PERMEX PETROLEUM
CORPORATION

FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Introduction

This Management's Discussion and Analysis ("MD&A") has been prepared by the management of Permex Petroleum Corporation ("Permex" or the "Company") as of January 14, 2025, and should be read in conjunction with the audited consolidated financial statements of the Company together with the related notes thereto for the year ended September 30, 2024. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). All amounts are stated in United States dollars unless otherwise indicated.

Additional information related to the Company and its operations is available on SEDAR at www.sedarplus.ca and on the Company web site at www.permexpetroleum.com.

You should read the following discussion and analysis of our financial condition and results of operations together with the Company's consolidated financial statements and the related notes thereto and other financial information included elsewhere in this Annual Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" sections of this Annual Report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. All amounts in this discussion and analysis of our financial condition and results of operations are in U.S. dollars, unless otherwise noted.

Reserve engineering is a method of estimating underground accumulations of natural gas and oil that cannot be measured in an exact way. The accuracy of any reserve estimate depends on the quality of available data, the interpretation of such data and price and cost assumptions made by reserve engineers. In addition, the results of drilling, testing and production activities may justify revisions of previous estimates. If significant, such revisions would change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ significantly from the quantities of natural gas and oil that are ultimately recovered.

Forward-Looking Statements

This Report contains forward-looking statements. These statements relate to future events or our future financial performance. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks outlined at the beginning of this Report under "Cautionary Notice Regarding Forward-Looking Statements" the risks outlined under the heading "Risk Factors" in our annual report on Form 10-K for the fiscal year ended September 30, 2024 and in our other reports we file with the SEC. These factors may cause our actual results to differ materially from any forward-looking statements. All amounts in this report are in U.S. dollars, unless otherwise noted.

Reserve engineering is a method of estimating underground accumulations of natural gas and oil that cannot be measured in an exact way. The accuracy of any reserve estimate depends on the quality of available data, the interpretation of such data and price and cost assumptions made by reserve engineers. In addition, the results of drilling, testing and production activities may justify revisions of previous estimates. If significant, such revisions *would change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ significantly from the quantities of natural gas and oil that are ultimately recovered.*

Company Overview

The Company was incorporated on April 24, 2017 under the laws of British Columbia, Canada. The Company is an independent energy company engaged in the acquisition, exploration, development and production of oil and gas properties on private, state and federal land in the United States, primarily in the Permian Basin which includes the Midland Basin and Delaware Basin. The Company focuses on acquiring producing assets at a discount to market, increasing production and cash-flow through recompletion and re-entries, secondary recovery and lower risk infill drilling and development. Currently, the Company owns and operates 97 oil and gas wells across more than 11,700 net acres including 66 shut-in opportunities, 17 saltwater disposal wells and two water supply wells allowing for waterflood secondary recovery. Additionally, the Company holds royalty interests in 73 wells and five permitted wells across 3,800 acres within the Permian Basin.

The Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "OIL" and on the Frankfurt Stock Exchange under the symbol "75P".

Key Activities:

- On October 23, 2023, the Company effected a 1-for-4 reverse split of the Company's outstanding common shares.

- On February 28, 2024, the Company announced the commencement of a private placement of convertible debenture units (the "Initial Units") of the Company for gross proceeds of up to $20,000,000 (the "Original Private Placement"). Under the terms of the Original Private Placement, each Initial Unit consisted of one convertible debenture (an "Initial Unit Debenture") in the principal amount of $1,000 and one common share purchase warrant, that was to be exercisable for a period of five years from the date of issuance for one common share at an exercise price of $4.08 (the "Initial Unit Warrants"). The maturity date for the Initial Unit Debentures (the "Initial Unit Debenture Maturity Date") was the earlier of: (i) one-year from the date of issuance or (ii) three-months from the date of issuance if the Company does not enter into a securities exchange, unit purchase or merger agreement with a third party to the reasonable satisfaction of a majority of the holders of Initial Unit Debentures. The Initial Unit Debentures bore simple interest at a rate of 10% per annum, payable on the Maturity Date or the date on which all or any portion of the Initial Unit Debenture is repaid, and had a conversion price of $3.40 per common share. Interest will be paid on the Initial Unit Debenture in cash or common shares at the holder's option based on a conversion price of $3.40. The Initial Unit Debentures will rank senior to all other existing and future indebtedness of the Company and are secured by a general security agreement over certain assets of the Company.

- On April 16, 2024, the Company announced the closing of the first tranche of the Original Private Placement, consisting of 500 Units for gross proceeds of $500,000.

- On May 1, 2024, the Company announced the appointment of Bradley Taillon as the President and Chief Executive Officer of the Company, replacing. Mehran Ehsan, the former President and Chief Executive Officer of the Company, who continued to work with the Company as the Company's Vice President of Business Development until August 30, 2024.

- On May 29, 2024, the Company announced that it had applied to the BCSC for a partial revocation of the FFCTO. The Company also announced that all Initial Units previously issued and to be issued in future tranches under the Original Private Placement would consist of one Initial Unit Debenture and 294 Initial Unit Warrants. Pursuant to this amendment, the number of outstanding Initial Unit Warrants issued with the first tranche was increased from 500 to 147,000.

- On June 18, 2024, the Company announced the closing of the second tranche of the Original Private Placement, consisting of 865 Initial Units for gross proceeds of $865,000. As a result, the Company issued an Initial Unit Debenture with a principal amount of $865,000 and 254,310 Initial Unit Warrants, exercisable for a period of five years at an exercise price of $4.08 per share. The second tranche was conducted pursuant to a partial revocation of the FFCTO which was issued by the BCSC on June 5, 2024. The Company used the proceeds of the second tranche to prepare and file all outstanding financial statements and continuous disclosure records, pay all outstanding related fees and penalties, pay certain outstanding amounts owing pursuant to summary judgments and to continue operations until it could apply for and receive a full revocation of the FFCTO.

