

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**AMENDMENT NO. 2
to
FORM S-1/A
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

PERMEX PETROLEUM CORPORATION

(Exact name of Registrant as specified in its charter)

British Columbia, Canada
(State or other jurisdiction of
incorporation or organization)

1381
(Primary Standard Industrial
Classification Code Number)

98-1384682
(I.R.S. Employer
Identification Number)

**2911 Turtle Creek Blvd, Suite 925
Dallas, Texas 75219
(469) 804-1306**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

SUBJECT TO COMPLETION

DATED FEBRUARY 10, 2023

Up to Common Units, Each Consisting of a Common Share and a Warrant to Purchase One Common Share

Up to Pre-funded Units, Each Consisting of a Pre-funded Warrant to Purchase One Common Share and a Warrant to Purchase One Common Share



Permex Petroleum Corporation

This is a firm commitment public offering of securities of Permex Petroleum Corporation, consisting of an aggregate of common units (each, a “Common Unit”). Each Common Unit consists of one Common Share, no par value per share (a “Common Share”), and one warrant (each a “Warrant”). Each Warrant will entitle the holder to purchase one Common Share at an exercise price of \$, equal to 125% of the public offering price of one Common Unit, and expire five years from date of issuance.

A holder will not have the right to exercise any portion of a Warrant if the holder (together with its affiliates) would beneficially own in excess of 4.99% (or, at the election of the holder prior to issuance, 9.99%) of the number of Common Shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the Warrants (the “Warrant Exercise Limitation”). However, any holder may increase or decrease such percentage to any other percentage not in excess of 9.99% upon at least 61 days’ prior notice from the holder to us.

We are also offering to those purchasers, if any, whose purchase of Common Units in this offering would otherwise result in the purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, at the election of the purchaser, 9.99%) of our outstanding Common Shares immediately following the consummation of this offering, the opportunity to purchase, if the purchaser so chooses, pre-funded units (each a “Pre-funded Unit”) in lieu of Common Units. We are offering a maximum of 3,600,000 Pre-funded Units. Each Pre-funded Unit will consist of one pre-funded warrant to purchase one Common Share at an exercise price of \$0.01 per share (each a “Pre-funded Warrant”) and one Warrant. The purchase price of each Pre-funded Unit is equal to the price per Common Unit being sold to the public in this offering, minus \$0.01. The Pre-funded Warrants will be immediately exercisable and may be exercised at any time and are subject to the Warrant Exercise Limitation.

For each Pre-funded Unit we sell, the number of Common Units we are offering will be decreased on a one-for-one basis up to Common Units and Pre-funded Units will not be certificated. The Common Shares included in the Common Units or Pre-funded Units, as the case may be, and the Warrants included in the Common Units or the Pre-funded Units, can only be purchased together in this offering, but the securities contained in the Common Units and Pre-funded Units are immediately separable and will be issued separately.

The offering also includes the Common Shares issuable from time to time upon exercise of the Pre-funded Warrants and Warrants

We have applied to have the Common Shares and Warrants listed on the New York Stock Exchange American (“NYSE American”) upon our satisfaction of the NYSE American’s initial listing criteria under the trading symbols “OILS” and “OILSW,” respectively. No assurance can be given that our application will be approved. If our Common Shares and Warrants are not approved for listing on the NYSE American, we will not consummate this offering. In order to obtain NYSE American listing approval we effected a 1-for-60 reverse split of our Common Shares on November 2, 2022. We do not intend to apply for the listing of the Common Units, Pre-funded Units or Pre-funded Warrants on any national securities exchange or other trading market. Without an active trading market, the liquidity of the Pre-funded Warrants will be limited

Our Common Shares are presently listed on the Canadian Securities Exchange and the Frankfurt Stock Exchange under the symbols “OIL” and “75P”, respectively, and quoted on the OTCQB tier of the OTC Markets Group, Inc. under the symbol “OILCD.” The closing price of our Common Shares on , 2023, as reported by the OTCQB was \$ per Common Share. We have assumed a public offering price of \$ per Common Unit (which is based on the closing price of our Common Shares as reported by the OTCQB on , 2023). The final public offering price will be determined through negotiation between us and the representative of the underwriters in the offering and the assumed offering price used throughout this prospectus may not be indicative of the final offering price. At present, there is a very limited market for our Common Shares and there is no established trading market for the Warrants. The trading price of our Common Shares has been, and may continue to be, subject to wide price fluctuations in response to various factors, many of which are beyond our control, including those described in “Risk Factors.”

Quotes of the trading prices of our Common Shares on the OTCQB may not be indicative of the market price of our Common Shares if listed on the NYSE American.

Investing in our securities involves a high degree of risk. See the section entitled “Risk Factors” beginning on page 17 of this prospectus and elsewhere in this prospectus for a discussion of information that should be considered in connection with an investment in the Company’s securities.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Common Unit	Pre-funded Unit	Total
Public offering price	\$	\$	\$
Underwriting discounts and commissions (1)	\$	\$	\$
Net proceeds to us, before expenses	\$	\$	\$

1. Does not include a non-accountable expense allowance equal to 1% of the gross proceeds of this offering payable to the underwriters. The underwriters will receive compensation in addition to the discounts and commissions. The registration statement, of which this prospectus is a part, also registers for sale warrants to purchase Common Shares to be issued to the representative of the underwriters. We have agreed to issue the warrants to the representative of the underwriters as a portion of the underwriting compensation payable to the underwriters in connection with this offering. We refer you to “Underwriting” beginning on page 93 of this prospectus for additional information regarding underwriting compensation.

We have granted a 45-day option to the underwriters to purchase up to additional Common Shares, and/or up to Pre-funded Warrants and/or up to Warrants representing 15% of the Common Shares, Pre-funded Warrants and Warrants sold in the offering, solely to cover over-allotments, if any.

The underwriters expect to deliver our securities to purchasers in the offering on or about , 2023.

ThinkEquity

Prospectus dated , 2023



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We and the underwriters have not authorized anyone to provide any information or to make any representations other than those contained in or incorporated by reference in this prospectus or in any free writing prospectuses prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in or incorporated by reference in this prospectus is accurate only as of its date regardless of the time of delivery of this prospectus or of any sale of securities.

To the extent there is a conflict between the information contained in this prospectus, on the one hand, and the information contained in any document incorporated by reference filed with the U.S. Securities and Exchange Commission (the "SEC") before the date of this prospectus, on the other hand, you should rely on the information in this prospectus. If any statement in a document incorporated by reference is inconsistent with a statement in another document incorporated by reference having a later date, the statement in the document having the later date modifies or supersedes the earlier statement.

Neither we nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons who come into possession of this prospectus and any free writing prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus and any free writing prospectus applicable to that jurisdiction.

This prospectus and the documents incorporated by reference in this prospectus contain market data and industry statistics and forecasts that are based on independent industry publications and other publicly available information. Although we believe that these sources are reliable, we do not guarantee the accuracy or completeness of this information and we have not independently verified this information. Although we are not aware of any misstatements regarding the market and industry data presented or incorporated by reference in this prospectus, these estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" and any related free writing prospectus. Accordingly, investors should not place undue reliance on this information.

GLOSSARY OF TERMS

Unless otherwise indicated in this prospectus, natural gas volumes are stated at the legal pressure base of the state or geographic area in which the reserves are located at 60 degrees Fahrenheit. Crude oil and natural gas equivalents are determined using the ratio of six Mcf of natural gas to one barrel of crude oil, condensate or natural gas liquids.

The following definitions shall apply to the technical terms used in this prospectus.

Terms used to describe quantities of crude oil and natural gas:

“*Bbl.*” One stock tank barrel, of 42 U.S. gallons liquid volume, used herein in reference to crude oil, condensate or NGLs.

“*Boe.*” A barrel of oil equivalent and is a standard convention used to express crude oil, NGL and natural gas volumes on a comparable crude oil equivalent basis. Gas equivalents are determined under the relative energy content method by using the ratio of 6.0 Mcf of natural gas to 1.0 Bbl of crude oil or NGL.

“*MBbl.*” One thousand barrels of crude oil, condensate or NGLs.

“*MBoe*” One thousand barrels of oil equivalent.

“*Mcf.*” One thousand cubic feet of natural gas.

“*MMCF.*” one million cubic feet.

“*NGLs.*” Natural gas liquids. Hydrocarbons found in natural gas that may be extracted as liquefied petroleum gas and natural gasoline.

Terms used to describe our interests in wells and acreage:

“*Basin.*” A large natural depression on the earth’s surface in which sediments generally brought by water accumulate.

“*Completion.*” The process of treating a drilled well followed by the installation of permanent equipment for the production of crude oil, NGLs, and/or natural gas.

“*Developed acreage.*” Acreage consisting of leased acres spaced or assignable to productive wells. Acreage included in spacing units of infill wells is classified as developed acreage at the time production commences from the initial well in the spacing unit. As such, the addition of an infill well does not have any impact on a company’s amount of developed acreage.

“*Development well.*” A well drilled within the proved area of a crude oil, NGL, or natural gas reservoir to the depth of a stratigraphic horizon (rock layer or formation) known to be productive for the purpose of extracting proved crude oil, NGL, or natural gas reserves.

“*Differential.*” The difference between a benchmark price of crude oil and natural gas, such as the NYMEX crude oil spot price, and the wellhead price received.

“*Dry hole.*” A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.

“*Field.*” An area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground productive formations.

“*Formation.*” A layer of rock which has distinct characteristics that differs from nearby rock.

“*Gross acres or Gross wells.*” The total acres or wells, as the case may be, in which a working interest is owned.

“*Held by operations.*” A provision in an oil and gas lease that extends the stated term of the lease as long as drilling operations are ongoing on the property.

“*Held by production*” or “*HBP*” A provision in an oil and gas lease that extends the stated term of the lease as long as the property produces a minimum quantity of crude oil, NGLs, and natural gas.

“*Hydraulic fracturing.*” The technique of improving a well’s production by pumping a mixture of fluids into the formation and rupturing the rock, creating an artificial channel. As part of this technique, sand or other material may also be injected into the formation to keep the channel open, so that fluids or natural gases may more easily flow through the formation.

“*Infill well.*” A subsequent well drilled in an established spacing unit of an already established productive well in the spacing unit. Acreage on which infill wells are drilled is considered developed commencing with the initial productive well established in the spacing unit. As such, the addition of an infill well does not have any impact on a company’s amount of developed acreage.

“*Net acres.*” The percentage ownership of gross acres. Net acres are deemed to exist when the sum of fractional ownership working interests in gross acres equals one (e.g., a 10% working interest in a lease covering 640 gross acres is equivalent to 64 net acres).

“*NYMEX.*” The New York Mercantile Exchange.

“*Productive well.*” A well that is found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of the production exceed production expenses and taxes.

“*Recompletion.*” The process of treating a drilled well followed by the installation of permanent equipment for the production of crude oil, NGLs or natural gas or, in the case of a dry hole, the reporting of abandonment to the appropriate agency.

“*Reservoir.*” A porous and permeable underground formation containing a natural accumulation of producible crude oil, NGLs and/or natural gas that is confined by impermeable rock or water barriers and is separate from other reservoirs.

“*Spacing.*” The distance between wells producing from the same reservoir. Spacing is often expressed in terms of acres, e.g., 40-acre spacing, and is often established by regulatory agencies.

“Undeveloped acreage.” Leased acreage on which wells have not been drilled or completed to a point that would permit the production of economic quantities of crude oil, NGLs, and natural gas, regardless of whether such acreage contains proved reserves. Undeveloped acreage includes net acres held by operations until a productive well is established in the spacing unit.

“Unit.” The joining of all or substantially all interests in a reservoir or field, rather than a single tract, to provide for development and operation without regard to separate property interests. Also, the area covered by a unitization agreement.

“Wellbore.” The hole drilled by the bit that is equipped for natural gas production on a completed well. Also called well or borehole.

“Working interest.” The right granted to the lessee of a property to explore for and to produce and own crude oil, NGLs, natural gas or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.

“Workover.” Operations on a producing well to restore or increase production.

Terms used to assign a present value to or to classify our reserves:

“Possible reserves.” The additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than probable reserves.

“Pre-tax PV-10% or PV-10.” The estimated future net revenue, discounted at a rate of 10% per annum, before income taxes and with no price or cost escalation or de-escalation in accordance with guidelines promulgated by the SEC.

“Probable reserves.” The additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but which together with proved reserves, are as likely as not to be recovered.

“Proved reserves.” The quantities of crude oil, NGLs and natural gas, which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible, from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations, prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

“Proved undeveloped reserves” or *“PUDs.”* Proved Reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage are limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances. Undrilled locations can be classified as having proved undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances justify a longer time. Estimates for proved undeveloped reserves are not attributed to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, or by other evidence using reliable technology establishing reasonable certainty.

“SEC Pricing” means pricing calculated using oil and natural gas price parameters established by current guidelines of the United States Securities and Exchange Commission (the “SEC”) and accounting rules based on the unweighted arithmetic average of oil and natural gas prices as of the first day of each of the 12 months ended on the given date.

PROSPECTUS SUMMARY

This summary highlights information contained in this prospectus. It does not contain all of the information that you should consider in making your investment decision. Before investing in our securities, you should read this entire prospectus carefully, including the sections entitled "Risk Factors," "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes. Except as otherwise required by the context, references to "Permex," "the Company," "we," "us" and "our" are to Permex Petroleum Corporation, a corporation organized under the laws of British Columbia, Canada, individually, or as the context requires, collectively with its subsidiary. Certain operational terms used in this prospectus are defined in the "Glossary of Terms." All references to "U.S. Dollars," "USD" or "\$" are to the legal currency of the United States, and all references to "CAD\$" and "C\$" are to the legal currency of Canada. All references to "M\$" are in thousands of dollars.

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.

Company Overview

We are an independent energy company engaged in the acquisition, exploration, development and production of oil and natural gas properties on private, state and federal land in the United States, primarily in the Permian Basin region of West Texas and Southeast New Mexico which includes the Midland – Central Basin and Delaware Basin. We focus 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, we own and operate various oil and gas properties as well as royalty interests in 73 wells and five permitted wells across 3,800 acres within the Permian Basin. Overall, we own and operate more than 78 oil and gas wells, have more than 11,700 net acres of production oil and gas assets, 62 shut-in opportunities, 17 salt water disposal wells and two water supply wells allowing for waterflood secondary recovery.

Oil and Gas Properties

We hired MKM Engineering, who prepared for us an Appraisal of Certain Oil and Gas Interests owned by Permex Petroleum Corporation located in New Mexico and Texas as of September 30, 2022 (the "2022 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, 2021 (the "2021 Appraisal Report" and together with the 2022 Appraisal Report the "Appraisal Reports"). MKM Engineering is independent with respect to Permex Petroleum Corporation as provided in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. MKM Engineering's estimates of our 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.

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 of our current size, we do not have any technical person 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, we rely exclusively on the Appraisal Reports in the preparation of the reserve estimates present in this prospectus.

Since all of our reserves are from conventional reservoirs, MKM Engineering assumed for the purposes of its appraisal reports that the technology to be used to develop our 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

Our 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, we made investments in and made progress towards, converting proved undeveloped reserves to proved developed reserves. We 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 our 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, we had no proved undeveloped additions. The specific changes to our proved undeveloped reserves from September 30, 2021 to September 30, 2022 were as follows:

	Breedlove	Pittcock & Mary Bullard	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

We currently estimate that the total cost to develop our 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. We expect 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 our wells.

We currently estimate that the total cost to develop our 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. We expect 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 our 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

We have 6,000 gross undeveloped acres and 4,800 net undeveloped acres. All of our undeveloped acreage is on our Breedlove property.

Our 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. We have over 340 leases covering undeveloped acreage and less than 5% of these leases have an expiry date that is less than two years from the date hereof.

Sales and Production

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:

	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021	Fiscal Year Ended September 30, 2020
Net Production Volumes			
Oil/Condensate (Bbl)	10,670	948	16,240
Natural Gas (Mcf)	11,567	1,410	9,196
Average Sales Price			
Oil/Condensate (\$/Bbl)	96.18	62.37	41.09
Natural Gas (\$/Mcf)	8.36	3.54	1.44

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

Breedlove

	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021	Fiscal Year Ended September 30, 2020
Net Production Volumes			
Oil/Condensate (Bbl)	6,998	—	—
Natural Gas (Mcf)	11,567	419	—

Henshaw

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

Pittcock - Mary Bullard

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

ODC San Andres

	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021	Fiscal Year Ended September 30, 2020
Net Production Volumes			
Oil/Condensate (Bbl)	—	—	15,948
Natural Gas (Mcf)	—	—	2,605

Texas Properties

Breedlove "B" Clearfork Leases

In September 2021, we, through our wholly-owned subsidiary, Permex Petroleum US Corporation, acquired a 100% Working Interest and an 81.75% Net Revenue Interest in the Breedlove "B" Clearfork leases located in Martin County, Texas. We issued 416,666 Common Shares and 208,333 share purchase warrants as consideration for this acquisition. 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. It is bounded on the north by Dawson County, on the east by Howard County, on the south by Glasscock and Midland Counties, and on the west by Andrews County. There is a total of 25 vertical wells of which 12 are producers, 4 are saltwater disposal wells and 9 that are shut-in opportunities. In January 2022, we began the pilot re-entry on the Carter Clearfork well #5, which is one of 67 shut-in wells that we currently own. The re-entry involved targeting the Clearfork formation at a depth of 7,200 feet. Due to the high water concentrating in the fluid entry, management will be installing appropriate flow-lines from this well to the injections wells on the property prior to putting the well back on pump. By doing so management is avoiding unnecessary operating expenses from water disposal in third party disposal facilities.

Pittcock Leases

The Pittcock Leases are situated in Stonewall County which is in Northwest Texas, in the central part of the North Central Plains and consists of the Pittcock North property, the Pittcock South property and the Windy Jones Property. It is bounded on the north by King County, on the east by Haskell County, on the south by Fisher and Jones Counties, and on the west by Kent County. The Pittcock North property covers 320 acres held by production. There is currently one producing well, ten shut-in wells, two saltwater disposal wells, and a water supply well. We hold 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. We hold a 100% working interest in the lease and a 71.90% net revenue interest. The Windy Jones Property consists of 40 acres and includes two injection wells and two suspended oil wells. The sole purpose of the Windy Jones property is to provide waterflood to the offset wells being the Pittcock wells located east boundary of the Windy Jones Property. We hold a 100% working interest in the Windy Jones Property and a 78.9% net revenue interest.

Mary Bullard Property

We acquired the Mary Bullard Property in August 2017 for cash consideration of approximately \$50,000. The Mary Bullard Property is located in Stonewall County, about 5 ½ miles south west of Aspermont, Texas. It is bounded on the north by King County, on the east by Haskell County, on the south by Fisher and Jones Counties, and on the west by Kent County. The asset is situated on the Eastern Shelf of the Midland Basin in the central part of the North Central Plains. The Mary Bullard Property covers 241 acres held by production and is productive in the Clearfork formation at a depth of approximately 3,200 feet. There is currently one producing well, four shut-in wells, and two water injection wells. We hold a 100% working interest in the Mary Bullard Property and a 78.625% net revenue interest.

New Mexico Properties

In December 2017, Permex Petroleum US Corporation, our wholly-owned subsidiary, acquired the West Henshaw Property and the Oxy Yates Property for \$170,000 from Permex Petroleum Company LLC ("PPC"). An additional \$95,000 was transferred by us to PPC to purchase reclamation bonds in connection with the future operation of the properties.

West Henshaw Property

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. We hold a 100% working interest in the West Henshaw Property and a 72% net revenue interest.

In January 2022, we began the pilot re-entry on the West Henshaw well #15-3, one out of the 67 shut-in wells we currently owns. The re-entry and re-stimulation involved the West Henshaw property targeting the Grayburg formation at a depth of 2,850 feet. The recompletion was successful and came online at an initial rate of 30 bopd and has stabilized at 15 bopd. Management believes the production rates from this mature, long-life well to continue with less than 10% decline year over year.

In April 2022, we began the re-entry on the West Henshaw well #6-10. The re-entry and re-stimulation involved the West Henshaw property targeting the Grayburg formation at a depth of 2,850 feet. The recompletion was successful and came online at an initial rate of 15 bopd and has stabilized at 10 bopd. Management believes the production rates from this mature, long-life well to continue with less than 10% decline year over year.

The remaining 67 shut-in wells that we plan to re-enter have potential to yield similar results increasing our total daily production solely by re-entering shut-in wells.

Oxy Yates Property

The Oxy Yates Property is located in Eddy County, approximately eight miles north of Carlsbad, New Mexico in the Delaware Basin. It is bounded by Chaves County to the north, Otero County to the east, Loving County, Texas to the south, and Lea County to the west. The Oxy Yates Property covers 680 acres held by production. There is one producing well and nine shut-in wells. The Yates formation is located at an average depth of 1,200 feet and overlies the Seven River formation and underlies the Tansill formation. We hold 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.

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.

Business Strategy

The principal elements of our business strategy include the following:

- Grow production and reserves in a capital efficient manner using internally generated levered free cash flow. We intend to allocate capital in a disciplined manner to projects that we anticipate will produce predictable and attractive rates of return. We plan to direct capital to our oil-rich and low-risk development opportunities while focusing on driving cost efficiencies across our asset base with the primary objective of internally funding our capital budget and growth plan. We may also use our capital flexibility to pursue value-enhancing, bolt-on acquisitions to opportunistically improve our positions in existing basins.
- Maximize ultimate hydrocarbon recovery from our assets by optimizing drilling, completion and production techniques and investigating deeper reservoirs and areas beyond our known productive areas. While we intend to utilize proven techniques and technologies, we will also continuously seek efficiencies in our drilling, completion and production techniques in order to optimize ultimate resource recoveries, rates of return and cash flows. We will explore innovative enhanced oil recovery (“EOR”) techniques to unlock additional value and have allocated capital towards next generation technologies. For example, we have already completed extensive waterflood EOR studies in Pittcock North and Pittcock South. Through these studies, we will seek to expand our development beyond our known productive areas in order to add probable and possible reserves to our inventory at attractive all-in costs.
- Pursue operational excellence with a sense of urgency. We plan to deliver low cost, consistent, timely and efficient execution of our drilling campaigns, work programs and operations. We intend to execute our operations in a safe and environmentally responsible manner, focus on reducing our emissions, apply advanced technologies, and continuously seek ways to reduce our operating cash costs on a per barrel basis.
- Pursue strategic acquisitions that maintain or reduce our break-even costs. We intend to actively pursue accretive acquisitions, mergers and dispositions that are intended to improve our margins, returns, and break-even costs of our investment portfolio. Financial strategies associated with these efforts will focus on delivering competitive adjusted per share returns.

Development

We believe that there is significant value to be created by drilling the identified undeveloped opportunities on our properties in conjunction with the stimulation and rework of our shut-in wells. While our near-term plans are focused towards drilling wells on our existing acreage to develop the potential contained therein, our long-term plans also include continuing to evaluate acquisition and leasing opportunities that can earn attractive rates of return on capital employed.

Risk Factor Summary

Our business is subject to a number of risks of which you should be aware before making an investment decision. You should carefully consider all of the information set forth in this prospectus and, in particular, should evaluate the specific factors set forth under “Risk Factors” in deciding whether to invest in our securities. Among these important risks are the following:

- If we fail to obtain the capital necessary to fund our operations, we will be unable to continue our operations and you will likely lose your entire investment. Even if we can raise additional funding, we may be required to do so on terms that are dilutive to you.
- Our indebtedness could adversely affect our ability to raise additional capital to fund operations.

- Oil and gas prices are volatile, and declines in prices may adversely affect our financial position, financial results, cash flows, access to capital and ability to grow.
- The actual quantities and present value of our proved oil, gas, and NGL reserves may be less than we have estimated.
- Our acquisition strategy may subject us to certain risks associated with the inherent uncertainty in evaluating properties.
- We may be unable to successfully integrate recently acquired assets or any assets we may acquire in the future into our business or achieve the anticipated benefits of such acquisitions.
- Drilling for and producing oil, natural gas and NGLs are high risk activities with many uncertainties that could adversely affect our financial condition or results of operations.
- Our future success depends on our ability to replace reserves.
- Our business depends on third-party transportation and processing facilities and other assets that are owned by third parties.
- The development of our proved undeveloped reserves may take longer and may require higher levels of capital expenditures than we currently anticipate. Therefore, our undeveloped reserves may not be ultimately developed or produced.
- Weather conditions, which could become more frequent or severe due to climate change, could adversely affect our ability to conduct drilling, completion and production activities in the areas where we operate.
- We may incur losses as a result of title defects in the properties in which we invest.
- Fuel conservation measures, technological advances and negative shift in market perception towards the oil and natural gas industry could reduce demand for oil and natural gas.
- Our operations are concentrated in the Permian and Delaware Basins, making us vulnerable to risks associated with operating in a limited geographic area.
- Increased attention to environmental, social and governance matters may impact our business.
- The COVID-19 pandemic has had, and may continue to have, a material adverse effect on our financial condition and results of operations.
- We are substantially dependent on a limited number of customers.
- The unavailability, high cost or shortages of rigs, equipment, raw materials, supplies or personnel may restrict or result in increased costs for operators related to developing and operating our properties.
- Our business is highly regulated and governmental authorities can delay or deny permits and approvals or change legal requirements governing our operations, including well stimulation, enhanced production techniques and fluid injection or disposal, that could increase costs, restrict operations and delay our implementation of, or cause us to change, our business strategy.
- Failure to comply with environmental laws and regulations could result in substantial penalties and adversely affect our business.
- The market price of our Common Shares is volatile and may not accurately reflect the long term value of our Company.
- Even if we meet the NYSE American's initial listing requirements, there can be no assurance that we will be able to comply with NYSE American's continued listing standards, a failure of which could result in a de-listing of our Common Shares and Warrants.
- Our principal shareholders and management own a significant percentage of our shares and may be able to exert significant control over matters subject to shareholder approval.
- We are a British Columbia company and it may be difficult for you to enforce judgments against us or certain of our directors or officers.

Corporate History

We were incorporated on April 24, 2017 under the laws of British Columbia, Canada. At September 30, 2022, we have one wholly-owned subsidiary, Permex Petroleum US Corporation, a corporation incorporated under the laws of New Mexico (Permex U.S.). We own and operate oil and gas properties in Texas (Pittcock North Property, Pittcock South Property, and Mary Bullard Property), and Permex U.S. owns and operates oil and gas properties in Texas (Breedlove “B” Property) and in New Mexico (Henshaw Property and the Oxy Yates Property).

Implications of Being an Emerging Growth Company and a Smaller Reporting Company

We are an “emerging growth company,” as defined in Section 2(a) of the Securities Act of 1933, as amended (the “Securities Act”), as modified by the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”). As such, we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended (“Sarbanes-Oxley Act”), and the requirement to present only two years of audited financial statements and only two years of related Management’s Discussion and Analysis of Financial Condition and Results of Operations in the registration statement of which this prospectus forms a part. We are currently utilizing or intend to utilize both of these exemptions. We have not made a decision whether to take advantage of any other exemptions available to emerging growth companies. We do not know if some investors will find our securities less attractive as a result of our utilization of these or other exemptions. The result may be a less active trading market for our securities and our share price may be more volatile.

In addition, Section 107 of the JOBS Act also 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, such 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 consolidated 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.

We will remain an “emerging growth company” until the earliest of (a) the last day of the first fiscal year in which our annual gross revenues exceed \$1.07 billion, (b) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), (c) the date on which we have issued more than \$1.0 billion in nonconvertible debt during the preceding three-year period or (d) the last day of our fiscal year containing the fifth anniversary of the date on which we completed our initial public offering of securities.

