PERMEX PETROLEUM CORPORATION

Dear Fellow Shareholders:

"Never Let a Good Disaster Go to Waste". Last year certainly had its share of disasters.

As we are at the beginning of a new year, I would like to take this opportunity to wish each and every one of you a very healthy and prosperous year.

It is my honour and privilege to be serving our Company as President & CEO. I am also looking forward to continued side by side work with the board, officers and the entire Permex team in helping direct our company to continued success and sustainability.

Three of the priorities of my team is to see through to completion some important projects that began in 2018. The first is to maximize production through enhancing our waterfloods, bringing shut-in wells online, and most importantly by scheduling our San Andres Horizontal well drilling programs. The second is to see a strong capital market performance and growth within our stock price through continuation of sound operational performance and marketing.

A third priority this year is to maximize our total barrels of oil equivalent in daily production for the company. This will put Permex in an organic growth model without external dependencies even at $40 per barrel oil. It will also provide a level of security and sustainability that will benefit our business and correspondingly, all our shareholders. We are well positioned to achieve this target in the coming quarters, although new added production will require additional financing, so work will need to continue as it has over the past year to help us reach this goal.

For exploration & production companies ("E&Ps"), 2018 could best be described as a year of complete shock and awe. We had a bull cycle followed by an unpredicted 40% drop in oil prices and rather brutal bear cycle within weeks of each other, creating further uncertainty from geopolitics, fundamentals and, yes, our own consumer sentiment. As E&Ps were faced with multiple unknowns throughout 2018, not least of which is the price of crude oil, we anticipate that 2019 will be a welcome sight – a turn in the chapter within our industry.

This round in crash of global oil prices gave insight into OPEC members and OPEC+ (including Russia) and their mentality yet again. OPEC was equally exhausted by the chaos gripping the oil markets, ultimately adhering to yet another production cut of ~ 1.2 million barrels of oil per day from global supply to be furnished by OPEC+. Despite most market observers' fears about OPEC's compliance, I believe they will follow in their compliance as they did in 2016. However, I do not expect their compliance to be similar to the astounding 162 percent of 2016.

Despite the cultural, sociological and geopolitical differences between OPEC and U.S Shale producers, there is a common goal to keep oil prices above $60, which essentially provides a floor for 2019.

As some of you may already know, our team are firm believers of "not letting a good disaster go to waste", and as such our company took advantage of the most recent downturns and will look to continue picking up hawkish positions in the Permian as the industry starts its next correction. The results will be that your Company will position itself in a long-term growth phase while simultaneously sustaining itself during a low industry cycle.

Since the downturn in prices, only a couple of U.S. Shale oil plays have demonstrated the economic resiliency to justify continued investment, drilling and A&D activity. The Permian in West Texas & South East New Mexico is top of that list by a huge margin. Positioning Permex into one of the lowest cost (i.e., break-even) basins in a crude oil world defined by a lower global supply cost-curve was imperative to building long-term shareholder value. Focusing on the San Andres formation within the basin further cements our low-cost break-even position in comparison to higher cost formations in the region, such as Wolfcamps and Bonesprings.

For those of you unaware of a recent bulletin by the US Geological Survey, the USGS in 2016 had estimated that there are 20 billion barrels of crude and 16 trillion cu ft of gas in recoverable reserves in the Permian Basin, which includes the Delaware sub-basin. In the most recent December 2018 report the USGS indicated that the Permian reserves may actually be twice as big! Putting them at 46.4 billion barrels of crude and 281 trillion cu ft of natural gas. This makes the Permian one of the most important places in the world in terms of oil production. The area is called Permania for a reason.

All told, Permex has assembled a 41% - 100% Working Interest in 6,500 low-cost acreage position centered on the normally-pressured oil window within the San Andres, Tannehill, Grayburg, Yates, Strawn, and Caddo formations. Our entry cost and subsequent leasing efforts continue to be extremely attractive compared to recent public market acquisitions and valuations. As an example, some of these M&A's in proximity to our properties have seen figures such as $10,000 – 17,500 per acre to as high as $45,000 per acre.

