Mr. Ehsan: I will start by addressing the latter portion of that question. Is it an unusual strategy? It is not, however it is usually done by large-caps, conglomerates, by major oil and gas companies where they diversify their portfolio across geographical regions, formation regions, for various benefits. Typically juniors do not have the pleasure or privilege to have diversified portfolios so it is much tougher for a small-cap junior to be able to do so.

The main benefit obtained from this strategic approach is diversification. It creates a sustainable model within our industry by allowing low-producing operations to continue on a sustainable mode and get the company focused on blue sky projects. We can have de-risked short-term benefits while combining them with the long-term medium-risk projects. To give you an example, imagine a company that strictly focused on exploratory projects or a company that is specifically focused on production projects. The production one would not grow fast, the exploratory one would have high-risk, but by combining these two you have a well-balanced portfolio of oil and gas assets.

CEOCFO: You joined Permex as CEO in 2017, bringing 12 years of experience in the oil and gas industry. What are some of the things that you have done to put your imprint on the company? What are some of the strategies developed under your leadership that has led to growth?

Mr. Ehsan: Beyond the normal routine concepts of bringing experienced vision, the main word I would use is adaptation within a new era of oil and gas. Our industry has always been too slow to adapt, all you have to do is look at the way operators have reacted and adapted over the past 50 years’ worth of cyclical corrections. These cycles are a normal part of our industry; in fact it is almost the same as the business cycle which is eight to ten years. Every eight to ten years there is a business cycle, in our industry the same applies. Pull up the past fifty years and now compare notes of various operators within those downward directions and one of the main flaws they all had was that they all were slow to adapt to a downward environment. In a great environment anyone can succeed but it takes a good operator, good company and good leadership to maintain and sustain during a down market. I think that is one of the main things I brought to the table for Permex, and now beyond looking through correction upwards for our industry, we can take advantage of what we have learned during this downturn and put that towards growing the company and moving forward.
CEOCFO: Permex has assets and operations across the Permian Basin of West Texas, and the Delaware sub-basin of southeast New Mexico. Before we get into specific projects, what do you like about these areas? What is the competition in those locations, other projects that have been developed there or useful infrastructure in place? Are the local communities and governments supportive of your efforts?

Mr. Ehsan: These regions provide friendly governments toward the industry, from state to municipal and local, are extremely friendly towards the oil and gas sector because they understand how much of an impact it has within their community. Also this area carries friendlier regulatory bodies which are put in place to protect the environment but not hinder the operators from growth which benefits the economy. The reason I emphasized that is because you can pull up Canada, and the regulatory hurdles that the government and the liberals have placed on the oil and gas sector, and Canada represents the second largest reserves in the world. Canada is producing next to nothing and the main reason for that is government regulation. They have turned profitable, friendly, environmentally sensitive operators into bankrupt companies for absolutely no reason.

Why are we in this region in the Permian Basin and southeast New Mexico? Friendly regulatory bodies that are not biased towards our industry but accommodating, while protecting the environment. Are there other benefits? Absolutely. This region has some of the fastest-growing infrastructure. For example, Canada wants to implement a pipeline, it takes ten years to get a single pipeline going, if it even gets approved at the end. On the other hand the west Texas region grew so fast and so quick in production, that there was not enough takeaway capacity to service this production. In fact we were seeing discounted prices for a while up to $12 the region. Now that is a normal thing in Canada, but in Texas! Never before.... Imagine if you are selling a barrel of oil, you are selling it at $12 discount because there was not enough pipeline to carry it. What did the industry do? Immediately four to five pipelines began to be permitted and scheduled for construction in order to service the market, the regulatory assisted not hindered this process.

