporation, headquartered in Vancouver, British Columbia, is a junior oil and gas company that is primarily engaged in the acquisition, development and production of oil and gas properties in North America. Permex currently owns and operates various oil and gas properties located in Texas and New Mexico and holds various royalty interests in 73 wells and 5 permitted wells across 3,800 acres within the Permian Basin of West Texas and Southeast New Mexico. At September 30, 2022, the company owned and operated more than

78 oil and gas wells, on more than 11,700 net acres of production oil and gas assets, 62 shut-in opportunities, and 17 salt water disposal wells.

Oil and Gas Properties

<u>Texas</u>
The Breedlove "B" Clearfork properties situated in Martin County, Texas are over 12 contiguous sections for a total of 7,870 gross and 7,742 net acres, of which 98% is held by production (a provision in an oil or natural gas property lease that allows the lessee to continue drilling activities on the property as long as it is economically producing a minimum amount of oil or gas) in the core of the Permian Basin. There is a total of 25 vertical wells of which 12 are producers, 4 are saltwater disposal wells (oil or gas wells that are no longer in production and are used for the disposal of saltwater produced from the oil extraction process) and 9 that are shut-in opportunities. Permex holds a 100% working interest and an 81.75% net revenue interest in the Breedlove "B" Clearfork Property.

A summary (from the October 2022 presentation) of Permex Petroleum's assets is shown in the table at right.

Summary of Assets

11,700+	net acres of held by production oil and gas assets in Texas & New Mexico
78+	oil and gas wells owned and operated by corporation
62	shut-in opportunities to be brought back online ("PDNP")[1]
17	Salt Water Disposal ("SWD")[2] wells eliminating water disposal fees and decreasing OPEX
2	Water Supply Wells ("WSW")[3] allowing for waterflood secondary recovery ("EOR")
73	producing ("PDP")[4] **Royalty Interest** oil and gas wells

1) PDNP stands for Proved Developed Non-Producing reserves.
2) A salt water disposal well is a disposal site for water collected as a by-product of oil and gas production.
3) 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.
4) PDP stands for Proved Developed Producing reserves.

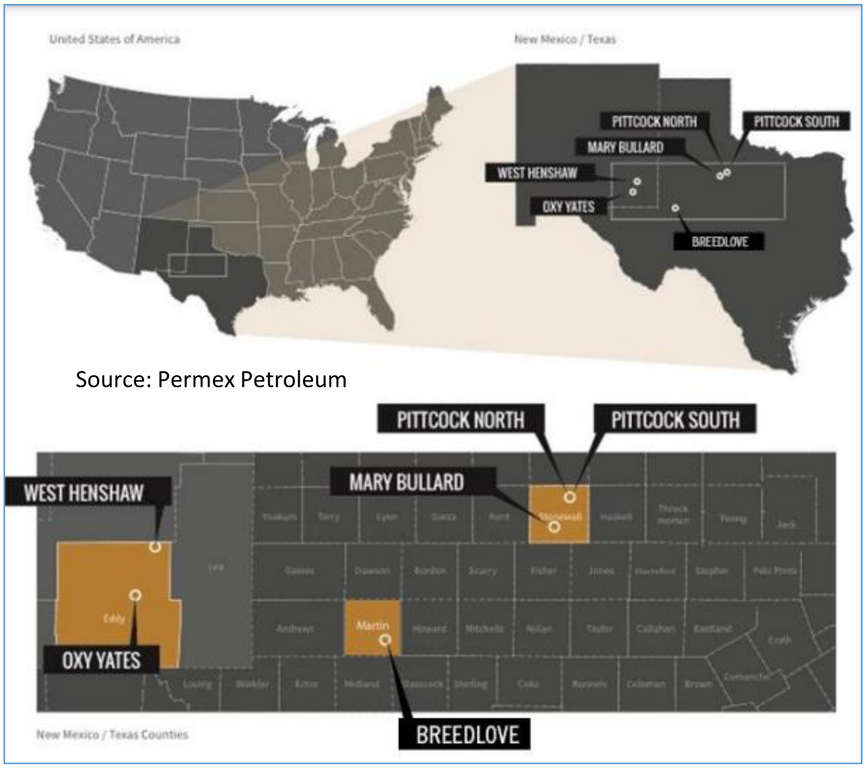
The Pittcock Leases are situated in Stonewall County, Northwest Texas, in the central part of the North Central Plains and consist of the Pittcock North property, the Pittcock South property, and the Windy Jones Property. The Pittcock North property covers 320 acres held by production. There is currently one producing well, ten shut-in wells, two saltwater disposal wells, and a water supply well. Permex holds a 100% working interest in the Pittcock North Property, and an 81.25% net revenue interest. The Pittcock South property covers 498 acres in four tracts. There are currently 19 shut-in wells and two saltwater disposal wells. Permex holds a 100% working interest in the lease, and a 71.9% net revenue interest.

