PERMEX PETROLEUM CORPORATION

Management's Discussion and Analysis

For the year ended September 30, 2021

For the six months ended March 31, 2022

For the nine months ended June 30, 2022

This document (this "MD&A") contains information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" which has been excerpted from the Amendment No. 2 to our Registration Statement on Form S-1 (the "Registration Statement") filed concurrently with this MD&A on the date hereof on our profile on SEDAR at www.sedar.com and filed on EDGAR at www.sec.gov. This MD&A should be read in conjunction with the Registration Statement, including the consolidated financial statements and the related notes thereto and other financial information included elsewhere in the prospectus filed with the Registration Statement (the "Prospectus"). Defined terms used herein but otherwise not defined have the meaning ascribed to them in the Prospectus.

Some of the information contained in this discussion, 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 the Prospectus 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.

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 5 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 production oil and gas assets, 62 shut-in opportunities, 17 salt water disposal wells allowing for waterflood secondary recovery.

Key Activities:

- On October 12, 2021, the Company announced the appointment of John Perry ("J.P.") 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 44,117 units at a price of $12.96 (C$16.20) per unit for gross proceeds of $571,760 (C$714,700). Each unit is 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 $25.80 (C$32.40).

- 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 March 28 and 29, 2022, the Company closed a brokered private placement of an aggregate of 785,477 units at a price of $9.60 per unit for gross proceeds of $7,540,580. Each unit is 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 $12.60 per share. ThinkEquity LLC acted as sole placement agent for the private placement and it and its designees received five year warrants to purchase up to 78,548 Common Shares of at an exercise price of $12.60 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 Mr. Greg Montgomery as Chief Financial Officer and Corporate Secretary of the Company effective May 1, 2022. The Company announced that Mr. Edward Odishaw has resigned as Director of the Company.

- On June 28, 2022, the Company filed the Form S-1 (the "Registration Statement") under the Securities Act of 1933 with the Securities and Exchange Commission (the "SEC") to register for resale up to 98,970,113 common shares of the Company, including 51,841,488 common shares issuable upon exercise of outstanding warrants. The Registration Statement became effective on August 12, 2022.

- On August 15, 2022, the Company received approval on its permit application for drilling on its property in Martin County, Texas. Two initial wells have been permitted and are expected to be drilled and completed on the property in the short term.

- On August 30, 2022, the Company announced results obtained from five recently recompleted oil and gas wells located in Eddy County, New Mexico and Martin County, Texas.

- On September 26, 2022, the Company announced that the Company has started drilling on its Breedlove Field Prospect located in Martin County, Texas. The PPC Eoff #3 well is the first well to be drilled by Permex on the 7,780 gross acre Breedlove oil field.

- On October 26, 2022, the Company announced the appointment of Melissa Folz P.E. to the Company's Board of Directors.

- On November 2, 2022, the Company effected a 1-for-60 reverse split of the Company's outstanding Common Shares. The conversion and/or exercise prices of our issued and outstanding convertible securities, including shares issuable upon exercise of outstanding stock options and warrants, and conversion of our outstanding convertible notes have been adjusted accordingly.

- On November 2, 2022, the Company announced an update on the drilling of its PPC Eoff #3 well. The target depth of 8,100 ft (2468 meters) was achieved, and the casing was run to total depth.

Recent Developments

On November 2, 2022, we effected a 1-for-60 reverse split of our outstanding Common Shares. No fractional shares were issued in connection with the reverse stock split and all such fractional interests were rounded up to the nearest whole number of Common Shares. The conversion and/or exercise prices of our issued and outstanding convertible securities, including shares issuable upon exercise of outstanding stock options and warrants, conversion of our outstanding convertible notes and conversions of preferred stock have been adjusted accordingly. All information presented in this prospectus have been retrospectively restated to give effect to our 1-for-60 reverse split of our outstanding Common Shares, and unless otherwise indicated, all such amounts and corresponding conversion price and/or exercise price data set forth in this prospectus have been adjusted to give effect to such reverse stock split.

In November 2022, we announced that drilling commenced on our Eoff PPC#3 well on our Breedlove Oilfield, that the target depth of 8,100 ft (2468 meters) was achieved and that the casing was run to total depth. The electric wireline logging sequence of the wellbore was also completed, and we believed the results to be positive as all indications from the drilling show to be favorable as multiple zones have been found which allows us to proceed with the next steps of perforation and completion.