We have elected to take advantage of certain of the reduced disclosure obligations in this prospectus and in our filings with the SEC that are incorporated by referenced herein. As a result, the information that we provide to our shareholders may be different than you might receive from other public reporting companies in which you hold equity interests.

We are also a “smaller reporting company” as defined under the Securities Act and Exchange Act. We may continue to be a smaller reporting company so long as either (i) the market value of our Common Shares held by non-affiliates is less than \$250 million or (ii) our annual revenue was less than \$100 million during the most recently completed fiscal year and the market value of our Common Shares held by non-affiliates is less than \$700 million. If we are a smaller reporting company at the time we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company, we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K and have reduced disclosure obligations regarding executive compensation, and, similar to emerging growth companies, if we are a smaller reporting company under the requirements of (ii) above, we would not be required to obtain an attestation report on internal control over financial reporting issued by our independent registered public accounting firm.

THE OFFERING

The following summary is provided solely for convenience and is not intended to be complete. You should read the full text and more specific details contained elsewhere in this prospectus.

Common Units offered by us

Up to _____ Common Units, each Common Unit consisting of one Common Share and one Warrant, with each Warrant exercisable for one Common Share. The Warrants offered as part of the Common Units are exercisable immediately, at an exercise price of \$ _____, equal to 125% of the public offering price of one Common Unit, and expire five years from the date of issuance. The securities contained in the Common Units are immediately separable and will be issued separately in this offering.

This Prospectus also relates to the offering of the Common Shares issuable upon exercise of the Warrants.

A holder of Warrants will not have the right to exercise any portion of a Warrant if the holder (together with its affiliates) would beneficially own in excess of 4.99% (or, at the election of the holder prior to issuance, 9.99%) of the number of Common Shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the Warrants. However, any holder may increase or decrease such percentage to any other percentage not in excess of 9.99% upon at least 61 days' prior notice from the holder to us.

Pre-Funded Units offered by us

We are also offering to those purchasers, if any, whose purchase of Common Units in this offering would otherwise result in the purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, at the election of the purchaser, 9.99%) of our outstanding Common Shares immediately following the consummation of this offering, the opportunity to purchase, if the purchaser so chooses, Pre-funded Units in lieu of Common Units.

Each Pre-funded Unit will consist of a Pre-funded Warrant to purchase one Common Share at an exercise price of \$0.01, per share and one Warrant. The purchase price of each Pre-funded Unit is equal to the price per Common Unit being sold to the public in this offering, minus \$0.01. The Pre-funded Warrants will be immediately exercisable and may be exercised at any time. For each Pre-funded Unit we sell, the number of Common Units we are offering will be decreased on a one-for-one basis.

Because we will issue one Warrant as part of each Common Unit or Pre-funded Unit, the number of Warrants sold in this offering will not change. The Pre-funded Warrants are subject to the Warrant Exercise Limitation.

This Prospectus also relates to the offering of the Common Shares issuable upon exercise of the Pre-funded Warrants.

Common Shares outstanding prior to this offering	1,932,604
Common Shares to be outstanding immediately after this offering	Common Shares (Common Shares if the underwriters exercise their option to purchase additional Common Shares in full), assuming no sale of any Pre-funded Units.
Over-allotment option	<p>The underwriters have an option for a period of 45 days to acquire up to an additional Common Shares, representing 15% of the Common Units sold in the offering, and/or up to Pre-funded Warrants, representing 15% of the Pre-funded Units sold in the offering, and/or up to Warrants, representing 15% of the Warrants sold in the offering in each case, solely to cover over-allotments, if any.</p> <p>The Over-Allotment Option purchase price to be paid per additional Common Share or Pre-funded Warrant by the underwriter shall be equal to the public offering price of one Common Unit or one Pre-funded Unit, as applicable less underwriting discount, and the purchase price to be paid per additional Warrant by the underwriter shall be \$0.00001.</p>
Use of proceeds	<p>We estimate that the net proceeds from this offering will be approximately \$ million, or approximately \$ million if the underwriters exercise their over-allotment option in full, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.</p> <p>We intend to use the net proceeds of this offering for continuing operating expenses and working capital.. See “<i>Use of Proceeds</i>”</p>
Dividend policy	We have never declared any cash dividends on our Common Shares. We currently intend to use all available funds and any future earnings for use in financing the growth of our business and do not anticipate paying any cash dividends for the foreseeable future. See “ <i>Dividend Policy</i> .”
Risk factors	Investing in our securities involves a high degree of risk. See “ <i>Risk Factors</i> ” in this prospectus for a discussion of factors you should carefully consider before investing in our securities.
Trading symbol	<p>Our Common Shares are currently quoted on the OTCQB under the trading symbol “OILCD.”</p> <p>We have applied to list our Common Shares and Warrants on the NYSE American under the trading symbols “OILS” and “OILSW,” respectively, upon our satisfaction of the NYSE American’s initial listing criteria; however, no assurance can be given that our listing application will be approved. If our listing application is not approved by the NYSE, we will not consummate this offering.</p>
Reverse Stock Split	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.
Lock-up agreements	We have agreed with the underwriters not to offer for sale, issue, sell, contract to sell, pledge or otherwise dispose of any of our Common Shares or securities convertible into Common Shares for a period of three months from the date of this prospectus. Our directors and officers as of the date of this prospectus have agreed with the underwriters not to offer for sale, issue, sell, contract to sell, pledge or otherwise dispose of any of our Common Shares or securities convertible into Common Shares for a period of six months from the date of this prospectus. See “ <i>Underwriting</i> ” section on page 93.

The number of Common Shares shown above to be immediately outstanding after this offering is based on 1,923,604 Common Shares outstanding as of February 9, 2023, and excludes:

- 84,583 Common Shares issuable upon the exercise of outstanding options, with a weighted average exercise price of \$13.26 per share;
- 1,097,096 Common Shares issuable upon the exercise of outstanding warrants, with a weighted average exercise price of \$12.12 per share;
- 107,777 Common Shares available for future issuance under our 2017 and 2022 Stock Option Plans;
- up to Common Shares issuable upon the exercise of the Warrants; and
- up to Common Shares issuable upon exercise of the representative's warrants.

Except as otherwise indicated herein, all information in this prospectus reflects or assumes:

- no exercise of the outstanding options or warrants described above;
- no sale of any Pre-funded Units;
- no exercise of the underwriters' option to purchase up to an additional Common Shares and/or Pre-funded Warrants and/or 540,000 Warrants to cover over-allotments, if any; and
- a one-for-sixty reverse stock split of our Common Shares effected on November 2, 2022.

SUMMARY FINANCIAL DATA

The following tables set forth our consolidated financial data as of the dates and for the periods indicated. We have derived the summary consolidated statements of operations data for the years ended September 30, 2021 and 2020 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statements of operations data for the nine months ended June 30, 2022 and 2021 and our balance sheet data as of June 30, 2022 from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and reflect, in the opinion of management, all adjustments of a normal, recurring nature that are necessary for a fair presentation of the unaudited interim consolidated financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future, and the results in the nine months ended June 30, 2022 are not necessarily indicative of results to be expected for the full year or any other period. The following summary financial data should be read with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes and other information included elsewhere in this prospectus.

Consolidated Statements of Operations Data :

	Years Ended September 30,		Nine Months Ended June 30, (unaudited)	
	2021	2020	2022	2021
Revenue				
Oil and gas sales	\$ 46,703	\$ 682,786	\$ 577,244	\$ 37,392
Royalty income	37,922	—	47,813	—
Total revenue	\$ 84,625	\$ 682,786	\$ 625,057	\$ 37,392
Operating expenses	\$ (1,324,361)	\$ (1,920,462)	\$ (2,572,367)	\$ (486,592)
Other income (expense)	\$ (13,506)	\$ (15,855)	\$ 149,525	\$ (11,116)
Net loss	\$ (1,253,242)	\$ (1,253,531)	\$ (1,797,785)	\$ (460,316)
Net loss per common share – basic and diluted ⁽¹⁾	\$ (1.84)	\$ (1.87)	\$ (1.27)	\$ (0.68)
Weighted average Common Shares outstanding – basic and diluted				
(1)	678,958	667,069	1,411,734	676,474

(1) See Note 9 to our consolidated financial statements appearing elsewhere in this prospectus for an explanation of the method used to calculate the basic and diluted net loss per share attributable to common shareholders and the number of shares used in the computation of the per share amounts.

Balance Sheet Data:

	June 30, 2022 (unaudited)	
	Actual	As Adjusted ⁽¹⁾⁽²⁾
Cash	\$ 5,366,789	\$ 5,182,233
Working Capital		13,318,132
Total assets		7,343,584
Deficit		11,438,956
Total equity (deficit)		

(1) On an as adjusted basis to give further effect to (i) our issuance and sale of Common Units in this offering at an assumed public offering price of \$ per Common Units (which is based on the closing price of our Common Shares as reported by the OTCQB on , 2023), after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. As adjusted balance sheet data is illustrative only and will change based on the actual public offering price and other terms of this offering determined at pricing.

(2) Each \$1.00 increase (decrease) in the assumed public offering price of \$ per Common Units (which is based on the closing price of our Common Shares as reported by the OTCQB on , 2023) would increase (decrease) the as adjusted amount of each of cash, working capital, total assets and total stockholders' equity (deficit) by approximately \$ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 100,000 Common Units in the number of Common Units offered by us at the assumed public offering price of \$ per Common Unit (which is based on the closing price of our Common Shares as reported by the OTCQB on , 2023) would increase (decrease) the as adjusted amount of each of cash, working capital, total assets and total stockholders' equity (deficit) by approximately \$ million. These unaudited adjustments are based upon available information and certain assumptions we believe are reasonable under the circumstances.

RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the risks and information below and elsewhere in this prospectus, including our consolidated financial statements and the related notes thereto, before making an investment decision. We describe risks below that we currently believe are the material risks of our business, our industry and our securities. These are not the only risks we face. We are subject to risks that are currently unknown to us, or that we may currently believe are remote or immaterial. If any of these risks or events occurs, our business, financial condition and operating results could be harmed. In that case, the trading price of our securities could decline, and you might lose all or part of your investment in our securities.

Risks Related to Our Financial Position and Need for Capital

If we fail to obtain the capital necessary to fund our operations, we will be unable to continue our operations and you will likely lose your entire investment.

We are in the early stages of our operations and have not generated revenue in excess of our expenses. We will likely operate at a loss until our business becomes established, and we may require additional financing in order to fund future operations and expansion plans. Our ability to secure any required financing to sustain operations will depend in part upon prevailing capital market conditions and the success of our operations. There can be no assurance that we will be successful in our efforts to secure any additional financing or additional financing on terms satisfactory to us. If adequate funds are not available, or are not available on acceptable terms, we may be required to scale back our current business plan or cease operations.

Even if we can raise additional funding, we may be required to do so on terms that are dilutive to you.

The capital markets have been unpredictable in the recent past. In addition, it is generally difficult for early stage companies to raise capital under current market conditions. The amount of capital that a company such as ours is able to raise often depends on variables that are beyond our control. As a result, we may not be able to secure financing on terms attractive to us, or at all. If we are able to consummate a financing arrangement, the amount raised may not be sufficient to meet our future needs and may be dilutive to our current shareholders. If adequate funds are not available on acceptable terms, or at all, our business, including our results of operations, financial condition and our continued viability will be materially adversely affected.

We have a limited operating history.

We have a limited operating history and our business is subject to all of the risks inherent in the establishment of a new business enterprise. Our likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with development and expansion of a new business enterprise. If we are unable to achieve profitability, we may be unable to continue our operations.

Our indebtedness could adversely affect our ability to raise additional capital to fund operations.

We currently have one outstanding secured convertible debenture in the original principal amount of \$79,000 (C\$100,000) (excluding interest accrued thereon) issued to Mehran Ehsan, our Chief Executive Officer, President and director, which is secured by all of our right, title and interest in the Properties (as defined in the Security Agreement between us the Mehran Ehsan dated February 21, 2020) together with all engineering reports and intellectual property related to, or generated by us, in connection with the Properties (collectively, the "Collateral"). The secured debenture was repaid in December 2022.

If we cannot generate sufficient cash flow from operations to service our debt, we may need to, among other things, dispose of some or all of the Collateral or issue equity to obtain necessary funds. We do not know whether we will be able to do any of this on a timely basis, on terms satisfactory to us, or at all. Our indebtedness could have important consequences, including:

- our ability to obtain additional debt or equity financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes may be limited;
- a portion of our cash flows from operations may be dedicated to the payment of principal and interest on the indebtedness and will not be available for other purposes, including operations, capital expenditures and future business opportunities; and
- we may be vulnerable during a downturn in general economic conditions or in our business, or may be unable to carry on capital spending that is important to our growth.

Risks Related to Our Business

Oil and gas prices are volatile, and declines in prices may adversely affect our financial position, financial results, cash flows, access to capital and ability to grow.

The prices we receive for our oil and natural gas production heavily influence our revenue, operating results, profitability, access to capital, future rate of growth and carrying value of our properties. Oil and natural gas are commodities, and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand, as well as costs and terms of transport to downstream markets.

Historically, the commodities markets have been volatile, and these markets will likely continue to be volatile in the future. If the prices of oil and natural gas experience a substantial decline, our operations, financial condition and level of expenditures for the development of our oil and natural gas reserves may be materially and adversely affected. The prices we receive for our production, and the levels of our production, depend on numerous factors beyond our control and include the following:

- changes in global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries;
- political conditions, including embargoes, in or affecting other oil-producing activity;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil and natural gas inventories;
- weather conditions;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels.

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Our revenues, operating results, profitability and future rate of growth depend primarily upon the prices we receive for oil and, to a lesser extent, natural gas that we sell. Prices also affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. In addition, we may need to record asset carrying value write-downs if prices fall. A significant decline in the prices of natural gas or oil could adversely affect our financial position, financial results, cash flows, access to capital and ability to grow.

The actual quantities and present value of our proved oil, gas, and NGL reserves may be less than we have estimated.

There are numerous uncertainties inherent in estimating crude oil and natural gas reserves and their value. Reservoir engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner. Because of the high degree of judgment involved, the accuracy of any reserve estimate is inherently imprecise, and a function of the quality of available data and the engineering and geological interpretation. Our reserves estimates are based on 12-month average prices, except where contractual arrangements exist; therefore, reserves quantities will change when actual prices increase or decrease. In addition, results of drilling, testing, and production may substantially change the reserve estimates for a given reservoir over time. The estimates of our proved reserves and estimated future net revenues also depend on a number of factors and assumptions that may vary considerably from actual results, including:

- historical production from the area compared with production from other areas;
- the effects of regulations by governmental agencies, including changes to severance and excise taxes;
- future operating costs and capital expenditures; and
- workover and remediation costs.

For these reasons, estimates of the economically recoverable quantities of crude oil and natural gas attributable to any particular group of properties, classifications of those reserves and estimates of the future net cash flows expected from them prepared by different engineers or by the same engineers but at different times may vary substantially. Accordingly, reserves estimates may be subject to upward or downward adjustment, and actual production, revenue and expenditures with respect to our reserves likely will vary, possibly materially, from estimates.

Additionally, because some of our reserves estimates are calculated using volumetric analysis, those estimates are less reliable than the estimates based on a lengthy production history. Volumetric analysis involves estimating the volume of a reservoir based on the net feet of pay of the structure and an estimation of the area covered by the structure. In addition, realization or recognition of proved undeveloped reserves will depend on our development schedule and plans. A change in future development plans for proved undeveloped reserves could cause the discontinuation of the classification of these reserves as proved.

Our acquisition strategy may subject us to certain risks associated with the inherent uncertainty in evaluating properties.

Although we perform a review of properties that we acquire that we believe is consistent with industry practices, such reviews are inherently incomplete. It generally is not feasible to review in-depth every individual property involved in each acquisition. Ordinarily, we will focus our review efforts on the higher-value properties and will sample the remainder. However, even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit us as a buyer to become sufficiently familiar with the properties to assess fully and accurately their deficiencies and potential. Inspections may not always be performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, we often assume certain environmental and other risks and liabilities in connection with acquired properties. There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and future production rates and costs with respect to acquired properties, and actual results may vary substantially from those assumed in the estimates. In addition, there can be no assurance that acquisitions will not have an adverse effect upon our operating results, particularly during the periods in which the operations of acquired businesses are being integrated into our ongoing operations.

We may be unable to successfully integrate recently acquired assets or any assets we may acquire in the future into our business or achieve the anticipated benefits of such acquisitions.

Our ability to achieve the anticipated benefits of our acquisitions will depend in part upon whether we can integrate the acquired assets into our existing business in an efficient and effective manner. We may not be able to accomplish this integration process successfully. The successful acquisition of producing properties requires an assessment of several factors, including:

- recoverable reserves;
- future oil and natural gas prices and their appropriate differentials;
- availability and cost of transportation of production to markets;
- availability and cost of drilling equipment and of skilled personnel;
- development and operating costs including access to water and potential environmental and other liabilities; and
- regulatory, permitting and similar matters.

The accuracy of these assessments is inherently uncertain. In connection with these assessments, we have performed reviews of the subject properties that we believe to be generally consistent with industry practices. The reviews are based on our analysis of historical production data, assumptions regarding capital expenditures and anticipated production declines without review by an independent petroleum engineering firm. Data used in such reviews are typically furnished by the seller or obtained from publicly available sources. Our review may not reveal all existing or potential problems or permit us to fully assess the deficiencies and potential recoverable reserves for all of the acquired properties, and the reserves and production related to the acquired properties may differ materially after such data is reviewed by an independent petroleum engineering firm or further by us. Inspections will not always be performed on every well, and environmental problems are not necessarily observable even when an inspection is undertaken. Even when problems are identified, the seller may be unwilling or unable to provide effective contractual protection against all or a portion of the underlying deficiencies. The integration process may be subject to delays or changed circumstances, and we can give no assurance that our acquired assets will perform in accordance with our expectations or that our expectations with respect to integration or cost savings as a result of such acquisitions will materialize.

Drilling for and producing oil, natural gas and NGLs are high risk activities with many uncertainties that could adversely affect our financial condition or results of operations.

Our drilling activities are subject to many risks, including the risk that they will not discover commercially productive reservoirs. Drilling for oil or natural gas can be uneconomical, not only from dry holes, but also from productive wells that do not produce sufficient revenues to be commercially viable. In addition, drilling and producing operations on our acreage may be curtailed, delayed or canceled as a result of other factors, including:

- declines in oil or natural gas prices, as occurred in 2020 in connection with the COVID-19 pandemic;
- infrastructure limitations;
- the high cost, shortages or delays of equipment, materials and services;
- unexpected operational events, pipeline ruptures or spills, adverse weather conditions, facility malfunctions or title problems;
- compliance with environmental and other governmental requirements;
- regulations, restrictions, moratoria and bans on injection wells and water disposal;
- unusual or unexpected geological formations;
- environmental hazards, such as oil, natural gas or well fluids spills or releases, pipeline or tank ruptures and discharges of toxic gas;
- fires, blowouts, craterings and explosions;
- uncontrollable flows of oil, natural gas or well fluids;
- changes in the cost of decommissioning or plugging wells;
- maintenance of quality, purity and thermal quality standards both for commodity sales and purposes of transportation;
- members of the public have engaged in physical confrontations or acts of sabotage to impede or prevent transportation of hydrocarbons; and
- pipeline capacity curtailments.

In addition to causing curtailments, delays and cancellations of drilling and producing operations, many of these events can cause substantial losses, including personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution, environmental contamination, loss of wells and regulatory penalties. The occurrence of an event that is not fully covered by insurance could have a material adverse impact on our business activities, financial condition and results of operations.

Our future success depends on our ability to replace reserves.

Because the rate of production from oil and natural gas properties generally declines as reserves are depleted, our future success depends upon our ability to economically find or acquire and produce additional oil and natural gas reserves. Except to the extent that we acquire additional properties containing proved reserves, conduct successful exploration and development activities or, through engineering studies, identify additional behind-pipe zones or secondary recovery reserves, our proved reserves will decline as our reserves are produced. Future oil and natural gas production, therefore, is highly dependent upon our level of success in acquiring or finding additional reserves that are economically recoverable. We cannot assure you that we will be able to find or acquire and develop additional reserves at an acceptable cost. We may acquire significant amounts of unproved property to further our development efforts. Development and exploratory drilling and production activities are subject to many risks, including the risk that no commercially productive reservoirs will be discovered. We seek to acquire both proved and producing properties as well as undeveloped acreage that we believe will enhance growth potential and increase our earnings over time. However, we cannot assure you that all of these properties will contain economically viable reserves or that we will not abandon our initial investments. Additionally, we cannot assure you that unproved reserves or undeveloped acreage that we acquire will be profitably developed, that new wells drilled on our properties will be productive or that we will recover all or any portion of our investments in our properties and reserves.

Our business depends on third-party transportation and processing facilities and other assets that are owned by third parties.

The marketability of our oil and natural gas depends in part on the availability, proximity, capacity and cost of pipeline and gathering systems, processing facilities, oil trucking and barging fleets and rail transportation assets as well as storage facilities owned by third parties. The lack of available capacity on these systems and facilities, whether as a result of proration, growth in demand outpacing growth in capacity, physical damage, scheduled maintenance or other reasons could result in a substantial increase in costs, declines in realized commodity prices, the shut-in of producing wells or the delay or discontinuance of development plans for our properties. In addition, our wells may be drilled in locations that are serviced to a limited extent, if at all, by gathering and transportation pipelines, which may or may not have sufficient capacity to transport production from all of the wells in the area. As a result, we rely on third-party oil trucking to transport a significant portion of our production to third-party transportation pipelines, rail loading facilities and other market access points. In addition, concerns about the safety and security of oil and gas transportation by pipeline may result in public opposition to pipeline development or continued operation and increased regulation of pipelines by the Pipeline and Hazardous Materials Safety Administration ("PHMSA"), and therefore less capacity to transport our products by pipeline. Any significant curtailment in gathering system or pipeline capacity, or the unavailability of sufficient third-party trucking or rail capacity, could adversely affect our business, results of operations and financial condition. Our contracts for downstream transportation service include those that may be adjusted on a month-to-month basis, impacting underlying economics of our production. Our downstream contract transportation counterparties include entities that are far larger than we are and have greater market share in their markets than is the case for us in our markets.

The development of our proved undeveloped reserves may take longer and may require higher levels of capital expenditures than we currently anticipate. Therefore, our undeveloped reserves may not be ultimately developed or produced.

Approximately 80.7% of our estimated net proved reserves volumes were classified as proved undeveloped as of September 30, 2022. Development of these reserves may take longer and require higher levels of capital expenditures than we currently anticipate. Delays in the development of our reserves or increases in costs to drill and develop such reserves will reduce the PV-10 value of our estimated proved undeveloped reserves and future net revenues estimated for such reserves and may result in some projects becoming uneconomic. In addition, delays in the development of reserves could cause us to have to reclassify our proved reserves as unproved reserves.

Weather conditions, which could become more frequent or severe due to climate change, could adversely affect our ability to conduct drilling, completion and production activities in the areas where we operate.

Our exploration and development activities and equipment can be adversely affected by severe weather such as well freeze-offs, which may cause a loss of production from temporary cessation of activity or lost or damaged equipment. Our planning for normal climatic variation, insurance programs, and emergency recovery plans may inadequately mitigate the effects of such weather conditions, and not all such effects can be predicted, eliminated, or insured against. In addition, demand for oil and gas are, to a degree, dependent on weather and climate, which impact the price we receive for the commodities we produce. These constraints could delay or temporarily halt our operations and materially increase our operation and capital costs, which could have a material adverse effect on our business, financial condition and results of operations.

We may incur losses as a result of title defects in the properties in which we invest.

The existence of a material title deficiency can render a lease worthless. In the course of acquiring the rights to develop natural gas, we typically execute a lease agreement with payment to the lessor subject to title verification. In many cases, we incur the expense of retaining lawyers to verify the rightful owners of the gas interests prior to payment of such lease bonus to the lessor. There is no certainty, however, that a lessor has valid title to their lease's gas interests. In those cases, such leases are generally voided and payment is not remitted to the lessor. As such, title failures may result in fewer net acres to us. Prior to the drilling of a natural gas well, however, it is the normal practice in our industry for the person or company acting as the operator of the well to obtain a preliminary title review to ensure there are no obvious defects in title to the well. Frequently, as a result of such examinations, certain curative work must be done to correct defects in the marketability of the title, and such curative work entails expense. Our failure to cure any title defects may delay or prevent us from utilizing the associated mineral interest, which may adversely impact our ability in the future to increase production and reserves. Accordingly, undeveloped acreage has greater risk of title defects than developed acreage. If there are any title defects or defects in assignment of leasehold rights in properties in which we hold an interest, we will suffer a financial loss. Additionally, hydrocarbons or other fluids in one reservoir may migrate to another stratum or reservoir, resulting in disputes regarding ownership, the entitlement to produce, and responsibility for consequences of such migration of the fluids.

We conduct business in a highly competitive industry.

The oil and natural gas industry is highly competitive. The key areas in respect of which we face competition include: acquisition of assets offered for sale by other companies; access to capital (debt and equity) for financing and operational purposes; purchasing, leasing, hiring, chartering or other procuring of equipment that may be scarce; and employment of qualified and experienced skilled management and oil and natural gas professionals. Competition in our markets is intense and depends, among other things, on the number of competitors in the market, their financial resources, their degree of geological, geophysical, engineering and management expertise and capabilities, their pricing policies, their ability to develop properties on time and on budget, their ability to select, acquire and develop reserves and their ability to foster and maintain relationships with the relevant authorities. Our competitors also include those entities with greater technical, physical and financial resources. In some markets, our products compete with other sources of energy, or other fuels (e.g., hydroelectricity) that may from time to time become more abundant or experience decreased prices. Finally, companies and certain private equity firms not previously investing in oil and natural gas may choose to acquire reserves to establish a firm supply or simply as an investment. Any such companies will also increase market competition which may directly affect us. If we are unsuccessful in competing against other companies, our business, results of operations, financial condition or prospects could be materially adversely affected.

Decommissioning costs are unknown and may be substantial. Unplanned costs could divert resources from other projects.

We may become responsible for costs associated with plugging, abandoning and reclaiming wells, pipelines and other facilities that we use for production of oil and natural gas reserves. Abandonment and reclamation of these facilities and the costs associated therewith is often referred to as "decommissioning." We accrue a liability for decommissioning costs associated with our wells, but have not established any cash reserve account for these potential costs in respect of any of our properties. If decommissioning is required before economic depletion of our properties or if our estimates of the costs of decommissioning exceed the value of the reserves remaining at any particular time to cover such decommissioning costs, we may have to draw on funds from other sources to satisfy such costs. The use of other funds to satisfy such decommissioning costs could impair our ability to focus capital investment in other areas of our business.

Fuel conservation measures, technological advances and negative shift in market perception towards the oil and natural gas industry could reduce demand for oil and natural gas.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, technological advances in fuel economy and energy generation devices, and the increased competitiveness of alternative energy sources could reduce demand for oil and natural gas. Additionally, the increased competitiveness of alternative energy sources (such as electric vehicles, wind, solar, geothermal, tidal, fuel cells and biofuels) could reduce demand for oil and natural gas and, therefore, our revenues.