- On June 18, 2024, the Company announced the appointment of Brad Taillon, the Company's President and Chief Executive Officer, as a director, and that each of Melissa Folz, Barry Whelan, James Perry Bryan and Mehran Ehsan had resigned from the Company's Board of Directors for personal reasons. Subsequently, on June 26, 2024, the Company announced that each of John Lendrum, and Douglas Urch resigned from the Company's Board of Directors for personal reasons and on August 27, 2024, the Company announced that Richard Little and Kevin Nanke had been appointed to serve as directors on the Company's Board of Directors. These changes to the Company's Board of Directors were a result of resignations by the then current directors for personal reasons, including the time commitment associated with serving as a director on the Company's Board of Directors, and were not part of any strategic reconstitution and expansion initiative.

- On August 29, 2024, the Company filed all required outstanding financial statements and continuous disclosure with the CSE.

- On September 9, 2024, the Company announced the revocation of the FFCTO issued by the BCSC and the reinstatement of trading of its common shares on the CSE effective September 9, 2024. The Company also announced the termination of the Original Private Placement and the commencement of a new non-brokered private placement of units (the "Subsequent Units") of the Company for gross proceeds of up to $18,635,000 (the "Subsequent Private Placement") and on September 18, 2024, the Company announced a repricing of the Subsequent Private Placement. Under the terms of the Subsequent Private Placement, each Subsequent Unit consists of one convertible debenture (a "Subsequent Unit Debenture") in the principal amount of $1,000 and originally included 245 common share purchase warrants but were subsequently repriced to include 523 common share purchase warrants (each, a "Subsequent Unit Warrant"). Each Subsequent Unit Warrant is exercisable for a period of five years from the date of issuance for one Common Share and originally had an exercise price of $4.90 per share, but was subsequently repriced so that the Subsequent Unit Warrants now have an exercise price of $1.91 per share. The Subsequent Debentures will mature one-year from the date of issuance. Upon issuance, the Subsequent Unit Debentures are expected to rank pari passu with the Initial Unit Debentures and rank senior to all other existing and future indebtedness of the Company and will be secured by a general security agreement over certain assets of the Company. The Subsequent Debentures originally bore simple interest at a rate of 15% per annum, but such interest rate was subsequently reduced to 10% per annum, payable on the maturity date or the date on which all or any portion of the Subsequent Debenture is repaid. Interest will be paid in cash or common shares at the holder's option based on a conversion price of $1.91 per share (the conversion price was originally $4.08, but was subsequently reduced). As of the date of this quarterly report, the Company has received subscription proceeds totaling $2,400,000.

- On November 1, 2024, the Company closed the first tranche of the Subsequent Private Placement for gross proceeds of $4,276,389. As a result, the Company issued Subsequent Unit Debentures with an aggregate principal amount of $4,276,389 and 2,236,551 Subsequent Unit Warrants. Concurrently with the completion of the first tranche of the Subsequent Private Placement, the Company retired the outstanding Initial Unit Debentures, consisting of $1,365,000 in aggregate principal amount and $59,788 in accrued interest in exchange for the Subsequent Unit Debentures. The holders of the Original Unit Debentures also agreed to cancel a total of 401,310 Initial Unit Warrants.

- On January 13, 2025, the Company announced an agreement with a private oil and gas operator concerning assets owned by such operator in the Permian Basin. This arrangement grants Permex operating rights over 19 wells in the Permian Basin in exchange for a monthly operating fee of up to $75,000 per month based on production volumes and commodity prices.

Oil And Gas Properties

We hired MKM Engineering, who prepared for us an Appraisal of Certain Oil and Gas Interests owned by Permex Petroleum Corporation located in New Mexico and Texas as of September 30, 2024 (the "2024 Appraisal Report") as well as an Appraisal of Certain Oil and Gas Interests owned by Permex Petroleum Corporation located in New Mexico and Texas as of September 30, 2023 (the "2023 Appraisal Report" and together with the 2024 Appraisal Report the "Appraisal Reports"). MKM Engineering is independent with respect to Permex Petroleum Corporation as provided in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. MKM Engineering's estimates of the Company's proved and probable reserves in each of the Appraisal Reports were prepared according to generally accepted petroleum engineering and evaluation principles, and each of the Appraisal Reports conform to SEC Pricing. The Appraisal Reports are each filed as an exhibit to this Annual Report.

The Appraisal Reports were each specifically prepared by Michele Mudrone, an employee of MKM Engineering, a registered Professional Engineer in the State of Texas, and a member of the Society of Petroleum Engineers. Ms. Mudrone graduated from the Colorado School of Mines with a Bachelor of Science degree in Petroleum Engineering in 1976 and has been employed in the petroleum industry and directly involved in reservoir engineering, petrophysical analysis, reservoir simulation and property evaluation since that time. Ms. Mudrone certified in each Appraisal Report that she did not receive, nor expects to receive, any direct or indirect interest in the holdings discussed in the report or in the securities of the Company. Because the Company's current size, the Company does not have any technical person at the Company responsible for overseeing the preparation of the reserve estimates presented herein (or have any internal control policies pertaining to estimates of oil and gas reserves), and consequently, the Company relies exclusively on the Appraisal Reports in the preparation of the reserve estimates present in this Annual Report.

Since all of the Company's reserves are from conventional reservoirs, MKM Engineering assumed for the purposes of its appraisal reports that the technology to be used to develop the Company's reserves would include horizontally drilled wells, fracturing, and acidizing.

