

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*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" 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 various oil and gas properties located in Texas and New Mexico. In addition, the Company holds various royalty interests in 73 wells and five permitted wells across 3,800 acres within the Permian Basin of West Texas and southeast New Mexico. Moreover, the Company owns and operates more than 78 oil and gas wells, has more than 11,700 net acres of producing oil and gas assets, 67 shut-in opportunities, 17 salt water disposal wells that help eliminate water disposal fees and lower operating expenses and two water supply wells allowing for waterflood secondary recovery.

The Company's common shares are listed on the Canadian Securities Exchange under the symbol "OIL" on the OTCQB under the symbol "OILCF", and on the Frankfurt Stock Exchange under the symbol "75P". On June 28, 2022, the Company filed a Registration Statement on Form S-1 (as amended, the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act") with the SEC to register for resale the securities issued by the Company in a brokered private placement completed in March 2022. The Registration Statement became effective on August 12, 2022, which has resulted in the Company becoming a reporting company under the United States Securities Exchange Act of 1934, as amended.

### **Key activities:**

- On October 12, 2021, the Company announced the appointment of John Perry Bryan, Jr. and John James Lendrum, III to its Board of Directors.
- On November 4, 2021, the Company completed a non-brokered private placement of 2,647,037 units at a price of \$0.21 (CAD\$0.27) per unit for gross proceeds of \$564,613 (CAD\$714,700). Each unit was comprised of one common share and one half of share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share for a period of 24 months at an exercise price of \$0.19 (CAD\$0.54).
- On December 15, 2021, the Company announced that it has commenced trading on the Frankfurt Stock Exchange under the ticker symbol "75P".
- On December 15, 2021, the Company announced that it began re-entry and recompletion of two saltwater disposal wells in the Company's Clearfork Area in Stonewall County, Texas. These new saltwater disposal wells and associated facilities are expected to handle additional produced water volumes anticipated from the Company's future drilling and re-stimulation programs.

- On February 22, 2022, the Company announced the completion of re-entry of a previously shut-in oil well on its West Henshaw property in Eddy County, New Mexico.
- On February 24, 2022, the Company announced that its common shares are eligible for electronic clearing and settlement through the Depository Trust Company in the U.S.

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- On March 28 and 29, 2022, the Company closed a brokered private placement of an aggregate of 47,128,625 units at a price of \$0.16 per unit for gross proceeds of \$7,540,580. Each unit was comprised of one common share and one common share purchase warrant. Each warrant is exercisable into one common share for a period of five years at an exercise price of \$0.21 per share. ThinkEquity LLC acted as sole placement agent for the private placement and it and/or its designees received five year warrants to purchase up to 4,712,863 common shares of at an exercise price of \$0.21 per share.
- On April 5, 2022, the Company announced the successful results obtained from the recompletion of a previously shut-in oil well on its West Henshaw property in Eddy County, New Mexico.
- On May 10, 2022, the Company announced the appointment of Gregory Montgomery as Chief Financial Officer and Corporate Secretary of the Company effective May 1, 2022. The Company also announced that Edward Odishaw had resigned as Director of the Company.
- On August 15, 2022, the Company received approval on its permit application for drilling on its property in Martin County, Texas.

### Impact of COVID-19

In March 2020 the World Health Organization declared coronavirus (“COVID-19”) a global pandemic. The collapse in the demand for oil caused by this unprecedented global health and economic crisis contributed to the significant decrease in crude oil prices in 2020 in general and resulted in shut down of the Company’s wellbores which had and could in the future continue to have a material adverse impact on the Company’s financial condition and results of operations. As a result of the ongoing COVID-19 pandemic, the Company’s operations, and those of its operating partners, have and may continue to experience delays or disruptions and temporary suspensions of operations and increased volatility. In addition, the Company’s results of operations and financial condition have been and may continue to be adversely affected by the ongoing COVID-19 pandemic; however, it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds at this time. The Company is closely monitoring developments and adapting its business plans accordingly.

### **Oil And Gas Properties**

The Company hired MKM Engineering, who prepared for the Company an Appraisal of Certain Oil and Gas Interests owned by Permex Petroleum Corporation located in New Mexico and Texas as of September 30, 2021 (the “2021 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, 2020 (the “2020 Appraisal Report” and together with the 2021 Appraisal Report, the “Appraisal Reports”). MKM Engineering is independent with respect to the Company 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 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 such Appraisal 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 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.

