PERMEX PETROLEUM CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended December 31, 2024

(EXPRESSED IN UNITED STATES DOLLARS)

(UNAUDITED)

PERMEX PETROLEUM CORPORATION
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	December 31, 2024	September 30, 2024
ASSETS		
Current assets		
Cash	$ 690,798	$ 1,513,591
Trade and other receivables (net of allowance: December 31, 2024 - $nil; September 30, 2024 - $nil)	62,263	44,932
Prepaid expenses and deposits	115,155	146,452
Total current assets	868,216	1,704,975
Non-current assets		
Reclamation deposits	75,000	75,000
Property and equipment, net of accumulated depletion and depreciation	10,471,137	10,281,248
Total assets	$ 11,414,353	$ 12,061,223
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade and other payables	$ 3,839,324	$ 3,786,909
Loans payable	160,936	160,936
Convertible debentures	2,802,226	1,365,000
Debt subscription proceeds	-	2,250,000
Total current liabilities	6,802,486	7,562,845
Non-current liabilities		
Asset retirement obligations	407,948	392,977
Total liabilities	7,210,434	7,955,822
Stockholders' Equity		
Common stock, no par value per share; unlimited shares authorized, 551,503 shares issued and outstanding as of December 31, 2024 and September 30, 2024.	14,947,150	14,947,150
Additional paid-in capital	7,402,555	5,475,316
Accumulated other comprehensive loss	(127,413)	(127,413)
Accumulated deficit	(18,018,373)	(16,189,652)
Total stockholders' equity	4,203,919	4,105,401
Total liabilities and stockholders' equity	$ 11,414,353	$ 12,061,223

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PERMEX PETROLEUM CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
THREE MONTHS ENDED DECEMBER 31
(UNAUDITED)

	2024	2023
Revenues		
Oil and gas sales	$ 123,215	$ 47,651
Royalty income	3,566	5,464
Total revenues	126,781	53,115
Operating expenses		
Lease operating expense	428,268	91,435
General and administrative	1,274,526	683,683
Depletion and depreciation	55,719	21,978
Accretion on asset retirement obligations	14,971	9,198
Gain on settlement of trade payables	(197,207)	-
Total operating expenses	(1,576,277)	(806,294)
Loss from operations	(1,449,496)	(753,179)
Other income (expense)		
Foreign exchange gain (loss)	22,105	(3,676)
Other income	-	6,000
Interest expense	(295,981)	(1,026)
Loss on debt extinguishment	(105,349)	-
Total other income (expense)	(379,225)	1,298
Net loss and comprehensive loss	$ (1,828,721)	$ (751,881)
Basic and diluted loss and comprehensive loss per common share	$ (3.32)	$ (1.36)
Weighted average number of common shares outstanding	551,503	551,503

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PERMEX PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

Three months ended December 31

	Number of Shares	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, September 30, 2024	551,503	$ 14,947,150	$ 5,475,316	$ (127,413)	$ (16,189,652)	$ 4,105,401
Warrants issued in private placement	-	-	1,792,002	-	-	1,792,002
Stock-based compensation	-	-	135,237	-	-	135,237
Net loss	-	-	-	-	(1,828,721)	(1,828,721)
Balance, December 31, 2024	551,503	$ 14,947,150	$ 7,402,555	$ (127,413)	$ (18,018,373)	$ 4,203,919

	Number of Shares	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, September 30, 2023	551,503	$ 14,947,150	$ 4,549,431	$ (127,413)	$ (12,200,376)	$ 7,168,792
Net loss	-	-	-	-	(751,881)	(751,881)
Balance, December 31, 2023	551,503	$ 14,947,150	$ 4,549,431	$ (127,413)	$ (12,952,257)	$ 6,416,911

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PERMEX PETROLEUM CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED DECEMBER 31
(UNAUDITED)