The following tables show a summary of our reserves as of September 30, 2024 and 2023 which have been derived from the Appraisal Reports and conform to SEC Pricing.

Composite Proved Reserve Estimates and Economic Forecasts for the year ended September 30, 2024

		Proved	Proved Developed Producing	Proved Non-Producing	Proved Undeveloped
Net Reserves					
Oil/Condensate	MBbl	1,695.4	46.4	462.3	1,186.7
Gas	MMcf	1,138.2	54.4	225.2	858.6
Revenue					
Oil/Condensate	M$	133,265.3	3,642.4	36,020.7	93,602.2
Gas	M$	815.7	81.4	132.0	602.3
Severance and Ad Valorem Taxes	M$	10,020.0	267.8	3,036.0	6,716.2
Operating Expenses	M$	21,731.8	1,753.9	9,977.4	10,000.5
Investments	M$	17,496.5	255.0	1,621.5	15,620.0
Operating Income (BFIT)	M$	84,832.5	1,447.0	21,517.7	61,867.8
Discounted @ 10%	M$	36,137.4	907.7	11,258.8	23,970.9

Composite Proved Reserve Estimates and Economic Forecasts for the year ended September 30, 2023

		Proved	Proved Developed Producing	Proved Non-Producing	Proved Undeveloped
Net Reserves					
Oil/Condensate	MBbl	2,636.8	372.2	654.9	1,609.7
Natural Gas	MMcf	2,042.4	241.2	524.1	1,277.1
Revenue					

Oil/Condensate	M$	207,269.9	29,035.8	51,407.8	126,826.3
Natural Gas	M$	4,558.1	585.1	1,138.5	2,834.5
Severance and Ad Valorem Taxes	M$	15,674.3	2,601.4	3,770.8	9,302.1
Operating Expenses	M$	24,386.7	9,882.4	5,313.9	9,190.4
Investments	M$	17,241.5	806.9	724.6	15,710.0
Operating Income (BFIT)	M$	154,525.5	16,330.2	42,736.9	95,458.4
Discounted @ 10%	M$	74,000.6	8,510.2	25,158.9	40,331.5

Composite Probable Reserve Estimates and Economic Forecasts for the year ended September 30, 2024

		Probable	**Probable Developed Producing**	**Probable Non-Producing**	**Probable Undeveloped**
Net Reserves					
Oil/Condensate	MBbl	12,306.5	-	93.8	12,212.7
Gas	MMcf	15,437.0	-	9.8	15,427.2
Revenue					
Oil/Condensate	M$	965,699.9	-	7,259.7	958,440.2
Gas	M$	21,957.0	-	21.5	21,935.5
Severance and Ad Valorem Taxes	M$	51,196.1	-	531.8	50,664.3
Operating Expenses	M$	74,958.9	-	1,137.3	73,821.6
Investments	M$	134,328.5	-	-	134.328.5
Operating Income (BFIT)	M$	727,173.4	-	5,612.1	721,561.3
Discounted @ 10%	M$	192,718.9	-	2,161.2	190,557.7

Composite Probable Reserve Estimates and Economic Forecasts for the year ended September 30, 2023

		Probable	**Probable Developed Producing**	**Probable Non-Producing**	**Probable Undeveloped**
Net Reserves					
Oil/Condensate	MBbl	9,443.2	2.0	150.8	9,290.4
Gas	MMcf	10,892.4	3.4	6.2	10,882.8
Revenue					
Oil/Condensate	M$	738,808.9	150.6	11,660.7	726,997.6
Gas	M$	33,254.8	11.7	21.4	33,221.7
Severance and Ad Valorem Taxes	M$	55,231.2	19.8	832.3	54,379.1
Operating Expenses	M$	55,531.2	55.0	1,172.2	54,304.0
Investments	M$	134,428.5	—	—	134,428.5
Operating Income (BFIT)	M$	526,872.9	87.6	9,677.6	517,107.7
Discounted @ 10%	M$	122,796.7	37.3	4,026.0	118,733.4

Probable reserves are unproven reserves that geologic and engineering analyses suggest are more likely than not to be recoverable. They are not comparable to proved reserves and estimates of oil, condensate, and gas reserves and future net revenue should be regarded only as estimates that may change as further production history and additional information become available. Such reserve and revenue estimates are based on the information currently available, the interpretation of which is subject to uncertainties inherent in applying judgmental factors.

Conversion of Undeveloped Acreage

The Company's process for converting undeveloped acreage to developed acreage is tied to whether there is any drilling being conducted on the acreage in question. Management expects to restart its drilling and development program in the first quarter of 2025, subject to receipt of additional funding.

An aggregate of 1,186 MBO and 858 MMCF, of the Company's proved undeveloped reserves as of September 30, 2024, are part of a development plan that has been adopted by management that calls for these undeveloped reserves to be drilled within the next five years, thus resulting in the conversion of such proved undeveloped reserves to developed status within five years of initial disclosure at September 30, 2024. Management currently anticipates spending approximately $6 million in capital expenditures towards developing the Company's proved undeveloped reserves during the 2025 fiscal year, subject to the Company acquiring the necessary financing.