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The following tables show a summary of our reserves as of September 30, 2021 and September 30, 2020 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, 2021

		<u>Proved</u>	<u>Proved Developed Producing</u>	<u>Proved Non- Producing</u>	<u>Proved Undeveloped</u>
<b>Net Reserves</b>					
Oil/Condensate	MBbl	6,199.4	399.3	188.1	5,612.0
Natural Gas	Mcf	3,018.3	314.4	97.5	2,606.4
<b>Revenue</b>					
Oil/Condensate	M\$	347,051.0	21,920.1	10,468.6	314,662.3
Natural Gas	M\$	8,906.8	949.0	286.9	7,670.9
Severance and Ad Valorem Taxes	M\$	26,171.1	1,927.3	774.5	23,469.3
Operating Expenses	M\$	43,511.4	8,048.8	3,057.0	32,405.6
Investments	M\$	71,700.0	791.9	689.6	70,218.5
Operating Income (BFIT)	M\$	214,575.4	12,101.2	6,234.4	196,239.8
Discounted @ 10%	M\$	100,772.6	6,356.0	3,644.6	90,772.0

Composite Proved Reserve Estimates and Economic Forecasts for the year ended September 30, 2020

		<u>Proved</u>	<u>Proved Developed Producing</u>	<u>Proved Non- Producing</u>	<u>Proved Undeveloped</u>
<b>Net Reserves</b>					
Oil/Condensate	MBbl	3,706.4	254.9	294.5	3,157.0
Natural Gas	Mcf	740.3	64.9	17.6	657.8
<b>Revenue</b>					
Oil/Condensate	M\$	149,380.6	10,201.3	12,077.9	127,101.4
Natural Gas	M\$	1,313.0	58.7	32.6	1,221.7
Severance and Ad Valorem Taxes	M\$	11,404.2	903.6	863.4	9,637.2
Operating Expenses	M\$	38,863.8	5,590.5	2,818.4	30,454.9
Investments	M\$	26,262.9	630.1	807.0	24,825.8
Operating Income (BFIT)	M\$	74,162.6	3,135.8	7,621.7	63,405.1
Discounted @ 10%	M\$	29,113.0	1,806.4	4,057.6	23,249.0

Composite Probable Reserve Estimates and Economic Forecasts for the year ended September 30, 2021

	<u>Probable</u>	<u>Probable Non- Producing</u>	<u>Probable Undeveloped</u>
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			<b>Producing</b>	
<b>Net Reserves</b>				
Oil/Condensate	MBbl	7,466.5	119.8	7,346.7
Natural Gas	Mcf	10,252.1	6.3	10,245.8
<b>Revenue</b>				
Oil/Condensate	M\$	411,745.8	6,686.4	405,059.4
Natural Gas	M\$	30,171.8	18.4	30,153.4
Severance and Ad Valorem Taxes	M\$	23,511.2	478.1	23,033.1
Operating Expenses	M\$	50,336.3	1,061.2	49,275.1
Investments	M\$	102,884.9	-	102,884.9
Operating Income (BFIT)	M\$	265,185.3	5,165.5	260,019.8
Discounted @ 10%	M\$	123,329.8	1,957.5	121,372.3

Composite Probable Reserve Estimates and Economic Forecasts for the year ended September 30, 2020

		<b>Probable</b>	<b>Probable Non- Producing</b>	<b>Probable Undeveloped</b>
<b>Net Reserves</b>				
Oil/Condensate	MBbl	439.4	121.9	317.5
Natural Gas	Mcf	126.3	6.3	120.0
<b>Revenue</b>				
Oil/Condensate	M\$	17,637.2	5,024.7	12,612.5
Natural Gas	M\$	232.3	12.3	220.0
Severance and Ad Valorem Taxes	M\$	1,279.6	359.4	920.2
Operating Expenses	M\$	2,404.2	952.6	1,451.6
Investments	M\$	-	-	-
Operating Income (BFIT)	M\$	14,185.7	3,725.0	10,460.7
Discounted @ 10%	M\$	5,844.7	1,489.9	4,354.8

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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. During the fiscal year ended September 30, 2021, the Company did not commence drilling on any undeveloped acreage and no undeveloped reserves were converted into proved developed reserves. The Company also did not make any investments in, or make any progress towards, converting proved undeveloped reserves to proved developed reserves during the year ended September 30, 2021. The Company also has not begun drilling on any undeveloped acreage or make any investments in undeveloped reserves during 2022 as of the date hereof.