"Permex is in position to grow faster and when we have access to capital for our first horizontal drilling program, we will be setting ourselves apart from the majority of juniors in our space." - Mehran Ehsan

Is there competition? Absolutely there is, there is a significant amount of competition. Permex strategy has been successful. The competition typically builds around those blue sky projects and target unconventional shale because unconventional shale is representative of the recent growth within the Permian; however these high producing wells also have a steep declining curves, Permex does not touch those. Permex prefers medium-risk conventional plays such as the San Andreas formation, the shallower formations produced, but moderate production level so it does not have as much decline. Thus, competition for us in the region as these shallower convention formations are typically overlooked by the majors because the majors.

CEOCFO: Would you tell us about your ODC & Taylor, West Henshaw, Mary Bullard and Pittcock projects? How did you acquire them? Where you are in discovery and development?

Mr. Ehsan: The majority of the projects that we go after are not in discovery or exploratory. The number one mandate of the board was not to touch any exploratory projects. Yes we will acquire assets that have exploratory components to them however that will not be a focal point of this company. We are not a company that goes after that one big well to double up overnight or lose everything overnight, we are a company that believes in sustainable growth with a touch of aggressive scaled growth.

ODC & Taylor is producing from the Devonian formation which is approximately eleven thousand ft. underground. It is pretty deep, it is vertical. Our ODC has an array of oil and gas wells as well as saltwater disposal facilities. It produces from the San Andres formation, which is our blue sky project since we produce from it vertically already. The payzone within this formation is 70 ft. thick, that is pretty thick to produce from. Our offset operators are drilling the same formation but they are producing from it from a horizontal standpoint. Permex already has the asset, Permex has the geology verified. It’s a no brainer for us to shift in this formation from vertical production to horizontal, it is merely now a fact of accessing capital to do so.

The West Henshaw is situated in southeast New Mexico in Eddy County. It is worth to point out that southeast New Mexico represents almost 80% of production out of New Mexico. Most people do not know that New Mexico is the third
largest producing state in the US now. Why? Friendly regulation, hurdles have been removed and they understand this industry is a key component to tax revenue and growing their economy. Out of all of the counties within New Mexico, Eddy County and Lee County represent 80% of the production, and that is a strong statement. Permex owns properties in Eddy County. West Henshaw is one of them. The West Henshaw produces from the Graysberg formation and has access to the San Andreas as well.

Offset to our property we have Apache Corporation drilling horizontally within the San Andreas and having phenomenal results. That is another project that Permex will come into. We produce vertically from the West Henshaw, and we have enough real estate and land and reserves within the West Henshaw to develop it horizontally down the line. Moving to the Bullard and Pittcock, those are within the same geographical location. They are in Stonewall County, Texas. They are southeast of Aspermont in Stonewall County. They are producing from the Tannehill formations, the upper and lower Tannehill. It is situated around 3000 to 3300 ft. under the ground. We look at these projects as our sustainable projects, not as our blue sky. So our Pittcock and Bullard are the ones that will continue cash flow, generating revenue and allowing the company to sustain and grow slowly in a down environment while Permex gets ready to drill the horizontal on ODC & Taylor and the West Henshaw.

**CEOCFO:** You mentioned Apache, would you elaborate on them, what you like about them and why they are doing the drilling?

**Mr. Ehsan:** That goes back to our first question about a diversified portfolio of oil and gas. Apache has some very high-risk, high-decline projects that they do, but they balance it out with smaller production as well. Smaller production is great for junior companies like ours. Apache is a large company so they go after the San Andres formation within Eddy County. These are small horizontal wells that they target; they are approximately five miles away from our operations, so it is not that far when you think about it. Horizontal wells are costing them anywhere between $2.7 million to $3.5 million to drill out there. That is decent pricing for these horizontals and payouts are around ten months. To go back on our ODC & Taylor, David Fowler, President of Ring Energy, Inc., has been quite active in pushing the San Andres formation production in Andrews County and Gaines County. Permex is in Gaines County and Ring Energy has not only been active around us, but has been drilling some of the best wells in the NW Central basin around Permex’s field horizontally in the San Andres formation.