The Windy Jones Property consists of 40 acres and includes two injection wells and two suspended oil wells. The sole purpose of the Windy Jones property is to provide waterflood (pumping water into the ground around an oil well nearing depletion in order to loosen and force out additional oil) to the offset Pittcock wells located east of the Windy Jones property. Permex holds a 100% working interest in the Windy Jones Property, and a 78.9% net revenue interest.

The Mary Bullard Property is located in Stonewall County, about 5½ miles south west of Aspermont, Texas. The asset is situated on the Eastern Shelf of the Midland Basin in the central part of the North Central Plains. The Mary Bullard Property covers 241 acres held by production and is productive in the Clearfork formation at a depth of approximately 3,200 feet. There is currently one producing well, four shut-in wells, and two water injection wells. Permex holds a 100% working interest in the Mary Bullard Property, and a 78.625% net revenue interest.

On August 30, 2022, Permex announced results obtained from five recently recompleted oil and gas wells located in Eddy County, New Mexico and Martin County, Texas. The recompletions were successful and came online at a combined initial production rate of 50 barrels of oil equivalent per day (BOEPD) and have stabilized at a rate of 35 BOEPD, increasing the company's total production to 71 BOEPD. Permex has an additional 62 shut-in oil, gas, and salt water disposal wells remaining to be brought online. Permex believes these wells will have the potential to yield similar results, increasing the company's total daily production solely by re-entering shut-in wells.

The geographic location of the company's assets can be seen in the chart at right.



Source: Permex Petroleum

New Mexico

The West Henshaw Property is located in Eddy County, New Mexico, 12 miles northeast of Loco Hills in the Delaware basin. Eddy County is in Southeast New Mexico and is bound by Chaves County to the north, Otero County to the east, Loving County, Texas to the south, and Lea County to the west. The West Henshaw Property covers 1,880 acres held by production. There are two producing wells, seven shut-in wells and four saltwater disposal wells. Permex holds a 100% working interest in the West Henshaw Property, and a 72% net revenue interest.

The Oxy Yates Property is located in Eddy County, approximately eight miles north of Carlsbad, New Mexico in the Delaware Basin. The Oxy Yates Property covers 680 acres held by production. There is one producing well and nine shut-in wells. The Yates formation is located at an average depth of 1,200 feet and overlies the Seven River formation and underlies the Tansill formation. Permex holds a 100% working interest in the Oxy Yates Property, and a 77% net revenue interest

The following table shows a summary of the company's reserves as of September 30, 2022 and September 30, 2021. The reserves summary was derived from the independent appraisal reports prepared by MKM Engineering using standard engineering practices generally accepted by the petroleum industry and conform to those classifications defined in the Canadian Oil and Gas Evaluation Handbook.

Reserves Summary

Net After Royalties (BOE)	September 30, 2022	Change %	September 30, 2021
Estimated Proved Reserves	9,238,300	0.2%	9,217,700
Estimated Probable Reserves	17,775,900	0.3%	17,718,600
Total Proved and Probable	27,014,200	0.3%	26,936,300

Source: 2022 10-K Filing

Oil and Gas Industry

Investopedia describes the oil and gas industry as one of the largest sectors in the world in terms of dollar value, generating an estimated $3.3 trillion in revenue annually. Oil is crucial to the global economic framework, especially for its largest producers: the United States, Saudi Arabia, Russia, Canada, and China.

The oil and gas industry is broken down into three segments: upstream, midstream, and downstream. Upstream, or exploration and production (E&P) companies (such as Permex), find reservoirs and drill oil and gas wells. Midstream companies are responsible for transportation from the wells to refineries, and downstream companies are responsible for refining and the sale of the finished products.