An aggregate of 5,612 MBO and 2,606 MMCF of the Company's proved undeveloped reserves as of September 30, 2021 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, 2021.

Proved Undeveloped Reserves Additions

From September 30, 2020 to September 30, 2021, the Company had proved undeveloped reserve additions of 2,779.78 MBoe, mostly as a result of the acquisition of an aggregate of 6,046 net acres of new properties located in Martin County, Texas during the fiscal year ended 2021, being partially offset by the sales of certain acreage at the Company's Peavy property in Young County, Texas and the Company's property in Gaines County, Texas to a third party and a reclassification of 120.85 MBoe from proved undeveloped reserves to probable undeveloped reserves at the Company's West Henshaw property in Eddy County, New Mexico. This reclassification was the result of a determination in 2021 that certain proved undeveloped reserves on the West Henshaw property were not a direct offset to a producing well and consequently should be categorized as undeveloped probable reserves. The specific changes to the Company's proved undeveloped reserves from September 30, 2020 to September 30, 2021 were as follows:

	Breedlove	Peavy	Gaines County	Henshaw	Royalty Wells	Total
Beginning balance at September 30, 2020 (MBoe)(1)	—	—	—	—	—	3,266.59
Production (MBoe)(1)	—	—	—	—	—	—
Revisions or reclassifications of previous estimates (MBoe)(1)	—	—	—	(120.85)	—	(120.85)
Improved Recovery (MBoe)(1)	—	—	—	—	—	—
Extensions and Discoveries (MBoe)(1)	—	—	—	—	—	—
Acquisitions/Purchases (MBoe)(1)	5,584.14	—	—	—	0.23	5,584.37
Sales (MBoe)(1)	—	(70.40)	(2,614.00)	—	—	(2,684.40)
Price Change (MBoe)	—	—	—	—	—	0.66
Ending balance as of September 30, 2021 (MBoe)(1)	—	—	—	—	—	6,046.37

(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, 2021, the average prices of WTI (Cushing) oil and NYMEX Henry Hub natural gas were \$57.69 per Bbl and \$2.94 per Mcf, respectively, resulting in an oil-to-gas ratio of over 19 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 5,612.0 MBbl of oil and 2,606.4 Mcf of natural gas as of September 30, 2021 is \$67,940,950. 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 7,346.7 MBbl of oil and 10,245.8 Mcf of natural gas as of September 30, 2021 is \$102,884,900. 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.

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#### Drilling Activities

The Company did not drill any wells during the last three fiscal years. As at September 30, 2021, the Company had 95 gross wells and 17.29 net productive wells, with 89 wells producing oil and six wells producing natural gas, and the Company's gross developed acreage totaled 5,177 and net developed acreage totaled 3,942 with the following geographic breakdown:

<b>Property</b>	<b>Gross Developed Acreage</b>	<b>Net Developed Acreage</b>	<b>Gross Productive Wells</b>	<b>Net Productive Wells</b>
Pittcock	818	664.63	1	0.81
Henshaw	1,880	1,353.60	2	1.44
Oxy Yates	680	489.60	2	1.44
Bullard	241	187.98	1	0.78
Breedlove	1,558	1,246.4	16	12.80
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 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 3% of these leases have a term that expires within two years of the date of this Report.

### Sales and Production

The average sales prices of the Company's oil and gas products sold in the nine months ended June 30, 2022, the fiscal years ended September 30, 2021 and 2020 was \$81.16, \$46.86, and \$38.51, respectively.

The Company's net production quantities by final product sold in the nine months ended June 30, 2022, the fiscal years ended September 30, 2021 and 2020 was 8,945.60 Boe, 1,081.54 Boe, and 20,112.44 Boe, respectively.