Additionally, certain segments of the investor community have recently expressed negative sentiment towards investing in the oil and natural gas industry. Recent equity returns in the sector versus other industry sectors have led to lower oil and natural gas representation in certain key equity market indices. Some investors, including certain pension funds, university endowments and family foundations, have stated policies to reduce or eliminate their investments in the oil and natural gas sector based on social and environmental considerations. Furthermore, certain other stakeholders have pressured commercial and investment banks to stop funding oil and gas projects. With the continued volatility in oil and natural gas prices, and the possibility that interest rates will rise in the near term, increasing the cost of borrowing, certain investors have emphasized capital efficiency and free cash flow from earnings as key drivers for energy companies, especially shale producers. This may also result in a reduction of available capital funding for potential development projects, further impacting our future financial results. Some states attorneys general have accused large legacy E&P companies of purposefully obscuring consequences of combusting hydrocarbon.

The impact of the changing demand for oil and natural gas services and products, together with a change in investor sentiment, may have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, if we are unable to achieve the desired level of capital efficiency or free cash flow within the timeframe expected by the market, our share price may be adversely affected.

Major utilities, sometimes at the instigation of states or investors, have announced plans to radically reduce emissions, or goals to achieve “net-zero” carbon emissions by deadlines as early as 2035.

Diminution of available markets (for instance by bans on the consumption of natural gas as a fuel for power plants) or prohibitions on use of natural gas in new construction as early as 2027 also may affect our markets, profitability and cash flow.

Our operations are concentrated in the Permian and Delaware Basins, making us vulnerable to risks associated with operating in a limited geographic area.

All of our producing properties are geographically concentrated in the Permian and Delaware Basins. As a result, we may be disproportionately exposed to various factors, including, among others: (i) the impact of regional supply and demand factors, (ii) delays or interruptions of production from wells in such areas caused by governmental regulation, (iii) processing or transportation capacity constraints, (iv) market limitations, (v) availability of equipment and personnel, (vi) water shortages or other drought related conditions or (vii) interruption of the processing or transportation natural gas. This concentration in a limited geographic area also increases our exposure to changes in local laws and regulations, certain lease stipulations designed to protect wildlife and unexpected events that may occur in the regions such as natural disasters, seismic events, industrial accidents or labor difficulties. Any one of these factors has the potential to cause producing wells to be shut-in, delay operations, decrease cash flows, increase operating and capital costs and prevent development of lease inventory before expirations. Any of the risks described above could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Increased attention to environmental, social and governance (“ESG”) matters may impact our business.

Increasing attention to climate change, increasing societal expectations on companies to address climate change, increasing investor and societal expectations regarding voluntary ESG disclosures, and potential increasing consumer demand for alternative forms of energy may result in increased costs, reduced demand for our products, reduced profits, increased investigations and litigation, and negative impacts on our access to capital markets. Increasing attention to climate change, for example, may result in demand shifts for natural gas and oil products and additional governmental investigations and private litigation against us. To the extent that societal pressures or political or other factors are involved, it is possible that such liability could be imposed without regard to our causation of or contribution to the asserted damage, or to other mitigating factors.

In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings and recent activism directed at shifting funding away from companies with energy-related assets could lead to increased negative investor sentiment toward us and our industry and to the diversion of investment to other industries, which could have a negative impact on our share price and our access to and costs of capital, or negative tax or other cost consequences.

Under some analyses, the world already produces more fossil fuel from existing sources than can be consumed over remaining resources service lives, if incremental global warming is to be kept under 1.5 degrees Celsius. Financing may be increasingly challenging, as pension funds (e.g., for major municipalities such as Boston, MA) and financial institutions divest fossil fuel investments.

The COVID-19 pandemic has had, and may continue to have, a material adverse effect on our financial condition and results of operations.

We face risks related to public health crises, including the COVID-19 pandemic. 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 our wellbores which had and could in the future continue to have a material adverse impact on our financial condition and results of operations.

Since the beginning of 2021, the distribution of COVID-19 vaccines progressed and many government-imposed restrictions were relaxed or rescinded. However, we continue to monitor the effects of the pandemic on our operations. As a result of the ongoing COVID-19 pandemic, our operations, and those of our operating partners, have and may continue to experience delays or disruptions and temporary suspensions of operations and increased volatility. In addition, our results of operations and financial condition have been and may continue to be adversely affected by the ongoing COVID-19 pandemic.

The extent to which our operating and financial results are affected by COVID-19 will depend on various factors and consequences beyond our control, such as the emergence of more contagious and harmful variants of the COVID-19 virus, the duration and scope of the pandemic, additional actions by businesses and governments in response to the pandemic, and the speed and effectiveness of responses to combat the virus. COVID-19, and the volatile regional and global economic conditions stemming from the pandemic, could also aggravate the other risk factors that we identify herein. While the effects of the COVID-19 pandemic have lessened recently in the United States, we cannot predict the duration or future effects of the pandemic, or more contagious and harmful variants of the COVID-19 virus, and such effects may materially adversely affect our results of operations and financial condition in a manner that is not currently known to us or that we do not currently consider to present significant risks to our operations.

The loss of any member of our management team, upon whose knowledge, relationships with industry participants, leadership and technical expertise we rely could diminish our ability to conduct our operations and harm our ability to execute our business plan.

Our success depends heavily upon the continued contributions of those members of our management team whose knowledge, relationships with industry participants, leadership and technical expertise would be difficult to replace. In particular, our ability to successfully acquire additional properties, to increase our reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements depends on developing and maintaining close working relationships with industry participants. In addition, our ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment is dependent on our management team's knowledge and expertise in the industry. To continue to develop our business, we rely on our management team's knowledge and expertise in the industry. The members of our management team may terminate their employment with our Company at any time. If we were to lose members of our management team, we may not be able to replace the knowledge or relationships that they possess and our ability to execute our business plan could be materially harmed.

We are substantially dependent on a limited number of customers.

For the years ended September 30, 2022 and 2021, we had one and one significant purchaser, respectively, that accounted for approximately 75% and 49%, respectively, of our total oil, natural gas and NGL revenues. If we lost one or more of these significant purchasers and were unable to sell our production to other purchasers on terms we consider acceptable, it could materially and adversely affect our business, financial condition, results of operations and cash flows. Additionally, there are no assurances that we will be able to expand our customer base. If we are unable to attract and maintain an adequate customer base to generate revenues, we will have to suspend or cease operations.

Our business could be negatively affected by security threats, including cybersecurity threats and other disruptions.

As an oil and gas producer, we face various security threats, including cybersecurity threats to gain unauthorized access to sensitive information or to render data or systems unusable; threats to the security of our facilities and infrastructure or third-party facilities and infrastructure, such as processing plants and pipelines; and threats from terrorist acts. The potential for such security threats has subjected our operations to increased risks that could have a material adverse effect on our business. In particular, our implementation of various procedures and controls to monitor and mitigate security threats and to increase security for our information facilities and infrastructure may result in increased capital and operating costs. Moreover, there can be no assurance that such procedures and controls will be sufficient to prevent security breaches from occurring. If any of these security breaches were to occur, they could lead to losses of sensitive information, critical infrastructure or capabilities essential to our operations and could have a material adverse effect on our reputation, financial position, results of operations or cash flows. Cybersecurity attacks in particular are becoming more sophisticated and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and systems and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information, and corruption of data. These events could lead to financial losses from remedial actions, loss of business or potential liability.

The unavailability, high cost or shortages of rigs, equipment, raw materials, supplies or personnel may restrict or result in increased costs for operators related to developing and operating our properties.

The oil and natural gas industry is cyclical, which can result in shortages of drilling rigs, equipment, raw materials (particularly water and sand and other proppants), supplies and personnel. When shortages occur, the costs and delivery times of rigs, equipment and supplies increase and demand for, and wage rates of, qualified drilling rig crews also rise with increases in demand. We cannot predict whether these conditions will exist in the future and, if so, what their timing and duration will be. In accordance with customary industry practice, our operators rely on independent third-party service providers to provide many of the services and equipment necessary to drill new wells. If our operators are unable to secure a sufficient number of drilling rigs at reasonable costs, our financial condition and results of operations could suffer. Shortages of drilling rigs, equipment, raw materials, supplies, personnel, trucking services, tubulars, fracking and completion services and production equipment could delay or restrict our operators' exploration and development operations, which in turn could have a material adverse effect on our financial condition, results of operations and free cash flow.

If we are unable to acquire adequate supplies of water for our future drilling and operations or are unable to dispose of the water we use at a reasonable cost and pursuant to applicable environmental rules, our ability to produce oil and natural gas commercially and in commercial quantities could be impaired.

We will be using a substantial amount of water in future drilling programs and hydraulic fracturing operations. Our inability to obtain sufficient amounts of water at reasonable prices, or treat and dispose of water after drilling and hydraulic fracturing, could adversely impact our operations. Moreover, the imposition of new environmental initiatives and regulations could include restrictions on our ability to conduct certain operations such as (i) hydraulic fracturing, including, but not limited to, the use of fresh water in such operations, or (ii) disposal of waste, including, but not limited to, the disposal of produced water, drilling fluids and other wastes associated with the exploration, development and production of oil and natural gas. Opponents of hydraulic fracturing contend that either the drilling process or the sub-surface injection of fluids, such as water and drilling fluids, as part of accessing hydrocarbons, or disposing of used injection fluids, creates or magnifies seismic disturbances, and should such contentions be given credence with regard to our Company, our operations could experience more regulation, higher costs or greater delays in accessing hydrocarbon resources, or claims of parties asserting damage arising from seismic activity. Furthermore, future environmental regulations and permitting requirements governing the withdrawal, storage and use of surface water or groundwater necessary for hydraulic fracturing of wells could increase operating costs and cause delays, interruptions or termination of operations, the extent of which cannot be predicted, and all of which could have an adverse effect on our business, financial condition, results of operations and cash flows. While we intend to conduct our operations with the level of care necessary to avoid such claims, if the structural integrity of non-producing subsurface strata are impaired by hydraulic fracturing, we could face claims for damages (e.g., claims that we are producing from other geologic strata to which we do not have production rights).

Risks Related to Legal and Regulatory Matters

Our business is highly regulated and governmental authorities can delay or deny permits and approvals or change legal requirements governing our operations, including well stimulation, enhanced production techniques and fluid injection or disposal, that could increase costs, restrict operations and delay our implementation of, or cause us to change, our business strategy.

Our operations are subject to complex and stringent federal, state, local and other laws and regulations relating to environmental protection and the exploration and development of our properties, as well as the production, transportation, marketing and sale of our products. See “Business—Governmental Regulation and Environmental Matters” for a further discussion of the laws and regulations related to our operations. Federal, state and local agencies may assert overlapping authority to regulate in these areas. In addition, certain of these laws and regulations may apply retroactively and may impose strict or joint and several liability on us for events or conditions over which we and our predecessors had no control, without regard to fault, legality of the original activities, or ownership or control by third parties.

To operate in compliance with these laws and regulations, we must obtain and maintain permits, approvals and certificates from federal, state and local government authorities for a variety of activities including siting, drilling, completion, stimulation, operation, maintenance, transportation, marketing, site remediation, decommissioning, abandonment, fluid injection and disposal and water recycling and reuse. These permits are generally subject to protest, appeal or litigation, which could in certain cases delay or halt projects, production of wells and other operations. Additionally, failure to comply may result in the assessment of administrative, civil and criminal fines and penalties and liability for noncompliance, costs of corrective action, cleanup or restoration, compensation for personal injury, property damage or other losses, and the imposition of injunctive or declaratory relief restricting or limiting our operations. Under certain environmental laws and regulations, we could be subject to strict or joint and several liability for the removal or remediation of contamination, including on properties over which we and our predecessors had no control, without regard to fault, legality of the original activities, or ownership or control by third parties.

Our operations may also be adversely affected by seasonal or permanent restrictions on drilling activities designed to protect various wildlife. Such restrictions may limit our ability to operate in protected areas and can intensify competition for drilling rigs, oilfield equipment, services, supplies and qualified personnel, which may lead to periodic shortages when drilling is allowed. Permanent restrictions imposed to protect threatened or endangered species or their habitat could prohibit drilling in certain areas or require the implementation of expensive mitigation measures.

Costs of compliance may increase, and operational delays or restrictions may occur as existing laws and regulations are revised or reinterpreted, or as new laws and regulations become applicable to our operations. Government authorities and other organizations continue to study health, safety and environmental aspects of oil and natural gas operations, including those related to air, soil and water quality, ground movement or seismicity and natural resources. Government authorities have also adopted or proposed new or more stringent requirements for permitting, well construction and public disclosure or environmental review of, or restrictions on, oil and natural gas operations. Such requirements or associated litigation could result in potentially significant added costs to comply, delay or curtail our exploration, development, fluid injection and disposal or production activities, and preclude us from drilling, completing or stimulating wells, which could have an adverse effect on our expected production, other operations and financial condition.

Failure to comply with environmental laws and regulations could result in substantial penalties and adversely affect our business.

As an owner or lessee and operator of oil and gas properties, we are subject to various federal, state, local, and foreign country laws and regulations relating to discharge of materials into, and protection of, the environment. See “Business—Governmental Regulation and Environmental Matters”. Changing law or regulations may impact market demand for our product. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up and other remediation activities resulting from operations, subject the lessee to liability for pollution and other damages, limit or constrain operations in affected areas, and require suspension or cessation of operations in affected areas. Our efforts to limit our exposure to such liability and cost may prove inadequate and result in significant adverse effects to our results of operations. In addition, it is possible that the increasingly strict requirements imposed by environmental laws and enforcement policies could require us to make significant capital expenditures. Such capital expenditures could adversely impact our free cash flows and our financial condition.

Certain U.S. federal income tax deductions currently available with respect to natural gas and oil exploration and development may be eliminated as a result of future legislation.

From time to time, legislation has been proposed that would, if enacted into law, make significant changes to U.S. tax laws, including certain key U.S. federal income tax provisions currently available to oil and gas companies. Such legislative changes have included, but not been limited to, (i) the repeal of the percentage depletion allowance for natural gas and oil properties, (ii) the elimination of current deductions for intangible drilling and development costs, and (iii) an extension of the amortization period for certain geological and geophysical expenditures. Although these provisions were largely unchanged in the most recent federal tax legislation, certain of these changes were considered for inclusion in the proposed “Build Back Better Act” and Congress could consider, and could include, some or all of these proposals as part of future tax reform legislation. Moreover, other more general features of any additional tax reform legislation, including changes to cost recovery rules, may be developed that also would change the taxation of oil and gas companies. It is unclear whether these or similar changes will be enacted in future legislation and, if enacted, how soon any such changes could take effect. The passage of any legislation as a result of these proposals or any similar changes in U.S. federal income tax laws could eliminate or postpone certain tax deductions that currently are available with respect to oil and gas development or increase costs, and any such changes could have an adverse effect on our financial position, results of operations and cash flows.

Our business involves the selling and shipping by rail of crude oil, which involves risks of derailment, accidents and liabilities associated with cleanup and damages, as well as potential regulatory changes that may adversely impact our business, financial condition or results of operations.

A portion of our crude oil production is transported to market centers by rail. Derailments in North America of trains transporting crude oil have caused various regulatory agencies and industry organizations, as well as federal, state and municipal governments, to focus attention on transportation by rail of flammable liquids. Any changes to existing laws and regulations, or promulgation of new laws and regulations, including any voluntary measures by the rail industry, that result in new requirements for the design, construction or operation of tank cars used to transport crude oil could increase our costs of doing business and limit our ability to transport and sell our crude oil at favorable prices at market centers throughout the United States, the consequences of which could have a material adverse effect on our financial condition, results of operations and cash flows. In addition, any derailment of crude oil involving crude oil that we have sold or are shipping may result in claims being brought against us that may involve significant liabilities.

Federal and state legislative and regulatory initiatives could result in increased costs and additional operating restrictions or delays.

Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. The hydraulic fracturing process is typically regulated by state oil and natural gas commissions. Any federal or state legislative or regulatory changes with respect to hydraulic fracturing could cause us to incur substantial compliance costs or result in operational delays, and the consequences of any failure to comply could have a material adverse effect on our financial condition and results of operations.

In addition, in response to concerns relating to recent seismic events near underground disposal wells used for the disposal by injection of flowback and produced water or certain other oilfield fluids resulting from oil and natural gas activities (so-called “induced seismicity”), regulators in some states have imposed, or are considering imposing, additional requirements in the permitting of produced water disposal wells or otherwise to assess any relationship between seismicity and the use of such wells. States may, from time to time, develop and implement plans directing certain wells where seismic incidents have occurred to restrict or suspend disposal well operations. These developments could result in additional regulation and restrictions on the use of injection wells by our operators to dispose of flowback and produced water and certain other oilfield fluids. Increased regulation and attention given to induced seismicity also could lead to greater opposition to, and litigation concerning, oil and natural gas activities utilizing injection wells for waste disposal. Until such pending or threatened legislation or regulations are finalized and implemented, it is not possible to estimate their impact on our business.

Any of the above risks could impair our ability to manage our business and have a material adverse effect on our operations, cash flows and financial position.

The adoption of climate change legislation or regulations restricting emissions of greenhouse gases could result in increased operating costs and reduced demand for the oil and natural gas we produce.

Shortly after taking office in January 2021, President Biden issued a series of executive orders designed to address climate change and requiring agencies to review environmental actions taken by the Trump administration, as well as a memorandum to departments and agencies to refrain from proposing or issuing rules until a departmental or agency head appointed or designated by the Biden administration has reviewed and approved the rule. In November 2021, the Biden Administration released “The Long-Term Strategy of the United States: Pathways to Net-Zero Greenhouse Gas Emissions by 2050,” which establishes a roadmap to net zero emissions in the United States by 2050 through, among other things, improving energy efficiency; decarbonizing energy sources via electricity, hydrogen, and sustainable biofuels; and reducing non-carbon dioxide greenhouse gas (“GHG”) emissions, such as methane and nitrous oxide. These executive orders and policy priorities may result in the development of additional regulations or changes to existing regulations, certain of which could negatively impact our financial position, results of operations and cash flows. In addition, the United States is one of almost 200 nations that, in December 2015, agreed to the Paris Agreement, an international climate change agreement in Paris, France that calls for countries to set their own GHG emissions targets and be transparent about the measures each country will take to achieve its GHG emissions targets. President Biden has recommitted the United States to the Paris Agreement and, in April 2021, announced a goal of reducing the United States’ emissions by 50-52% below 2005 levels by 2030. In November 2021, the international community gathered again in Glasgow at the 26th Conference to the Parties on the UN Framework Convention on Climate Change during which multiple announcements were made, including a call for parties to eliminate certain fossil fuel subsidies and pursue further action on non-carbon dioxide GHGs. Relatedly, the United States and European Union jointly announced the launch of the “Global Methane Pledge,” which aims to cut global methane pollution at least 30% by 2030 relative to 2020 levels, including “all feasible reductions” in the energy sector. In addition, several states and geographic regions in the United States have also adopted legislation and regulations regarding climate change-related matters, and additional legislation or regulation by these states and regions, U.S. federal agencies, including the Environmental Protection Agency (“EPA”), and/or international agreements to which the United States may become a party could result in increased compliance costs for us and our customers. Failure to comply with these laws and regulations can lead to the imposition of remedial liabilities, administrative, civil or criminal fines or penalties or injunctions limiting our operations in affected areas. Moreover, multiple environmental laws provide for citizen suits which allow environmental organizations to act in the place of the government and sue operators for alleged violations of environmental law. We consider the responsibility and costs of environmental protection and safety and health compliance fundamental, manageable parts of our business. We cannot predict with any reasonable degree of certainty our future exposure concerning such matters.

Several states have adopted or are considering adopting regulations that could impose more stringent permitting, public disclosure and/or well construction requirements on hydraulic fracturing operations. We cannot predict whether additional federal, state or local laws or regulations applicable to hydraulic fracturing will be enacted in the future and, if so, what actions any such laws or regulations would require or prohibit. If additional levels of regulation or permitting requirements were imposed on hydraulic fracturing operations, our business and operations could be subject to delays, increased operating and compliance costs and potential bans. Additional regulation could also lead to greater opposition to hydraulic fracturing, including litigation.

Restrictions on GHG emissions that may be imposed could adversely affect the oil and gas industry. The adoption of legislation or regulatory programs to reduce GHG emissions could require us to incur increased operating costs, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or to comply with new regulatory requirements. Any GHG emissions legislation or regulatory programs applicable to power plants or refineries could also increase the cost of consuming, and potentially reduce demand for, the oil and natural gas we produce. Consequently, legislation and regulatory programs to reduce GHG emissions could have an adverse effect on our business, financial condition and results of operations. See “Business—Governmental Regulation and Environmental Matters” and “—Climate Change” for a further discussion of the laws and regulations related to GHGs and of climate change.

We may be involved in legal proceedings that could result in substantial liabilities.

Similar to many oil and natural gas companies, we may be involved in various legal and other proceedings from time to time, such as title, royalty or contractual disputes, regulatory compliance matters and personal injury or property damage matters, in the ordinary course of our business. Such legal proceedings are inherently uncertain and their results cannot be predicted. Regardless of the outcome, such proceedings could have a material adverse impact on us because of legal costs, diversion of management and other personnel and other factors. In addition, resolution of one or more such proceedings could result in liability, loss of contractual or other rights, penalties or sanctions, as well as judgments, consent decrees or orders requiring a change in our business practices. Accruals for such liability, penalties or sanctions may be insufficient, and judgments and estimates to determine accruals or range of losses related to legal and other proceedings could change from one period to the next, and such changes could be material.

Legislation or regulatory initiatives intended to address seismic activity could restrict our operators' drilling and production activities, which could have a material adverse effect on our business.

State and federal regulatory agencies have recently focused on a possible connection between hydraulic fracturing related activities, particularly the underground injection of wastewater into disposal wells, and the increased occurrence of seismic activity, and regulatory agencies at all levels are continuing to study the possible linkage between oil and gas activity and induced seismicity. For example, in 2015, the United States Geological Study identified eight states, including Texas, with areas of increased rates of induced seismicity that could be attributed to fluid injection or oil and gas extraction.

In addition, a number of lawsuits have been filed alleging that disposal well operations have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal. In response to these concerns, regulators in some states are seeking to impose additional requirements, including requirements in the permitting of produced water disposal wells or otherwise to assess the relationship between seismicity and the use of such wells. For example, in October 2014, the Texas Railroad Commission published a new rule governing permitting or re-permitting of disposal wells that would require, among other things, the submission of information on seismic events occurring within a specified radius of the disposal well location, as well as logs, geologic cross sections and structure maps relating to the disposal area in question. If the permittee or an applicant of a disposal well permit fails to demonstrate that the produced water or other fluids are confined to the disposal zone or if scientific data indicates such a disposal well is likely to be or determined to be contributing to seismic activity, then the agency may deny, modify, suspend or terminate the permit application or existing operating permit for that well. The Texas Railroad Commission has used this authority to deny permits for waste disposal wells. In some instances, regulators may also order that disposal wells be shut in.

The adoption and implementation of any new laws or regulations that restrict our operators' ability to use hydraulic fracturing or dispose of produced water gathered from drilling and production activities by limiting volumes, disposal rates, disposal well locations or otherwise, or requiring them to shut down disposal wells, could have a material adverse effect on our business, financial condition and results of operations.

Continuing political and social discussion of the issue of climate change has resulted in legislative, regulatory and other initiatives to reduce greenhouse gas emissions, such as carbon dioxide and methane. Policy makers at both the U.S. federal and state levels have introduced legislation and proposed new regulations designed to quantify and limit the emission of greenhouse gases through inventories, limitations and/or taxes on GHG emissions. The EPA has issued regulations for the control of methane emissions, which also include leak detection and repair requirements, for the oil and gas industry and are likely to create additional regulations regarding such matters. In November 15, 2021, the EPA proposed new regulations to establish comprehensive standards of performance and emission guidelines for methane and volatile organic compound emissions from new and existing operations in the oil and gas sector, including the exploration and production, transmission, processing, and storage segments. EPA hopes to finalize the proposed regulations by the end of 2022. Once finalized, the regulations are likely to be subject to legal challenge, and will also need to be incorporated into the states' implementation plans, which will need to be approved by the EPA in individual rulemakings that could also be subject to legal challenge. As a result, we cannot predict the scope of any final methane regulatory requirements or the cost to our operations.

The Inflation Reduction Act of 2022 (the "IRA"), which was signed into law in August 2022, imposes an escalating charge on methane emissions from inter alia onshore petroleum and natural gas production, and natural gas processing, gathering, transmission, underground storage, and LNG storage/ import/export equipment. The charges apply only to facilities emitting 25,000 metric tons of CO₂ annually. The IRA also funds grants to facilities subject to the methane charge and "marginal conventional wells" to improve equipment and processes. The IRA also creates generous tax credits, benefitting even non-profit entities, that likely will create more supply and demand for alternative non-hydrocarbon energy which may diminish demand, or prices obtained, for natural gas and oil. These statutory provisions will also be subject to legal challenge. The cumulative effect upon our business' results of the IRA's grants, charges, and incentives to non-hydrocarbon energy assets and fuels, is uncertain.

Future additional federal GHG regulations of the oil and gas industry remain a significant possibility. Some states have imposed limitations designed to reduce methane emissions from oil and gas exploration and production activities. Legislative and state initiatives to date have generally focused on the development of renewable energy standards and/or cap-and-trade and/or carbon tax programs. Renewable energy standards (also referred to as renewable portfolio standards) require electric utilities to provide a specified minimum percentage of electricity from eligible renewable resources, with potential increases to the required percentage over time. The development of a federal renewable energy standard, or the development of additional or more stringent renewable energy standards at the state level, or continuing implementation of increasingly disadvantageous (from our industry's perspective) renewable energy requirements embedded in existing legislation could reduce the demand for oil and gas, thereby adversely impacting our earnings, cash flows and financial position. A cap-and-trade program generally would cap overall greenhouse gas emissions on an economy-wide basis and require major sources of greenhouse gas emissions or major fuel producers to acquire and surrender emission allowances. A federal cap and trade program or expanded use of cap and trade programs at the state level could impose direct costs on us through the purchase of allowances and could impose indirect costs by incentivizing consumers to shift away from fossil fuels. In addition, federal or state carbon taxes could directly increase our costs of operation and similarly incentivize consumers to shift away from fossil fuels.

In addition, opponents of fossil fuels claiming concern about the potential effects of climate change have directed their attention at sources of funding for fossil-fuel energy companies, which has resulted in an increasing number of financial institutions, funds and other sources of capital restricting or eliminating their investment in oil and natural gas activities. Ultimately, this would make it more difficult and expensive to secure funding for exploration and production activities. Members of the investment community have also begun to screen companies such as ours for sustainability performance, including practices related to GHGs and climate change, before investing in our securities. Any efforts to improve our sustainability practices in response to these pressures may increase our costs, and we may be forced to implement technologies that are not economically viable in order to improve our sustainability performance and to meet the specific requirements to perform services for certain customers.

These various legislative, regulatory and other activities addressing greenhouse gas emissions could adversely affect our business, including by imposing reporting obligations on, or limiting emissions of greenhouse gases from, our equipment and operations, which could require us to incur costs to reduce emissions of GHGs associated with our operations. Limitations on GHG emissions could also adversely affect demand for oil and gas, which could lower the value of our reserves and have a material adverse effect on our profitability, financial condition and liquidity.

Some of our properties are in areas that may have been partially depleted or drained by offset wells and certain of our wells may be adversely affected by actions we or other operators may take when drilling, completing, or operating wells that we or they own.

Some of our properties are in reservoirs that may have already been partially depleted or drained by earlier offset drilling. The owners of leasehold interests adjoining any of our properties could take actions, such as drilling and completing additional wells, which could adversely affect our operations. When a new well is completed and produced, the pressure differential in the vicinity of the well causes the migration of reservoir fluids toward the new wellbore (and potentially away from existing wellbores). As a result, the drilling and production of these potential locations by us or other operators could cause depletion of our proved reserves and may inhibit our ability to further develop our proved reserves. In addition, completion operations and other activities conducted on adjacent or nearby wells by us or other operators could cause production from our wells to be shut in for indefinite periods of time, could result in increased lease operating expenses and could adversely affect the production and reserves from our wells after they recommence production. We have no control over the operations or activities of offsetting operators.