		2024		2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	$	(1,828,721)	$	(751,881)
Adjustments to reconcile net loss to net cash from operating activities:				
Accretion on asset retirement obligations		14,971		9,198
Depletion and depreciation		55,719		21,978
Foreign exchange (gain) loss		(22,105)		3,676
Gain on settlement of trade payables		(197,207)		-
Amortization of debt discount		212,490		-
Loss on debt extinguishment		105,349		-
Stock-based compensation		135,237		-
Changes in operating assets and liabilities:				
Trade and other receivables		(17,331)		28,981
Prepaid expenses and deposits		31,297		18,986
Trade and other payables		273,947		512,020
Right of use asset and lease liability		-		1,306
Net cash used in operating activities		(1,236,354)		(155,736)
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures on property		(188,040)		-
Reclamation deposit redemption		-		70,000
Net cash (used in) provided by investing activities		(188,040)		70,000
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from debenture financing		601,601		-
Loan payable proceeds		-		45,000
Loan repayment		-		(10,000)
Net cash provided by financing activities		601,601		35,000
Change in cash during the period		(822,793)		(50,736)
Cash, beginning of the period		1,513,591		82,736
Cash, end of the period	$	690,798	$	32,000
Supplemental cash flow disclosures:				
Interest paid	$	1,246	$	1,026
Taxes paid	$	-	$	-
Supplemental disclosures of non-cash investing and financing activities:				
Trade and other payables related to property and equipment	$	57,568	$	-
Accrued debt interest settled through debt issuance	$	59,788	$	-
Debt subscription proceeds transferred to convertible debentures	$	2,250,000	$	-
Share purchase warrants issued in connection with debt issuance	$	1,792,002	$	-

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. BACKGROUND

Permex Petroleum Corporation (the "Company") was incorporated on April 24, 2017 under the laws of British Columbia, Canada and maintains its head office at 1700 Post Oak Boulevard, 2 Blvd Place Suite 600, Houston Texas, 77056. Its registered office is located at 10th floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5. The Company is primarily engaged in the acquisition, development and production of oil and gas properties in the United States. The Company's oil and gas interests are located in Texas and New Mexico, USA. The Company's common shares are listed on the Canadian Securities Exchange (the "CSE") under the symbol "OIL".

These condensed interim consolidated financial statements of the Company for the three months ended December 31, 2024 were approved and authorized for issue by the Board of Directors on February 14, 2025.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") and applicable rules and regulations of the United States Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the condensed consolidated financial statements include all adjustments necessary, which are of a normal and recurring nature, for the fair presentation of the Company's financial position and of the results of operations and cash flows for the periods presented. These interim results are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2025 or for any other interim period or for any other future fiscal year. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and footnotes included in Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2024.

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, revenue and expenses of the Company's wholly-owned subsidiary, Permex Petroleum US Corporation. All intercompany balances and transactions have been eliminated.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Going concern of operations

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has incurred losses since inception in the amount of $18,018,373, has a working capital deficiency of $5,934,270 as of December 31, 2024 and has not yet achieved profitable operations. The Company requires equity or debt financings to fund its continuing operations, which it has been unable to secure in sufficient amounts to date, and there can be no assurances that it will be able to do so in the future. The aforementioned factors raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued.

The Company expects to raise additional funds through equity and debt financings. There is no assurance that such financing will be available in the future. During the three months ended December 31, 2024, the Company received additional debt subscription proceeds of $601,601 to complete a convertible debenture financing with total gross proceeds of $4,276,389. The $1,365,000 convertible debentures that matured on September 12, 2024 and accrued interest of $59,788 were retired in exchange for the new convertible debenture units. Management believes that these actions provide a path for the Company to continue as a going concern subject to its continued ability to raise funds to maintain its operations and manage its working capital deficiency.

In view of these matters, continuation as a going concern is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations. The financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

Use of Estimates

The preparation of financial statements in accordance with 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.

Significant estimates have been used by management in conjunction with the following: (i) the fair value of assets when determining the existence of impairment factors and the amount of impairment, if any; (ii) the costs of site restoration when determining decommissioning liabilities; (iii) the useful lives of assets for the purposes of depletion and depreciation; (iv) petroleum and natural gas reserves; and (v) share-based payments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from those estimates.

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.

3. REVENUE

Revenue from contracts with customers is presented in "Oil and gas sales" on the Consolidated Statements of Operations.

As of December 31, 2024 and September 30, 2024, receivables from contracts with customers, included in trade and other receivables, were $45,420 and $26,873, respectively.

The following tables present our revenue from contracts with customers disaggregated by product type and geographic areas.