The Company's average production costs per unit for the nine months ended June 30, 2022, the fiscal years ended September 30, 2021 and 2020, was \$37.15, \$27.93, and \$32.59, respectively.

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

	<b>Nine Months Ended June 30, 2022</b>	<b>Fiscal Year Ended September 30, 2021</b>	<b>Fiscal Year Ended September 30, 2020</b>
<b>Net Production Volumes</b>			
Oil/Condensate (Bbl)	7,325	947	16,240
Natural Gas (Mcf)	9,726	1,410	9,196
<b>Average Sales Price</b>			
Oil/Condensate (\$/Bbl)	92.07	58.36	41.09
Natural Gas (\$/Mcf)	5.31	3.40	1.44

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***

	<b>Nine Months Ended June 30, 2022</b>	<b>Fiscal Year Ended September 30, 2021</b>	<b>Fiscal Year Ended September 30, 2020</b>
<b>Net Production Volumes</b>			
Oil/Condensate (Bbl)	4,897	-	-
Natural Gas (Mcf)	9,726	419	-

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<b>Net Production Volumes</b>	<b>Nine Months Ended June 30, 2022</b>	<b>Fiscal Year Ended September 30, 2021</b>	<b>Fiscal Year Ended September 30, 2020</b>
Oil/Condensate (Bbl)	1,266	-	-
Natural Gas (Mcf)	-	-	-

***ODC San Andres***

<b>Net Production Volumes</b>	<b>Nine Months Ended June 30, 2022</b>	<b>Fiscal Year Ended September 30, 2021</b>	<b>Fiscal Year Ended September 30, 2020</b>
Oil/Condensate (Bbl)	-	-	11,570
Natural Gas (Mcf)	-	-	2,605

***Breedlove "B" Clearfork Leases - 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 ("HBP") in the core of the Permian Basin. There is a total of 25 vertical wells of which 12 are producers, 4 are saltwater disposal wells ("SWD") and 9 that are shut-in opportunities. Permex holds a 100% working interest and an 81.75% net revenue interest in the Breedlove "B" Clearfork Property.

***Pittcock Leases - Texas***

The Pittcock Leases are situated in Stonewall County. Stonewall County is in Northwest Texas, in the central part of the North Central Plains and consist of the Pittcock North property, the Pittcock South property and the Windy Jones Property.

The Pittcock North property covers 320 acres held by production. There is currently one producing well, ten shut-in wells, two saltwater disposal wells, and a water supply well. Permex holds a 100% working interest in the Pittcock North Property, and an 81.25% net revenue interest.

The Pittcock South property covers 498 acres in four tracts. There are currently 19 shut-in wells and two saltwater disposal wells. Permex holds a 100% working interest in the lease, and a 71.90% net revenue interest.

The Windy Jones Property consists of forty acres and includes two injection wells and two suspended oil wells. The sole purpose of the Windy Jones property is to provide waterflood to the offset wells being the Pittcock wells located east boundary of the Windy Jones property. Permex holds a 100% working interest in the Windy Jones Property, and a 78.9% net revenue interest.

***Mary Bullard Property - Texas***

The Mary Bullard Property is located in Stonewall County, about 5 ½ miles south west of Aspermont, Texas. The asset is situated on the Eastern Shelf of the Midland Basin in the central part of the North Central Plains. The Mary Bullard Property covers 241 acres held by production and is productive in the Clearfork formation at a depth of approximately 3,200 feet. There is currently one producing well, four shut-in wells, and two water injection wells. Permex holds a 100% working interest in the Mary Bullard Property, and a 78.625% net revenue interest.

### West Henshaw Property and Oxy Yates 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. Permex holds a 100% working interest in the West Henshaw Property, and a 72% net revenue interest.