Risks Related to this Offering

The market price of our securities is volatile and may not accurately reflect the long term value of our Company.

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of our securities to sell their securities at an advantageous price. Market price fluctuations in our securities may be due to our operating results, failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions, or other material public announcements by us or our competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of our securities. Financial markets have historically, at times, experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values, or prospects of such companies.

Accordingly, the market price of our securities may decline even if our operating results, underlying asset values, or prospects have not changed. Additionally, these factors as well as other related factors may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in the price and volume of our securities will not occur. If such increased levels of volatility and market turmoil continue, our operations could be adversely impacted and the trading price of our securities may be materially adversely affected.

We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

Our management will have broad discretion in the application of the net proceeds to us from this offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our securities. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business, cause the price of our securities to decline.

There is no assurance that an investment in our Common Units will earn any positive return.

There is no assurance that an investment in our Common Units will earn any positive return. An investment in our Common Units involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in our securities is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

We effected a 1-for-60 reverse stock split of our outstanding Common Shares on November 2, 2022.

We expect that the reverse stock split will increase the market price of our Common Shares while our stock is trading and enable us to meet the minimum market price requirement of the listing rules of the NYSE American. However, the effect of a reverse stock split upon the market price of our Common Shares cannot be predicted with certainty, and the results of reverse stock splits by companies in similar circumstances have been varied. It is possible that the market price of our Common Shares following the reverse stock split will not increase sufficiently for us to be in compliance with the minimum market price requirement of the NYSE American, or if it does, that such price will be sustained. If we are unable to meet the minimum market price requirement, we may be unable to list our Common Shares on the NYSE American, in which case such an offering may not be completed.

Even if the reverse stock split achieves the requisite increase in the market price of our Common Shares, we cannot assure you that we will be approved for listing on the NYSE American or able to comply with other continued listing standards of the NYSE American.

Even if the reverse stock split achieves the requisite increase in the market price of our Common Shares to be in compliance with the minimum bid price of the NYSE American, there can be no assurance that the market price of our Common Shares following the reverse stock split will remain at the level required for continuing compliance with that requirement. It is not uncommon for the market price of a company's Common Shares to decline in the period following a reverse stock split. If the market price of our Common Shares declines following the effectuation of the reverse stock split, the percentage decline may be greater than would occur in the absence of a reverse stock split. In any event, other factors unrelated to the number of shares of our Common Shares outstanding, such as negative financial or operational results, could adversely affect the market price of our Common Shares and jeopardize our ability to meet or maintain NYSE American's minimum bid price requirement.

Even if we meet the NYSE American's initial listing requirements, there can be no assurance that we will be able to comply with NYSE American's continued listing standards, a failure of which could result in a de-listing of our securities.

Our Common Shares are currently quoted on the OTCQB. We intend to apply to list our Common Shares and Warrants on the NYSE American. There is no assurance that our Common Shares and Warrants will ever be listed on the NYSE American or that we will be able to comply with such applicable listing standards. Should our Common Shares and Warrants become listed on the NYSE American, in order to maintain that listing, the NYSE American requires that we satisfy minimum financial and other continued listing requirements and standards, including those regarding director independence and independent committee requirements, minimum stockholders' equity, and certain corporate governance requirements. If we are unable to satisfy these requirements or standards, we could be subject to delisting, which would have a negative effect on the price of our Common Shares and Warrants and would impair your ability to sell or purchase our Common Shares and Warrants when you wish to do so. In the event of a delisting, we would expect to take actions to restore our compliance with the listing requirements, but we can provide no assurance that any such action taken by us would allow our Common Shares and Warrants to become listed again, stabilize the market price or improve the liquidity of our Common Shares and Warrants or prevent future non-compliance with the listing requirements.

If, for any reason, we should fail to maintain compliance with these listing standards and the NYSE American should delist our securities from trading on its exchange and we are unable to obtain listing on another national securities exchange, a reduction in some or all of the following may occur, each of which could have a material adverse effect on our shareholders:

- the liquidity of our Common Shares and Warrants;
- the market price of our Common Shares and Warrants;
- our ability to obtain financing for the continuation of our operations;
- the number of investors that will consider investing in our Common Shares and Warrants;
- the number of market makers in our Common Shares and Warrants;
- the availability of information concerning the trading prices and volume of our Common Shares and Warrants; and
- the number of broker-dealers willing to execute trades in shares of our Common Shares and Warrants.

The reverse stock split may decrease the liquidity of our Common Shares.

The liquidity of our Common Shares may be affected adversely by our planned reverse stock split given the reduced number of Common Shares that will be outstanding following the reverse stock split, especially if the market price of our Common Shares does not increase as a result of the reverse stock split. In addition, the reverse stock split may increase the number of shareholders who own odd lots (less than 100 shares) of our Common Shares, creating the potential for such shareholders to experience an increase in the cost of selling their shares and greater difficulty effecting such sales.

We have never paid cash dividends and have no plans to pay cash dividends in the future.

Holders of our Common Shares are entitled to receive such dividends as may be declared by our board of directors. To date, we have paid no cash dividends on our capital stock and we do not expect to pay cash dividends in the foreseeable future. We intend to retain future earnings, if any, to provide funds for operations of our business. Therefore, any return investors in our capital stock may have will be in the form of appreciation, if any, in the market value of their Common Shares.

Sales of a substantial number of our Common Shares following this offering may adversely affect the market price of our Common Shares and the issuance of additional shares will dilute all other shareholders.

Sales of a substantial number of our Common Shares in the public market or otherwise following this offering, or the perception that such sales could occur, could adversely affect the market price of our Common Shares. After completion of this offering and the issuance of the Common Shares in this offering there will be 3,932,600 Common Shares outstanding (without giving effect to the exercise by the underwriters of the over-allotment option). In addition, our Articles permit the issuance of an unlimited number of Common Shares. Thus, we could issue substantial amounts of Common Shares in the future, which would dilute the percentage ownership held by the investors who purchase Common Shares in this offering.

We may need to raise additional funds to support our business operations or to finance future acquisitions, including through the issuance of equity or debt securities, which could have a material adverse effect on our ability to grow our business, and may dilute your ownership in us.

If we do not generate sufficient cash from operations or do not otherwise have sufficient cash and cash equivalents to support our business operations or to finance future acquisitions, we may need raise additional capital through the issuance of debt or equity securities. We do not have any arrangements for any credit facility, or any other sources of capital. We may not be able to raise cash in future financing on terms acceptable to us, or at all.

Financings, if available, may be on terms that are dilutive to our shareholders, and the prices at which new investors would be willing to purchase our securities may be lower than the current price of our Common Shares. The holders of new securities may also receive rights, preferences or privileges that are senior to those of existing holders of our Common Shares. If new sources of financing are required but are insufficient or unavailable, we would be required to modify our plans to the extent of available funding, which could harm our ability to grow our business.

We have issued options, warrants and a convertible debenture and may continue to issue additional securities in the future. The exercise and/or conversion of these securities and the sale of the Common Shares issuable thereunder may dilute your percentage ownership interest and may also result in downward pressure on the price of our Common Shares.

As of February 9, 2023, we have issued and outstanding options to purchase 84,583 Common Shares with a weighted average exercise price of \$13.26 per share and warrants to purchase 1,097,096 Common Shares with a weighted average exercise price of \$12.12 per share. In addition, we have 107,777 Common Shares available for future issuance under our 2017 and 2022 Stock Option Plans. Because the market for our Common Shares may be thinly traded, the sales and/or the perception that those sales may occur, could adversely affect the market price of our Common Shares. Furthermore, the mere existence of a significant number of Common Shares issuable upon exercise and/or conversion of our outstanding securities may be perceived by the market as having a potential dilutive effect, which could lead to a decrease in the price of our Common Shares.

If you purchase our securities in this offering, you may in the future incur dilution in the book value of your shares.

Although you will not incur immediate dilution as a result of this offering, to the extent outstanding options or warrants are exercised, you may experience future dilution of your equity interests in the Company. As a result of possible future dilution, investors purchasing Common Units in this offering may receive significantly less than the purchase price paid in this offering, if anything, in the event of our liquidation.

There is no public market for either the Warrants or the Pre-funded Warrants being sold in this offering.

There is no established public trading market for either the Warrants or the Pre-funded Warrants being sold in this offering. We intend to list the Warrants on the NYSE American, however there is no assurance that any market will develop. We will not list the Pre-funded Warrants on any securities exchange or nationally recognized trading system, including the NYSE American. Therefore, we do not expect a market to ever develop for the Pre-funded Warrants. Without an active market, the liquidity of the Pre-funded Warrants will be limited.

The Warrants and Pre-funded Warrants are speculative in nature.

Neither the Warrants nor the Pre-funded Warrants confer any rights of Common Share ownership on their respective holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire Common Shares at a fixed price. Commencing on the date of issuance, holders of the Warrants may exercise their right to acquire the Common Shares and pay the stated exercise price per share prior to five years from the date of issuance, after which date any unexercised Warrants will expire and have no further value. Commencing on the date of issuance, holders of the Pre-funded Warrants may exercise their right to acquire the Common Shares and pay the stated exercise price per share until exercised in full. There can be no assurance that the market price of our Common Shares will ever equal or exceed the exercise price of the Warrants offered by this prospectus, and if so, the Warrants would expire without value.

The Warrants included in the Common Units and Pre-Funded Units are expected to be listed on the NYSE American separately upon the pricing of this offering, and may provide investors with an arbitrage opportunity that could adversely affect the trading price of our Common Shares.

Because the Common Units and Pre-Funded Units will never trade as a unit, and the Warrants are expected to be traded on the NYSE American, investors may be provided with an arbitrage opportunity that could depress the price of our Common Shares.

In the event that our Common Share price does not exceed the exercise price of the Warrants or the Pre-funded Warrants during the period when the Warrants or the Pre-funded Warrants are exercisable, as applicable, such warrants may not have any value.

Until holders of the Warrants and the Pre-funded Warrants acquire Common Shares upon exercise thereof, holders of the Warrants and Pre-funded Warrants will have no rights with respect to our Common Shares. Upon exercise of the Pre-funded Warrants, such holders will be entitled to exercise the rights of a common shareholder only as to matters for which the record date occurs after the exercise date.

There is no assurance that any of the Warrants will be exercised and we will receive the exercise proceeds therefrom.

The Warrants have an exercise price above the price of a Common Share. If the price of our Common Shares does not exceed the Warrant exercise price, then it is unlikely that the Warrants will be exercised. The Warrants will expire on the fifth anniversary of their issuance, which if they expire without being exercised the Company will not receive any proceeds therefrom.

Additionally, for the Warrants to be exercised for cash, we must keep an effective registration statement available for issuance of the Common Shares issuable on exercise of the Warrants. If we fail to maintain an effective registration statement, then the Warrants may be exercised on a cashless basis, and we will not receive any cash amount from their exercise.

Our principal shareholders and management own a significant percentage of our shares and may be able to exert significant control over matters subject to shareholder approval.

Immediately following the completion of this offering, our executive officers, directors and principal shareholders and their affiliates will beneficially hold, in the aggregate, approximately % of our outstanding Common Shares. These shareholders, acting together, would be able to significantly influence all matters requiring shareholder approval. For example, these shareholders would be able to significantly influence elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our Common Shares that you may feel are in your best interest as one of our shareholders.

We are a British Columbia company and it may be difficult for you to enforce judgments against us or certain of our directors or officers.

As a corporation organized under the provincial laws of British Columbia, Canada, it may be difficult to bring actions under U.S. federal securities law against us. Some of our directors and officers reside principally in Canada or outside of the United States. Because a portion of our assets and the assets of these persons are located outside of the United States, it may not be possible for investors to effect service of process within the United States upon us or those persons. Furthermore, it may not be possible for investors to enforce against us, or those persons not in the United States, judgments obtained in U.S. courts based upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States. There is doubt as to the enforceability, in original actions in Canadian courts, of liabilities based upon U.S. federal securities laws and as to the enforceability in Canadian courts of judgments of U.S. courts obtained in actions based upon the civil liability provisions of the U.S. federal securities laws. Therefore, it may not be possible to enforce those actions against us or certain of our directors and officers.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.

The trading market for our Common Shares and Warrants will depend in part on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts may never publish research on our Company. If no securities or industry analysts cover our Company, the trading price for our Common Shares and Warrants would likely be negatively impacted. In the event securities or industry analysts cover our Company, if one or more of the analysts who covers us downgrades our shares or publishes inaccurate or unfavorable research about our business, our share price may decline. If one or more of these analysts ceases coverage of our Company or fails to publish reports on us regularly, demand for our shares could decrease, which might cause our share price and trading volume to decline.

Substantial amounts of our outstanding shares may be sold into the market when lock-up periods end. If there are substantial sales of shares of our Common Shares, the price of our Common Shares could decline.

All of our outstanding Common Shares held by our directors and executive officers are subject to contractual lock-up restrictions on resale as more fully described in the section titled "Underwriting" in this prospectus. If these shareholders sell, or indicate an intent to sell, substantial amounts of our Common Shares in the public market after the expiration of the applicable lock-up period, the trading price of our Common Shares could decline significantly and could decline below the public offering price.

General Risk Factors

We are an "emerging growth company" and a "smaller reporting company" and will be able to avail ourselves of reduced disclosure requirements applicable to emerging growth companies and/or smaller reporting companies, which could make our securities less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including not being required to comply with the auditor attestation requirements of Section 404 (b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In addition, Section 107 of the JOBS Act also 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 may take advantage of these reporting exemptions until we are no longer an "emerging growth company." 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 the completion 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.

In addition, even if we no longer qualify as an "emerging growth company," we may still take advantage of certain reduced reporting requirements as a "smaller reporting company." If we are a smaller reporting company at the time we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company, we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K and have reduced disclosure obligations regarding executive compensation, and, similar to emerging growth companies, if we are a smaller reporting company, we may not be required to obtain an attestation report on internal control over financial reporting issued by our independent registered public accounting firm.

We cannot predict if investors will find our securities attractive because we may rely on these exemptions. If some investors find our securities less attractive as a result, there may be a less active trading market for our securities and our share price may be more volatile.

Failure to maintain effective internal control over our financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could cause our financial reports to be inaccurate.

We are required pursuant to Section 404 of the Sarbanes-Oxley Act to maintain internal control over financial reporting and to assess and report on the effectiveness of those controls. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Although we prepare our financial statements in accordance with accounting principles generally accepted in the United States, our internal accounting controls may not meet all standards applicable to companies with publicly traded securities. If we fail to implement any required improvements to our disclosure controls and procedures, we may be obligated to report control deficiencies in which case, we could become subject to regulatory sanction or investigation. Further, these outcomes could damage investor confidence in the accuracy and reliability of our financial statements.

Financial reporting obligations of being a public company in the U.S. are expensive and time-consuming, and our management will be required to devote substantial time to compliance matters.

As a publicly traded company we incur significant legal, accounting and other expenses. The obligations of being a public company in the U.S. requires significant expenditures and may place significant demands on our management and other personnel, including costs resulting from public company reporting obligations under the Exchange Act and the rules and regulations regarding corporate governance practices, including those under the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the listing requirements of the stock exchange on which our securities are listed. These rules require the establishment and maintenance of effective disclosure and financial controls and procedures, internal control over financial reporting and changes in corporate governance practices, among many other complex rules that are often difficult to implement, monitor and maintain compliance with. Moreover, despite recent reforms made possible by the JOBS Act, the reporting requirements, rules, and regulations will make some activities more time-consuming and costly, particularly after we are no longer an "emerging growth company" or a "smaller reporting company." In addition, these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance. Our management and other personnel will need to devote a substantial amount of time to ensure that we comply with all of these requirements and to keep pace with new regulations, otherwise we may fall out of compliance and risk becoming subject to litigation or being delisted, among other potential problems.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information in this prospectus includes “forward-looking statements.” All statements, other than statements of historical fact included in this prospectus, regarding our strategy, future operations, financial position, estimated revenue and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this prospectus, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under “Risk Factors.” These forward-looking statements are based on management’s current belief, based on currently available information, as to the outcome and timing of future events.

Forward-looking statements may include statements about:

- our business strategy;
- our reserves;
- our financial strategy, liquidity and capital requirements;
- our realized or expected natural gas prices;
- our timing and amount of future production of natural gas;
- our future drilling plans and cost estimates;
- our competition and government regulations;
- our ability to make acquisitions;
- the impact of the COVID-19 pandemic and its effect on our business and financial condition;
- general economic conditions;
- our future operating results;
- our expectations regarding having our securities listed on NYSE American; and
- our future plans, objectives, expectations and intentions.

We caution you that these forward-looking statements are subject to risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to the exploration for and development, production and sale of natural gas. These risks include, but are not limited to, commodity price volatility, lack of availability of drilling and production equipment and services, environmental risks, drilling and other operating risks, regulatory changes, the uncertainty inherent in estimating natural gas reserves and in projecting future rates of production, cash flow and access to capital, the timing of development expenditures, and the other risks described under “Risk Factors.”

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.

Should one or more of the risks or uncertainties described in this prospectus occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, express or implied, included in this prospectus are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this prospectus.

MARKET FOR OUR COMMON SHARES AND RELATED STOCKHOLDER MATTERS

Market Information

Our Common Shares currently trades on the OTCQB Marketplace in the United States under the symbol “OILCD” on the Canadian Securities Exchange in Canada under the symbol “OIL” and under the Frankfurt Stock Exchange under the symbol “75P”. On February 9, 2023, the closing price of our common shares as reported on the OTCQB was \$5.8098. This closing price reflects an inter-dealer price, without retail mark-up, mark-down or commission, and may not represent an actual transaction.

We have applied to list our Common Shares and Warrants on the NYSE American under the symbol “OILS” and “OILSW,” respectively. The approval of our listing of our Common Shares and Warrants is a condition of closing this offering. No assurance can be given that our application will be accepted.

Shareholders

As of February 7, 2023, there were 1,932,604 Common Shares issued and outstanding, held by approximately 49 holders of record, although there are a much larger number of beneficial owners.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes information about our equity compensation plans as of September 30, 2022.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by securityholders	84,583 ⁽¹⁾	\$ 13.26 ⁽²⁾	107,777
Equity compensation plans not approved by securityholders	—	—	—
Total	84,583	\$ 13.26	107,777

(1) Represents the number of Common Shares available for issuance upon exercise of outstanding options as at September 30, 2022, as adjusted for the 1-for-60 reverse stock split of our outstanding Common Shares completed on November 2, 2022.

(2) C\$18 converted into USD, as adjusted for the 1-for-60 reverse stock split of our outstanding Common Shares completed on November 2, 2022.

USE OF PROCEEDS

Assuming the sale of all of the Common Units in this offering at an assumed offering price of \$ _____ per share (assuming no sale of any Pre-funded Units), the Company estimates that the Net Proceeds from the sale of Common Units in this offering will be approximately \$ _____ million. If the underwriters fully exercise the over-allotment option, the Net Proceeds will be approximately \$ _____ million. “Net Proceeds” is what the Company expects to receive after deducting the underwriting discount and commission and estimated offering expenses payable by the Company. Each \$1.00 increase (decrease) in the assumed public offering price of \$ _____ per Common Unit would increase (decrease) our Net Proceeds by approximately \$ _____ million, assuming that the number of Common Units offered by us, as set forth on the cover page of this prospectus, remains the same. Similarly, each increase (decrease) of 100,000 Common Units in the number of Common Units offered by us at the assumed public offering price of \$ _____ per share would increase (decrease) the Net Proceeds by approximately \$ _____ million.

We intend to use the Net Proceeds of this offering for continuing operating expenses and working capital. We believe opportunities may exist from time to time to expand our current business through acquisitions or investments. While we have no current agreements, commitments or understandings for any specific acquisitions or investments, we may use a portion of the Net Proceeds for these purposes.

We believe that the Net Proceeds from this offering, together with our existing cash and cash equivalents, will enable us to fund our operating expenses and capital expenditure requirements through at least the next twelve months from the date of this offering.

DIVIDEND POLICY

Our board of directors (“Board of Directors” or “Board”) has discretion as to whether we will pay dividends in the future, subject to restrictions under the Business Corporations Act (British Columbia) (the “BCBCA”) and our charter documents. Under the BCBCA, we may not declare or pay dividends if our Company is insolvent or where the payment of the dividend would render our Company insolvent. See “Description of Share Capital.”

We have never paid or declared any cash dividends on our Common Shares, and we do not anticipate paying any cash dividends on our Common Shares in the foreseeable future. We intend to retain all available funds and any future earnings to fund the development and expansion of our business. Any future determination to pay dividends will be at the discretion of our Board of Directors and will depend upon a number of factors, including our results of operations, financial condition, future prospects, contractual restrictions, restrictions imposed by applicable law and other factors our Board of Directors deems relevant.

CAPITALIZATION

The following table sets forth our capitalization:

- on an actual basis as of September 30, 2022; and
- on as adjusted basis to give effect to the issuance and sale by us of Common Units (assuming no sale of any Pre-funded Units) at an assumed offering price of \$[] per Common Units (assuming no exercise of the underwriters’ over-allotment option), after deducting the underwriting discounts and commissions and estimated offering costs payable by us.

You should read this table in conjunction with the sections titled and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes included elsewhere in this prospectus.

	As of June 30, 2022 (unaudited)	
	Actual	As Adjusted
Cash and cash equivalents	\$ 5,366,789	\$
Shareholders’ Equity		
Shareholders’ equity (deficit):	\$ 11,438,956	\$
Share capital	\$ 14,338,233	
Additional paid-in capital	4,571,720	
Deficit	(7,343,584)	
Accumulated other comprehensive loss	(127,413)	
Total shareholders’ equity	\$ 11,438,956	\$

Each \$1.00 increase (decrease) in the assumed public offering price of \$ per Common Unit would increase (decrease) the as adjusted amount of each of cash and cash equivalents, working capital, total assets and total stockholders’ equity (deficit) by approximately \$ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 100,000 shares in the number of shares offered by us at the assumed public offering price of \$ per Common Unit would increase (decrease) the pro forma as adjusted amount of each of cash and cash equivalents, working capital, total assets and total stockholders’ equity (deficit) by approximately \$ million.

The number of Common Shares outstanding is based on 1,932,604 Common Shares issued and outstanding as of June 30, 2022, and excludes the following as of such date:

- 92,917 Common Shares issuable upon the exercise of outstanding options, with a weighted average exercise price of \$15.00 per share;
- 1,097,096 Common Shares issuable upon the exercise of outstanding warrants, with a weighted average exercise price of \$12.12 per share; and
- 11,111 Common Shares issuable upon conversion of an outstanding secured convertible debenture in the amount of \$79,000 (C\$100,000) including interest accrued thereon;
- 99,443 Common Shares available for future issuance under our 2017 and 2022 Stock Option Plans;
- Up to Common Shares issuable upon the exercise of the Warrants; and
- up to Common Shares issuable upon exercise of the representative’s warrants.

Except as otherwise indicated herein, all information in this prospectus reflects or assumes:

- no exercise of the outstanding options or warrants described above;
- no sale of any Pre-funded Units;
- no exercise of the underwriters’ option to purchase up to an additional Common Shares and/or Pre-funded Warrants and/or Warrants to cover over-allotments, if any; and
- a one-for-sixty reverse stock split of our Common Shares effected on November 2, 2022.

DILUTION

If you invest in our Common Units in this offering, your interest will be diluted to the extent of the difference between the public offering price per Common Unit (assuming no value is attributed to the Warrants and no Pre-Funded Warrants are sold in the offering) and the as adjusted net tangible book value per share of our Common Shares immediately after this offering (assuming no value is attributed to the Warrants and no Pre-Funded Warrants are sold in the offering). We calculate net tangible book value per share by dividing our net tangible book value, which is tangible assets less total liabilities, by the number of our outstanding Common Shares as of June 30, 2022. Our net tangible book value as of June 30, 2022, was \$11,438,956 or approximately \$5.92 per Common Share.

After giving effect to our issuance and sale of Common Units in this offering at an assumed public offering price of \$ per Common Share, excluding Common Shares that may be issued upon exercise of the underwriter’s over-allotment option and after deducting estimated underwriting discounts and commissions and estimated offering expenses, our as adjusted net tangible book value as of June 30, 2022 would have been \$, or \$ per Common Share. This represents an immediate decrease in net tangible book value of \$ per share to existing shareholders and no immediate dilution in net tangible book to purchasers of Common Units in this offering, based on an assumed public offering price of \$ per share. The following table illustrates this per share dilution:

Assumed public offering price per share		\$
Net tangible book value per share as of June 30, 2022	\$	5.92
Decrease in net tangible book value per share attributable to new investors		
Less: as adjusted net tangible book value per share after giving effect to the offering		\$
Dilution in net tangible book value per share to new investors		\$

The information discussed above is illustrative only, and the dilution information following this offering will be adjusted based on the actual public offering price and other terms of this offering determined at pricing. Each \$1.00 increase (decrease) in the public offering price, would increase (decrease) as adjusted net tangible book value per share to new investors by \$, and would increase (decrease) dilution per share to new investors in this offering by \$, assuming that the number of Common Units offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 100,000 in the number of Common Units by us would increase (decrease) our as adjusted net tangible book value by approximately \$ per share and increase (decrease) the dilution to new investors by \$ per share, assuming the public offering price remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters' over-allotment option to purchase additional Common Shares from the Company is exercised in full, and based on the assumed public offering price of \$ per share, the as adjusted net tangible book value per share after this offering would be \$ per share, the decrease in as adjusted net tangible book value per share to existing shareholders would be \$ per share and no dilution to new investors purchasing shares in this offering.

The number of Common Shares outstanding is based on 1,932,604 Common Shares issued and outstanding as of June 30, 2022, and excludes the following as of such date:

- 92,917 Common Shares issuable upon the exercise of outstanding options, with a weighted average exercise price of \$15.00 per share;
- 1,097,096 Common Shares issuable upon the exercise of outstanding warrants, with a weighted average exercise price of \$12.12 per share; and
- 11,111 Common Shares issuable upon conversion of an outstanding secured convertible debenture in the amount of \$79,000 (C\$100,000) including interest accrued thereon;
- 99,443 Common Shares available for future issuance under our 2017 and 2022 Stock Option Plans;
- Up to Common Shares issuable upon the exercise of the Warrants; and
- up to Common Shares issuable upon exercise of the representative's warrants.

Except as otherwise indicated herein, all information in this prospectus reflects or assumes:

- no exercise of the outstanding options or warrants described above;
- no sale of any Pre-funded Units;
- no exercise of the underwriters' option to purchase up to an additional Common Shares, and/or Pre-funded Warrants, and/or Warrants to cover over-allotments, if any; and
- a one-for-sixty reverse stock split of our Common Shares effected on November 2, 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the Company's consolidated financial statements and the related notes thereto and other financial information included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" sections of this 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

		<u>Probable</u>	<u>Probable Non-Producing</u>	<u>Probable Undeveloped</u>
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:

	<u>Breedlove</u>	<u>Gaines County</u>	<u>Henshaw</u>	<u>Royalty Wells</u>	<u>Total</u>
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:

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

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

Henshaw

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

Pittcock - Mary Bullard

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

ODC San Andres

	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021	Fiscal Year Ended September 30, 2020
Net Production Volumes			
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, 2020 - \$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.