Proved Undeveloped Reserves Additions

From September 30, 2023 to September 30, 2024, the Company had no proved undeveloped reserve additions. The specific changes to the Company's proved undeveloped reserves from September 30, 2023 to September 30, 2024 were as follows:

	Breedlove	Pittcock & Mary Bullard	Henshaw	Royalty Wells	Total
Beginning balance at September 30, 2023 (MBoe)(1)	1,822.54	-	-	-	1,822.54
Production (MBoe)(1)	-	-	-	-	-
Revisions or reclassifications of previous estimates (MBoe)(1)	(500.8)	-	-	-	(500.8)
Improved Recovery (MBoe)(1)	-	-	-	-	-
Extensions and Discoveries (MBoe)(1)	-	-	-	-	-
Acquisitions/Purchases (MBoe)(1)	-	-	-	-	-
Sales (MBoe)(1)	-	-	-	-	-
Price Change (MBoe)	8.06	-	-	-	8.06
Ending balance as of September 30, 2024 (MBoe)(1)	1,329.8	-	-	-	1,329.8

(1) Natural gas volumes have been converted to Boe based on energy content of six Mcf of gas to one Bbl of oil. Barrels of oil equivalence does not necessarily result in price equivalence. The price of natural gas on a barrel of oil equivalent basis is currently substantially lower than the corresponding price for oil and has been similarly lower for a number of years. For example, in the year ended September 30, 2024, the average prices of WTI (Cushing) oil and NYMEX Henry Hub natural gas were $78.64 per Bbl and $2.206 per Mcf, respectively, resulting in an oil-to-gas ratio of just under 36 to 1.

Financing of Proved and Probable Undeveloped Reserves

The Company currently estimates that the total cost to develop the Company's proved undeveloped reserves of 1,186.7 MBbl of oil and 858.6 MMcf of natural gas as of September 30, 2024 is $15,620,000. The Company expects to finance these capital costs through a combination of current cash on hand, debt financing through a line of credit or similar debt instrument, one or more offerings of debt or equity, and from cash generated from estimated revenues from sales of oil and natural gas produced at the Company's wells.

The Company currently estimates that the total cost to develop the Company's probable undeveloped reserves of 12,212.7 MBbl of oil and 15,427.2 MMcf of natural gas as of September 30, 2024 is $134,328,500. The Company expects to finance these capital costs through a combination of joint ventures, farm-in agreements, direct participation programs, one or more offerings of equity, a debt offering or entering into a line of credit, and from cash generated from estimated revenues from sales of oil and natural gas produced at the Company's wells.

Drilling Activities

The Company drilled one well during the last three fiscal years. As at September 30, 2024, the Company had 78 gross wells and 5 net productive wells. The Company's gross developed acreage totaled 5,177 and net developed acreage totaled 3,942 with the following property breakdown:

Property	Gross Developed Acreage	Net Developed Acreage	Gross Productive Wells	Net Productive Wells
Pittcock	818	664.63	0	0
Henshaw	1,880	1,353.60	0	0
Oxy Yates	680	489.60	0	0
Bullard	241	187.98	0	0
Breedlove	1,558	1,246.40	5	4.00
Royalty Interest Properties	-	-	73	0.01

The Company has 6,000 gross undeveloped acres and 4,800 net undeveloped acres. All of the Company's undeveloped acreage is on the Company's Breedlove property.

The Company's leases are nearly entirely held by production in perpetuity. If a field/lease is undeveloped it typically has a 2, 3 or 5 year term of expiry. The Company has over 340 leases covering undeveloped acreage and less than 5% of these leases have an active expiry date that is less than two years from the date of this Annual Report.

Sales and Production

The average sales prices of the Company's oil and gas products sold in the fiscal years ended September 30, 2024, 2023, and 2022 were $70.53/Boe, $71.45/Boe, and $89.14/Boe, respectively.

The Company's net production quantities by final product sold in the fiscal years ended September 30, 2024, 2023, and 2022, were 1,963.82 Boe, 12,979.36 Boe, and 12,597.45 Boe, respectively.

The Company's average production costs per unit for the fiscal years ended September 30, 2024, 2023, and 2022, were $100.02/Boe, $67.76/Boe, and $65.82/Boe, respectively.

The breakdown of production and prices between oil/condensate and natural gas was as follows:

Net Production Volumes	Fiscal Year Ended September 30, 2024	Fiscal Year Ended September 30, 2023	Fiscal Year Ended September 30, 2022
Oil/Condensate (Bbl)	1,964	11,729	10,670
Natural Gas (Mcf)	-	7,500	11,567

Average Sales Price	Fiscal Year Ended September 30, 2024	Fiscal Year Ended September 30, 2023	Fiscal Year Ended September 30, 2022
Oil/Condensate ($/Bbl)	70.53	76.17	96.18
Natural Gas ($/Mcf)	-	4.53	8.36

The breakdown of the Company's production quantities by individual product type for each of the Company's fields that contain 15% or more of the Company's total proved reserves expressed on an oil-equivalent-barrels basis was as follows:

Breedlove

Net Production Volumes	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended

	September 30, 2024	September 30, 2023	September 30, 2022
Oil/Condensate (Bbl)	1,229	7,628	6,998
Natural Gas (Mcf)	-	6,362	11,567

Henshaw

Net Production Volumes	Fiscal Year Ended September 30, 2024	Fiscal Year Ended September 30, 2023	Fiscal Year Ended September 30, 2022
Oil/Condensate (Bbl)	735	3,098	2,189
Natural Gas (Mcf)	-	1,138	-

Pittcock & Mary Bullard

Net Production Volumes	Fiscal Year Ended September 30, 2024	Fiscal Year Ended September 30, 2023	Fiscal Year Ended September 30, 2022
Oil/Condensate (Bbl)	-	1,003	1,483
Natural Gas (Mcf)	-	-	-

Texas Properties

Breedlove "B" Clearfork Leases

In September 2021, the Company, through its wholly-owned subsidiary, Permex Petroleum US Corporation, acquired a 100% Working Interest and an 81.75% Net Revenue Interest in the Breedlove "B" Clearfork leases located in Martin County, Texas. The Breedlove "B" Clearfork properties situated in Martin County, Texas are over 12 contiguous sections for a total of 7,870.23 gross and 7,741.67 net acres, of which 98% is held by production in the core of the Permian Basin. There is a total of 27 vertical wells of which 12 are producers, 4 are saltwater disposal wells and 11 that are shut-in opportunities. The Company is currently evaluating a number of re-entry opportunities across this asset including production optimization of the producing wells as well as the 11 currently shut-in wells. These assets were shut-in in April 2024 due to financial constraints. As of September 2024, the Company has resumed efforts to return these assets to production including limited recompletion activity based on available capital and full management technical review.