Upstream firms search the world for reservoirs of the raw materials and then drill to extract that material. The upstream segment is characterized by high risks, high investment capital, extended duration as it takes time to locate and drill, as well as being technologically intensive. Virtually all cash flow and income statement line items of E&P companies are directly related to oil and gas production. E&P companies are often valued by their oil and gas reserves; these untapped resources are the key to their future earnings.

New reserves are an essential source of future revenue, so E&P companies spend a lot of time and money exploring new untapped reservoirs. If an E&P company stops exploring, it will have only a finite amount of reserves and a depleting quantity of oil and gas.

The resource owners and operators of E&Ps work with a variety of contractors, such as engineering procurement and construction contractors, as well as with joint-venture partners and oil field service companies. In the process of locating and extracting oil and gas, E&Ps also build infrastructure and collect massive amounts of analytical data. The process of oil and gas exploration and production typically involves four stages.

Search and Exploration - The search and exploration stage involves the search for hydrocarbons, which are the primary components of petroleum and natural gas. Land surveys are performed to help identify the areas that are the most promising. The goal is to locate specific minerals underground in order to estimate the amount of oil and gas reserves before drilling. Geologists study rock formations and layers of sediment within the soil to identify if oil or natural gas is present.

The process can involve seismology, which uses substantial vibrations as a result of machinery or explosives to create seismic waves. How the seismic waves interact with a reservoir containing oil and gas help to pinpoint the reservoir's location. Once it has been determined that there appear to be reserves beneath the ground, the test drilling process can begin.

Well Construction - After identifying potentially viable fields, a well is drilled to test the findings and determine whether there are enough reserves to be commercially viable for sale. The process involves making a hole by drilling or grinding through the rock beneath the surface. A steel pipe is inserted into the hole so that the drill can be inserted in the pipe, allowing for exploration at a deeper level. Core samples are taken and studied by geologists, engineers, and paleontologists to determine if there is the proper quality of natural gas or petroleum in the underground reserve. If the process shows that there are both the quality and quantity needed to produce and sell commercially, the production of oil wells begins.

Engineers will typically estimate how many wells will be needed and the best method of extraction. The estimated cost of the number of wells is then determined. Next, the construction of the platform begins, which could be on land or offshore. The necessary environmental protections are also implemented at this stage.

There have been significant advances in drilling technologies over the years. Companies can drill horizontally tapping into vertical wells to search for natural gas pockets, which can produce far more natural gas than a typical vertical well.

Extraction - The oil and gas deposits are extracted from the wells. Sometimes, natural gas can be processed at the same site as the well. However, petroleum is usually extracted on-site, stored temporarily, and eventually shipped via a pipeline to a refinery.

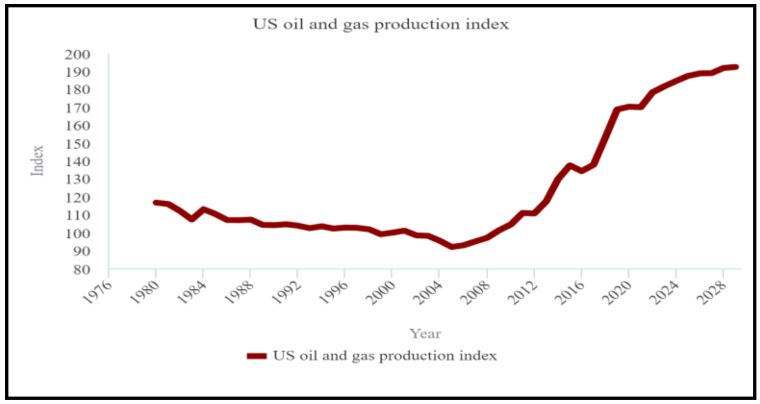
Abandonment of Wells - Once a site is no longer productive, meaning all reserves have been extracted and all opportunities have been exhausted, the wells are plugged or sealed. Attempts are made to restore the area in an effort to help the environment.

Once the crude oil and natural gas reserves have been extracted, the midstream oil and gas production process begins. Midstream companies focus on the storage and transportation of the oil and natural gas through pipelines. Midstream companies deliver the reserves to companies involved in the final stage of production called downstream.