BUSINESS

Overview

We are an independent energy company engaged in the acquisition, exploration, development and production of oil and natural gas properties on private, state and federal land in the United States, primarily in the Permian Basin region of West Texas and Southeast New Mexico which includes the Midland – Central Basin and Delaware Basin. We focus 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, we own and operate various oil and gas properties as well as royalty interests in 73 wells and five permitted wells across 3,800 acres within the Permian Basin. Overall, we own and operate more than 78 oil and gas wells, have more than 11,700 net acres of production oil and gas assets, 62 shut-in opportunities, 17 salt water disposal wells and two water supply wells allowing for waterflood secondary recovery.

Business Strategy

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 MBO 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:

	<u>Breedlove</u>	<u>Gaines County</u>	<u>Henshaw</u>	<u>Royalty Wells</u>	<u>Total</u>
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)	4,946.43	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 an expiry date that is less than two years from the date of this prospectus.

Sales and Production

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:

	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021	Fiscal Year Ended September 30, 2020
Net Production Volumes			
Oil/Condensate (Bbl)	10,670	948	16,240
Natural Gas (Mcf)	11,567	1,410	9,196
Average Sales Price			
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

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

Henshaw

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

Pittcock - Mary Bullard

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

ODC San Andres

	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021	Fiscal Year Ended September 30, 2020
Net Production Volumes			
Oil/Condensate (Bbl)	—	—	15,948
Natural Gas (Mcf)	—	—	2,605

Texas Properties

Breedlove "B" Clearfork Leases

In September 2021, we, through our wholly-owned subsidiary, Permex Petroleum US Corporation, acquired a 100% Working Interest and an 81.75% Net Revenue Interest in the Breedlove "B" Clearfork leases located in Martin County, Texas. We issued 25,000,000 of our Common Shares and 12,500,000 share purchase warrants as consideration for this acquisition. 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. It is bounded on the north by Dawson County, on the east by Howard County, on the south by Glasscock and Midland Counties, and on the west by Andrews County. There is a total of 25 vertical wells of which 12 are producers, 4 are saltwater disposal wells and 9 that are shut-in opportunities. In January 2022, we began the pilot re-entry on the Carter Clearfork well #5, which is one of 67 shut-in wells that we currently own. The re-entry involved targeting the Clearfork formation at a depth of 7,200 feet. Due to the high water concentrating in the fluid entry, management will be installing appropriate flow-lines from this well to the injections wells on the property prior to putting the well back on pump. By doing so management is avoiding unnecessary operating expenses from water disposal in third party disposal facilities.

Pittcock Leases

The Pittcock Leases are situated in Stonewall County. Stonewall County is in Northwest Texas, in the central part of the North Central Plains and consists of the Pittcock North property, the Pittcock South property and the Windy Jones Property. It is bounded on the north by King County, on the east by Haskell County, on the south by Fisher and Jones Counties, and on the west by Kent County. The Pittcock North property covers 320 acres held by production. There is currently one producing well, ten shut-in wells, two saltwater disposal wells, and a water supply well. We hold 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. We hold a 100% working interest in the lease and a 71.90% net revenue interest. The Windy Jones Property consists of 40 acres and includes two injection wells and two suspended oil wells. The sole purpose of the Windy Jones property is to provide waterflood to the offset wells being the Pittcock wells located east boundary of the Windy Jones Property. We hold a 100% working interest in the Windy Jones Property and a 78.9% net revenue interest.

Mary Bullard Property

We acquired the Mary Bullard Property in August 2017 for a cash consideration of approximately \$50,000. The Mary Bullard Property is located in Stonewall County, about 5 ½ miles south west of Aspermont, Texas. It is bounded on the north by King County, on the east by Haskell County, on the south by Fisher and Jones Counties, and on the west by Kent County. The asset is situated on the Eastern Shelf of the Midland Basin in the central part of the North Central Plains. The Mary Bullard Property covers 241 acres held by production and is productive in the Clearfork formation at a depth of approximately 3,200 feet. There is currently one producing well, four shut-in wells, and two water injection wells. We hold a 100% working interest in the Mary Bullard Property and a 78.625% net revenue interest.

New Mexico Properties

In December 2017, Permex Petroleum US Corporation, our wholly-owned subsidiary, acquired the West Henshaw Property and the Oxy Yates Property for \$170,000 from Permex Petroleum Company LLC ("PPC"). An additional \$95,000 was transferred by us to PPC to purchase reclamation bonds in connection with the future operation of the properties.

West Henshaw Property

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. We hold a 100% working interest in the West Henshaw Property and a 72% net revenue interest.

In January 2022, we began the pilot re-entry on the West Henshaw well #15-3, one out of the 67 shut-in wells we currently owns. The re-entry and re-stimulation involved the West Henshaw property targeting the Grayburg formation at a depth of 2,850 feet. The recompletion was successful and came online at an initial rate of 30 bopd and has stabilized at 15 bopd. Management believes the production rates from this mature, long-life well to continue with less than 10% decline year over year.

In April 2022, we began the re-entry on the West Henshaw well #6-10. The re-entry and re-stimulation involved the West Henshaw property targeting the Grayburg formation at a depth of 2,850 feet. The recompletion was successful and came online at an initial rate of 15 bopd and has stabilized at 10 bopd. Management believes the production rates from this mature, long-life well to continue with less than 10% decline year over year.

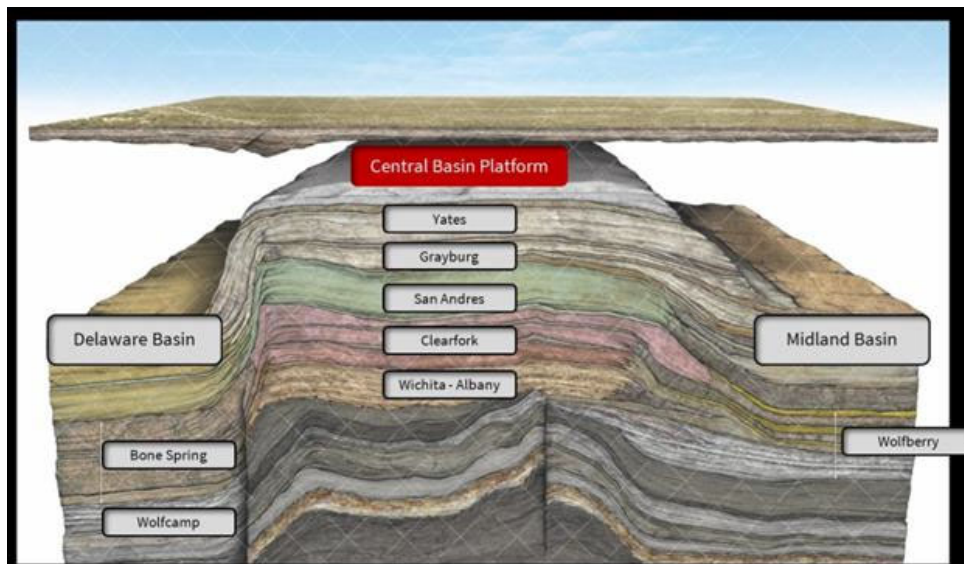
The remaining 67 shut-in wells that we plan to re-enter have potential to yield similar results increasing our total daily production solely by re-entering shut-in wells.

Oxy Yates Property

The Oxy Yates Property is located in Eddy County, approximately eight miles north of Carlsbad, New Mexico in the Delaware Basin. It is bounded by Chaves County to the north, Otero County to the east, Loving County, Texas to the south, and Lea County to the west. The Oxy Yates Property covers 680 acres held by production. There is one producing well and nine shut-in wells. The Yates formation is located at an average depth of 1,200 feet and overlies the Seven River formation and underlies the Tansill formation. We hold 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.



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.

Business Strategy

The principal elements of our business strategy include the following:

- Grow production and reserves in a capital efficient manner using internally generated levered free cash flow. We intend to allocate capital in a disciplined manner to projects that we anticipate will produce predictable and attractive rates of return. We plan to direct capital to our oil-rich and low-risk development opportunities while focusing on driving cost efficiencies across our asset base with the primary objective of internally funding our capital budget and growth plan. We may also use our capital flexibility to pursue value-enhancing, bolt-on acquisitions to opportunistically improve our positions in existing basins.
- Maximize ultimate hydrocarbon recovery from our assets by optimizing drilling, completion and production techniques and investigating deeper reservoirs and areas beyond our known productive areas. While we intend to utilize proven techniques and technologies, we will also continuously seek efficiencies in our drilling, completion and production techniques in order to optimize ultimate resource recoveries, rates of return and cash flows. We will explore innovative EOR techniques to unlock additional value and have allocated capital towards next generation technologies. For example, we have already completed extensive waterflood EOR studies in Pitcock North and Pitcock South. Through these studies, we will seek to expand our development beyond our known productive areas in order to add probable and possible reserves to our inventory at attractive all-in costs.
- Pursue operational excellence with a sense of urgency. We plan to deliver low cost, consistent, timely and efficient execution of our drilling campaigns, work programs and operations. We intend to execute our operations in a safe and environmentally responsible manner, focus on reducing our emissions, apply advanced technologies, and continuously seek ways to reduce our operating cash costs on a per barrel basis.
- Pursue strategic acquisitions that maintain or reduce our break-even costs. We intend to actively pursue accretive acquisitions, mergers and dispositions that are intended to improve our margins, returns, and break-even costs of our investment portfolio. Financial strategies associated with these efforts will focus on delivering competitive adjusted per share returns.

Industry Operating Environment

The oil and natural gas industry is a global market impacted by many factors, such as government regulations, particularly in the areas of taxation, energy, climate change and the environment, political and social developments in the Middle East, demand in Asian and European markets, and the extent to which members of The Organization of Petroleum Exporting Countries and other oil exporting nations manage oil supply through export quotas. Natural gas prices are generally determined by North American supply

and demand and are also affected by imports and exports of liquefied natural gas. Weather also has a significant impact on demand for natural gas since it is a primary heating source, and a major fuel for electric generation to power air conditioning.

Oil and natural gas prices have been, and we expect may continue to be, volatile. Lower oil and gas prices not only decrease our revenues, but an extended decline in oil or gas prices may affect planned capital expenditures and the oil and natural gas reserves that we can economically produce. While lower commodity prices may reduce our future net cash flow from operations, we expect to have sufficient liquidity to continue development of our oil and gas properties.

Development

We believe that there is significant value to be created by drilling the identified undeveloped opportunities on our properties in conjunction with the stimulation and rework of our shut-in wells. While our near-term plans are focused towards drilling wells on our existing acreage to develop the potential contained therein, our long-term plans also include continuing to evaluate acquisition and leasing opportunities that can earn attractive rates of return on capital employed.

Competition

The oil and natural gas industry is intensely competitive and we compete with numerous other oil and natural gas exploration and production companies, many of which have substantially larger technical teams and greater financial and operational resources than we do and may be able to pay more for exploratory prospects and productive oil and natural gas properties. Many of these companies not only engage in the acquisition, exploration, development, and production of oil and gas reserves, but also have gathering, processing or refining operations, market refined products, provide, dispose of and transport fresh and produced water, own drilling rigs or production equipment, or generate electricity, all of which, individually or in the aggregate, could provide such companies with a competitive advantage. We also compete with other oil and gas companies in securing drilling rigs and other equipment and services necessary for the drilling, completion, and maintenance of wells, as well as for the gathering, transporting, and processing of oil, gas, natural gas liquids, and water. Consequently, we may face shortages, delays, or increased costs in securing these services from time to time. The oil and gas industry also faces competition from alternative fuel sources, including renewable energy sources such as solar and wind-generated energy, and other fossil fuels such as coal. Competitive conditions may also be affected by future energy, environmental, climate-related, financial, or other policies, legislation, and regulations. Our larger or integrated competitors may be better able to absorb the burden of existing, and any changes to federal, state, and local laws and regulations than we can, which would adversely affect our competitive position. Our ability to discover reserves and acquire additional properties in the future is dependent upon our ability and resources to evaluate and select suitable properties and to consummate transactions in this highly competitive environment.

Marketing and Customers

The market for oil and natural gas that will be produced from our properties depends on many factors, including the extent of domestic production and imports of oil and natural gas, the proximity and availability of capacity and rates and terms of service of pipelines and other transportation and storage facilities, demand for oil and natural gas, the marketing of competitive fuels and the effects of state and federal regulation. The oil and natural gas industry also competes with other industries in supplying the energy and fuel requirements of industrial, commercial and individual consumers.

Our oil production is being sold to Energy Transfer Partners and HollyFrontier at prices tied to Argus. Our natural gas production is being sold to Targa Midstream Partners LP under Henry Hub gas spot prices.

For the years ended September 30, 2022 and 2021, we had two and one significant purchaser that accounted for approximately 75% and 49%, respectively, of our total oil, and natural gas revenues. If we lost one or more of these significant purchasers and were unable to sell our production to other purchasers on terms we consider acceptable, it could materially and adversely affect our business, financial condition, results of operations and cash flows.

Title to Properties

Our oil and natural gas properties are subject to customary royalty and other interests, liens under indebtedness, liens incident to operating agreements, liens for current taxes and other burdens, including other mineral encumbrances and restrictions. We do not believe that any of these burdens materially interfere with the use of our properties or the operation of our business. We believe that we have satisfactory title to or rights in our producing properties. As is customary in the oil and gas industry, minimal investigation of title is made at the time of acquisition of undeveloped properties. In most cases, we investigate title only when we acquire producing properties or before commencement of drilling operations.

Seasonality

Winter weather conditions and lease stipulations can limit or temporarily halt the drilling and producing activities of our operating partners and other oil and natural gas operations. These constraints and the resulting shortages or high costs could delay or temporarily halt the operations of our operating partners and materially increase our operating and capital costs. Such seasonal anomalies can also pose challenges for meeting well drilling objectives and may increase competition for equipment, supplies and personnel during the spring and summer months, which could lead to shortages and increase costs or delay or temporarily halt our operating partners' operations.

The demand and price for gas frequently increases during winter months and decreases during summer months. To lessen the impact of seasonal gas demand and price fluctuations, pipelines, utilities, local distribution companies, and industrial users regularly utilize gas storage facilities and forward purchase some of their anticipated winter requirements during the summer. However, increased summertime demand for electricity can divert gas that is traditionally placed into storage which, in turn, may increase the typical winter seasonal price. Seasonal anomalies, such as mild winters, or other unexpected impacts, such as the COVID-19 pandemic, sometimes lessen or exacerbate these fluctuations.

Principal Agreements Affecting Our Ordinary Business

We generally do not own physical real estate, but, instead, our acreage is primarily comprised of leasehold interests subject to the terms and provisions of lease agreements that provide us the right to participate in drilling and maintenance of wells in specific geographic areas. Lease arrangements that comprise our acreage positions are generally established using industry-standard terms that have been established and used in the oil and natural gas industry for many years. Many of our leases are or were acquired from other parties that obtained the original leasehold interest prior to our acquisition of the leasehold interest.

In general, our lease agreements stipulate three-to-five year terms. Bonuses and royalty rates are negotiated on a case-by-case basis consistent with industry standard pricing. Once a well is drilled and production established, the leased acreage in the applicable spacing unit is considered developed acreage and is held by production. Other locations within the drilling unit created for a well may also be drilled at any time with no time limit as long as the lease is held by production. Given the current pace of drilling in the areas of our operations, we do not believe lease expiration issues will materially affect our acreage position.

Governmental Regulation and Environmental Matters

Our operations are subject to various rules, regulations and limitations impacting the oil and natural gas exploration and production industry as whole.

Regulation of Oil and Natural Gas Production

Our oil and natural gas exploration, production and related operations are subject to extensive rules and regulations promulgated by federal, state, tribal and local authorities and agencies. For example, certain states require permits for drilling operations, drilling bonds and reports concerning operations and impose other requirements relating to the exploration and production of oil and natural gas. Texas and New Mexico also have statutes or regulations addressing conservation matters, including provisions for the unitization or pooling of oil and natural gas properties, and several states regulate the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled, the sourcing and disposal of water used in the process of drilling, completion and abandonment, the establishment of maximum rates of production from wells, and the regulation of spacing, plugging and abandonment of such wells. Moreover, the current U.S. federal Administration has indicated that it expects to impose additional federal regulations limiting access to and production from federal lands. The effect of these regulations is to limit the amount of oil and natural gas that registrant can produce from wells and to limit the number of wells or the locations at which drilling can occur. Moreover, many states impose a production or severance tax with respect to the production and sale of oil, natural gas and natural gas liquids within their jurisdictions, and the current federal Administration has proposed increasing royalties payable for production on Federal land. Failure to comply with any such rules and regulations can result in substantial penalties. The regulatory burden on the oil and natural gas industry may increase our cost of doing business and may affect our profitability. Because such rules and regulations are frequently amended or reinterpreted, we are unable to predict the future cost or impact of complying with such laws. Significant expenditures may be required to comply with governmental laws and regulations and may have a material adverse effect on our financial condition and results of operations. Additionally, currently unforeseen environmental incidents may occur or past non-compliance with environmental laws or regulations may be discovered. Therefore, we are unable to predict the future costs or impact of compliance. Additional proposals and proceedings that affect the oil and natural gas industry are regularly considered by Congress, the states, the Federal Energy Regulatory Commission ("FERC"), Pipeline and Hazardous Materials Safety Administration ("PHMSA"), and the courts. We cannot predict when or whether any such proposals may become effective.

Regulation of Transportation of Oil

Sales of crude oil, condensate and natural gas liquids are not currently regulated and are made at negotiated prices. Nevertheless, Congress could reenact price controls in the future. Our sales of crude oil are affected by the availability, terms and cost of transportation. The transportation of oil by common carrier pipelines is also subject to rate and access regulation. The FERC regulates interstate oil pipeline transportation rates under the Interstate Commerce Act. Interstate oil pipeline rates may be cost-based, although settlement rates agreed to by all shippers are permitted and market-based rates may be permitted in certain circumstances. Effective January 1, 1995, the FERC implemented regulations establishing an indexing system (based on inflation) for transportation rates for oil pipelines that allows a pipeline to increase its rates annually up to a prescribed ceiling, without making a cost of service filing. Every five years, the FERC reviews the appropriateness of the index level in relation to changes in industry costs. On January 20, 2022, the FERC established a new price index for the five-year period which commenced on July 1, 2021. Oil pipelines may also seek market-based rates.

Intrastate oil pipeline transportation rates are subject to regulation by state regulatory commissions. The basis for intrastate oil pipeline regulation, and the degree of regulatory oversight and scrutiny given to intrastate oil pipeline rates varies from state to state. Insofar as effective interstate and intrastate rates are equally applicable to all comparable shippers, we believe that the regulation of oil transportation rates will not affect our operations in any way that is of material difference from those of our competitors in the same state who are similarly situated.

Further, interstate and intrastate common carrier oil pipelines must provide service on a non-discriminatory basis. Under this open access standard, common carriers must offer service to all similarly situated shippers requesting service on the same terms and under the same rates. When oil pipelines operate at full capacity, access is generally governed by pro-rationing provisions set forth in the pipelines' published tariffs. Accordingly, we believe that access to oil pipeline transportation services generally will be available to us to the same extent as to our similarly situated competitors.

Regulation of Transportation and Sales of Natural Gas

Historically, the transportation and sale for resale of natural gas in interstate commerce has been regulated by the FERC under the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978 and regulations issued under those statutes. In the past, the federal government has regulated the prices at which natural gas could be sold. While sales by producers of natural gas can currently be made at market prices, Congress could reenact price controls in the future.

Onshore gathering services, which occur upstream of FERC jurisdictional transmission services, are regulated by the states. Although the FERC has set forth a general test for determining whether facilities perform a non-jurisdictional gathering function or a jurisdictional transmission function, the FERC's determinations as to the classification of facilities is done on a case-by-case basis. State regulation of natural gas gathering facilities generally includes various safety, environmental and, in some circumstances, nondiscriminatory take requirements. Although such regulation has not generally been affirmatively applied by state agencies, natural gas gathering may receive greater regulatory scrutiny in the future.

Intrastate natural gas transportation and facilities are also subject to regulation by state regulatory agencies, and certain transportation services provided by intrastate pipelines are also regulated by FERC. The basis for intrastate regulation of natural gas transportation and the degree of state regulatory oversight and scrutiny given to intrastate natural gas pipeline rates and services varies from state to state. Insofar as such regulation within a particular state will generally affect all intrastate natural gas shippers within the state on a comparable basis, we believe that the regulation of similarly situated intrastate natural gas transportation in any state in which we operate and ship natural gas on an intrastate basis will not affect our operations in any way that is of material difference from those of our competitors in that state. Like the regulation of interstate transportation rates, the regulation of intrastate transportation rates affects the marketing of natural gas that we produce, as well as the revenues we receive for sales of our natural gas.

Environmental Matters

Our operations and properties are subject to extensive and changing federal, state and local laws and regulations relating to environmental protection, including the generation, storage, handling, emission, transportation and discharge of materials into the environment, and relating to safety and health. The recent trend in environmental legislation and regulation generally is toward stricter standards, and this trend will likely continue. These laws and regulations may:

- require the acquisition of a permit or other authorization before construction or drilling commences and for certain other activities;
- limit or prohibit construction, drilling and other activities on certain lands lying within wilderness and other protected areas; and
- impose substantial liabilities for pollution resulting from operations.

The permits required for our operations may be subject to revocation, modification and renewal by issuing authorities. Governmental authorities have the power to enforce their regulations, and violations are subject to fines or injunctions, or both. In the opinion of management, we are in compliance with current applicable environmental laws and regulations, and have no material commitments for capital expenditures to comply with existing environmental requirements. Nevertheless, changes in existing environmental laws and regulations or in interpretations thereof could have a significant impact on us, as well as the oil and natural gas industry in general.

The Comprehensive Environmental, Response, Compensation, and Liability Act (“CERCLA”) and comparable state statutes impose strict, joint and several liability on owners and operators of sites and on persons who disposed of or arranged for the disposal of “hazardous substances” found at such sites. It is not uncommon for the neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. The Federal Resource Conservation and Recovery Act (“RCRA”) and comparable state statutes govern the disposal of “solid waste” and “hazardous waste” and authorize the imposition of substantial fines and penalties for noncompliance. Although CERCLA currently excludes petroleum from its definition of “hazardous substance,” state laws affecting our operations may impose clean-up liability relating to petroleum and petroleum related products. In addition, although RCRA classifies certain oil field wastes as “non-hazardous,” such exploration and production wastes could be reclassified as hazardous wastes thereby making such wastes subject to more stringent handling and disposal requirements. Recent regulation and litigation that has been brought against others in the industry under RCRA concern liability for earthquakes that were allegedly caused by injection of oil field wastes.

The Endangered Species Act (“ESA”) seeks to ensure that activities do not jeopardize endangered or threatened animal, fish and plant species, nor destroy or modify the critical habitat of such species. Under ESA, exploration and production operations, as well as actions by federal agencies, may not significantly impair or jeopardize the species or its habitat. ESA provides for criminal penalties for willful violations of ESA. Other statutes that provide protection to animal and plant species and that may apply to our operations include, but are not necessarily limited to, the Fish and Wildlife Coordination Act, the Fishery Conservation and Management Act, the Migratory Bird Treaty Act and the National Historic Preservation Act. Although we believe that our operations are in compliance with such statutes, any change in these statutes or any reclassification of a species as endangered could subject us (directly or indirectly through our operating partners) to significant expenses to modify our operations or could force discontinuation of certain operations altogether.

The Clean Air Act (“CAA”) controls air emissions from oil and natural gas production and natural gas processing operations, among other sources. CAA regulations include New Source Performance Standards (“NSPS”) for the oil and natural gas source category to address emissions of sulfur dioxide and volatile organic compounds (“VOCs”) and a separate set of emission standards to address hazardous air pollutants frequently associated with oil and natural gas production and processing activities.

On November 2, 2021, the Environmental Protection Agency (“EPA”) proposed to revise and add to the NSPS program rules. These rules, if adopted, could have a significant impact on the upstream and midstream oil and gas sectors. The proposed rule would formally reinstate methane emission limitations for existing and modified facilities in the oil and gas sector. Methane is a greenhouse gas. The proposed rules also would regulate, for the first time under the NSPS program, existing oil and gas facilities. Specifically, EPA’s proposed new rule would require states to implement plans that meet or exceed federally established emission reduction guidelines for oil and natural gas facilities. About a year after that proposal, the EPA proposed rules that strengthened and expanded the November, 2021 proposal. The November 2022 EPA statement would require more monitoring of small, high-polluting wells, tracking of “super-emitters”, inspection of abandoned wells until their closure, further reduction in flaring, and use of zero-emissions control equipment on hydrocarbon equipment. Comments regarding the November, 2022 proposal will be presented to the EPA in January, 2023, after which the EPA may act.

On August 16, 2022, the IRA was signed into law. The IRA imposes an escalating charge on methane emissions from inter alia onshore petroleum and natural gas production, and natural gas processing, gathering, transmission, underground storage, and LNG storage/ import/export equipment. The charges apply only to facilities emitting 25,000 metric tons of CO₂ annually. The IRA also funds grants to facilities subject to the methane charge and “marginal conventional wells” to improve equipment and processes. The IRA also creates generous tax credits, benefitting even non-profit entities, that likely will create more supply and demand for alternative non-hydrocarbon energy which may diminish demand, or prices obtained, for natural gas and oil. These statutory provisions will also be subject to legal challenge. The cumulative effect upon our business’ results of the IRA’s grants, charges, and incentives to non-hydrocarbon energy assets and fuels, is uncertain.

Additionally, various states and groups of states have adopted or are considering adopting legislation, regulations or other regulatory initiatives that are focused on such areas as greenhouse gas cap and trade programs, carbon taxes, reporting and tracking programs, and restriction of emissions. At the international level, there exists the United Nations-sponsored Paris Agreement, which is a non-binding agreement for nations to limit their greenhouse gas emissions through individually-determined reduction goals every five years after 2020. While the United States withdrew from the Paris Agreement effective November 4, 2020, President Biden recommitted the United States to the Paris Agreement on January 20, 2021.

These regulations and proposals and any other new regulations requiring the installation of more sophisticated pollution control equipment could have a material adverse impact on our business, results of operations and financial condition.

The Federal Water Pollution Control Act of 1972, or the Clean Water Act (the “CWA”), imposes restrictions and controls on the discharge of produced waters and other pollutants into waters of the United States (“WOTUS”). Permits must be obtained to discharge pollutants into state and federal waters and to conduct construction activities in waters and wetlands.

The CWA and certain state regulations prohibit the discharge of produced water, sand, drilling fluids, drill cuttings, sediment and certain other substances related to the oil and gas industry into certain coastal and offshore waters without an individual or general National Pollutant Discharge Elimination System discharge permit. In addition, the CWA and analogous state laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. CWA jurisdiction depends on the definition of WOTUS. On December 7, 2021, EPA and the Corps of Engineers proposed a rule to revise the definition of WOTUS, that would potentially expand CWA jurisdiction to include more features in areas where oil and gas operations are conducted. Some states also maintain groundwater protection programs that require permits for discharges or operations that may impact groundwater conditions. In 2021, the United States Supreme Court held that the CWA requires a discharge permit if the addition of pollutants through groundwater is the functional equivalent of a direct discharge from the point source into navigable waters. Costs may be associated with the treatment of wastewater and/or developing and implementing storm water pollution prevention plans.

The CAA, CWA and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges of oil and other pollutants and impose liability on parties responsible for those discharges, for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release.

New Mexico implemented in 2021 new standards mandating 98% of natural gas emissions be captured, and a prohibition on natural gas flaring to take effect in 2026. In addition, New Mexico in 2022 implemented restrictions, that are more stringent than federal rules, on emissions of volatile organic compounds and oxides of nitrogen, commonly occurring in connection with production of hydrocarbons. The State of New Mexico characterized the new rules as addressing oversized emissions from smaller, leak-prone wells.