In addition to the significant recompletion and re-entry opportunities across the existing wellbores, the Breedlove property includes substantial undeveloped opportunities and is the focus of the Company's proved undeveloped reserves development program, pending sufficient and successful capital raising efforts by the Company.

Pittcock Leases

The Pittcock Leases are situated in Stonewall County. Stonewall County is in Northwest Texas, in the central part of the North Central Plains and consists of the Pittcock North property, the Pittcock South property and the Windy Jones Property. It is bounded on the north by King County, on the east by Haskell County, on the south by Fisher and Jones Counties, and on the west by Kent County. 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. The Company 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. The Company holds a 100% working interest in the lease and a 71.90% 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 assistance to the offset wells being the Pittcock wells located east boundary of the Windy Jones Property. The Company holds a 100% working interest in the Windy Jones Property and a 78.9% net revenue interest. These assets became shut-in commencing in October 2023 due to the Company having insufficient funds to operate them and they are expected to remain shut-in until the Company is able to acquire sufficient funds to restart these assets.

Mary Bullard Property

The Company acquired the Mary Bullard Property in August 2017 for a cash consideration of approximately $50,000. The Mary Bullard Property is located in Stonewall County, about 5 ½ miles southwest of Aspermont, Texas. It is bounded on the north by King County, on the east by Haskell County, on the south by Fisher and Jones Counties, and on the west by Kent County. 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. The Company holds a 100% working interest in the Mary Bullard Property and a 78.625% net revenue interest. These assets were shut-in in December 2023 and remain shut in pending successful capital raising of the Company.

New Mexico Properties

West Henshaw Property - 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. It is bounded 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. The Company holds a 100% working interest in the West Henshaw Property and a 72% net revenue interest. Throughout 2023, the Company completed a number of re-entry and basic workover efforts to try and establish more steady production from the West Henshaw assets. These assets were shut-in in March 2024 due to financial constraints and remain shut in pending successful capital raising of the Company.

Oxy Yates Property

The Oxy Yates Property is located in Eddy County, approximately eight miles north of Carlsbad, New Mexico in the Delaware Basin. It is bounded by Chaves County to the north, Otero County to the east, Loving County, Texas to the south, and Lea County to the west. 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. The Company holds a 100% working interest in the Oxy Yates Property and a 77% net revenue interest. These assets were shut-in in March 2024 due to financial constraints and remain shut in pending successful capital raising of the Company.

Royalty Interest Properties

The Company holds royalty interests in 73 producing oil and gas wells located in Texas and New Mexico.

Selected Annual Information

The following table sets out selected financial information for the Company which has been derived from the Company's audited financial statements for the fiscal years ended September 30, 2024, 2023 and 2022.

	Fiscal 2024 ($)	**Fiscal 2023 ($)**	**Fiscal 2022 ($)**
Revenues	116,033	688,827	878,459
Net loss	(3,989,276)	(4,483,195)	(2,714,616)
Net loss per share - basic and diluted	(7.23)	(8.81)	(7.04)
Total assets	12,061,223	10,941,747	12,567,558
Total non-current liabilities	392,977	341,623	400,594
Dividends	-	-	-

Factors That Affect the Comparability of the Annual Financial Data Disclosed Above

Net losses for the years ended September 30, 2024 and 2023 were mainly attributable to operating expenses (2024 - $3,034,410, 2023 - $4,668,466, 2022 - $3,783,122) and other income (2024 - $1,070,899, 2023 - $39,678, 2022 - $193,047), partially offset by revenue from oil and gas sales and royalty income (2024 - $116,033, 2023 - $688,827, 2022 - $878,459). The decrease in total assets during fiscal 2023 was mainly due to cash used for operating expenses. The increase in total assets in fiscal 2024 resulted from cash raised through debt financings. Changes in non-current liabilities were mainly driven by decreases in lease liability and change in estimates in asset retirement obligations.

Results of Operations

Selected Operating Data

Annual Sales and Production Results

The average sales prices of the Company's oil and gas products sold in the fiscal years ended September 30, 2024, 2023, and 2022 were $70.53/Boe, $71.45/Boe, and $89.14/Boe, respectively.

The Company's net production quantities by final product sold in the fiscal years ended September 30, 2024, 2023, and 2022, were 1,963.82 Boe, 12,979.36 Boe, and 12,597.45 Boe, respectively.

The Company's average production costs per unit for the fiscal years ended September 30, 2024, 2023, and 2022, were $100.02/Boe, $67.76/Boe, and $65.82/Boe, respectively.