The downstream process involves refineries that process the oil into usable products, such as gasoline. The products are sent to distributors and retail outlets, such as energy providers and gas stations.

Oil and Gas Production Forecast

IBISWorld expects US oil and natural gas production to rise through 2028 due in part to recovery in global demand and economic growth. As economic recovery occurs and global GDP reaches pre-pandemic levels, demand for natural gas and crude oil is expected to follow. This should cause increases in production and prices. IBISWorld anticipates US and foreign producers to increase production levels after severe cuts in 2020.



The US oil and natural gas production index is anticipated to increase at an annualized rate of 1.1% from 2023 to 2028 (see IBISWorld September 2022 - chart at right).

Strategy

Permex has a strategy of acquiring proven assets at attractive prices. The company seeks to find attractive acquisition opportunities with the objective of generating a high internal rate of return with low geological risk. Permex aims to stick to areas where management has a prior operating history and expertise. The company targets smaller acquisitions where operators don't need a large acreage position to be successful. Permex looks for projects that are profitable when there is a low commodity price environment.

As part of its strategic acquisition strategy, Permex acquired royalty interests in 73 producing oil and gas wells operated by major firms such as Apache Corp., Callon Petroleum, Chesapeake Energy, Chevron Noble, ConocoPhillips, Dougle Eagle Energy, EOG Resources, Marathon Oil, and XTO Energy. The company's geographic focus is on the Permian Basin of West Texas and Southeast New Mexico, the largest petroleum-producing basin in the US.

In an effort to position the company for its next growth phase, in October 2022, Permex appointed Melissa Folz P.E to its Board of Directors. Ms. Folz has an extensive oil and gas industry background. She currently serves as the Production Engineering and Optimization Director for Chord Energy and has served in other positions in the past as Senior Production Engineer for Sabine Oil and Gas, and Completions Engineer for Southwestern Energy. She is a licensed professional engineer in the state of Texas and holds a Bachelor of Science degree in Petroleum Engineering from Louisiana State University.

Economic Outlook

In January 2023, the International Monetary Fund (IMF) revised its US economic growth estimates to 1.4% for 2023 and 1% for 2024. In October 2022, the IMF had anticipated US economic growth of 1% in 2023 and 1.2% in 2024. The 2023 forecast by the IMF reflects carryover from domestic demand resilience in 2022. The reduction in the IMF's 2024 forecast is due to a steeper than anticipated path of Federal Reserve interest rate hikes. However, the do anticipate 2H24 economic growth should be faster than in 2023.

Projections

Our forecasts should be supported by increased vertical and horizontal drilling and production activity, as well as sustained production from recompleted oil and gas well projects. In FY22, the company averaged net oil-equivalent production by final product sold of 34.5 barrels per day. Entering FY23, that daily average production is likely to have doubled. We anticipate once Permex completes (early in 2H23) its first horizontal drilled well in Martin County, Texas, average production should increase by at least at least 400 barrels per day. We anticipate the company successfully completing a second horizontally drilled well early in 1Q24, which should add at least another 400 barrels of oil and gas production per day.

FY23 Forecast - We project total revenue of $2.8 million, up from $878,000 in FY22. Our net loss forecast is $1.7 million or ($0.84) per share compared to a net loss of $2.7 million or ($1.76) per share in FY22. Revenue should be supported by the continuing recompletion of additional wells and the initial impact of the company's first horizontal well.

The increase in revenue should result in gross profit increasing to $1.4 million from $49,000 with gross margins of 51.9% versus 5.6% in FY22. G&A expenses are projected to decrease to $2.6 million from $2.8 million to reflect the absence of expenses associated with the preparation and filing of a registration statement with the SEC that was accomplish last year, offset in part increased production activity. Depletion and depreciation expense is projected to increase to $400,000 from $106,000 reflecting the increase in production.

In FY23, we project $549,000 cash provided by operations from cash earnings of $319,000 and a $230,000 decrease in working capital. We project $2.1 million cash used in investing primarily from capital expenditures. Cash used in financing of $38,000 should reflect the pay down of debt. We project a $1.6 million decrease in cash to $1.7 million at the end of September 30, 2023.