Impact of Covid-19

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. Specifically, the effects of the COVID-19 pandemic, including travel bans, prohibitions on group events and gatherings, shutdowns of certain businesses, curfews, shelter-in-place orders and recommendations to practice social distancing in addition to other actions taken by both businesses and governments, resulted in a significant and swift reduction in international and U.S. economic activity. 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.

JOBS Act

On April 5, 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 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 $1.235 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.

Oil and Gas Properties

The Company hired MKM Engineering, who prepared for the Company 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 the registration statement for which this prospectus is a part of.

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 prospectus.

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, 2022 and September 30, 2021 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, 2022

		Proved	Proved Developed Producing	Proved Non-Producing	Proved Undeveloped
Net Reserves					
Oil/Condensate	MBbl	6,237.1	444.6	709.3	5,083.2
Gas	Mcf	3,001.2	286.2	578.6	2,136.4
Revenue					
Oil/Condensate	M$	572,090.2	40,485.1	65,032.6	466,572.5
Gas	M$	17,390.7	1,736.5	3,287.4	12,366.8
Severance and Ad Valorem Taxes	M$	43,493.7	3,633.2	4,955.7	34,904.8
Operating Expenses	M$	48,136.3	11,893.8	5,610.1	30,632.4
Investments	M$	71,700.0	806.9	2,074.6	68,818.5
Operating Income (BFIT)	M$	426,150.9	25,887.7	55,679.6	344,583.6
Discounted @ 10%	M$	198,619.1	12,057.6	34,831.6	151,729.9

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

		Proved	Proved Developed Producing	Proved Non-Producing	Proved Undeveloped

Net Reserves					
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
Revenue					
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 Probable Reserve Estimates and Economic Forecasts for the year ended September 30, 2022

		Probable	**Probable Developed Producing**	**Probable Non-Producing**	**Probable Undeveloped**
Net Reserves					
Oil/Condensate	MBbl	7,452.1	1.9	115.9	7,334.3
Gas	Mcf	10,323.8	10.5	6.2	10,307.1
Revenue					
Oil/Condensate	M$	680,179.1	164.4	10,469.2	669,545.5
Gas	M$	62,309.3	64.5	38.3	62,206.5
Severance and Ad Valorem Taxes	M$	41,500.1	28.4	750.3	40,721.4
Operating Expenses	M$	50,223.2	73.9	1,112.6	49,036.7
Investments	M$	107,884.9	—	—	107,884.9
Operating Income (BFIT)	M$	542,880.1	126.6	8,644.5	534,109.0
Discounted @ 10%	M$	229,567.4	53.4	3,247.1	226,266.9

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

		Probable	**Probable Non-Producing**	**Probable Undeveloped**
Net Reserves				
Oil/Condensate	MBbl	7,466.5	119.8	7,346.7
Natural Gas	Mcf	10,252.1	6.3	10,245.8
Revenue				
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

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, 2022, the Company made investment in and made progress towards, converting proved undeveloped reserves to proved developed reserves. The Company began drilling on undeveloped acreage and made investments in undeveloped reserves from September 30, 2022 to the date hereof.

An aggregate of 5,083 MBoe and 2,136 MMCF, of the Company's proved undeveloped reserves as of September 30, 2022, 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, 2022.

Proved Undeveloped Reserves Additions

From September 30, 2021 to September 30, 2022, the Company had no proved undeveloped reserve additions. The specific changes to the Company's proved undeveloped reserves from September 30, 2021 to September 30, 2022 were as follows:

	Breedlove	Gaines County	Henshaw	Royalty Wells	Total
Beginning balance at September 30, 2021 (MBoe)(1)	5,584.14	336.09	—	0.22	5,920.45
Production (MBoe)(1)	—	—	—	—	—
Revisions or reclassifications of previous estimates (MBoe)(1)	(589.17)	—	—	—	(589.17)
Improved Recovery (MBoe)(1)	—	—	—	—	—
Extensions and Discoveries (MBoe)(1)	—	—	—	—	—
Acquisitions/Purchases (MBoe)(1)	—	—	—	—	—
Sales (MBoe)(1)	—	—	—	—	—
Price Change (MBoe)	(28.54)	6.02	—	—	(22.52)
Ending balance as of September 30, 2022 (MBoe)(1)	4,966.43	342.11	—	0.22	5,308.76

(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, 2022, the average prices of WTI (Cushing) oil and NYMEX Henry Hub natural gas were $91.71 per Bbl and $6.126 per Mcf, respectively, resulting in an oil-to-gas ratio of over 14 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 5,083.2 MBbl of oil and 2,136.4 Mcf of natural gas as of September 30, 2022 is $68,818,530. 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 7,334.3 MBbl of oil and 10,307.1 Mcf of natural gas as of September 30, 2022 is $107,884,900. 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.