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

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### **Discussion of Operations**

#### 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 June 30, 2022.

	<b>For the Three Months Ended</b>							<b>Fiscal 2020</b>
	<b>Fiscal 2022</b>			<b>Fiscal 2021</b>			<b>Sept. 30, 2020</b>	
	<b>Jun. 30, 2022</b>	<b>Mar. 31, 2022</b>	<b>Dec. 31, 2021</b>	<b>Sept. 30, 2021</b>	<b>Jun. 30, 2021</b>	<b>Mar. 31, 2021</b>		
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	
Total revenues	276,722	241,886	106,449	9,575	34,298	40	2,790	135,215
Net income (loss)	(761,303)	(144,944)	(822,765)	(784,742)	(152,960)	(196,023)	(111,332)	(1,087,376)
Earnings (loss) per share - basic and diluted	(0.01)	(0.00)	(0.01)	(0.02)	(0.00)	(0.00)	(0.00)	(0.03)

#### Three month period ended June 30, 2022

During the three months ended June 30, 2022, the Company reported a net loss of \$761,303 as compared to a net loss of \$152,960 for the three months ended June 30, 2021 mostly as a result of increased revenues being more than offset by increased expenses during the third quarter of 2022 compared to the same quarter in 2021. Revenue for the third quarter of 2022 consisted of oil and gas sales of \$258,757 (compared to \$34,298 in revenues from oil and gas sales in the third quarter of 2021) and royalty income of \$17,965 (compared to no royalty income in the third quarter of 2021). Revenue from the Company's newly acquired Breedlove "B" Clearfork leases accounted for 75% of the total oil and gas sales in the third quarter of 2022. The direct producing expenses were \$135,170 in the third quarter of 2022 compared to \$11,179 in the third quarter of 2021, representing approximately 52% and 33% of the gross sales in the third quarters of 2022 and 2021, respectively. This increase in producing expenses in the third quarter of 2022 was the result of increased production in 2022 compared to 2021 mostly as a result of the Company's acquisition of the Breedlove "B" Clearfork leases in September 2021, and the Company bringing the Pittcock North, Mary Bullard, and West Henshaw wells back online during the second quarter of 2022. For the three-month period ended June 30, 2022, the Company has produced 37 barrels of oil per day ("bopd") compared to six bopd for the same quarter of 2021.

The Company's total operating expenses for the three months ended June 30, 2022 was \$1,278,251 compared to \$177,861 for the same period in 2021. The increase in total operating expenses in the third quarter of 2022 compared to the third quarter of 2021 was mainly attributable to increased general and administrative expenses in the current



quarter including accounting and audit fees of \$77,673 in the third quarter of 2022 (compared to \$16,783 in third quarter of 2021), legal fees of \$179,190 in the third quarter of 2022 (compared to \$2,666 in the third quarter of 2021), and marketing and promotion of \$469,096 in the third quarter of 2022 (compared to \$4,148 in the third quarter of 2021). The increase in general administrative expenses in the current quarter is mainly due to the increase in general corporate activities as a result of the increased oil and gas productions, the brokered financing completed in the second quarter of 2022, and the preparation and filing of the Registration Statement and all required amendments with the SEC.

#### Nine month period ended June 30, 2022

During the nine months ended June 30, 2022, the Company reported a net loss of \$1,729,012 as compared to a net loss of \$460,316 for the nine months ended June 30, 2021 mostly as a result of increased revenues in 2022 being more than offset by increased expenses during the first nine months of 2022 compared to the same period in 2021. Revenue for the first nine months of 2022 consisted of oil and gas sales of \$577,244 (compared to revenues of \$37,392 for oil and gas sales in the first nine months of 2021) and royalty income of \$47,813 (compared to no royalty income the first nine months of 2021). Revenue from the Company's newly acquired Breedlove "B" Clearfork leases accounted for 71% of the Company's total oil and gas sales in the third quarter of 2022. The Company also brought Pittcock North, Mary Bullard, and West Henshaw wells back online during the second quarter of 2022. For the nine-month period ended June 30, 2022, the Company produced 33 bopd compared to two bopd for the same period in 2021. The Company's direct producing expenses were \$332,346 in the first nine months of 2022 compared to \$21,392 for the same period in 2021, representing approximately 52% and 57% of the gross sales for the first nine months of 2022 and 2021, respectively. This increase in producing expenses in the first nine months of 2022 was the result of increased production in 2022 compared to 2021 mostly as a result of the Company's acquisition of the Breedlove "B" Clearfork leases and the Company bringing the Pittcock North, Mary Bullard, and West Henshaw wells back online.