FY24 Forecast - We project total revenue of $7 million, up from $2.8 million projected for FY22 and net income of $266,000 or $0.11 per share versus an estimated net loss of $1.7 million or $(0.84) per share in FY22. The significant improvement in revenue should be supported by the company successfully completing two horizontal wells, one each in 2H23 and 1Q24.

The increase in revenue should result in gross profit increasing to $4.2 million from $1.4 million with gross margins of 60.5% versus 51.9% projected for FY23. G&A expenses are projected to increase to $3.2 million from $2.6 million to reflect the hiring of personnel to support the increase in average daily oil and gas production. Depletion and depreciation expense is projected to increase to $600,000 from $400,000 reflecting the increase in production.

In FY24, we project $3 million cash provided by operations from cash earnings of $3 million and a $15,000 decrease in working capital. We project $3 million cash used in investing primarily from capital expenditures. We anticipate no activity in cash from financing. We project a $39,000 increase in cash to $7.8 million at September 30, 2024.

2022 Full Year Results

In FY22, total revenue increased to $878,500 from $84,600. Oil and gas sales increased to $815,400 from $46,700 in 2021 and royalty income was $63,100 compared to 37,900 2021. Gross profit nearly doubled to $50,000 from $25,000 in 2021 as revenue growth was partly offset by contraction in gross margins 5.6% from 29.5% last year. Gross margin contraction reflects production expenses increasing to $829,200 from $59,700 in FY21 stemming from increased production and maintenance expenses related to bringing the West Henshaw wells back online. The net loss widened to $2.7 million or $(1.76) per share from a loss of $1.3 million or $(1.84) per share in FY21. Per share amounts reflect the 1 for 60 reverse stock split (effective November 2, 2022) with average common shares of 1.5 million in FY22 compared to nearly 679,000 last year.

Oil and gas sales were mainly generated from Permex' Breedlove "B" Clearfork properties that were acquired at the end of FY21 and accounted for 70% of total oil and gas sales in FY22. The company's Pittcock North, Mary Bullard, and West Henshaw wells were brought back online in 2Q22. In FY22, net oil-equivalent production by final product sold averaged more than 34.5 barrels per day, compared with approximately 3.2 in FY21.

G&A expenses increased to nearly $2.8 million from $496,000 last year due primarily to higher accounting and audit fees (a $162,000 increase) stemming from increased production activities and US regulatory compliance work related to the filing of the Form S-1 with the SEC. Other increases included consulting fees (a $223,000 increase), legal fees (a $337,000 increase), management fees (an $80,000 increase), and marketing promotion office and general expenses (a $723,000 increase, as well as a $543,000 increase in stock based compensation. Overall increase in G&A expense stems from fees paid to contract consultants for geological, project management, and general regulatory and corporate consulting work, as well as the preparation of the company's registration statement and increased US regulatory compliance requirements. The company also had higher expenses related to fees paid to the CEO, payments to marketing firms for investor awareness programs and promotion campaigns, as well as an increase in overall corporate activities.

Depletion and depreciation expenses increased to $105,000 from $60,000 due to the Breedlove acquisition at the end of FY21 and increased production.

Liquidity – As of September 30, 2022, Permex had $3.3 million cash, a current ratio of 2.2X, $38,300 of total debt that was repaid in December 2022, and shareholder's equity of $10.5 million.

In FY22, the company used $2 million cash from operations from a cash loss of nearly $1.2 million and a $264,000 increase in working capital. Permex used nearly $1.7 million cash in investing activities consisting solely of capital expenditures. The company received $7 million cash from financing activities consisting primarily of proceeds from the issuance of share capital. Cash increased by $3.3 million to $3.3 million as of September 30, 2022.

Competition

The oil and natural gas industry is highly competitive. Permex competes with major and independent oil and natural gas companies for exploration and development opportunities and acreage acquisitions. The oil and natural gas industry also competes with other energy-related industries in supplying the energy and fuel requirements of industrial, commercial and individual consumers.

Many of the company's competitors have substantially greater financial and other resources and may be able to absorb the burden of any changes in federal, state and local laws and regulations more easily than Permex can, which could adversely affect its competitive position. These competitors may be willing and able to pay more for productive oil and natural gas properties and may be able to identify, evaluate, bid for and purchase a greater number of properties and prospects than Permex.

Risks

In our view, these are the principal risks underlying the stock.