The underground injection of oil and natural gas wastes are regulated by the Underground Injection Control program authorized by the Safe Drinking Water Act. The primary objective of injection well operating requirements is to ensure the mechanical integrity of the injection apparatus and to prevent migration of fluids from the injection zone into underground sources of drinking water. Substantially all of the oil and natural gas production in which we have interest is developed from unconventional sources that require hydraulic fracturing as part of the completion process. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into the formation to stimulate gas production. Legislation to amend the Safe Drinking Water Act to repeal the exemption for hydraulic fracturing from the definition of "underground injection" and require federal permitting and regulatory control of hydraulic fracturing, as well as legislative proposals to require disclosure of the chemical constituents of the fluids used in the fracturing process, were proposed in recent sessions of Congress. The U.S. Congress continues to consider legislation to amend the Safe Drinking Water Act to address hydraulic fracturing operations.

Scrutiny of hydraulic fracturing activities continues in other ways. The federal government is currently undertaking several studies of hydraulic fracturing's potential impacts. Several states have also proposed or adopted legislative or regulatory restrictions on hydraulic fracturing. A number of municipalities in other states have enacted bans on hydraulic fracturing. We cannot predict whether any other legislation will ever be enacted and if so, what its provisions would be. If additional levels of regulation and permits were required through the adoption of new laws and regulations at the federal or state level, it could lead to delays, increased operating costs and process prohibitions that would materially adversely affect our revenue and results of operations.

The National Environmental Policy Act ("NEPA") establishes a national environmental policy and goals for the protection, maintenance and enhancement of the environment and provides a process for implementing these goals within federal agencies. A major federal agency action having the potential to significantly impact the environment requires review under NEPA. In 2021, the Biden Administration proposed a rule to undo changes to NEPA enacted under the Trump Administration that had streamlined NEPA review. The proposed changes would emphasize the need to review federal actions for climate change and environmental justice impacts, among other factors. These proposed changes, if enacted, would affect the assessment of projects ranging from oil and gas leasing to development on public and Indian lands.

Climate Change

Significant studies and research have been devoted to climate change, and climate change has developed into a major political issue in the United States and globally. Certain research suggests that greenhouse gas emissions contribute to climate change and pose a threat to the environment. Recent scientific research and political debate has focused in part on carbon dioxide and methane incidental to oil and natural gas exploration and production.

In the United States, no comprehensive federal climate change legislation has been implemented to date but the current administration has indicated willingness to pursue new climate change legislation, executive actions or other regulatory initiatives to limit GHG emissions. These include rejoining the Paris Agreement treaty on climate change, several executive orders to address climate change, the U.S. Methane Emissions Reduction Action Plan, and a commitment to cut greenhouse gas emissions 50-52 percent of 2005 levels by 2030. Further, legislative and regulatory initiatives are underway to that purpose. The U.S. Congress has considered legislation that would control GHG emissions through a “cap and trade” program and several states have already implemented programs to reduce GHG emissions. The U.S. Supreme Court determined that GHG emissions fall within the CAA definition of an “air pollutant.” Recent litigation has held that if a source was subject to Prevention of Significant Deterioration or Title V based on emissions of conventional pollutants like sulfur dioxide, particulates, nitrogen dioxide, carbon monoxide, ozone or lead, then the EPA could also require the source to control GHG emissions and the source would have to install Best Available Control Technology to do so. As a result, a source may still have to control GHG emissions if it is an otherwise regulated source.

The SEC in 2022 proposed rules requiring disclosure of how climate-related risks are likely to materially impact publicly-traded enterprises’ finances, strategies and outlook and the impact of climate-related events upon a company’s consolidated financial statements’ line items. Final action on this proposed rule is pending. Companies must also identify “transition” strategies. Compliance with the proposed rule would increase our costs.

In 2014, Colorado was the first state in the nation to adopt rules to control methane emissions from oil and gas facilities. In 2016, the EPA revised and expanded NSPS to include final rules to curb emissions of methane, a greenhouse gas, from new, reconstructed and modified oil and gas sources. Previously, already existing NSPS regulated VOCs, and controlling VOCs also had the effect of controlling methane, because natural gas leaks emit both compounds. However, by explicitly regulating methane as a separate air pollutant, the 2016 regulations were a statutory predicate to propose regulating emissions from existing oil and gas facilities. In September 2020, EPA made technical and policy changes to the methane rules that limited the scope of the rules. In 2021, President Biden issued Executive Order 13990, Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis. In furtherance of this Executive Order, the EPA, on November 2, 2021, proposed rules to regulate methane emissions from the oil and natural gas industry, including, for the first time, reductions from certain upstream and midstream existing oil and gas sources. These regulations also expanded controls to reduce methane emissions, such as enhancement of leak detection and repair provisions. The PHMSA and the Department of Interior continue to focus on regulatory initiatives to control methane emissions from upstream and midstream equipment. To the extent that these regulations or initiatives remain in place and to the extent that our third-party operating partners are required to further control methane emissions, such controls could impact our business.

In addition, some of our third-party operating partners are required to report their GHG emissions under CAA rules. Because regulation of GHG emissions continues to evolve, further regulatory, legislative and judicial developments are likely to occur. Such developments may affect how these GHG initiatives will impact us. Moreover, while the U.S. Supreme Court held in its 2011 decision *American Electric Power Co. v. Connecticut* that, with respect to claims concerning GHG emissions, the federal common law of nuisance was displaced by the CAA, the Court left open the question of whether tort claims against sources of GHG emissions alleging property damage may proceed under state common law. There thus remains some litigation risk for such claims. Due to the uncertainties surrounding the regulation of and other risks associated with GHG emissions, we cannot predict the financial impact of related developments on us.

The FERC has issued policy statements articulating how it will quantify natural GHG emissions, departing from past practices.

Legislation or regulations that may be adopted to address climate change could also affect the markets for our products by making our products more or less desirable than competing sources of energy. To the extent that our products are competing with higher GHG emitting energy sources, our products would become more desirable in the market with more stringent limitations on GHG emissions. To the extent that our products are competing with lower GHG emitting energy sources such as solar and wind, our products would become less desirable in the market with more stringent limitations on GHG emissions. We cannot predict with any certainty at this time how these possibilities may affect our operations.

Depending on the outcome of future carbon emission rulemakings under the CAA targeting new and existing power plants, and demand for hydrocarbons may be reduced. In addition, we anticipate that such regulations will be challenged in federal court prior to their implementation. Depending on the outcome of such judicial review, the hydrocarbon production industry may face alternative efforts from private parties seeking to establish alternative GHG emission limitations from power plants. Alternative GHG emission limitations may arise from litigation under either federal or state common laws or citizen suit provisions of federal environmental statutes that attempt to force federal agency rulemaking or imposing emission limitations. Such lawsuits may also see damages from harm alleged to have resulted from GHG emissions.

Physical and Operational Risks. Weather extremes such as drought and high temperature variations are common occurrences in the southwest United States. Large increases in ambient temperatures could require evaluation of certain materials used within its system and may represent a greater challenge. As part of conducting our business, we recognize that the southwestern United States is particularly susceptible to the risks posed by climate change, which over time is projected to exacerbate high temperature extremes and prolong drought in the area. Texas has recently experienced extended droughts. Prolonged and extreme drought conditions can also affect our long-term ability to access water resources. Reductions in the availability of water for injections could negatively impact our financial condition, results of operations or cash flows.

Effects of Energy Conservation Measures and Distributed Energy Resources. Some state legislatures and agencies have established rules regarding energy efficiency that mandate energy savings requirements which in turn will impact the demand for electricity.

In addition to these rules and requirements, energy efficiency technologies and distributed energy resources continue to evolve, which may have similar impacts on demand for electricity. Reduced demand due to these energy efficiency requirements, distributed energy requirements and other emerging technologies, could have a material adverse impact on the financial condition results of operations and cash flow of our indirect customers.

Operational Hazards and Insurance

The oil and natural gas business involves a variety of operating risks, including the risk of fire, explosions, well blow-outs, pipe failures, industrial accidents, and, in some cases, abnormally high pressure formations which could lead to environmental hazards such as oil releases, chemical releases, natural gas leaks and the discharge of toxic gases. Any of these risks could adversely affect our ability to conduct operations or result in substantial losses to us, for example, as a result of damage to our property or equipment or injury to our personnel. These operational risks could also result in the spill or release of hazardous materials such as drilling fluids or other chemicals, which may result in pollution, natural resource damages, or other environmental damage and necessitate investigation and remediation costs. As a result, we could be subject to liability under environmental law or common law theories. In addition, these operational risks could result in the suspension or delay of our operations, which could have significant adverse consequences on our business.

In accordance with customary industry practices, we maintain insurance against some, but not all, of the operating risks to which our business is exposed. We cannot provide assurance that any insurance we obtain will be adequate to cover our losses or liabilities. Pollution and environmental risks generally are not fully insurable. Under certain circumstances, we may be liable for environmental damage caused by previous owners or operators of properties that we own, lease or operate. As a result, we may incur substantial liabilities to third parties or governmental entities for environmental matters for which we do not have insurance coverage, which could reduce or eliminate funds available for exploration, development or acquisitions or cause us to incur losses.

The occurrence of an event not fully covered by insurance could have a material adverse effect on our financial position, results of operations and cash flows.

Employees

As of February 7, 2023, we had two full time and no part time employees. We may hire additional personnel as appropriate. We also use the services of independent consultants and contractors to perform various professional services.

Facilities

Our executive offices are located at 2911 Turtle Creek Blvd, Suite 925, Dallas, Texas 75219 and consists of 2,765 square feet of leased space. We believe our current office space is sufficient to meet our needs and that additional office space can be obtained if necessary.

Corporate History

We were incorporated on April 24, 2017 under the laws of British Columbia, Canada. At September 30, 2022, we have one wholly-owned subsidiary, Permex Petroleum US Corporation, a corporation incorporated under the laws of New Mexico (“Permex U.S.”). We own and operate oil and gas properties in Texas (Breedlove “B” Property, Pittcock North Property, Pittcock South Property and Mary Bullard Property), and Permex U.S. owns and operates oil and gas properties in New Mexico (Henshaw Property and the Oxy Yates Property).

Corporate Information

Our principal executive offices are located at 2911 Turtle Creek Blvd, Suite 925, Dallas, Texas 75219 and our website is www.permexpetroleum.com. We do not incorporate the information on our website into this prospectus and you should not consider any such information that can be accessed through our website as part of this prospectus.

MANAGEMENT

Directors and Executive Officers

Set forth below is the name and position and a brief account of the business experience of each of our directors and executive officers as of February 9, 2023. Each of the directors listed below was elected to our Board of Directors to serve until our next annual meeting of shareholders or until such director’s successor is elected and qualified.

Name	Age	Position
Mehran Ehsan	41	Chief Executive Officer, President and Director
Gregory Montgomery	53	Chief Financial Officer and Director
Barry Whelan	81	Chief Operating Officer and Director
Scott Kelly	47	Director
Douglas Charles Urch	64	Director
James Perry Bryan	82	Director
John James Lendrum	71	Director
Melissa Folz	38	Director

Biographical Information

Mehran Ehsan

Mehran Ehsan has served as the Chief Executive Officer and President and a member of the Board of Directors of the Company since April 2017. In addition, from July 2010 to June 2019, Mr. Ehsan served as President and Chief Executive Officer of N.A. Energy Resources Corporation, a privately held oil and gas operator. Mr. Ehsan also previously served as the Director of Business Development for West Texas Investment Corp. and a Financial Specialist (Oil and Gas) for Sterling Wealth.

We believe Mr. Ehsan is qualified to serve on our Board of Directors because he brings first-hand knowledge of the Company's day-to-day operations as well as an understanding of the operational, financial and strategic issues facing our Company.

Gregory Montgomery

Gregory Montgomery has served as Chief Financial Officer of the Company since May 2022 and a member of the Company's Board of Directors since March 2020. Since June 2021, Mr. Montgomery has served as Vice President, Project Management Office – Private Equity Energy Management of Priority Power Management, LLC. In addition from October 2018 until June 2021, he served as Partner of Vine Advisors, from October 2017 until October 2018, he served as Chief Financial Officer of Oiltanking North America and from March 2013 until October 2017, he served as Chief Financial Officer of Semarus Energy, LLC. Mr. Montgomery also served as Chief Financial Officer for Lion Copolymer, Coast Energy and Laser Midstream, and was a Director of Strategic Planning for Enbridge Energy Partners (EEP: NYSE) and Compliance Officer for Pennzoil Company (PZL: NYSE). Mr. Montgomery is a CPA and member of the Texas Society of CPA's and American Institute of Certified Public Accountants. Mr. Montgomery holds a Bachelor of Business Administration from the University of Houston – Bauer College of Business.

We believe Mr. Montgomery is qualified to serve on our Board of Directors because he brings extensive financial and accounting experience in the oil and gas industry.

Barry Whelan

Barry Whelan has served as the Chief Operating Officer and a member of the Board of Directors of the Company since April 2017. Since May 2017, Mr. Whelan has served as the Chief Operating Officer and a member of the board of directors of N.A. Energy Resources Corporation, a privately held oil and gas operator. Mr. Whelan received his degrees in geology from Western University (London) and McMaster University (Hamilton). He is a past member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta, the Association of Professional Engineers and Geoscientists of British Columbia, the Institute of Geology (London, U.K.) and a Fellow of the Geological Institute of Canada.

We believe Mr. Whelan is qualified to serve on our Board of Directors because he brings first-hand knowledge of the Company's day-to-day operations.

Scott Kelly

Scott Kelly served as the Chief Financial Officer and Corporate Secretary from December 2017 until May 2022 and has served as a member of the Board of Directors of the Company since December 2017. Since 2017, Mr. Kelly has been a self-employed business consultant who has held the office of Chief Financial Officer for Ely Gold Royalties Inc. (May 2007 – June 2019), Mako Mining Corp. (TSXV: MKO; OTCQX: MAKOF) (November 2018 – February 2021), Sonoro Gold Corp. (October 2010 – November 2019) (OTCQB: SMOFF; TSX: SGO) and Ethos Gold Corp. (August 2014 – April 2021) (TSX: PPP). Mr. Kelly obtained his Bachelor of Commerce degree from Royal Roads University.

We believe Mr. Kelly is qualified to serve on our Board of Directors because he brings extensive financial and accounting experience.

Douglas Charles Urch

Douglas Urch has served as a member of the Company's Board of Directors since November 2018. Since November 2019, Mr. Urch has served as the Executive Vice President and Chief Financial Officer of PetroTal Corp. (OTCQX: PTALF; TSXV: TAL; AIM PTAL), and from December 2017 until October 2019, he served as chair of the board of directors. In addition, from February 2008 until September 2018, Mr. Urch served as Executive Vice President, Finance and Chief Financial Officer of Bankers Petroleum Ltd. Moreover, since April 2017, Mr. Urch has served as a member of the board of directors of Blue Moon Metals Corp. (TSXV: MOON). Mr. Urch is a Chartered Professional Accountant (CPA) and a member of the Institute of Corporate Directors (ICD). He also received a Bachelor of Commerce degree (with a major in accounting) from the University of Calgary in 1980.

We believe Mr. Urch is qualified to serve on our Board of Directors because he brings extensive financial and accounting experience in the oil and gas industry.

James Perry Bryan

James Bryan has served as a member of the Company's Board of Directors since September 2021. From October 2020 to August 2021, Mr. Lendrum served on the board of directors of Good Work Acquisition Corp., a special purpose acquisition company. Mr. Bryan has been involved in the energy and investment industries for more than five decades, serving as Chief Executive Officer and President of Gulf Canada Resources Limited (1995 - 1998), Chairman (1990 - 1997) and Chief Executive Officer of Nuevo Energy Company (1990 - 1995), Chief Executive Officer of Bellwether Exploration (1987 - 1997), First Vice President of E.F. Hutton & Company and Director of Investment Banking-Southwest Region (1978 - 1981), Chairman and Chief Executive Officer of Torch Energy Advisors, Inc. (1981 - 2012), President and Chief Executive Officer of The Mortgage Banque (1974 - 1978), Executive Vice President and Director of Dominick & Dominick, Inc. (1969 - 1974), and Vice President of Morgan Guaranty Trust Company (1966 - 1969). He received his B.A. from The University of Texas at Austin, his L.L.B. from The University of Texas Law School at Austin and his B.F.T. from the American Institute of Foreign Trade at Phoenix, Arizona. Among his numerous business awards are Texas Entrepreneur of the Year (1994) and Canadian Oil Producer of the Year (1995).

We believe Mr. Bryan is qualified to serve on our Board of Directors because he brings extensive experience in the oil and gas industry.

John James Lendrum

John Lendrum has served as a member of the Company's Board of Directors since September 2021. Since 2015, Mr. Lendrum has served as the Non-Executive Chairman of Nuevo Midstream Dos, LLC. From 2012 to 2014, he served as the President, Chief Executive Officer and member of the board of directors of Nuevo Midstream Company ("Nuevo"). Nuevo owned and operated gas gathering, processing and treating assets in the Delaware and Permian Basins of West Texas and New Mexico and was sold to an affiliate of Anadarko Petroleum Company in 2014. Since February 2019, Mr. Lendrum serves on the board of Blue Rock Energy Partners. In 2018, he participated along with several other family offices, in the acquisition of Blue Rock from the private equity unit of TudorPickeringHolt. Mr. Lendrum has a B.B.A. in Finance and completed his graduate studies in Accounting Theory at The University of Texas at Austin.

We believe Mr. Lendrum is qualified to serve on our Board of Directors because he brings extensive experience in the oil and gas industry.

Melissa Folz

Melissa Folz has served as a director of the Company's Board of Directors since October 2022. Ms. Folz is currently the Director of Production Engineering and Optimization at Chord Energy, which is a result of the merger of Oasis Petroleum and Whiting Petroleum effective July 1st, 2022. Ms. Folz has been a leader at Oasis Petroleum since 2014 in various production, reservoir, and subsurface assessment management positions. Prior to joining Oasis she worked at Sabine Oil and Gas as a production engineer and Southwestern Energy as a completions engineer. Ms. Folz has over fourteen years of experience in oil and gas, graduated as a Petroleum Engineer from Louisiana State University, and is a licensed Professional Engineer in the state of Texas.

We believe Ms. Folz is qualified to serve on our Board of Directors because she brings extensive experience in the oil and gas industry.

Family Relationships

There are no family relationships among any of our executive officers or directors.

Involvement in Certain Legal Proceedings

We are not aware of any of our directors or officers being involved in any legal proceedings in the past ten years relating to any matters in bankruptcy, insolvency, criminal proceedings (other than traffic and other minor offenses), or being subject to any of the items set forth under Item 401(f) of Regulation S-K under the Securities Act.

Arrangements between Officers and Directors

Except as set forth herein, to our knowledge, there is no arrangement or understanding between any of our officers or directors and any other person pursuant to which the officer or director was selected to serve as an officer or director.

Independence

We have determined Douglas Charles Urch, John James Lendrum, James Perry Bryan and Melissa Folz to be "independent" directors within the meaning of the listing standards of the New York Stock Exchange. Mehran Ehsan is not independent since he is the current President and CEO of the Company; Gregory Montgomery is not independent since he is the current CFO of the Company; Scott Kelly is not considered independent as he previously served as our CFO; and Barry Whelan is not independent since he is the current COO of the Company. In making our independence determinations, we have considered all relationships between any of the directors and the Company.

Committees of our Board of Directors

Our Board of Directors has a separately designated standing audit committee. Our Board serves in place of a compensation committee, determining the compensation of our officers and directors, and nominating and corporate governance committee, nominating members to our Board of Directors. The functions of a compensation committee and nominating committee are performed exclusively by the independent directors on the Board, meeting separately, and determinations are made by a majority of such independent directors.

Audit Committee

Our audit committee consists of Douglas Charles Urch (Chair), James Perry Bryan and John James Lendrum. Our Board of Directors has determined that each of Douglas Charles Urch, James Perry Bryan and John James Lendrum meet the definition as an “independent” director within the meaning of the listing standards of the New York Stock Exchange. Each member of the audit committee is financially literate, and in addition, our Board of Directors has determined that Douglas Charles Urch qualifies as an “audit committee financial expert,” as defined in applicable SEC regulations.

Our audit committee is responsible for overseeing our financial reporting process on behalf of the Board, including overseeing the work of the independent auditors who report directly to the audit committee. The specific responsibilities of our audit committee, among others, include:

- evaluating the performance and assessing the qualifications of the independent directors and recommending to the Board and the shareholders the appointment of our external auditor;
- determining and approving the engagement of and compensation for audit and non-audit services of our external auditor;
- reviewing our financial statements and management’s discussion and analysis of financial condition and results of operations and recommending to the Board whether or not such financial statements and management’s discussion and analysis of financial condition and results of operations should be approved by the Board;
- conferring with our external auditor and with management regarding the scope, adequacy and effectiveness of internal financial reporting controls;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding our accounting controls, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting and auditing matters; and
- reviewing and discussing with management and the independent auditor, as appropriate, our guidelines and policies with respect to risk assessment and risk management, including major financial risk exposure and investment and hedging policies and the steps taken by management to monitor and control our exposure to such risks.

Committee Charters and Other Corporate Governance Matters

Audit Committee Charter

Our Board of Directors has adopted a written charter for our audit committee.

Code of Business Conduct and Ethics

We have adopted a written Code of Business Conduct and Ethics which addresses issues including, but not limited to: (i) conflicts of interest; (ii) compliance with laws, rules, and regulations; (iii) protection and proper use of corporate opportunities; (iv) protection and proper use of corporate assets; (v) confidentiality of corporate information; (vi) fair dealing with securityholders, customers, competitors, and employees; and (vii) accuracy of business records. The Code of Business Conduct and Ethics applies to all of our directors, officers and employees. Any change or waivers from the provisions of the Code of Business Conduct and Ethics for our executive officers or directors will be made only after approval by the Board of Directors and will be promptly disclosed.

Director Compensation

We have no formal policy concerning director compensation; however, options may be granted to directors as compensation for services on the Board, at the discretion of our Board. To date, the we have not paid any cash compensation to our directors for service on the Board.

The following table presents the total compensation for each person who served as a member of our Board of Directors (other than Mehran Ehsan, our Chief Executive Officer, whose compensation is summarized below under “Summary Compensation Table”) and received compensation for such service on the Board during the fiscal year ended September 30, 2022.

Name	Fees earned or paid in cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified deferred compensation earnings (\$)	All Other Compensation (\$)	Total (\$)
Scott Kelly (1)	—	—	96,154	—	—	—	96,154
Douglas Charles Urch	—	—	105,770	—	—	—	105,770
James Perry Bryan	—	—	—	—	—	—	—
John James Lendrum	—	—	—	—	—	—	—
Edward Odishaw (2)	—	—	—	—	—	—	—
Greg Montgomery (3)	—	—	28,846	—	—	—	28,846
Barry Whelan (4)	—	—	96,154	—	—	—	96,154

(1) Scott Kelly served as Chief Financial Officer and Corporate Secretary of the Company until May 2022. In connection with his service as our Chief Financial Officer, Mr. Kelly received cash compensation of \$9,375 during the fiscal year ended September 30, 2022.

(2) Edward Odishaw served as a director of the Company until May 2, 2022.

(3) Greg Montgomery was appointed as our Chief Financial Officer on May 1, 2022. Pursuant to his employment agreement with the Company, Mr. Montgomery will receive an annual base salary of \$50,000 and be eligible to receive an annual cash bonus of up to 100% of this annual salary. Mr. Montgomery received cash compensation of \$20,833 during the fiscal year ended September 30, 2022 in connection with his service as our Chief Financial Officer.

(4) Barry Whelan also serves as our Chief Operating Officer.

EXECUTIVE COMPENSATION

For the purposes hereof, a named executive officer (“NEO”) of the Company means the Company’s Chief Executive Officer, Mehran Ehsan, as no other executive officer of the Company received total compensation in 2022 in excess of \$100,000, and thus disclosure is not required for any other person.

Summary Compensation Table

The following table sets forth, for the years ended September 30, 2022 and 2021, all compensation paid or accrued by the Company, to or on behalf of the NEO:

Name and Principal Position	Fiscal Years Ended 09/30	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Mehran Ehsan	2022	220,834	—	—	144,231	—	—	—	365,065
President, CEO and Director	2021	149,806	—	—	—	—	—	—	149,806

Outstanding Equity Awards at Fiscal Year-End

The following table provides information regarding option and restricted stock unit awards held by our that were outstanding as of September 30, 2022.

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#) (Exercisable)	Number of Securities Underlying Unexercised Options (#) (Unexercisable)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (#)	Unearned Shares, Units or Other Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested (\$)
Mehran Ehsan	11,250 (1)	—	—	\$ 30.00	12/4/2027	—	—	—	—
President, CEO and Director	12,500(2)	—	—	\$ 14.40	10/6/2031	—	—	—	—

(1) Stock options granted to Mehran Ehsan in December 2017 vested immediately upon grant.

(2) Stock options granted to Mehran Ehsan in October 2021 vested immediately upon grant.

Stock Option Plans and Other Incentive Plan

Other than the Option Plan set forth below, the Company currently does not have any other stock option plan, stock option agreement made outside of a stock option plan, plan providing for the grant of stock appreciation rights, deferred share units or restricted stock units or any other incentive plan or portion of a plan under which awards are granted.

The Company's current stock option plan (the "Option Plan") was approved by the Board on November 27, 2017 and by the Company's shareholders on April 8, 2022. The purpose of the Option Plan is to ensure that the Company is able to provide an incentive program for directors, officers, employees and persons providing services to the Company (each, an "Optionee") that provides enough flexibility in the structuring of incentive benefits to allow the Company to remain competitive in the recruitment and maintenance of key personnel.

The Option Plan will be administered by the Board or the compensation committee of the Company, as applicable, which shall, without limitation, have full and final authority in its discretion, but subject to the express provisions of the Option Plan, to interpret the Option Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Option Plan, subject to any necessary shareholder or regulatory approval. The Board may delegate any or all of its authority with respect to the administration of the Option Plan. The Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, and the number of Common Shares to be subject to each option.

Under the Option Plan, options will be exercisable over periods of up to 10 years as determined by the Board. The exercise price of any option may not be less than the greater of the closing market price of the Common Shares on: (i) the trading day prior to the date of grant of the option; and (ii) the grant date of the option, less any applicable discount allowed by the Canadian Securities Exchange (the "CSE") or any other stock exchange on which the Common Shares are listed for trading.

The maximum number of Common Shares which may be issued pursuant to options granted under the Option Plan is 10% of the issued and outstanding Common Shares at the time of the grant, provided that the Common Shares are listed on the CSE or any other stock exchange at the time of grant. In addition, the number of Common Shares which may be issuable under the Option Plan and all of the Company's other previously established or proposed share compensation arrangements, within a one-year period:

- to any one Optionee may not exceed (without the requisite disinterested shareholder approval) 5% of the issued Common Shares on a non-diluted basis;
- to insiders as a group shall not exceed 10% of the total number of issued and outstanding Common Shares, on a non-diluted basis, at the time of the grant; and
- to all Optionees who undertake investor relation activities shall not exceed 1% in the aggregate of the total number of issued and outstanding Common Shares at the time of the grant, on a non-diluted basis.

The Option Plan permits the Board to specify a vesting schedule in its discretion, subject to minimum vesting requirements imposed by the applicable stock exchange. Unless otherwise specified by the Board at the time of granting an option, and subject to the other limits on option grants set out in the Option Plan, all options granted under the Option Plan shall vest and become exercisable in full upon grant, except Options granted to consultants performing investor relations activities, which options must vest in stages over twelve months with no more than one-quarter of the options vesting in any three month period.