The breakdown of production and prices between oil/condensate and natural gas was as follows:

Net Production Volumes	**Fiscal Year Ended September 30, 2024**	**Fiscal Year Ended September 30, 2023**	**Fiscal Year Ended September 30, 2022**
Oil/Condensate (Bbl)	1,964	11,729	10,670
Natural Gas (Mcf)	-	7,500	11,567

Average Sales Price	**Fiscal Year Ended September 30, 2024**	**Fiscal Year Ended September 30, 2023**	**Fiscal Year Ended September 30, 2022**
Oil/Condensate ($/Bbl)	70.53	76.17	96.18
Natural Gas ($/Mcf)	-	4.53	8.36

The breakdown of the Company's production quantities by individual product type for each of the Company's fields that contain 15% or more of the Company's total proved reserves expressed on an oil-equivalent-barrels basis was as follows:

Breedlove

Net Production Volumes	**Fiscal Year Ended September 30, 2024**	**Fiscal Year Ended September 30, 2023**	**Fiscal Year Ended September 30, 2022**
Oil/Condensate (Bbl)	1,229	7,628	6,998
Natural Gas (Mcf)	-	6,362	11,567

Henshaw

Net Production Volumes	**Fiscal Year Ended September 30, 2024**	**Fiscal Year Ended September 30, 2023**	**Fiscal Year Ended September 30, 2022**
Oil/Condensate (Bbl)	735	3,098	2,189
Natural Gas (Mcf)	-	1,138	-

Pittcock & Mary Bullard

Net Production Volumes	**Fiscal Year Ended September 30, 2024**	**Fiscal Year Ended September 30, 2023**	**Fiscal Year Ended September 30, 2022**
Oil/Condensate (Bbl)	-	1,003	1,483
Natural Gas (Mcf)	-	-	-

Operating Results

During the year ended September 30, 2024, the Company reported a net loss of $3,989,276 compared to a net loss of $4,483,195 for the year ended September 30, 2023. The reduction in net loss for fiscal 2024 compared to fiscal 2023 was mainly attributable to operating expenses of $3,135,281 in fiscal 2024 compared to operating expenses of $4,672,137 in the previous fiscal year, and other expenses of $970,028, compared to other income of $39,678 in fiscal 2023, being partially offset by revenue from oil and gas sales and royalty income totaling $116,033 in fiscal 2024, compared to $688,827 in fiscal 2023. Other expense for fiscal 2024 mainly consisted of a non-cash loss on debt extinguishment of $495,051 (2023 - $nil), due to the modification in the number of outstanding share purchase warrants in fiscal 2024, and interest and debt expenses of $483,110 (2023 - $4,259) associated with the issuance of the Initial United Debentures. Of this amount, $430,834 represents a non-cash debt discount and $50,004 is accrued interest.

The Company reported oil and gas sales revenue of $100,220 in fiscal 2024 compared to $665,623 in fiscal 2023. Net oil-equivalent production by final product sold averaged 5.38 barrels per day in fiscal 2024, down from 35.56 barrels per day in fiscal 2023. The Company faced significant financial constraints during the fiscal year ended September 30,2024, which limited available funds for field operations. Production across all fields was reduced in the early months of the fiscal year before all fields were shut down in February 2024 for nearly eight months until September 2024, when the Company began bringing the Breedlove field back online.

Lease operating expenses for fiscal 2024 totaled $196,428 compared to $879,471 in fiscal 2023. The decrease was primarily attributed to reduced production in the current year. Lease operating expenses exceeded oil and gas sales revenues mainly due to significant maintenance expenses on the West Henshaw wells.

General and administrative expenses

	2024	2023
Accounting and audit	$ 433,719	$ 849,783
Consulting	399,957	190,102
Filing and transfer agent	60,155	76,951
Insurance	173,835	230,706
Investor relations	93,844	283,650
Legal fees	668,881	758,367
Marketing and promotion	63,287	426,111
Office and miscellaneous	147,107	215,260
Rent	118,448	157,960
Salaries and benefits	712,841	440,996
Share-based payments	-	318
Travel	32,020	169,519
Gain on settlement of trade payables	(185,119)	(263,605)
	$ 2,718,975	$ 3,536,118

General and administrative expenses for the year ended September 30, 2024 were $2,718,975, compared to $3,536,118 in fiscal 2023. The reduction was mainly due to decreased property development and corporate activities during the current year, as management scaled back operations in response to tighter financial constraints. Key variances from the prior year include:

- Accounting and audit fees of $433,719 in fiscal 2024, down from $849,783 in fiscal 2023. The decrease largely reflects reduced overall activities. A substantial portion of the fees in the current year was related to regulatory compliance work associated with the proposed U.S. uplisting in November 2023.

- Consulting fees of $399,957 in fiscal 2024, up significantly from $190,102 in the prior year. The increase was primarily due to the engagement of three consultants in the current year for merger and acquisition activities, financing, and corporate legal matters. The Company also retained contract consultants for geological, project management, and corporate consulting work.

- Investor relation of $93,844 in fiscal 2024 decreased from $283,650 in fiscal 2023. The Company limited investor relations activities to a minimum in fiscal 2024 due to financial constraints.

- Legal fees of $668,881 in fiscal 2024, down from $758,367 in previous fiscal year. The legal fees in fiscal 2024 mainly related to the regulatory work associated with the Company's proposed uplisting to the NASDAQ in November 2023 as well as compliance with the disclosure requirements under the Exchange Act.

- Marketing and promotion expenses of $63,287 in the current year, a significant increase from $426,111 in the prior year. This reduction was due to the Company scaling back marketing and promotion activities in fiscal 2024.

- Salaries and benefits expenses of $712,841 in fiscal 2024, a significant increase from $440,996 in fiscal 2023. Of this amount, $661,707 was for management salaries and benefits, an increase from $349,527 in the prior year due to the appointment of a new Chief Executive Officer in April 2024, with an annual salary of $250,000 and a one-time signing bonus of $50,000. Management salaries also included $180,155 in severance payments to the Company's former Chief Executive Officer. Administrative salaries decreased to $51,134 in fiscal 2024, from $91,469 in the prior year.

Update on Use of Proceeds

During the year ended September 30, 2024, the Company completed two tranches of the private placement of convertible debenture units for gross proceeds of $1,365,000. The net proceeds were intended for potential mergers and acquisitions, general working capital, preparing and filing all outstanding financial statements and continuous disclosure records, paying revocation related legal and filing fees, settling outstanding amounts under certain claim judgments.