Drilling Activities

The Company drilled one well during the last three fiscal years. As at September 30, 2022, the Company held leases for 78 gross wells and had leases and royalty interests in an aggregate of 102 gross productive wells (including 73 wells that we acquired royalty interests in 2021). 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	1	0.81
Henshaw	1,880	1,353.60	6	4.32
Oxy Yates	680	489.60	5	3.60
Bullard	241	187.98	1	0.78
Breedlove	1,558	1,246.40	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 5% of these leases have a term that expires within two years of the date of this prospectus.

Sales and Production

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, 2022, 2021, and 2020 was $89.14, $54.19, and $38.51, respectively.

The Company's net production quantities by final product sold in the fiscal years ended September 30, 2022, 2021, and 2020, was 12,597.45 Boe, 1,182.70 Boe, and 17,772.14 Boe, respectively.

The Company's average production costs per unit for the fiscal years ended September 30, 2022, 2021, and 2020, was $65.82, and $40.94, and $32.59, respectively.

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

Net Production Volumes	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021	Fiscal Year Ended September 30, 2020
Oil/Condensate (Bbl)	10,670	948	16,240
Natural Gas (Mcf)	11,819	1,410	9,196

Average Sales Price	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021	Fiscal Year Ended September 30, 2020
Oil/Condensate ($/Bbl)	96.18	62.37	41.09
Natural Gas ($/Mcf)	8.36	3.54	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

Net Production Volumes	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021	Fiscal Year Ended September 30, 2020
Oil/Condensate (Bbl)	6,998	—	—
Natural Gas (Mcf)	11,819	419	—

Henshaw

Net Production Volumes	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021	Fiscal Year Ended September 30, 2020
Oil/Condensate (Bbl)	2,189	—	—
Natural Gas (Mcf)	—	—	—

Pittcock - Mary Bullard

Net Production Volumes	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021	Fiscal Year Ended September 30, 2020
Oil/Condensate (Bbl)	1,483	847	291
Natural Gas (Mcf)	—	—	—

ODC San Andres

Net Production Volumes	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021	Fiscal Year Ended September 30, 2020
Oil/Condensate (Bbl)	—	—	15,948
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 in the core of the Permian Basin. There is a total of 25 vertical wells of which 12 are producers, four are saltwater disposal wells and nine 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.

Royalty Interest Properties

During the year ended September 30, 2021,we acquired royalty interests in 73 producing oil and gas wells located in Texas and New Mexico for $179,095. There are no changes to the royalty interests held by the Company in fiscal 2022.

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, 2021 and 2020.

	Fiscal 2021 ($)	**Fiscal 2020 ($)**
Revenues	84,625	682,786
Net income (loss)	(1,253,242)	(1,253,531)
Net income (loss) per share - basic and diluted	(1.84)	(1.87)
Total assets	6,941,302	6,273,333
Total non-current liabilities	610,980	408,328
Dividends	—	—

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

Net losses for the years ended September 30, 2021 and 2020 were mainly attributable to attributable to operating expenses (2021 - $1,324,361, 2020 - $1,920,462), partially offset by revenue from oil and gas sales and royalty income (2021 - $84,625, 2022 - $682,786). The decrease in revenue in fiscal 2021 is due to the significant decline in oil prices in the middle of the fiscal 2020. Oil production on all the Company's properties were shut down for four months in fiscal 2020 due to a steep decline in the price of oil during 2020. The Company sold its interest in ODC San Andres Unit and W.J. "A" Taylor leases in October 2020. All other oil and gas wells remained shut down until May 2021. The increase in total assets in fiscal 2021 is due to the acquisition of Breedlove "B" Clearfork properties. The increase in non-current liabilities in fiscal 2021 is due to the recognition of decommissioning obligations related to the newly acquired Breedlove "B" Clearfork properties.