**CEOCFO:** How many producing wells do you have and could we see that number grow over the next year?

**Mr. Ehsan:** We have fifty-nine producing wells. Our focus over the past several years has been more of acquiring assets at a discount during a down market versus CAPEX (Capital Expenditure) programs which we can hold off until oil prices go back up. We do have enough shut-in wells that we can bring on line but that would not be a smart decision. When oil prices drop, we want to take advantage of it, we never want to let a good disaster go to waste, as such picking up assets in this environment is key to long term success. Our industry still is in a disaster mode, if anyone tells you otherwise, they are lying; in fact I believe bankruptcies are just started to hit the market again.

I believe in 2020 we will see more bankruptcies than 2019 and the reason for that is that this downturn has been one of the worse in the past thirty years. It lasted the longest and was the steepest. Therefore, companies that have not been able to sustain themselves or pay off their debts which is a high burden on their balance sheets, will start going bankrupt. Those opportunities exist for companies that are nimble like Permex to possibly go in, issue equity, raise capital, buy those projects out and then develop.

**CEOCFO:** Where will future growth come from – increased current projects, bringing new discoveries into production, new acquisitions or geographic expansion?

**Mr. Ehsan:** It will be a combination of new acquisitions as well as Infill drilling development programs. I would not say new geographical locations. I am a firm believer of sticking to what you know in an area that you know best. We do not need to get out of our comfort zone right now, there is no need. We have enough real estate to drill and within our offset acreage areas we can continue expanding. We will acquire assets around our properties because we believe in the geology and we know from an engineering standpoint as well as operating and producing them. We will begin drilling horizontal wells immediately upon getting our programs designed to raise the capital. Once we have achieved a certain volume and price on our stock that we believe is fair to our shareholders, we will start considering raising capital in order to drill our horizontal wells. That is what is going to change Permex from a junior small-cap to a potential mid-cap.
CEOCFO: What is the significance to your opening a new office in Dallas last December? How will it strengthen the company?

Mr. Ehsan: The main reason is corporate footprint, as our operations are all in the US. I personally relocated my entire family to Dallas in order to expand this footprint. In the Canadian market we have 30 million people living in Canada, you can only imagine that out of the 30 million, half of them are against fossil fuels. You then have 15 million and out of 15 million most of them do not understand oil and gas so you have 1.5 million as far as your exposure, how does that benefit a company that is seeking to grow? Not that well. The American market is not only more sophisticated but more understanding of our industry and has much more history tied to this industry. It is inevitable that Dallas/Ft. Worth would be where Permex takes the next step to grow itself from a corporate standpoint and we will see over the next twelve months as we look to expand and bring more and more of our team on this side.

CEOCFO: Permex reported increased revenue for its Q3 2019. Has that trend continued?

Mr. Ehsan: It has continued. Our audited financials are out now for 2019. We have posted our Annual CEO letter to shareholders as well discussing what we have achieved. Oil and gas revenue has continued to increase, operating costs have continued to decrease. Net oil revenue has significantly increased while G&A (General & Administrative Expense) has been cut by more than half. That trend has continued and this is the kicker, it continued in an environment where companies are filing bankruptcy. It’s not magic, its strategic and adaptable management styles. We have not only been able to sustain but to become stronger in this downward market.

CEOCFO: Will you be raising funds, reaching out to investors or partners in 2020?

Mr. Ehsan: At Permex we believe in being investor oriented and aligned, so we would want to see our prices come back up a bit before we look at any type of equity raise to drill the horizontals.

CEOCFO: In closing, why is Pemex Petroleum a company to watch over 2020?

Mr. Ehsan: It has been one of the worse downturns within our industry, the steepest downturn in the past thirty years. Permex has not only survived and sustained but it has thrived in a low priced environment. Now the volatility is being more managed and when I say managed I mean expected, we believe Permex is in position to grow faster and when we have access to capital for our first horizontal drilling program, we will be setting ourselves apart from the majority of juniors in our space.