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The Company's total operating expenses for the nine month period ended June 30, 2022 was \$2,603,752 compared to \$423,522 for the same period in 2021. The increase in total operating expenses in the first nine months of 2022 compared to the same period in 2021 was mainly attributable to increased general and administrative expenses in the current period including:

- Marketing and promotional expenses increased to \$517,914 in the first nine months of 2022 compared to marketing and promotional expenses of \$24,802 in the same period in 2021 mainly as a result of increased investor awareness programs and campaigns conducted by the Company in 2022;
- Accounting and audit fees increased to \$143,153 in the first nine months of 2022 from \$46,730 in accounting and audit fees in the same period in 2021 primarily due to the increased oil and gas production activities and the preparation and filing of the Registration Statement with the SEC in 2022;
- Investor relations expenses, that include preparation of investor communications, corporate website maintenance and news releases dissemination increased to \$96,593 in the first nine months of 2022 compared to \$43,285 in the same period of 2021, mainly due to the Company retaining an investor relations firm in June 2021 to handle its investor relations activities;
- Legal fees increased to \$203,016 in the first nine months of 2022 compared to legal fees of \$3,336 in the same period of 2021 primarily as a result of legal costs associated with the preparation and filing of the Registration Statement with the SEC and the brokered financing completed in the second quarter of 2022;
- Management fees consisting mostly of compensation paid to the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") increased to \$176,989 in the first nine months of 2022 compared to management fees of \$112,478 in the same period of 2021, mostly as a result of annual base salary of the CEO increasing from \$150,000 to \$200,000 on October 1, 2021, and then to \$250,000 on May 1, 2022. The Company also hired a new CFO in May 2022; and

- Office and general expenses increased to \$105,679 in the first nine months of 2022 compared to office and general expenses of \$26,780 in the same period of 2021 mostly as a result of an increase in corporate activities in general.

The Company also incurred share-based compensation expenses of \$604,861 in the first nine months of 2022 compared to \$2,401 in the same period of 2021, mostly as a result of the Company granting 3,300,000 stock options to the Company's directors and consultants in October 2021. Share-based compensation expenses are a non-cash charge that are the estimated fair value of the stock options granted and vested during the period. The Company used the Black-Scholes option pricing model for the fair value calculation.

### **Liquidity and Capital Resources**

As at June 30, 2022, the Company had a cash balance of \$5,366,789, an increase of \$5,340,983 from the cash balance of \$25,806 on September 30, 2021. During the nine months ended June 30, 2022, cash used in operating activities was \$1,420,285, primarily related to cash used in connection with an increase in net loss during 2022 combined with an increase in prepaid expenses and deposits being partially offset by cash provided by increased trade and other payables. The Company used \$202,136 of cash in investing activities as a result of capital expenditures on its oil and gas assets. Financing activities provided the Company with cash of \$6,963,404 mostly as a result of the Company receiving net proceeds of \$7,032,412 from private placement financings, being partially offset by \$41,661 of cash used for office lease payments and the repayment of a loan using \$23,700 of cash.

The Company had a working capital of \$5,182,233 as at June 30, 2022 compared to a working capital deficiency of \$465,129 as at September 30, 2021.

Although the Company expects to invest additional capital on the continued development of its oil and gas operations, the Company currently does not have material commitments for capital expenditures. As of both June 30, 2022 and the date of this Report, the Company believes it has sufficient working capital to meet its anticipated operating and capital requirements over the next 12 months. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

### **Critical Accounting Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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) amounts subject to allowances and returns; (ii) the fair value of assets when determining the existence of impairment factors and the amount of impairment, if any; (iii) the costs of site restoration when determining decommissioning liabilities; (iv) income taxes receivable or payable; (v) the useful lives of assets for the purposes of depreciation; (vi) petroleum and natural gas reserves; and (vii) 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.

### **JOBS Act**

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

We have chosen to take advantage of the extended transition periods available to emerging growth companies under the JOBS Act for complying with new or revised accounting standards until those standards would otherwise apply to

private companies provided under the JOBS Act. As a result, our financial statements may not be comparable to those of companies that comply with public company effective dates for complying with new or revised accounting standards.

Subject to certain conditions set forth in the JOBS Act, as an “emerging growth company,” we intend to rely on certain of these exemptions, including, without limitation, (i) providing an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, as amended, and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an “emerging growth company” until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.07 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of our initial public offering; (iii) the date on which we have issued more than \$1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.