Results of Operations

Years Ended September 30, 2021 and 2020

During the year ended September 30, 2021, the Company reported a net loss of $1,253,242 as compared to a net loss of $1,253,531 for the year ended September 30, 2020. Revenue from oil and gas production decreased 93% to $46,703 (2020 - $682,786). The decrease is the result of the sale of ODC San Andres Unit and W.J. "A" Taylor leases in October 2020 and the complete shutdown of production from July 2020 in response to the steep decline in oil price. During the last six months of 2021, the Company has been working to bring the Pittcock North, Mary Bullard and Henshaw properties back online. The Pittcock North and Mary Bullard wells generated the first oil sales in June 2021. The royalty income of $37,922 (2020 - $Nil) is generated from royalty interests acquired in early 2021. The Company has acquired royalty interests in 73 wells located in Texas and New Mexico for a total investment of $179,095.

The general and administrative expenses excluding share-based payment expenses for the ended September 30, 2021 were $493,511 (2020 - $408,419) and were generally consistent with fiscal 2020. Some of the significant expense items are summarized as follows:

- Accounting and audit of $78,090 (2020 - $66,710) include audit, accounting, and tax compliance related costs.
- Filing and transfer agent of $54,822 (2020 - $27,922) have increased from the prior period mainly due to the DTC application fee of $17,284.
- Investor relations and news dissemination of $72,196 (2020 - $45,490) relate to investor communications, including maintaining and updating the website and disseminating news releases.
- Management fees of $149,806 (2020 - $144,288) relate to fees to the Company's Chief Executive Officer ("CEO"). The Company has entered into an employment contract with the CEO for a monthly base salary of $12,500. Effective October 1, 2021, the monthly base salary has been increased to $16,667 ($200,000 annually).

Share-based compensation expenses of $2,870 (2020 - $4,175), a non-cash charge, 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.

During the year ended September 30, 2021, the Company assessed a loss of $613,457 on the sale of the Peavy leases and office equipment (2020 - $879,070 on the ODC and Taylor leases). The Company also realized a loss of $50,165 (2020 - $Nil) on forfeiture of reclamation deposit.

Three Months Ended June 30, 2022 and 2021

During the three months ended June 30, 2022, the Company reported a net loss of $888,669 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 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 $1,247,531 compared to $185,910 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 a registration statement and all required amendments with the SEC.

Nine Months Ended June 30, 2022 and 2021

During the nine months ended June 30, 2022, the Company reported a net loss of $1,797,785 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.

The Company's total operating expenses for the nine month period ended June 30, 2022 was $2,572,367 compared to $486,592 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 a 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 $46,091 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 a 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 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.

Six Months Ended March 31, 2022 and 2021

During the six months ended March 31, 2022, the Company reported a net loss of $909,116 as compared to a net loss of $307,356 for the six months ended March 31, 2021 mostly as a result of increased revenues in 2022 being more than offset by increased expenses during the first six months of 2022 compared to the same period in 2021. Revenue for the first six months of 2022 consisted of oil and gas sales of $318,487 (compared to revenues of $3,094 for oil and gas sales in the first six months of 2021) and royalty income of $29,848 (compared to no royalty income the first six months of 2021). Revenue from the Company’s newly acquired Breedlove “B” Clearfork leases accounted for 67.5% of the total oil and gas sales. The Company also brought Pittcock North, Mary Bullard, and West Henshaw wells back online during the second quarter. For the three and six months, the Company has produced 35 bopd and 43 bopd, respectively.

The Company’s total operating expenses for the six month period ended June 30, 2022 was $1,324,836 compared to $300,682 for the same period in 2021. The increase in total operating expenses in the first six months of 2022 compared to the same period in 2021 was mainly attributable to increased general and administrative expenses in the current period including:

- Accounting and audit fees of $65,480 (2021 - $29,947) have increased from the prior period due to the increased production activities and the increased regulatory compliance requirements in the US as a result of the brokered financing completed in the second quarter.
- Investor relations of $41,733 (2021 - $2,408) include investor communications, corporate website maintenance and news releases dissemination. The increase was mainly due to the Company retaining an investor relations firm in June 2021 to handle its investor relations activities.
- Legal fees of $23,826 (2021 - $670) have increased from the prior period due to the increased regulatory compliance requirements in the US as a result of the brokered financing completed in the second quarter.
- Management fees of $109,773 (2021 - $75,116) relate to fees to the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). The Company had entered into an employment contract with the CEO Company for an annual base salary of US$150,000. Effective October 1, 2021, the annual base salary was increased to US$200,000.
- Marketing and promotion of $48,818 (2021 - $20,654) include mainly costs of marketing firms for investor awareness programs and campaigns.
- Office and general of $30,225 (2021 - $10,658) have increased from the prior period due to the increase in corporate activities in general.