Commodity price risk - The prices Permex receives for its oil and natural gas production heavily influence its operating results. Oil and natural gas are commodities, and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the commodities markets have been volatile, and these markets will likely continue to be volatile in the future. If the prices of oil and natural gas experience a substantial decline, the company's operations, financial condition and level of expenditures for the development of its oil and natural gas reserves may be materially and adversely affected.

Reserve recovery risk - There are numerous uncertainties inherent in estimating crude oil and natural gas reserves and their value. Reservoir engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner. Because of the high degree of judgment involved, the accuracy of any reserve estimate is inherently imprecise, and a function of the quality of available data and the engineering and geological interpretation. Permex' reserves estimates are based on 12-month average prices, therefore, reserves quantities will change when actual prices increase or decrease. Results of drilling, testing, and production may also substantially change the reserve estimates for a given reservoir over time. Accordingly, reserves estimates may be subject to upward or downward adjustment, and actual production, revenue and expenditures with respect to the company's reserves likely will vary, possibly materially, from estimates.

Property acquisition risk - Although Permex performs a review of properties that it acquires that is consistent with industry practices, such reviews are inherently incomplete. It generally is not feasible to review in-depth every individual property involved in each acquisition. Ordinarily, the company will focus its review efforts on higher-value properties and will sample the remainder. However, even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit Permex to become sufficiently familiar with the properties to assess fully and accurately their deficiencies and potential.

Regulatory risk – The company's US operations have been, and in the future may be, affected by political developments and by federal, state, and local laws and regulations such as restrictions on production, changes in taxes, royalties and other amounts payable to governments or governmental agencies, price or gathering rate controls, and environmental protection laws and regulations. Any such changes could adversely affect the company's business, financial condition, and results of operations.

Going Concern - The company has incurred losses since inception and has not yet achieved profitable operations. These factors indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Foreign exchange rate risk - The company's functional currency is the Canadian dollar and administrative expenditures are transacted in Canadian dollars. Permex funds its oil and gas operations in the US by using US dollars converted from its Canadian bank accounts. Changes in currency exchange rates (strengthening of the US dollar) could adversely affect the company's operating results.

Shareholder Control - Officers and directors own approximately 37.2% of the company's outstanding voting stock based on OILCF's 10-K filing on February 13, 2023. Also, the company has two holders that combined own nearly 15% of the common stock outstanding. Collectively this ownership could potentially greatly influence the outcome of matters requiring stockholder approval. These decisions may or may not be in the best interests of the other shareholders.

Miscellaneous risk - The company's financial results and equity values are subject to other risks and uncertainties including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Liquidity risk - Shares of OILCF have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are approximately 1 million shares in the float and the average daily volume is approximately 5,400 shares.

Consolidated Balance Sheets
(in thousands $)

	2021A	2022A	**2023E**	**2024A**
Cash	26	3,300	**1,733**	**1,771**
Trade and other receivables	13	137	**153**	**193**
Prepaid expenses and deposits	46	317	**350**	**400**
Assets held for sale	-	-	**-**	**-**
Total current assets	85	3,755	**2,236**	**2,364**
Reclamation deposits	145	145	**145**	**145**
Right of use asset	73	241	**241**	**241**
Property and equipment	6,639	8,427	**9,000**	**9,750**
Total assets	6,941	12,568	**11,622**	**12,500**
Trade and other payables	403	1,561	**1,840**	**1,944**
Amounts due to related party	17	-	**-**	**-**
Convertible debentures	79	38	**-**	**-**
Lease obligation	52	104	**104**	**104**
Liabilites held for sale	-	-	**-**	**-**
Total current liabilities	550	1,704	**1,944**	**2,048**
Asset retirement obligations	553	236	**1,645**	**1,645**
Convertible debentures	-	-	**-**	**-**
Lease obligations	27	141	**135**	**100**
Warrant liability	-	24		
Loan payable	31	-	**-**	**-**
Total liabilities	1,161	2,104	**3,724**	**3,793**
Total stockholders' equity	5,780	10,463	**7,897**	**8,706**
Total liabilities & stockholders' equity	6,941	12,568	**11,622**	**12,500**

Source: Company filings and Taglich Brothers' estimates

Income Statements for the Fiscal Years Ended
(in thousands $)