Three months ended December 31, 2024	Texas	New Mexico	Total
Crude oil	$ 123,215	$ -	$ 123,215
Natural gas	-	-	-
Revenue from contracts with customers	$ 123,215	$ -	$ 123,215

Three months ended December 31, 2023	Texas	New Mexico	Total
Crude oil	$ 29,624	$ 18,027	$ 47,651
Natural gas	-	-	-
Revenue from contracts with customers	$ 29,624	$ 18,027	$ 47,651

4. CONCENTRATION OF CREDIT RISK

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash and trade receivables. The Company's cash balances sometimes exceed the United States' Federal Deposit Insurance Corporation insurance limits. The Company mitigates this risk by placing its cash with high credit quality financial institutions and attempts to limit the amount of credit exposure with any one institution. To date, the Company has not recognized any losses caused by uninsured balances.

Trade receivables included in the Company's receivable balance are $45,420 as of December 31, 2024 (September 30, 2024 - $26,873). For the three months ended December 31, 2024 and 2023, the Company had one significant customer that accounted for approximately 100% and 62%, respectively, of our total oil and natural gas revenues. The Company routinely assesses the financial strength of its customers. The non-trade receivable balance consists of goods and services tax ("GST") recoverable of $16,843 (September 30, 2024 - $18,060). GST recoverable is due from the Canadian Government. It is management's opinion that the Company is not exposed to significant credit risk. During the three months ended December 31, 2024, the Company recognized $nil (2023 - $9,587) in credit losses on its receivables.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31, 2024	September 30, 2024
Oil and natural gas properties, at cost	$ 10,846,097	$ 10,600,489
Less: accumulated depletion	(384,829)	(330,036)
Oil and natural gas properties, net	10,461,268	10,270,453
Other property and equipment, at cost	18,505	18,505
Less: accumulated depreciation	(8,636)	(7,710)
Other property and equipment, net	9,869	10,795
Property and equipment, net	$ 10,471,137	$ 10,281,248

Depletion and depreciation expense was $55,719 and $21,978 for the three-month periods ended December 31, 2024 and 2023, respectively.

6. LEASES

The Company had an office lease agreement for its Dallas premises with a term ending in November 2025. During the year ended September 30, 2024, the Company entered into a settlement agreement to terminate this lease. The termination resulted in a loss of $38,825 recognized in the three months ended September 30, 2024, consisting of the settlement payment and the write-off of the remaining right-of-use asset and lease liability associated with the terminated lease.

During the year ended September 30, 2024, the Company paid $113,638 in lease payments and recognized $12,346 in accretion expense. For the three months ended December 31, 2023, the Company incurred $21,554 in operating lease expenses and $14,947 in variable lease expenses.

7. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations reflects the estimated present value of the amount of dismantlement, removal, site reclamation, and similar activities associated with the Company's oil and gas properties. Changes to the asset retirement obligations are as follows:

	December 31, 2024	September 30, 2024
Asset retirement obligations, beginning of the year	$ 392,977	$ 260,167
Obligations recognized	-	27,859
Obligations derecognized	-	-
Revisions of estimates	-	68,159
Accretion expense	14,971	36,792
	$ 407,948	$ 392,977

During the year ended September 30, 2024, the Company had a revision of estimates totaling $68,159 primarily due to changes in the timing of expected cash flows.

Reclamation deposits

As of December 31, 2024, the Company held reclamation deposits of $75,000 (September 30, 2024 - $75,000), which are expected to be released after all reclamation work has been completed with regard to its oil and natural gas interests.

8. DEBT

Convertible debentures

During the year ended September 30, 2024, the Company completed private placement financings of 1,365 convertible debenture units for gross proceeds of $1,365,000. Each unit is comprised of one senior secured convertible debenture in the principal amount of $1,000 and 294 common share purchase warrants as amended. Each warrant is exercisable for a period of five years from the date of issuance for one common share of the Company at an exercise price of $4.08 per share. As a result, the Company issued convertible debentures with an aggregate principal amount of $1,365,000 and 401,310 Warrants.

The Convertible Debentures were secured by the Company's assets, bore simple interest at a rate of 10% per annum, and matured on September 12, 2024. These Convertible Debentures were convertible into common shares of the Company at a conversion price of $3.40 per share. Interest was payable on the maturity date or upon the repayment of all or a portion of the Convertible Debenture and could be settled in cash or shares at the same conversion price. As of September 30, 2024, the Company had recorded $50,008 in accrued interest on the Convertible Debentures.