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.

As at March 31, 2022, the Company had a cash balance of $6,727,758, an increase of $6,701,952 from the cash balance of $25,806 on September 30, 2021. During the six months ended March 31, 2022, cash used in the operating activities is $245,954. The Company spent $75,834 on capital expenditures on its oil and gas assets and $27,774 on office lease payments. The Company received net proceeds of $7,050,714 from private placement financings and paid outstanding interest of $18,960 on the debenture loan.

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. The Company had a working capital of $6,243,776 as at March 31, 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 our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, 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 the Company's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Significant areas requiring the use of management estimates include:

Decommissioning obligations

Decommissioning obligations require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates. A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. Provisions are not recognized for future operating losses.

Provisions for decommissioning associated with the Company's oil and gas operations are based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows may differ from estimates due to changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions and changes in clean up technology. Estimates are made using internal and external information.

Depreciation

Equipment is amortized over the estimated useful life of the assets. Changes in the estimated useful lives or depreciation rate used could significantly increase or decrease the amount of depreciation recorded during the period and the carrying value of equipment.

Petroleum and natural gas interests

Reserves resources are used in the unit-of-production calculation for depreciation and depletion and the impairment analysis, which affects net loss. There are numerous uncertainties inherent in estimating petroleum and natural gas (“P&NG”) reserves. Estimating reserves is complex, requiring many judgments based on geological, geophysical, engineering and economic data. Changes in these judgments could have a material impact on the estimated reserves. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available and as the economic environment changes.

Share-based payments

The determination of the fair value of stock options and agent’s warrants using stock pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate.

Financial Instruments

The Company classified its financial instruments as follows: cash, trade and other receivables, and reclamation deposits as subsequently measured at amortized cost; and trade and other payables, amounts due to related parties, loan payable, and convertible debentures – loan component as subsequently measured at amortized cost financial liabilities.

The carrying amount of cash, trade and other receivables, reclamation deposits, trade and other payables, amounts due to related parties, loan payable, and convertible debentures carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

Financial risk management

The Company’s financial risks arising from its financial instruments are credit risk, liquidity risk, foreign currency exchange risk, interest rate risk and commodity price risk. The Company’s exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash, trade and other receivables, and reclamation deposits. The credit risk with respect to its cash and reclamation deposits is minimal as they are held with high-credit quality financial institutions. The Company’s Goods and Services Tax recoverable is due from the Canadian Government. Management does not expect these counterparties to fail to meet their obligations. The Company does not anticipate any default of its trade receivables, as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. The Company performs cash flow forecasting to ensure sufficient cash is available to fund its projects and operations. As at September 30, 2021, the Company has current assets of $84,941 and current liabilities of $550,070.

The Company's financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand and debenture loan due within the next 12 months.

At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements and revenue from oil and gas production. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Foreign exchange rate risk

Foreign currency exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's administrative expenditures are transacted in Canadian dollars. The Company funds its oil and gas operations in the United States by using United States dollars ("US dollars") converted from its Canadian bank accounts. At September 30, 2021, the Company had financial assets of $5,846 and financial liabilities of $106,456 denominated in Canadian dollars. A 10% strengthening of the US dollar would affect net loss by approximately $10,000. The Company does not hedge its foreign exchange risk.

Interest rate risk

The Company is exposed to interest rate risk arising from cash held in Canadian financial institutions. The interest rate risk on cash is not considered significant due to its short-term nature and maturity. The exposure to interest rates for the Company is considered minimal. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in the price of oil and natural gas. Commodity prices are impacted by world economic events that affect supply and demand, which are generally beyond the Company's control. Changes in crude oil prices may significantly affect the Company's results of operations, cash generated from operating activities, capital spending and the Company's ability to meet its obligations. The Company manages this risk by constantly monitoring commodity prices and factoring them into operational decisions, such as contracting or expanding its capital expenditures program.