The Option Plan provides that if a change of control (as defined in the Option Plan) occurs, or if the Company is subject to a take-over bid, all Common Shares subject to options shall immediately become vested and may thereupon be exercised in whole or in part by the option holder. The Board may also accelerate the expiry date of outstanding options in connection with a take-over bid.

The Option Plan contains adjustment provisions with respect to outstanding options in cases of share reorganizations, special distributions and other corporation reorganizations including an arrangement or other transaction under which the business or assets of the Company become, collectively, the business and assets of two or more companies with the same shareholder group upon the distribution to the Company's shareholders, or the exchange with the Company's shareholders, of securities of the Company or securities of another company.

The Option Plan provides that on the death or disability of an option holder, all vested options will expire at the earlier of 365 days after the date of death or disability and the expiry date of such options. Where an Optionee is terminated for cause, any outstanding options (whether vested or unvested) are cancelled as of the date of termination. If an Optionee retires or voluntarily resigns or is otherwise terminated by the Company other than for cause, then all vested options held by such Optionee will expire at the earlier of (i) the expiry date of such options and (ii) the date which is 90 days (30 days if the Optionee was engaged in investor relations activities) after the Optionee ceases its office, employment or engagement with the Company.

The Option Plan contains a provision that if pursuant to the operation of an adjustment provision of the Option Plan, an Optionee receives options (the "New Options") to purchase securities of another company (the "New Company") in respect of the Optionee's options under the Option Plan (the "Subject Options"), the New Options shall expire on the earlier of: (i) the expiry date of the Subject Options; (ii) if the Optionee does not become an eligible person in respect of the New Company, the date that the Subject Options expire pursuant to the applicable provisions of the Option Plan relating to expiration of options in cases of death, disability or termination of employment discussed in the preceding paragraph above (the "Termination Provisions"); (iii) if the Optionee becomes an eligible person in respect of the New Company, the date that the New Options expire pursuant to the terms of the New Company's stock option plan that correspond to the Termination Provisions; and (iv) the date that is one year after the Optionee ceases to be an eligible person in respect of the New Company or such shorter period as determined by the Board.

In accordance with good corporate governance practices and as recommended by National Policy 51-201 – *Disclosure Standards*, the Company imposes black-out periods restricting the trading of its securities by directors, officers, employees and consultants during periods surrounding the release of annual and interim financial statements and at other times when deemed necessary by management and the Board. In order to ensure that holders of outstanding options are not prejudiced by the imposition of such black-out periods, the Option Plan contains a provision to the effect that any outstanding options with an expiry date occurring during a management imposed black-out period or within five trading days thereafter will be automatically extended to a date that is 10 trading days following the end of the black-out period.

The options granted under the Option Plan are non-assignable and non-transferable. Subject to required shareholder approval and the approval of the CSE, or any other stock exchange on which the Common Shares are listed, if applicable, the Board may from time to time amend or revise the terms of the Option Plan or may terminate the Option Plan at any time.

The Company does not provide any financial assistance to participants in order to facilitate the purchase of Common Shares under the Option Plan. As at January 23, 2023, there were options outstanding under the Option Plan to acquire 84,583 Common Shares, representing approximately 4% of the Company's current issued and outstanding shares.

A copy of the Option Plan may be inspected at the head office of the Company, 2911 Turtle Creek Blvd, Suite 925, Dallas, Texas 75219, during normal business hours. In addition, a copy of the Option Plan will be mailed, free of charge, to any shareholder who requests a copy, in writing, from the Chief Financial Officer of the Company. Any such requests should be mailed to the Company, at its head office, to the attention of the Chief Financial Officer.

Employment, Consulting and Management Agreements

Other than the executive employment agreement between the Company and Mehran Ehsan, the material terms of which are set forth below, the Company does not have any compensation agreements or arrangements that the Company or any of its subsidiaries have entered into with respect to services provided by a NEO, a director or any other party in the event such services provided are typically provided by a director or NEO (collectively, "Compensation Arrangements").

The Compensation Arrangements for Mehran Ehsan were initially set forth in the amended employment agreement dated September 1, 2021, as subsequently amended on May 1, 2022, between the Company and Mr. Ehsan (the "CEO Employment Agreement"). Pursuant to the CEO Employment Agreement, the Company employs Mr. Ehsan to serve as CEO of the Company and to perform such duties and have such authority as may from time to time be assigned by the Board. As compensation for the performance of such duties, the Company paid Mr. Ehsan a base salary of \$200,000 per year (which increased to \$250,000 as of May 1, 2022), which shall be reviewed by the Company annually. Mr. Ehsan is also eligible for cash bonuses and grants of Options under the Option Plan, in the sole discretion of the Board, as well as group health, medical and disability insurance benefits and any other fringe benefit programs that the Company maintains from time to time for the benefit of its employees.

The Company may immediately terminate Mr. Ehsan’s employment at any time for cause, by written notice. The Company may terminate the Mr. Ehsan’s employment at any time without cause by providing him with notice in writing and compensation in lieu of notice as follows:

- payment of all outstanding and accrued base salary and vacation pay, earned and owing up to the last day of the active employment, and reimbursement for all proper expenses incurred by him in connection with the Company’s business prior to the last day of active employment;
- payment of an amount equal to 36 months base salary;
- payment of an amount in lieu of his performance bonus equal to 20% of base salary; and
- continuation of his benefit coverage for a period of six months, or alternatively, if it is unable to continue Mr. Ehsan’s participation in one or more of the Company’s benefit plans, the Company shall pay him an amount equal to the premium cost or contributions the Company would otherwise have made in respect of his participation in the relevant plan(s) for six months.

Mr. Ehsan is required to give the Company not less than two weeks’ notice in the event of his resignation. Upon receipt of his notice of resignation, or at any time thereafter, the Company has the right to elect to pay, in lieu of such notice period, Mr. Ehsan’s salary for the remainder of the notice period and a reasonable amount in lieu of the his benefits for that period. If the Company elects for payment in lieu of notice, the Mr. Ehsan’s employment shall terminate immediately upon such payment.

If the Company determines that Mr. Ehsan has suffered a Disability (as defined below) that cannot be accommodated, the Company may terminate his employment by notice. In such case, Mr. Ehsan is entitled to receive, in lieu of all amounts otherwise payable under the CEO Employment Agreement (except for amounts earned but not yet paid to Mr. Ehsan through the date of such Disability), compensation at Mr. Ehsan’s base salary rate for a period of six months following the date of Disability or such greater amount as is required by applicable law. In the CEO Employment Agreement, “Disability” means a physical or mental incapacity of Mr. Ehsan that has prevented him from performing the duties customarily assigned to him for 180 days, whether or not consecutive, out of any 12 consecutive months and that in the opinion of the Company, acting on the basis of advice from a duly qualified medical practitioner, is likely to continue to a similar degree.

In the event of death, Mr. Ehsan’s employment shall be deemed to have terminated on the date thereof and the Company shall pay his estate the amounts specified above in respect of termination without cause.

Other than pursuant to the CEO Employment Agreement, the Company has not granted any termination or change of control benefits with respect to any Compensation Arrangement and there are no compensatory plans or arrangements with respect to any NEO or director resulting from the resignation, retirement or any other termination of any NEO or director or from a change of any NEO’s or director’s responsibilities following a change of control. In case of termination of NEOs, other than the CEO, common law and statutory law applies.

The table below sets forth information with respect to each NEO currently employed by the Company in order to assist the reader in determining the potential payment to each such NEO in the event of the termination of such NEO’s employment by the Company other than for cause or in the event of a change of control. The estimated payments have been calculated on the basis of employment agreements as they exist at the date of this prospectus and assuming that they were in effect on September 30, 2022.

Name	Estimated Payment Assuming Termination Without Cause on September 30, 2022 (\$)	Estimated Payment Assuming a Change of Control on September 30, 2022 (\$)
Mehran Ehsan	\$ 900,000	—

The estimated payments assuming a change of control on September 30, 2022 are based on the assumption that the NEOs are terminated without cause or elect to terminate the agreements.

Oversight and Description of Director and Name Executive Officer Compensation

Elements of Compensation

Compensation to be awarded or paid to the Company's directors and/or executive officers, including NEOs consist primarily of management fees, stock options and bonuses. Payments may be made from time to time to executive officers, including NEOs, or companies they control for the provision of consulting or management services. Such services are paid for by the Company at competitive industry rates for work of a similar nature done by reputable arm's length services providers.

The Board will from time to time determine the stock option grants to be made pursuant to the Option Plan. It is also anticipated that the Board may award bonuses, in its sole discretion, to executive officers (including NEOs) from time to time.

The most significant components of the Company's executive compensation plan are base salary and an annual incentive bonus. These components are based upon:

- achievement of specific corporate or segment performance targets;
- a performance evaluation process, taking into consideration comparative levels of compensation with comparable entities in the Company's industry;
- alignment of the compensation level of each individual to that individual's level of responsibility;
- the individual's performance, competencies, skills and achievements;
- alignment with corporate strategy; and
- contributions to corporate or segment performance.

Base Salary

The base salary review of any NEO will take into consideration the current competitive market conditions, experience, proven or expected performance, and the particular skills of the NEO. Base salary is not expected to be evaluated against a formal "peer group". The base salaries for NEOs during the fiscal year ended September 30, 2022 were set at the following:

- Mehran Ehsan (CEO) –\$150,000/year commencing in 2017, subject to adjustment. During the year ended September 30, 2021, Mr. Ehsan received \$149,806. Mr. Mehran's annual salary was increased to \$200,000 October 1, 2021 and further increased to \$250,000 effective as of May 1, 2022. During the year ended September 30, 2022, Mr. Ehsan received \$220,834.

Performance-Based Cash Bonuses

Cash bonuses are not a normal part of the Company's executive compensation. However, the Company may elect to utilize such incentives where the role-related context and competitive environment suggest that such a compensation modality is appropriate. When and if utilized, the amount of cash bonus compensation will normally be paid on the basis of timely achievement of specific pre-agreed milestones. Each milestone will be selected based upon consideration of its impact on shareholder value creation and the ability of the Company to achieve the milestone during a specific interval. The amount of bonus compensation will be determined based upon achievement of the milestone, its importance to the Company's near and long term goals at the time such bonus is being considered, the bonus compensation awarded to similarly situated executives in similarly situated companies or any other factors the Company may consider appropriate at the time such performance-based bonuses are decided upon.

Stock Options

The Company currently has the Option Plan in place for the purposes of attracting and motivating directors, officers, employees, and consultants of the Company and advancing the interests of the Company by affording such persons with the opportunity to acquire an equity interest in the Company through rights granted under the Option Plan. Any grant of options under the Option Plan is within the discretion of the Board, subject to the condition that the maximum number of Common Shares which may be reserved for issuance under the Option Plan may not exceed 10% of the Company's issued and outstanding Common Shares.

Options are also an important component of aligning the objectives of the Company's employees with those of shareholders. The Company expects to provide significant option positions to senior employees and lesser amounts to lower-level employees.

Notwithstanding the above, the Company is still in the development stage and has an informal compensation program and strategy. The management team is committed to developing the operations of the Company and will establish a formal compensation program for directors and executive officers once it begins generating revenues sufficient to sustain operations. The Board is responsible for determining, by way of discussions at Board meetings, the ultimate compensation to be paid to the executive officers of the Company. The Company does not have a formal compensation program with set benchmarks; however, the performance of each executive will be considered along with the Company's ability to pay compensation and its results of operation for the period.

The Company relies solely on its Board to determine the executive compensation that is to be paid to NEOs and directors without any formal objectives, criteria, or analysis.

Pension Disclosure

The Company does not currently provide any pension plan benefits for executive officers, directors, or employees.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our capital stock outstanding as of February 9, 2023 by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our Common Shares;
- each of our directors;
- each of our named executive officers; and
- all of our directors and named executive officers as a group.

The percentage ownership information is based on 1,932,604 Common Shares outstanding as of February 9, 2023. The number of shares owned are those beneficially owned, as determined under the rules of the SEC. Under these rules, beneficial ownership includes any Common Shares as to which a person has sole or shared voting power or investment power and any Common Shares that the person has the right to acquire within 60 days of February 9, 2023 through the exercise of any option, warrant or right, through conversion of any security or pursuant to the automatic termination of a power of attorney or revocation of a trust, discretionary account or similar arrangement. These shares are deemed to be outstanding and beneficially owned by the person holding such option, warrants or other derivative securities for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all Common Shares shown as beneficially owned by them, subject to applicable community property laws.

Except as otherwise noted below, the address for each person or entity listed in the table is c/o Permex Petroleum Corporation, 2911 Turtle Creek Blvd., Suite 925, Dallas, Texas 75219.

Name and Address of Beneficial Owner	Number of shares beneficially owned	Percentage of shares beneficially owned
Directors and Named Executive Officers:		
Mehran Ehsan	122,339(1)	6.18%
Barry Whelan	26,716(2)	1.37%
Scott Kelly	28,332(3)	1.46%
Douglas Charles Urch	18,166(4)	*
Gregory Montgomery	6,250(5)	*
James Perry Bryan	293,749(6)	14.47%
John James Lendrum	331,248(7)	16.21%
Melissa Folz	—	*
All Officers and Directors as a Group (8 persons)	826,800	37.01%
5% or Greater Shareholders:		
Empery Asset Master, LTD (8)	185,191(9)	9.58%
Ramnarain Jaigobind (10)	104,167(11)	5.39%

* less than 1%.

(1) Represents (i) 34,283 Common Shares owned by Mehran Ehsan, (ii) 41,667 Common Shares owned by N.A. Energy Resources Corporation, (iii) 417 Common Shares owned by Mehran Ehsan's spouse, (iv) 23,750 Common Shares issuable upon exercise of options owned by Mehran Ehsan, (v) 11,111 Common Shares issuable upon conversion of an outstanding secured convertible debenture in the principal amount of C\$100,000, held by Mehran Ehsan and (vi) 11,111 Common Shares issuable upon exercise of a warrant to be issued to Mehran Ehsan upon conversion of the outstanding secured convertible debenture held by Mehran Ehsan. Mehran Ehsan is the President and Chief Executive Officer of N.A. Energy Resources Corporation and in such capacity has the right to vote and dispose of the securities held by such entity.

(2) Represents (i) 12,966 Common Shares owned by Barry Whelan, (ii) 417 Common Shares owned by Barry Whelan's spouse and (iii) 13,333 Common Shares issuable upon exercise of options owned by Barry Whelan.

(3) Represents (i) 11,666 Common Shares owned by Tuareg Consulting Inc., (ii) 3,333 Common Shares owned by Scott Kelly's spouse and (iii) 13,333 Common Shares issuable upon exercise of options owned by Scott Kelly. Scott Kelly is the owner of Tuareg Consulting Inc. and in such capacity has the right to vote and dispose of the securities held by such entity.

(4) Represents (i) 4,000 Common Shares and (ii) 14,166 Common Shares issuable upon exercise of options.

(5) Represents 6,250 Common Shares issuable upon exercise of options. Excludes 1,250 Common Shares issuable upon exercise of options that are not subject to vesting within 60 days of February 9, 2023.

(6) Represents (i) 195,833 Common Shares owned by Pratt Oil and Gas, LLC and (ii) 97,916 Common Shares issuable upon exercise of warrants owned by Pratt Oil and Gas, LLC. James Bryan has the right to vote and dispose of the securities held by Pratt Oil and Gas, LLC.

(7) Represents (i) 116,666 Common Shares owned by Petro Americas Resources, LLC, (ii) 104,166 Common Shares owned by Rockport Permian, LLC, (iii) 52,083 Common Shares issuable upon exercise of warrants owned by Rockport Permian, LLC and (iv) 58,333 Common Shares issuable upon exercise of warrants owned by Petro Americas Resources, LLC. John Lendrum has the right to vote and dispose of the securities held by each of Petro Americas Resources, LLC and Rockport Permian, LLC.

(8) Empery Asset Management LP, the authorized agent of Empery Asset Master Ltd ("EAM"), has discretionary authority to vote and dispose of the shares held by EAM and may be deemed to be the beneficial owner of these shares. Martin Hoe and Ryan Lane, in their capacity as investment managers of Empery Asset Management LP, may also be deemed to have investment discretion and voting power over the shares held by EAM. EAM, Mr. Hoe and Mr. Lane each disclaim any beneficial ownership of these shares. The address of Empery Asset Master Ltd is c/o Empery Asset Management, LP, One Rockefeller Plaza, Suite 1205, New York, NY 10020.

(9) Represents 185,191 Common Shares. EAM disclaims beneficial ownership of 208,333 Common Shares issuable upon exercise of warrants, which are not included in the table above. At such time that our Common Shares became registered pursuant to the Exchange Act, under the terms of the warrants, the holder thereof may not exercise the warrants to the extent such exercise would cause such holder, together with its affiliates and attribution parties, to beneficially own a number of Common Shares which would exceed 4.99% (or, at the election of the holder, 9.99%) of our then outstanding Common Shares following such exercise.

(10) Represents 104,167 Common Shares. Mr. Jaigobind disclaims beneficial ownership of 117,560 Common Shares issuable upon exercise of warrants which are not included in the table above. At such time that our Common Shares became registered pursuant to the Exchange Act, under the terms of the warrants, the holder thereof may not exercise the warrants to the extent such exercise would cause such holder, together with its affiliates and attribution parties, to beneficially own a number of Common Shares which would exceed 4.99% (or, at the election of the holder, 9.99%) of our then outstanding Common Shares following such exercise.

(11) Ramnarain Jaigobind is a principal of ThinkEquity LLC. ThinkEquity LLC acted as the Company's placement agent for its March 2022 private placement offering and is the representative for the several underwriters of this offering.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following includes a summary of transactions since October 1, 2019 to which we have been a party, including transactions in which the amount involved in the transaction exceeds the lesser of \$120,000 or 1% of the average of our total assets at year-end for the last two completed fiscal years and in which any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control and other arrangements which are described elsewhere in this Annual Report. We are not otherwise a party to a current related party transaction and no transaction is currently proposed, in which the amount of the transaction exceeds the lesser of \$120,000 or 1% of the average of our total assets at year-end for the last two completed fiscal years and in which a related person had or will have a direct or indirect material interest.

Transactions with Related Parties

In October 2019, the Company issued \$76,000 (CAD\$100,000) in convertible debenture to a director of the Company for cash. The debenture loan was secured by an interest in all of the Company's right, title, and interest in all of its oil and gas assets, bore interest at a rate of 12% per annum and had a maturity date of September 30, 2021. During the year ended September 30, 2021, the Company repaid the principal loan amount of CAD\$100,000 together with accrued interest of \$13,090. During the year ended September 30, 2021, the Company recorded interest of \$4,026.

In February 2020, the Company issued \$76,000 (CAD \$100,000) in convertible debenture to the CEO of the Company for cash. The debenture loan is secured by an interest in all of the Company's right, title, and interest in all of its oil and gas assets, bears interest at a rate of 12% per annum and has an original maturity date of February 20, 2022. During the year ended September 30, 2021, the Company extended the maturity date to December 20, 2022. During the years ended September 30, 2022 and September 30, 2021, the Company recorded interest of \$9,360 and \$9,480, respectively.

The Company has an employment with the CEO of the Company for an annual base salary of \$250,000, with no specified term. The CEO is also eligible on an annual basis for a cash bonus of up to 100% of annual salary. The employment agreement may be terminated with a termination payment equal to three years of base salary and a bonus equal to 20% of the annual base salary. During the years ended September 30, 2022 and September 30, 2021, the Company incurred management fees of \$220,834 and \$149,806, respectively, to the CEO of the Company. The Company considers this a related party transaction, as it relates to key management personnel and entities over which it has control or significant influence.

On May 1, 2022, the Company entered into an employment with the CFO of the Company for an annual base salary of \$50,000, with no specified term. The CFO is also eligible on an annual basis for a cash bonus of up to 100% of annual salary. The employment agreement may be terminated with a termination payment equal to two months of base salary. During the years ended September 30, 2022, the Company incurred salaries of \$20,835 to the CFO of the Company. The Company considers this a related party transaction, as it relates to key management personnel and entities over which it has control or significant influence.

Agreements with Directors and Officers

The Company entered into an employment agreement with Mehran Ehsan, the Company's CEO, on September 1, 2021 (which amended the Company's previous employment agreement with Mr. Ehsan dated August 1, 2017), which was subsequently amended on May 1, 2022. Pursuant to this employment agreement, the Company employs Mr. Ehsan to serve as CEO of the Company and to perform such duties and have such authority as may from time to time be assigned by the Company's Board of Directors. As compensation for the performance of such duties, the Company paid Mr. Ehsan a base salary of \$200,000 per year (which increased to \$250,000 as of May 1, 2022), which shall be reviewed by the Company annually. The terms of this employment agreement as amended also provide that Mr. Ehsan is eligible for an annual cash bonus of up to 100% of his annual salary. Further, the terms of this employment agreement provide that if Mr. Ehsan's employment with the Company is terminated without "cause" (as defined in the agreement) than Mr. Ehsan is entitled to a severance payment equal to three years of base salary and a bonus equal to 20% of his annual base salary. For information regarding this employment agreement see "Management—Employment, Consulting and Management Agreements".

On May 1, 2022, the Company entered into an employment agreement with Gregory Montgomery in connection with Mr. Montgomery's appointment as the Company's Chief Financial Officer. This employment agreement provides that Mr. Montgomery will receive an annual base salary of \$50,000 and be eligible to receive an annual cash bonus of up to 100% of this annual salary. Under the terms of this employment agreement, if Mr. Montgomery's employment with the Company is terminated without "cause" (as defined in the agreement) he would be entitled to a severance payment equal to two months of his base salary.

DESCRIPTION OF SHARE CAPITAL

The following description of our share capital summarizes certain provisions of our Articles. The summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of our Articles, a copy of which has been filed as an exhibit to the registration statement of which this prospectus forms a part. Prospective investors are urged to read the exhibits to the registration statement of which this prospectus forms a part for a complete understanding of our Articles.

Common Units

Each Common Unit being offered in this offering consists of one Common Share and one Warrant, each Warrant exercisable for one Common Share. The Common Shares and Warrants that are part of the Common Units are immediately separable and will be issued separately in this offering, although they will have been purchased together in this offering.

Pre-funded Units

Each Pre-funded Unit being offered in this offering consists of one Pre-funded Warrant and one Warrant, each Pre-funded Warrant and Warrant is exercisable for one Common Share. The Pre-funded Warrants and Warrants that are part of the Pre-funded Units are immediately separable and will be issued separately in this offering, although they will have been purchased together in this offering.

Authorized/Issued Capital

Our authorized share capital consists of an unlimited number of Common Shares without par value. As of February 9, 2023, 1,932,604 Common Shares were issued and outstanding.

Common Shares

Each Common Share carries the right to attend and vote at all general meetings of shareholders. Holders of the Company's Common Shares are entitled to dividends, if any, as and when declared by the Board and to one vote per Common Share at meetings of shareholders. In addition, upon liquidation, dissolution or winding-up of the Company, holders of Common Shares may share, on a pro rata basis, the remaining assets of the Company as are distributable to holders of Common Shares of the Company. The Company may, subject to certain exceptions, purchase, redeem or otherwise acquire any of its shares at the price and upon the terms determined by the Board of Directors. The Company's Common Shares are not subject to call or assessment rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

Options

Our Option Plan provides for us to issue Common Shares or to grant incentive stock options to employees, officers, members of the Board and consultants. As of February 9, 2023, there were options to purchase up to 84,583 Common Shares outstanding at a weighted average exercise price of \$13.26 per share.

Warrants

As of February 9, 2023, there were warrants to purchase up to 1,097,096 Common Shares of our stock outstanding at a weighted average exercise price of \$12.12 per share.

Warrants to be Issued in this Offering

The following is a brief summary of certain terms and conditions of the Warrants to be issued in this offering and are subject in all respects to the provisions contained in the Warrants.

Form. The Warrants will be issued in electronic book-entry form to the investors. You should review a copy of the form of warrant, which is filed as an exhibit to the registration statement of which this Prospectus forms a part, for a complete description of the terms and conditions applicable to the Warrants.

Exercisability. The Warrants are exercisable at any time after their original issuance, and at any time up to the date that is five years after their original issuance. The Warrants will be exercisable, at the option of each holder, in whole or in part by delivering to us a duly executed exercise notice and, at any time a registration statement registering the issuance of the Common Shares underlying the Warrants under the Securities Act is effective and available for the issuance of such shares, by payment in full in immediately available funds for the number of Common Shares purchased upon such exercise. If a registration statement registering the issuance of the Common Shares underlying the Warrants under the Securities Act is not effective or available, the holder may, in its sole discretion, elect to exercise the Warrant through a cashless exercise, in which case the holder would receive upon such exercise the net number of Common Shares determined according to the formula set forth in the Warrant. No fractional Common Shares will be issued in connection with the exercise of a Warrant. In lieu of fractional shares, we will pay the holder an amount in cash equal to the fractional amount multiplied by the exercise price or round up to the next whole share.

Exercise Limitation. A holder will not have the right to exercise any portion of the Warrant if the holder (together with its affiliates) would beneficially own in excess of 4.99% (or, at the election of the holder prior to issuance, 9.99%) of the number of Common Shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the Warrants. However, any holder may increase or decrease such percentage to any other percentage not in excess of 9.99% upon at least 61 days' prior notice from the holder to us.

Exercise Price. The exercise price per whole Common Share purchasable upon exercise of the Warrants is expected to be \$ per Common Share. The exercise price is also subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting our Common Shares and also upon any distributions of assets, including cash, stock or other property to our shareholders.

Cashless Exercise. If at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for the issuance of the Common Shares to the holder upon exercise of the Warrants, in lieu of making the cash payment otherwise contemplated to be made to us upon such exercise in payment of the aggregate exercise price, the holder may elect instead to receive upon such exercise (either in whole or in part) the net number of Common Shares determined according to a formula set forth in the Warrants.

Transferability. Subject to applicable laws, the Warrants may be offered for sale, sold, transferred or assigned without our consent.

Exchange Listing. We have applied for the listing of the Warrants offered in this offering on NYSE under the symbol "OILSW". No assurance can be given that such listing will be approved or that a trading market will develop. It is a condition precedent to the underwriter's obligation to purchase the securities being offered in our offering that NYSE approve the listing of our Common Shares and Warrants. Accordingly, if NYSE does not approve the listing of our Common Shares and Warrants, we will not and cannot proceed with this offering.

Fundamental Transactions. In the event of a fundamental transaction, as described in the Warrants and generally including any reorganization, recapitalization or reclassification of our Common Shares, the sale, transfer or other disposition of all or substantially all of our properties or assets, our consolidation or merger with or into another person, the acquisition of more than 50% of our outstanding Common Shares, or any person or group becoming the beneficial owner of 50% of the voting power represented by our outstanding Common Shares, the holders of the Warrants will be entitled to receive upon exercise of the Warrants the kind and amount of securities, cash or other property that the holders would have received had they exercised the Warrants immediately prior to such fundamental transaction.

Rights as a Stockholder. Except as otherwise provided in the Warrants or by virtue of such holder's ownership of shares of our Common Shares, the holder of a Warrant does not have the rights or privileges of a holder of our Common Shares, including any voting rights, until the holder exercises the Warrant.