	FY21A	FY22A	**FY23E**	**FY24E**
Oil and gas sales	47	815	**2,675**	**6,900**
Royalty income	38	63	**80**	**120**
Total revenue	85	878	**2,755**	**7,020**
Production expenses	60	829	**1,325**	**2,775**
Gross profit	25	49	**1,430**	**4,245**
Depletion and depreciation	60	106	**400**	**600**
Accretion on asset retirement obligation	20	55	**100**	**140**
Foreign exchange gain (loss)	-	(7)	**-**	**-**
Other expense (gain)	688	-	**4**	**4**
General and administrative	496	2,796	**2,625**	**3,235**
Operating income (loss)	(1,240)	(2,900)	**(1,699)**	**266**
Other (gain)	14	(186)	**-**	**-**
Net income / (loss)	(1,253)	(2,715)	**(1,699)**	**266**
EPS	(1.84)	(1.76)	**(0.84)**	**0.11**
Shares Outstanding	679	1,543	**2,030**	**2,415**
Margin Analysis				
Gross margin	29.5%	5.6%	**51.9%**	**60.5%**
Operating margin	71.5%	12.0%	**14.5%**	**8.5%**
Year / Year Growth				
Total Revenues	(87.6)%	938.1%	**213.6%**	**154.8%**

Source: Company filings and Taglich Brothers' estimates

Permex Petroleum Corporation

Quarterly Income Statements 2022A - 2024E

	12/21A	3/22A	6/22A	9/22A	FY22A	12/22E	3/23E	6/23E	9/23E	**FY23E**	12/23E	3/24E	6/24E	9/24E	**FY24E**
Oil and gas sales	90	228	259	238	815	275	325	750	1,325	**2,675**	1,450	1,600	1,750	2,100	**6,900**
Royalty income	16	13	18	15	63	20	20	20	20	**80**	30	30	30	30	**120**
Total revenue	106	242	277	253	878	295	345	770	1,345	**2,755**	1,480	1,630	1,780	2,130	**7,020**
Production expenses	82	115	135	497	829	175	200	350	600	**1,325**	625	675	700	775	**2,775**
Gross profit	25	127	141	(243)	49	120	145	420	745	**1,430**	855	955	1,080	1,355	**4,245**
Depletion and depreciation	32	57	73	(56)	106	100	100	100	100	**400**	150	150	150	150	**600**
Accretion on asset retirement obligation	8	8	8	30	55	25	25	25	25	**100**	35	35	35	35	**140**
Foreign exchange gain (loss)	-	(3)	0	(5)	(7)	-	-	-	-	**-**	-	-	-	-	**-**
Other expense (gain)	-	-	-	-	-	1	1	1	1	**4**	1	1	1	1	**4**
General and administrative	213	221	1,070	1,292	2,796	700	600	650	675	**2,625**	735	765	800	935	**3,235**
Operating income (loss)	(229)	(157)	(1,010)	(1,505)	(2,900)	(706)	(581)	(356)	(56)	**(1,699)**	(66)	4	94	234	**266**
Other (gain)	(5)	(4)	(241)	64	(186)	-	-	-	-	**-**	-	-	-	-	**-**
Net income / (loss)	(224)	(153)	(769)	(1,569)	(2,715)	(706)	(581)	(356)	(56)	**(1,699)**	(66)	4	94	234	**266**
EPS	(0.20)	(0.13)	(0.54)	(0.81)	(1.76)	(0.36)	(0.29)	(0.17)	(0.03)	**(0.84)**	(0.03)	0.00	0.04	0.09	**0.11**
Shares Outstanding	1,130	1,151	1,412	1,933	1,543	1,950	1,995	2,055	2,120	**2,030**	2,235	2,350	2,475	2,600	**2,415**
Margin Analysis															
Gross margin	23.0%	52.4%	51.1%	(96.0)%	5.6%	40.7%	42.0%	54.5%	55.4%	**51.9%**	57.8%	58.6%	60.7%	63.6%	**60.5%**
Operating margin	30.1%	23.5%	26.4%	(22.3)%	12.0%	33.9%	29.0%	13.0%	7.4%	**14.5%**	10.1%	9.2%	8.4%	7.0%	**8.5%**
Year / Year Growth															
Total Revenues	NMF	NMF	707.0%	433.6%	938.1%	177.3%	42.7%	178.2%	430.7%	**213.6%**	401.7%	372.5%	131.2%	58.4%	**154.8%**