Summary of Quarterly Results

The following table sets forth selected unaudited financial information for the Company's eight most recent quarters ending with the last quarter for the three month period ended September 30, 2024.

	For the Three Months Ended							
	Fiscal 2024				**Fiscal 2023**			
	Sept. 30, 2024	**Jun. 30, 2024**	**Mar. 31, 2024**	**Dec. 31, 2023**	**Sept. 30, 2023**	**Jun. 30, 2023**	**Mar. 31, 2023**	**Dec. 31, 2022**
	($)	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**
Total revenues	29,377	2,671	30,870	53,115	129,228	157,019	180,638	221,942
Net income (loss)	(1,573,285)	(1,248,755)	(415,355)	(751,881)	(609,854)	(1,452,827)	(1,111,323)	(1,309,191)
Earnings (loss) per share - basic and diluted	(2.85)	(2.26)	(0.75)	(1.36)	(1.11)	(2.96)	(2.30)	(2.71)

Factors That Affect the Comparability of the Annual Financial Data Disclosed Above

Net losses for the quarters were mainly attributable to operating expenses, partially offset by revenue from oil and gas sales and royalty income. The operating expenses remained generally consistent for Q1 and Q2 of fiscal 2023 following the Company's completion of $8 million in private placement financings on March 30, 2022. The Company has scaled back activities in the last four quarters due to financial constraints. Oil and gas sales revenue was generally consistent for the first three quarters of fiscal 2023 but has decreased in the last five quarters due to financial constraints. In Q3 2024, production of oil and gas was shut down across all fields. The significant increase in the loss for Q3 2024 was primarily due to a non-cash loss of $495,051 on debt extinguishment resulting from the modification of the number of warrants issued with a debenture loan. The increase in the loss for Q4 2024 was primarily due to increased corporate and field activities.

Liquidity and Capital Resources

As of September 30, 2024, the Company had a cash balance of $1,513,591, an increase of $1,430,855 from the cash balance of $82,736 on September 30, 2023. During the year ended September 30, 2024, cash used in operating activities was $2,285,918, primarily covering accounting, consulting, insurance, salary and general office expenses. The Company received $1,365,000 from debenture financings, $2,250,000 from debt financing subscriptions, $70,000 from reclamation deposit redemption, and $45,000 from a related party loan, while repaying $10,000 on a third-party loan.

The Company had a working capital deficiency of $5,857,870 as of September 30, 2024 compared to a working capital deficiency of $3,142,916 as of September 30, 2023. The Company will need substantial additional funding to pay the outstanding payables and bring the operated assets back to full production. This raises substantial doubt about the Company's ability to continue as a going concern. The Company has decreased its activity to a minimal level to limit increases in the Company's working capital deficiency. The Company has also limited its ongoing commitments and account demands going forward. Additionally, the Company is actively engaging with its trade partners to remedy its current working capital deficiency through all means available to it including but not limited to financing arrangements, payment plans, and principal reductions.

Management has budgeted approximately $3 million in operating expenses and $6.5 million in capital expenditures for the next 12 months, which the Company plans to finance principally from one or more equity or debt financings. The purpose of these funds will be to resume full field operations, reduce the working capital deficit, as well as invest in additional oil and gas production activities across the Company's assets. The amount and timing of capital expenditures will depend on several factors including, but not limited to, the speed with which we are able to bring our wells to production, our ability to complete an equity financing or to secure a suitable line of credit, commodity prices, supply/demand considerations and attractive rates of return. There are no guarantees that we will be able to acquire the necessary funds to meet our budgeted capital expenditures, and any postponement of our planned development of our proved undeveloped reserves could materially affect our business, financial condition and results of operations.

Although the Company has budgeted investments of additional capital in the continued development of our oil and gas operations, the Company currently does not have any material commitments for capital expenditures. As of the date of this report, the Company does not have sufficient working capital to meet its anticipated operating and capital requirements over the next 12 months. Subsequent to September 30, 2024, the Company received additional $601,601 in subscription proceeds to close the first tranche of the Subsequent Private Placement. The Initial Unit Debentures of $1,365,000 and accrued interest of $59,788 were retired in exchange for the Subsequent Unit Debentures. The total gross proceeds raised from the Subsequent Unit Debentures financing are $4,276,389. The Company intends to use the financing proceeds for general working capital and capital development of its oil and gas properties.

Critical Accounting Estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Management evaluates these estimates and judgments on an ongoing basis and bases its estimates on experience, current and expected future conditions, third-party evaluations and various other assumptions that management believes are reasonable under the circumstances.

We believe the following discussions of critical accounting estimates address all important accounting areas where the nature of accounting estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change.

Oil and natural gas reserves

Crude oil and natural gas reserves are estimates of future production that impact certain asset and expense accounts included in the consolidated financial statements. Proved reserves are the estimated quantities of oil and gas that geoscience and engineering data demonstrate with reasonable certainty to be economically producible in the future under existing economic conditions, operating methods and government regulations. Proved reserves include both developed and undeveloped volumes. Proved developed reserves represent volumes expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are volumes expected to be recovered from new wells on undrilled proved acreage, or from existing wells where a relatively major expenditure is required for recompletion. Variables impacting the Company's estimated volumes of crude oil and natural gas reserves include field performance, available technology, commodity prices, and development, production and carbon costs.

The estimation of proved reserves is important to the consolidated statements of operations because the proved reserve estimate for a field serves as the denominator in the unit-of-production calculation of the depletion of the capitalized costs for that asset. If the estimates of proved reserves used in the unit-of-production calculations had been lower by 10 percent across all calculations, the depletion in the 2024 period would have increased by approximately $4,200.