Of the 1,365 units issued, 500 units were originally comprised of one secured convertible debenture in the principal amount of $1,000 and 1 common share purchase warrant. The number of warrants issued with these units was subsequently modified to 294 warrants per unit. No other terms of the debt or warrant were modified. This modification was assessed as a debt extinguishment. A loss of $495,051 was recognized, consisting of $494,219 representing the fair value of the amended warrants determined using the Black-Scholes option pricing model (assuming a risk-free interest rate of 3.41%, an expected life of 5 years, annualized volatility of 128.69% and a dividend rate of 0%) and an unamortized discount of $832 on the original warrants.

The Company allocated the proceeds received from the issuance of the convertible debentures and warrants between the debt and equity components based on their relative fair values at the issuance date. Due to the lack of an active market for the Company's privately placed debt instruments and the absence of relevant observable inputs, the Company determined that a reliable estimate of the fair value of the convertible debentures could not be obtained. Accordingly, the face value of the debentures is considered to be a reasonable approximation of their fair value at the issuance date. The fair value of the warrants issued was determined using the Black-Scholes option pricing model (assuming a risk-free interest rate of 3.41%, an expected life of 5 years, annualized volatility of 128.69% and a dividend rate of 0%). $431,666 of the proceeds allocated to the warrants was recorded as additional paid-in capital with a corresponding debt discount being amortized over the term of the debt. As of September 30, 2024, the debt discount was fully amortized.

In October 2024, the Company retired the outstanding debentures of $1,365,000 along with accrued interest of $59,788 in exchange for the new debenture units issued on November 1, 2024. The debenture holders also agreed to cancel a total of 401,310 warrants issued in connection with the debentures. This exchange was assessed as a debt extinguishment and a loss of $105,349 was recognized during the three months ended December 31, 2024.

8. DEBT (cont'd…)

On November 1, 2024, the Company completed a non-brokered private placement of convertible debenture units for gross proceeds of $4,276,389, of which $2,250,000 was received as subscriptions as of September 30, 2024, and $1,424,788 was issued in exchange for the outstanding debentures in the principal amount of $1,365,000 and accrued interest of $59,788. Each debenture unit consists of one convertible debenture in the principal amount of $1,000 and 523 common share purchase warrants. Each warrant is exercisable for a period of five years from the date of issuance for one common share of the Company at an exercise price of $1.91 per share. As a result, the Company issued convertible debentures with an aggregate principal amount of $4,276,389 and 2,236,551 Warrants. The Debentures are secured by the Company's assets, mature one-year from the date of issuance, and bear simple interest at a rate of 10% per annum, payable on the maturity date or upon repayment of all or any portion of the Debenture. The Debentures are convertible into common shares of the Company at a conversion price of $1.91 per share. Interest is payable in cash or shares based on the same conversion price.

The Company allocated the proceeds received from the issuance of the convertible debentures and warrants between the debt and equity components based on their relative fair values at the issuance date. Due to the lack of an active market for the Company's privately placed debt instruments and the absence of relevant observable inputs, the Company determined that a reliable estimate of the fair value of the convertible debentures could not be obtained. Accordingly, the face value of the debentures is considered to be a reasonable approximation of their fair value at the issuance date. The fair value of the warrants issued was determined using the Black-Scholes option pricing model (assuming a risk-free interest rate of 3.06%, an expected life of 5 years, annualized volatility of 125.14% and a dividend rate of 0%). $1,792,002 of the proceeds allocated to the warrants was recorded as additional paid-in capital with a corresponding debt discount being amortized over the term of the debt. As of December 31, 2024, the unamortized debt discount was $1,474,163.

The table below summarizes the outstanding principal of the Company's senior, secured convertible debentures.

	December 31, 2024	September 30, 2024
10% debentures due September 12, 2024	$ -	$ 1,365,000
10% debentures due November 1, 2025	4,276,389	-
Total	4,276,389	1,365,000
Unamortized discount	(1,474,163)	-
Convertible debentures	$ 2,802,226	$ 1,365,000

Loans payable

During the year ended September 30, 2024, the Company received a $45,000 loan from a former director of the Company. The loan is unsecured, non-interest bearing, and has no specific repayment terms. As of December 31, 2024, the full amount remained outstanding.

On April 28, 2023, the Company issued a promissory note with a principal amount of $209,497 to a supplier to settle an outstanding trade payable. The promissory note is unsecured and bears interest at 6% per annum, originally payable on September 30, 2023. The promissory note was in default due to the Company's failure to repay the principal amount by its maturity date. At December 31, 2024, the Company had an outstanding unpaid principal amount of $115,936 (September 30, 2024 - $115,936).