Source: Company filings and Taglich Brothers' estimates

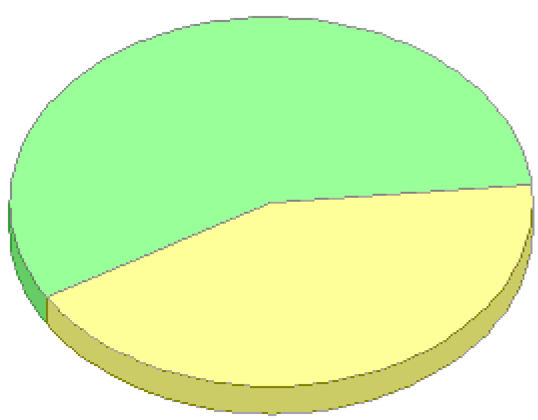
Statement of Cash Flows for the Periods Ended
(in thousands $)

	FY21A	FY22A	**FY23E**	**FY24E**
Net income (loss)	(1,253)	(2,715)	**(1,699)**	**266**
Accretion on asset retirement obligations	20	55	**100**	**140**
Depletion and depreciation	60	106	**400**	**600**
Foreing exchange (gain) loss	88	(7)	**-**	**-**
Forfeiture of reclamation bond	50	-	**-**	**-**
Forgiveness of loan payable	-	(8)	**-**	**-**
Interest	14	18	**18**	**18**
Change in fair value of warrant liability	-	(179)	**-**	**-**
Settlement of trade payables	(10)	(4)	**-**	**-**
Share-based payments	3	546	**1,300**	**1,600**
Shares issued for services	55	-	**200**	**400**
Loss on property and equipment	613	-	**-**	**-**
Cash earnings (loss)	(360)	(2,188)	**319**	**3,024**
Changes in assets and liabilities				
Trade and other receivables	34	(124)	**(16)**	**(39)**
Prepaid expenses and deposits	(30)	(271)	**(33)**	**(50)**
Trade and other payables	(234)	584	**279**	**104**
Right of use asset and lease liability	3	(25)	**-**	**-**
Amounts due to related parties	(163)	(1)	**-**	**-**
(Increase) decrease in working capital	(390)	164	**230**	**15**
Net cash provided by (used in) operations	(750)	(2,024)	**549**	**3,039**
Capital expenditures	(266)	(1,686)	**(2,100)**	**(3,000)**
Proceeds from sale of oil and gas interests	1,123	-	**-**	**-**
Net cash provided by (used in) investing	858	(1,686)	**(2,100)**	**(3,000)**
Proceeds from issuance of share capital	-	8,112	**-**	**-**
Share issuance costs	-	(1,068)	**-**	**-**
Convertible debentures	(79)	(35)	**(38)**	**-**
Loan proceeds (payments)	-	(24)	**-**	**-**
Loan from related party	(8)	(1)	**-**	**-**
Net cash provided by (used in) financing	(87)	6,985	**(38)**	**-**
Net change in cash	20	3,275	**(1,589)**	**39**
Cash - beginning of period	27	47	**3,321**	**1,733**
Cash - end of period	47	3,321	**1,733**	**1,771**

Source: Company filings and Taglich Brothers' estimates

Price Chart

Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	**4**	**20**
Hold		
Sell		
Not Rated		

Important Disclosures

As of February 17, 2023, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company within the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. The company paid a monetary fee of $6,000 (USD) in April 2022 for the creation and dissemination of research reports for the first three months. After the first three months from initial publication, the company will pay a monthly monetary fee of $2,000 (USD) to Taglich Brothers, Inc., for a minimum of twelve months for the creation and dissemination of research reports.

General Disclosures

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Analyst Certification

I, Howard Halpern, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.

Public companies mentioned in this report:

Callon Petroleum (NYSE: CPE)
Chesapeake Energy (NASDAQ: CHK)
Chevron (NYSE: CVX)
Conoco Phillips (NYSE: COP)
EOG Resources (NYSE: EOG)
Marathon Oil (NYSE: MRO)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Discontinued – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.