Impairment

The Company tests long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Individual assets are grouped for impairment purposes at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets, generally on a field-by-field basis for oil and gas assets. Because there usually is a lack of quoted market prices for long-lived assets, the fair value of impaired assets is typically determined based on the present values of expected future cash flows using discount rates and prices believed to be consistent with those used by principal market participants. The expected future cash flows used for impairment reviews and related fair value calculations are based on estimated future production volumes, commodity prices, operating costs and capital decisions, considering all available evidence at the date of review. Differing assumptions could affect the timing and the amount of an impairment in any period.

Asset retirement obligations

The Company is subject to retirement obligations for certain assets. The fair values of these obligations are recorded as liabilities on a discounted basis, which is typically at the time the assets are installed. In the estimation of fair value, the Corporation uses assumptions and judgments regarding such factors as the existence of a legal obligation for an asset retirement obligation, technical assessments of the assets, estimated amounts and timing of settlements, discount rates, and inflation rates.

A sensitivity analysis of the ARO impact on earnings is not practicable, given the broad range of the company's long-lived assets and the number of assumptions involved in the estimates. Favorable changes to some assumptions would have reduced estimated future obligations, thereby lowering accretion expense and amortization costs, whereas unfavorable changes would have the opposite effect.

Related Party Transactions

i) The Company entered into an employment agreement with Bradley Taillon, the Company's Chief Executive Officer, on April 29, 2024, for an annual base salary of base salary of $250,000, which shall be reviewed by the Company annually. Subject to the discretion of the board of directors, Mr. Taillon is also eligible on an annual basis for a cash bonus of up to 100% of annual salary and additional performance bonuses ranging from $50,000 to $750,000 upon the closing of a qualified financing with proceeds to the Company of $1 million or greater.

Further, the terms of this employment agreement provide that if Mr. Taillon's employment with the Company is terminated without "cause" (as defined in the agreement) than Mr. Taillon is entitled to a severance payment equal to two years of base salary and a bonus equal to 50% of his annual base salary. During the year ended September 30, 2024, the Company incurred management salary of $122,312 and a one-time sign-on bonus of $50,000 for Mr. Taillon.

ii) The Company had an employment agreement with Mehran Ehsan, the former Chief Executive Officer of the Company, for an annual base salary of $250,000, with no specified term. Mr. Ehsan was also eligible on an annual basis for a cash bonus of up to 100% of annual salary, subject to the discretion of the board of directors. During the year ended September 30, 2024, the Company incurred management salary of $229,167 (2023 - $250,000), for Mr. Ehsan, with no bonuses incurred in either period. Further, the terms of this employment agreement provided that if Mr. Ehsan's employment with the Company is terminated without "cause" (as defined in the agreement) than Mr. Ehsan was entitled to a severance payment equal to three years of base salary and a bonus equal to 20% of his annual base salary. Mr. Ehsan resigned as President and CEO of the Company on April 29, 2024. On May 15, 2024, the Company amended the employment agreement to change his role to Vice President of Business Development. All other terms and conditions of the employment agreement remained the same. On August 30, 2024, the Company signed a separation agreement to terminate Mr. Ehsan's employment. The settlement includes: i) a lump sum payment of $100,000 by October 31, 2024 (subsequently paid); ii) six equal monthly payments of $7,500 starting October 1, 2024; and iii) the transfer of ownership of a Company vehicle with a fair value of $35,155.

iii) On May 1, 2022, the Company entered into an employment agreement with Gregory Montgomery, the Company's Chief Financial Officer, for an annual base salary of $50,000, with no specified term. Mr. Montgomery is also eligible on an annual basis for a cash bonus of up to 100% of annual salary, subject to the discretion of the board of directors. The employment agreement may be terminated with a termination payment equal to two months of base salary. During the year ended September 30, 2024, the Company incurred management salary of $50,000 (2023 - $50,000), to Mr. Montgomery, with no bonuses incurred in either period.

Outstanding Share Data

The Company had the following common shares, stock options and warrants outstanding as at the date of this report:

Issued and Outstanding Common shares	551,503
Stock options	69,167
Warrants	2,511,904
	3,132,574

As of the date of this report, the Company also has convertible debentures of $4,276,389 convertible into 2,238,947 common shares.

Contingencies

The Company from time to time may be involved with disputes, claims and litigation related to the conduct of its business. The Company had $545,505 in claims from certain trade vendors for non-payment, of which $499,162 have been accrued as of September 30, 2024. The Company plans to continue engaging with these claimants faithfully and is working on potential settlements for all outstanding claims.

New accounting standards

In November 2023, the FASB issued ASU 2023 - 07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which becomes effective for fiscal years beginning after December 15, 2024. This update requires public entities to disclose significant expenses for reportable segments in both interim and in annual reporting periods, while entities with only a single reportable segment must now provide all segment disclosures required both in ASC 280 and under the amendments in ASU 2023-07. The Company does not expect the standard to have a material effect on its consolidated financial statements and has begun evaluating disclosure presentation alternatives.

In December 2023, the FASB issued ASU 2023 - 09, Income Taxes (Topic740) Improvements to Income Tax Disclosures, which becomes effective for fiscal years beginning after December 15, 2024. The standard requires companies to disclose specific categories in the income tax rate reconciliation table and the amount of income taxes paid per major jurisdiction. The Company does not expect the standard to have a material effect on its consolidated financial statements and has begun evaluating disclosure presentation alternatives.

Disclosure Controls

In connection with Exemption Orders issued by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificates under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

Approval

The Board of Directors of Permex Petroleum Corporation has approved the contents of this management discussion and analysis on January 14, 2025.