9. RELATED PARTY TRANSACTIONS

(a) 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 three months ended December 31, 2024, the Company incurred management salary of $62,500 and a performance bonus of $50,000 for Mr. Taillon.

(b) On May 1, 2022, the Company entered into an employment agreement 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 three months ended December 31, 2024, the Company incurred management salary of $12,500 (2023 - $12,500), to Mr. Montgomery, with no bonuses incurred in either period.

(c) 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. 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. The settlement amount of $145,000 was accrued as of September 30, 2024. During the three months ended December 31, 2023, the Company incurred management salary of $62,500, for Mr. Ehsan, with no bonuses incurred in the period.

10. LOSS PER SHARE

The calculation of basic and diluted loss per share for the three-month periods ended December 31, 2024 and 2023 was based on the net losses attributable to common shareholders. The following table sets forth the computation of basic and diluted loss per share:

	Three months ended December 31, 2024	Three months ended December 31, 2023
Net loss	$ (1,828,721)	$ (751,881)
Weighted average common shares outstanding	551,503	551,503
Basic and diluted loss per share	$ (3.32)	$ (1.36)

As of December 31, 2024, 69,167 (2023 - 16,980) stock options and 2,511,904 (2023 - 275,353) warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

11. EQUITY

Common stock

The Company has authorized an unlimited number of common shares with no par value. At December 31, 2024 and September 30, 2024, the Company had 551,503 common shares issued and outstanding.

There were no share issuance transactions during the three months ended December 31, 2024 and 2023.

Share-based payments

Stock options

The Company has a long-term incentive plan (the “Plan”) in place under which it is authorized to grant share-based awards to directors, officers, employees and consultants. Pursuant to the Plan, the Company may issue aggregate stock options totaling up to 20% of the issued and outstanding common stock of the Company.

11. EQUITY (cont'd…)

Share-based payments (cont'd…)

Stock option transactions are summarized as follows:

	Number of options		Weighted Average Exercise Price
Balance, September 30, 2023	20,313	$	54.23
Cancelled	(10,208)		55.24
Balance, September 30, 2024	10,105	$	53.21
Granted	65,000		2.44
Cancelled	(5,938)		61.01
Balance, December 31, 2024	69,167	$	4.41
Exercisable at December 31, 2024	69,167	$	4.41

The aggregate intrinsic value of options outstanding and exercisable as at December 31, 2024 was $nil (September 30, 2024 - $nil).

The options outstanding as of December 31, 2024 have exercise prices in the range of $2.44 to $84 and a weighted average remaining contractual life of 9.53 years.

During the three months ended December 31, 2024 and 2023, the Company recognized share-based payment expense of $135,237 and $ nil, respectively, for the portion of stock options that vested during the period. The fair value of the options issued was determined using the Black-Scholes option pricing model (assuming a risk-free interest rate of 2.80%, an expected life of 5 years, annualized volatility of 126.02% and a dividend rate of 0%).

As December 31, 2024, the following stock options were outstanding:

Number of Options		Exercise Price	Issuance Date	Expiry Date
417	$	84.00	December 4, 2017	December 4, 2027
1,250	$	9.00	March 16, 2020	March 16, 2030
2,500	$	40.32	October 6, 2021	October 6, 2031
65,000	$	2.44	October 2, 2024	October 2, 2034
69,167				

11. EQUITY (cont'd…)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, September 30, 2023	279,746	$	39.79
Granted	401,810		4.08
Cancelled	(500)		4.08
Expired	(4,393)		95.90
Balance, September 30, 2024	676,663	$	18.25
Granted	2,236,551		1.91
Cancelled	(401,310)		4.08
Balance, December 31, 2024	2,511,904	$	5.92

As December 31, 2024, the following warrants were outstanding:

Number of Warrants		Exercise Price	Issuance Date	Expiry Date
149,447	$	50.40	March 29, 2022	March 29, 2027
73,823	$	18.00	June 30, 2023	June 30, 2028
52,083	$	33.60	September 30, 2021	September 30, 2031
2,236,551	$	1.91	November 1, 2024	November 1, 2034
2,511,904				

12. SEGMENT INFORMATION

Operating segments

The Company operates in a single reportable segment – the acquisition, development and production of oil and gas properties in the United States.

13. 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 $594,656 in claims from certain trade vendors for non-payment, of which $571,703 have been accrued as of December 31, 2024. The Company plans to continue engaging with these claimants faithfully and is working on potential settlements for all outstanding claims.