As indicated previously in this letter, to realize our production objectives, your Company's operational focus in 2019 is going to be primarily on the horizontal development of the 70-foot thick pay-zone of the San Andres formation in Gaines County, Texas while adding to our contiguous acreage ownership in the region. The successful development and delineation of this formation across your Company's acreage is paramount to achieving like-for-like value with other players in the San Andres play, such as our closest offset operators Ring Energy, Occidental Petroleum, and Hess Corporation.

Performance Review

In 2018, Permex's opportunistic acquisition strategy allowed the Company to acquire a core holding in the most sought-after basin in the U.S., giving the Company stake in the largest cash flowing asset in our portfolio today with gross field revenue at $160,000 USD per month in the current low-price environment. Further, we have outlined some of our key year-over-year metrics below – all dollar amounts are the Present Value of future cash flows discounted at 10% before tax derived from YE2018 Independent Reserve Report using forecast pricing, $USD:

- Daily gross production increased by ~200% from Q4-17 to Q4-18

- Acreage position in the Permian increased by 25% from Q4-17 to Q-18

- Proved plus Probable reserves total $142million or 9 million barrels of oil equivalent, 22% increase y-o-y

- Proved (1P) reserves total $79.5mm or 4.32mm barrels of oil equivalent, 72% increase y-o-y

Our continued development upon our existing asset base and new acquisitions should have allowed the Company to deliver for Permex shareholders throughout 2018, however a disconnect between operational success and market performance existed that strained this correlation. I am confident this disconnect will be short lived and over the long run the stock performance will start correlating to the operational success of the company, keeping in mind the necessary correction in oil prices. We believe our current year investments in the Permian basin will provide risk-adjusted returns for shareholders in 2019 and years to come.

State of the Oil Market

After several years of oversupply, the oil and gas industry could very well be moving headlong into a supply crunch. This may seem hard to imagine, given the ramping up of U.S. oil production and recent production figures out of Russia and Saudi Arabia. The following points should be considered when viewing the industry and the possible outcome in 2019.

The proposed ~ 1.2Mbopd OPEC+ supply cuts will start as of January, however an OPEC call for a special meeting can increase the amount of production cuts furthermore. The Iranian waivers which the Trump Administration gave to 8 countries will expire in May 2019, and although it is hard to predict what this administration will do with the sanction once the waivers have expired, we can assume global supply will be impacted in a negative form. Lastly, given the lower WTI pricing, we can expect less and less CAPEX into US shale which in turn can result in slower 2019 growth for shale than already accounted for by analysts. The industry thus can begin recovering from the brutal last few years of weak prices, enforced capital discipline, portfolio realignments, and productivity efficiencies.

In short, 2019 will be a hard year to predict within our industry. However, the key indicated facts should be thoroughly considered in any prediction by analysts, brokers and specially investors. Here are some supplementary items to also watch out for:

- Rig count in the U.S. as I suspect the numbers will fall by H2 2019.
- U.S. domestic production to continue to produce at all-time levels thanks to the Permian Basin.
- Pipeline capacity crunch in the Permian to disappear by end of 2019, giving room for further growth in the regions production.
- Natural gas prices to settle back down after a brief run-up over $4.48/mmbtu recently.

In closing, I know many of you are not too familiar with Permex's core Leadership Team given the fact our entry into the public markets just occurred less than 8 months ago. I am hopeful that in short you will learn and get to know all of us and our strong business acumen. We are a well balanced and harmonized team of engineers, geologists, landmen, lawyers, accountants and financiers. Our number one goal is the long-term growth of the company and as we have always stated, this is not a "deal", this is a real business on the path to growth as commodity prices balance, within one of the best regions of the world.

We are proud to call you a shareholder! We understand that your hard-earned capital could have been placed elsewhere but you have entrusted us with it, therefore we will strive to provide you with one of the best long-term decisions you have made: **to be a shareholder of Permex!**

On Behalf of your Permex Team,

Mehran Ehsan

Chief Executive Officer