Pre-funded Warrants

The following summary of certain terms and provisions of the Pre-funded Warrants that are being offered hereby in lieu of a Common Share is not complete and is subject to, and qualified in its entirety by, the provisions of the Pre-funded Warrant, the form of which is filed as an exhibit to the registration statement of which this prospectus forms a part. Prospective investors should carefully review the terms and provisions of the form of Pre-funded Warrant for a complete description of the terms and conditions of the Pre-funded Warrants.

Duration and Exercise Price. Each Pre-funded Warrant offered hereby will have an initial exercise price per share equal to \$0.01. The Pre-funded Warrants will be immediately exercisable and may be exercised at any time until the Pre-funded Warrants are exercised in full or they expire. The exercise price and number of Common Shares issuable upon exercise is subject to appropriate adjustment in the event of stock dividends, stock splits, reorganizations or similar events affecting our Common Shares and the exercise price.

Exercisability. The Pre-funded Warrants will be exercisable, at the option of each holder, in whole or in part, by delivering to us a duly executed exercise notice accompanied by payment in full for the number of Common Shares purchased upon such exercise (except in the case of a cashless exercise as discussed below). There is no expiration date for the Pre-funded Warrants. A holder (together with its affiliates) may not exercise any portion of the Pre-funded Warrant to the extent that the holder would own more than 4.99% (or at the election of the holder prior to the issuance of any Pre-funded Warrants, 9.99%) of the outstanding Common Shares immediately after exercise. Any holder may increase such percentage to any percentage not in excess of 9.99% upon at least 61 days' prior notice to us. No fractional Common Shares will be issued in connection with the exercise of a Pre-funded Warrant. In lieu of fractional Common Shares, we will pay the holder an amount in cash equal to the fractional amount multiplied by the exercise price of such Pre-funded Warrant or round up to the next whole share.

Cashless Exercise. In lieu of making the cash payment otherwise contemplated to be made to us upon such exercise in payment of the aggregate exercise price, the holder may elect instead to receive upon such exercise (either in whole or in part) the net number of Common Shares determined according to a formula set forth in the Pre-funded Warrants.

Fundamental Transaction. In the event of a fundamental transaction, as described in the Pre-funded Warrants and generally including any reorganization, recapitalization or reclassification of our Common Shares, the sale, transfer or other disposition of all or substantially all of our properties or assets, our consolidation or merger with or into another person, the acquisition of more than 50% of our outstanding Common Shares, or any person or group becoming the beneficial owner of 50% of the voting power represented by our outstanding Common Shares, the holders of the Pre-funded Warrants will be entitled to receive upon exercise of the Pre-funded Warrants the kind and amount of securities, cash or other property that the holders would have received had they exercised the Pre-funded Warrants immediately prior to such fundamental transaction.

Transferability. Subject to applicable laws, a Pre-funded Warrant may be transferred at the option of the holder upon surrender of the Pre-funded Warrant to us together with the appropriate instruments of transfer.

Exchange Listing. We do not intend to list the Pre-funded Warrants on any securities exchange or nationally recognized trading system.

Rights as a Shareholder. Except as otherwise provided in the Pre-funded Warrants or by virtue of such holder's ownership of Common Shares, the holders of the Pre-funded Warrants do not have the rights or privileges of holders of our Common Shares, including any voting rights, until they exercise their Pre-funded Warrants.

Transfer Agent and Registrar

Our transfer agent and registrar is TSX Trust Company whose address is 650 West Georgia Street, Suite 2700, Vancouver, British Columbia, Canada, V6B 4N9. TSX Trust Company maintains our registered list of shareholders.

Listing

Our Common Shares, no par value, are listed on the Canadian Securities Exchange and the Frankfurt Stock Exchange under the symbols "OIL" and "75P", respectively, and quoted on the OTCQB tier of the OTC Markets Group, Inc. under the symbol "OILCD."

We have applied to list our Common Shares and Warrants on the NYSE American under the symbol "OILS" and "OILSW," respectively; however, no assurance can be given that our Common Shares and Warrants will be approved for listing on the NYSE American.

Shareholder Meetings

We must hold a general meeting of our shareholders at least once in each calendar year and not more than 15 months after the preceding annual general meeting at such time and place as may be determined by the directors. If all shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on that date of the unanimous resolution. The location for a meeting of shareholders shall be determined by the directors and may be within or outside of the Province of British Columbia, Canada.

The Company must send notice of the date, time and location of any meeting of shareholders (including, without limitation, any notice specifying the intention to propose a resolution as an exceptional resolution, a special resolution or a special separate resolution, and any notice to consider approving an amalgamation into a foreign jurisdiction, an arrangement or the adoption of an amalgamation agreement, and any notice of a general meeting, class meeting or series meeting), in the manner provided in the Company's Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless the Articles of the Company otherwise provide, at least 21 days before the meeting if and for so long as the Company is a public company.

Limitations on Liability and Indemnification of Directors and Officers

Subject to the Business Corporations Act (British Columbia), the Company must indemnify a director, former director or alternate director of the Company against all judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding. An eligible proceeding means: a legal proceeding or investigative action, whether current, threatened, pending or contemplated, in which a director, former director or alternate director of the Company or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director or alternate director of the Company.

The failure of a director, alternate director or officer of the Company to comply with the Business Corporations Act (British Columbia) or the Articles of the Company, or if applicable, any former Companies Act or former Articles, does not invalidate any indemnity to which he or she is entitled pursuant to the Articles of the Company.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Resignation of Independent Registered Public Accounting Firm

On October 31, 2022, Davidson & Company LLP (“Davidson”) resigned as the Company’s independent registered public accounting firm effective October 31, 2022.

Davidson audited the Company’s consolidated financial statements as of and for the fiscal years ended September 30, 2021 and 2020. The report of Davidson on the financial statements of the Company for the fiscal years ended September 30, 2021 and 2020, did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the Company’s fiscal years ended September 30, 2021 and 2020, and through the interim period ended October 31, 2022, there were no disagreements between the Company and Davidson on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Davidson, would have caused Davidson to make reference to the subject matter of the disagreements in connection with its audit reports on the Company’s financial statements. During the Company’s two most recent fiscal years ended September 30, 2021 and 2020, and the interim period ended October 31, 2022, Davidson did not advise the Company of any reportable events specified in Item 304(a)(1)(v) of Regulation S-K with respect to the Company.

The Company provided Davidson with a copy of the Company’s current report on Form 8-K in accordance with Item 304(a) of Regulation S-K prior to the filing of such report with the Securities and Exchange Commission and requested that Davidson furnish the Company with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements and, if it does not agree, the respects in which it does not agree. A copy of the letter from Davidson is included as Exhibit 16.1 to the registration statement of which this prospectus forms a part.

Engagement of Independent Registered Public Accounting Firm

On October 31, 2022, through and with the approval of its Audit Committee, the Company appointed Marcum LLP (“Marcum”) as its independent registered public accounting firm. During the Company’s two most recently completed fiscal years and through the date of engagement of Marcum, neither the Company nor anyone on behalf of the Company consulted with Marcum regarding (a) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s financial statements as to which the Company received a written report or oral advice that was an important factor in reaching a decision on any accounting, auditing or financial reporting issue; or (b) any matter that was the subject of a disagreement or a reportable event as defined in Items 304(a)(1)(iv) and (v) of Regulation S-K.

TAX CONSIDERATIONS

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership and disposition of Common Units or Pre-funded Units acquired pursuant to this offering, the acquisition, ownership, and disposition of Common Shares acquired as part of the Common Units, the acquisition, ownership, and disposition of Pre-funded Warrants acquired as part of the Pre-funded Units, the exercise, disposition, and lapse of Warrants acquired as part of the Common Units or Pre-funded Units, the acquisition, ownership, and disposition of Common Shares received upon exercise of the Pre-funded Warrants, and the acquisition, ownership, and disposition of Common Shares received upon exercise of the Warrants (the “Warrant Shares”).

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the acquisition of Common Units or Pre-funded Units pursuant to this offering. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any particular U.S. Holder. This summary does not address the U.S. federal net investment income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences to U.S. Holders of the acquisition, ownership, and disposition of Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants and Warrant Shares. This summary also does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis. In addition, except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal net investment income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants, and Warrant Shares.

No ruling from the Internal Revenue Service (the “IRS”) has been requested, or will be obtained, regarding the U.S. federal income tax considerations applicable to U.S. Holders as discussed in this summary. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations (whether final, temporary, or proposed) promulgated under the Code, published rulings of the IRS, published administrative positions of the IRS and U.S. court decisions, that are in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied retroactively. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

U.S. Holder

For purposes of this summary, the term “U.S. Holder” means a beneficial owner of Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants or Warrant Shares acquired pursuant to this offering that is for U.S. federal income tax purposes:

- a citizen or individual resident of the Common United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized under the laws of the Common United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the Common United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Transactions Not Addressed

This summary does not address the tax consequences of transactions effected prior or subsequent to, or concurrently with, any purchase of Common Units or Pre-funded Units pursuant to this Prospectus (whether or not any such transactions are undertaken in connection with the purchase of Common Units or Pre-funded Units pursuant to this Prospectus).

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including U.S. Holders that: (a) are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) are brokers or dealers in securities or currencies or U.S. Holders that are traders in securities that elect to apply a mark-to-market accounting method; (d) have a “functional currency” other than the U.S. dollar; (e) own Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants or Warrant Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other integrated transaction; (f) acquired Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants or Warrant Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) hold Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants or Warrant Shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); (h) are partnerships and other pass-through entities (and investors in such partnerships and entities); (i) are S corporations (and shareholders thereof); (j) are subject to special tax accounting rules; (k) own, have owned or will own (directly, indirectly, or by attribution) 10% or more of the total combined voting power or value of our outstanding shares; (l) are U.S. expatriates or former long-term residents of the U.S.; (m) are subject to taxing jurisdictions other than, or in addition to, the Common United States; or (n) are subject to the alternative minimum tax. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal, U.S. federal net investment income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants or Warrant Shares.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants or Warrant Shares, the U.S. federal income tax consequences to such entity or arrangement and the owners of such entity or arrangement generally will depend on the activities of such entity or arrangement and the status of such owners. This summary does not address the tax consequences to any such entity or arrangement or owner. Owners of entities or arrangements that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisor regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants and Warrant Shares.

U.S. Federal Income Tax Consequences of the Acquisition of Common Units or Pre-funded Units

For U.S. federal income tax purposes, the acquisition by a U.S. Holder of a Common Unit will be treated as the acquisition of one Common Share and one Warrant. The purchase price for each Common Unit will be allocated between these two components in proportion to their relative fair market values at the time the Common Unit is purchased by the U.S. Holder. This allocation of the purchase price for each Common Unit will establish a U.S. Holder's initial tax basis for U.S. federal income tax purposes in the Common Share and one Warrant that comprise each Common Unit.

For this purpose, we will allocate \$ of the purchase price for the Common Unit to the Common Share and \$ of the purchase price for each Common Unit to the Warrant. However, the IRS will not be bound by such allocation of the purchase price for the Common Units, and therefore, the IRS or a U.S. court may not respect the allocation set forth above. Each U.S. Holder should consult its own tax advisor regarding the allocation of the purchase price for the Common Units.

For U.S. federal income tax purposes, the acquisition by a U.S. Holder of a Pre-funded Unit will be treated as the acquisition of one Pre-funded Warrant and one Warrant. The purchase price for each Pre-funded Unit will be allocated between these two components in proportion to their relative fair market values at the time the Pre-funded Unit is purchased by the U.S. Holder. This allocation of the purchase price for each Pre-funded Unit will establish a U.S. Holder's initial tax basis for U.S. federal income tax purposes in the Pre-funded Warrant and one Warrant that comprise each Pre-funded Unit.

For this purpose, we will allocate \$ of the purchase price for the Pre-funded Unit to the Pre-funded Warrant and \$ of the purchase price for each Pre-funded Unit to the Warrant. However, the IRS will not be bound by such allocation of the purchase price for the Pre-funded Units, and therefore, the IRS or a U.S. court may not respect the allocation set forth above. Each U.S. Holder should consult its own tax advisor regarding the allocation of the purchase price for the Pre-funded Units.

Treatment of Pre-funded Warrants

Although it is not entirely free from doubt, we believe that a Pre-funded Warrant should be treated as a separate class of our Common Shares for U.S. federal income tax purposes and a U.S. Holder of Pre-funded Warrants should generally be taxed in the same manner as a holder of Common Shares except as described below. Accordingly, no gain or loss should be recognized upon the exercise of a Pre-funded Warrant and, upon exercise, the holding period of a Pre-funded Warrant should carry over to the Common Shares received. Similarly, the tax basis of the Pre-funded Warrant should carry over to the Common Shares received upon exercise, increased by the exercise price of \$0.01 per share. However, such characterization is not binding on the IRS, and the IRS may treat the Pre-funded Warrants as warrants to acquire Common Shares. If so, the amount and character of a U.S. Holder's gain with respect to an investment in Pre-funded Warrants could change, and a U.S. Holder may not be entitled to make the "QEF Election" or "Mark-to-Market Election" described below with respect to the Pre-funded Warrants to mitigate PFIC consequences in the event that the Company is classified as a PFIC. Accordingly, each U.S. Holder should consult its own tax advisor regarding the risks associated with the acquisition of a Pre-funded Warrant pursuant to this offering (including potential alternative characterizations). The balance of this discussion generally assumes that the characterization described above is respected for U.S. federal income tax purposes.

Passive Foreign Investment Company Rules

If the Company were to constitute a "passive foreign investment company" within the meaning of Section 1297 of the Code (a "PFIC") for any year during a U.S. Holder's holding period, then certain potentially adverse rules would affect the U.S. federal income tax consequences to a U.S. Holder resulting from the acquisition, ownership and disposition of Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants, and Warrant Shares. Based on current business plans and financial expectations, the Company expects that it should not be a PFIC for its current tax year and expects that it should not be a PFIC for the foreseeable future. No opinion of legal counsel or ruling from the IRS concerning the status of the Company as a PFIC has been obtained or is currently planned to be requested. PFIC classification is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question, and is determined annually. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Consequently, there can be no assurance that the Company has never been, is not, and will not become a PFIC for any tax year during which U.S. Holders hold Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants, or Warrant Shares.

In addition, U.S. Holders of PFICs are required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require, which filing obligation would generally commence in the first tax year in which the Company is classified as a PFIC and in which such U.S. Holder holds Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants, or Warrant Shares. In addition to penalties, a failure to satisfy such reporting requirements may result in an extension of the time period during which the IRS can assess a tax. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621 annually.

In general, the Company will be a PFIC if, for a tax year, (a) 75% or more of the gross income of the Company for such tax year is passive income (the “income test”) or (b) 50% or more of the value of the Company’s assets either produce passive income or are held for the production of passive income (the “asset test”), based on the quarterly average of the fair market value of such assets. “Gross income” generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and “passive income” generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. In addition, for purposes of the PFIC income test and asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation.

Under certain attribution rules, if the Company is a PFIC, U.S. Holders will be deemed to own their proportionate share of any subsidiary of the Company which is also a PFIC (a “Subsidiary PFIC”), and will be subject to U.S. federal income tax on (i) a distribution on the shares of a Subsidiary PFIC or (ii) a disposition of shares of a Subsidiary PFIC, both as if the holder directly held the shares of such Subsidiary PFIC.

If the Company were a PFIC in any tax year and a U.S. Holder held Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants, or Warrant Shares, such holder generally would be subject to special rules under Section 1291 of the Code with respect to “excess distributions” made by the Company on the Common Shares, Pre-Funded Warrants, Warrants or Warrant Shares and with respect to gain from the disposition of Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants, or Warrant Shares. An “excess distribution” generally is defined as the excess of distributions with respect to the Common Shares, Pre-Funded Warrants, Warrants or Warrant Shares received by a U.S. Holder in any tax year over 125% of the average annual distributions such U.S. Holder has received from the Company during the shorter of the three preceding tax years, or such U.S. Holder’s holding period for the Common Shares, Pre-Funded Warrants, Warrants or Warrant Shares, as applicable. Generally, a U.S. Holder would be required to allocate any excess distribution or gain from the disposition of the Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants, or Warrant Shares ratably over its holding period for the Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants, or Warrant Shares, as applicable. Such amounts allocated to the year of the disposition or excess distribution would be taxed as ordinary income, and amounts allocated to prior tax years would be taxed as ordinary income at the highest tax rate in effect for each such year and an interest charge at a rate applicable to underpayments of tax would apply.

While there are U.S. federal income tax elections that sometimes can be made to mitigate these adverse tax consequences (including, without limitation, the “QEF Election” under Section 1295 of the Code and the “Mark-to-Market Election” under Section 1296 of the Code), such elections are available in limited circumstances and must be made in a timely manner. Under proposed Treasury Regulations, if a U.S. Holder has an option, warrant, or other right to acquire stock of a PFIC (such as the Warrants), such option, warrant or right is considered to be PFIC stock subject to the default rules of Section 1291 of the Code that apply to “excess distributions” and dispositions described above. However, under the proposed Treasury Regulations, for the purposes of the PFIC rules, the holding period for any Warrant Shares acquired upon the exercise of a Warrant will begin on the date a U.S. Holder acquires the Common Units or Pre-funded Units (and not the date the Warrants are exercised). This will impact the availability, and consequences, of the QEF Election and Mark-to-Market Election with respect to the Warrant Shares. Thus, a U.S. Holder will have to account for Warrant Shares, Pre-Funded Warrants and Common Shares under the PFIC rules and the applicable elections differently. In addition, a QEF Election may not be made with respect to the Warrants and it is unclear whether the Mark-to-Market Election may be made with respect to the Warrants.

U.S. Holders should be aware that, for each tax year, if any, that the Company is a PFIC, the Company does not intend to provide U.S. Holders the information such U.S. Holders require to make a QEF Election with respect to the Company or any Subsidiary PFIC.

Certain additional adverse rules may apply with respect to a U.S. Holder if the Company is a PFIC, regardless of whether the U.S. Holder makes a QEF Election. These rules include special rules that apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to these special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. U.S. Holders should consult with their own tax advisors regarding the potential application of the PFIC rules to the ownership and disposition of Common Units, Pre-funded Units, Common Shares, Pre-funded Warrants, Warrants, or Warrant Shares, and the availability of certain U.S. tax elections under the PFIC rules.

U.S. Federal Income Tax Consequences of the Exercise and Disposition of Warrants

The following discussion describes the general rules applicable to the ownership and disposition of the Warrants but is subject in its entirety to the special rules described above under the heading *Passive Foreign Investment Company Rules*.

Exercise of Warrants

A U.S. Holder should not recognize gain or loss on the exercise of a Warrant and related receipt of a Warrant Share (unless cash is received in lieu of the issuance of a fractional Warrant Share). A U.S. Holder's initial tax basis in the Warrant Share received on the exercise of a Warrant should be equal to the sum of (a) such U.S. Holder's tax basis in such Warrant plus (b) the exercise price paid by such U.S. Holder on the exercise of such Warrant. It is unclear whether a U.S. Holder's holding period for the Warrant Share received on the exercise of a Warrant would commence on the date of exercise of the Warrant or the day following the date of exercise of the Warrant. If we are a PFIC, a U.S. Holder's holding period for the Warrant Share for PFIC purposes will begin on the date on which such U.S. Holder acquired its Common Units.

In certain limited circumstances, a U.S. Holder may be permitted to undertake a cashless exercise of Warrants into Warrant Shares. The U.S. federal income tax treatment of a cashless exercise of Warrants into Warrant Shares is unclear, and the tax consequences of a cashless exercise could differ from the consequences upon the exercise of a Warrant described in the preceding paragraph. U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consequences of a cashless exercise of Warrants.

Disposition of Warrants

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of a Warrant in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in the Warrant sold or otherwise disposed of. Subject to the PFIC rules discussed above, any such gain or loss generally will be a capital gain or loss, which will be long-term capital gain or loss if the Warrant is held for more than one year. Deductions for capital losses are subject to complex limitations under the Code.

Expiration of Warrants Without Exercise

Upon the lapse or expiration of a Warrant, a U.S. Holder will recognize a loss in an amount equal to such U.S. Holder's tax basis in the Warrant. Any such loss generally will be a capital loss and will be long-term capital loss if the Warrants are held for more than one year. Deductions for capital losses are subject to complex limitations under the Code.

Certain Adjustments to the Warrants

Under Section 305 of the Code, an adjustment to the number of Warrant Shares that will be issued on the exercise of the Warrants, or an adjustment to the exercise price of the Warrants, may be treated as a constructive distribution to a U.S. Holder of the Warrants if, and to the extent that, such adjustment has the effect of increasing such U.S. Holder's proportionate interest in the "earnings and profits" or our assets, depending on the circumstances of such adjustment (for example, if such adjustment is to compensate for a distribution of cash or other property to the shareholders). Adjustments to the exercise price of Warrants made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing dilution of the interest of the holders of the Warrants should generally not be considered to result in a constructive distribution. Any such constructive distribution would be taxable whether or not there is an actual distribution of cash or other property. (See more detailed discussion of the rules applicable to distributions made by us at *Distributions on Common Shares, Pre-funded Warrants and Warrant Shares* below).

General Rules Applicable to U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Common Shares, Pre-funded Warrants and Warrant Shares

The following discussion describes the general rules applicable to the ownership and disposition of the Common Shares, Pre-funded Warrants and Warrant Shares, but is subject in its entirety to the special rules described above under the heading *Passive Foreign Investment Company Rules*.

Distributions on Common Shares, Pre-funded Warrants and Warrant Shares

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Common Share, Pre-funded Warrant or Warrant Share (as well as any constructive distribution on a Warrant as described above) will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of our current and accumulated "earnings and profits", as computed under U.S. federal income tax principles. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates if we are a PFIC for the tax year of such distribution or the preceding tax year. To the extent that a distribution exceeds our current and accumulated "earnings and profits", such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Common Shares, Pre-funded Warrants or Warrant Shares and thereafter as gain from the sale or exchange of such Common Shares, Pre-funded Warrants or Warrant Shares (see "*Sale or Other Taxable Disposition of Common Shares, Pre-funded Warrants and/or Warrant Shares*" below). However, we may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder may be required to assume that any distribution by us with respect to the Common Shares, Pre-funded Warrants or Warrant Shares will constitute ordinary dividend income. Dividends received on Common Shares, Pre-funded Warrants or Warrant Shares generally will not be eligible for the "dividends received deduction" generally applicable to corporations. Subject to applicable limitations and provided we are eligible for the benefits of the Tax Treaty or the Common Shares are readily tradable on a Common United States securities market, dividends paid by us to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that we not be classified as a PFIC in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition of Common Shares, Pre-funded Warrants and/or Warrant Shares

Upon the sale or other taxable disposition of Common Shares, Pre-funded Warrants or Warrant Shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in such Common Shares, Pre-funded Warrants or Warrant Shares sold or otherwise disposed of. Gain or loss recognized on such sale or other taxable disposition generally will be long-term capital gain or loss if, at the time of the sale or other taxable disposition, the Common Shares, Pre-funded Warrants or Warrant Shares have been held for more than one year. Preferential tax rates may apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Additional Tax Considerations

Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency or on the sale, exchange or other taxable disposition of Common Shares, Pre-funded Warrants, Warrants or Warrant Shares generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). If the foreign currency received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in foreign currency and engages in a subsequent conversion or other disposition of the foreign currency may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the Common Shares, Pre-funded Warrants or Warrant Shares (or with respect to any constructive dividend on the Warrants) generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid or accrued (whether directly or through withholding) by a U.S. Holder during a year. The foreign tax credit rules are complex and involve the application of rules that depend on a U.S. Holder's particular circumstances. Accordingly, each U.S. Holder should consult its own tax advisor regarding the foreign tax credit rules.

Information Reporting: Backup Withholding Tax

Under U.S. federal income tax laws certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on U.S. Holders that hold certain specified foreign financial assets in excess of certain threshold amounts. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person. U.S. Holders may be subject to these reporting requirements unless their Common Shares, Pre-funded Warrants, Warrants, and Warrant Shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult their own tax advisors regarding the requirements of filing information returns, including the requirement to file IRS Form 8938.

Payments made within the U.S., or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of the Common Shares, Pre-funded Warrants, Warrants and Warrant Shares generally may be subject to information reporting and backup withholding tax, currently at the rate of 24%, if a U.S. Holder (a) fails to furnish its correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that it has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons, such as U.S. Holders that are corporations, generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner.

The discussion of reporting requirements set forth above is not intended to constitute a complete description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a tax and, under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement. Each U.S. Holder should consult its own tax advisors regarding the information reporting and backup withholding rules.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO U.S. HOLDERS WITH RESPECT TO THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF COMMON UNITS, PRE-FUNDED UNITS, COMMON SHARES, PRE-FUNDED WARRANTS, WARRANTS, AND WARRANT SHARES. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES.

MATERIAL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations generally applicable to the holding and disposition of Common Units and Pre-Funded Units acquired pursuant to this offering by a holder who, at all relevant times, (a) for the purposes of the *Income Tax Act* (Canada) (the “Tax Act”), (i) is not resident, or deemed to be resident, in Canada, (ii) deals at arm’s length with, and is not affiliated with, the Company, (iii) beneficially owns Common Shares, Warrants and Pre-Funded Warrants, (collectively, the “Securities”), as the case may be, as capital property, (iv) does not use or hold the Securities in the course of carrying on, or otherwise in connection with, a business or a part of a business carried on or deemed to be carried on in Canada, and (v) is not a “registered non-resident insurer” or “authorized foreign bank” within the meaning of the Tax Act, or other holder of special status, and (b) for the purposes of the Canada-United States Income Tax Convention (1980), as amended (the “Convention”), is a resident of the U.S., has never been a resident of Canada, does not have and has not had, at any time, a permanent establishment or fixed base in Canada, and is a qualifying person or otherwise qualifies for the full benefits of the Convention. Securities will generally be considered to be capital property to a holder unless such Securities are held in the course of carrying on a business of buying or selling securities or an adventure or concern in the nature of trade. Holders who meet all the criteria in clauses (a) and (b) are referred to herein as a “U.S. Holder” or “U.S. Holders.”

This summary does not deal with special situations, such as the particular circumstances of traders or dealers or holders who have entered or will enter into a “derivative forward agreement” (as defined in the Tax Act) in respect of any of the Securities. Such holders and other holders who do not meet the criteria in clauses (a) and (b) should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “Regulations”) and counsel’s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”) made publicly available prior to the date hereof. It also takes into account all proposed amendments to the Tax Act and the Regulations publicly released by the Minister of Finance (Canada) (the “Tax Proposals”) prior to the date hereof, and assumes that all such Tax Proposals will be enacted as currently proposed. No assurance can be given that the Tax Proposals will be enacted in the form proposed or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by way of legislative, judicial or administrative action or interpretation, nor does it take into account tax laws of any province or territory of Canada or of any other jurisdiction outside Canada.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular U.S. Holder and no representation with respect to the federal income tax consequences to any particular U.S. Holder or prospective U.S. Holder is made. The tax consequences to a U.S. Holder will depend on the holder’s particular circumstances. Accordingly, U.S. Holders should consult with their own tax advisors for advice with respect to their own particular circumstances.

Currency Conversion

In general, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Securities must be converted into Canadian dollars based on the applicable exchange rate quoted by the Bank of Canada for the relevant day or such other rate of exchange that is acceptable to the CRA.

Allocation of Cost

A U.S. Holder who acquires Common Units or Pre-Funded Units, as the case may be, will be required to allocate the purchase price paid for each Common Unit or Pre-Funded Unit on a reasonable basis between the Common Share and the Warrant comprising each Common Unit, or between the Pre-Funded Warrant and the Warrant comprising each Pre-Funded Unit, as applicable, in order to determine their respective costs to such U.S. Holder for the purposes of the Tax Act.

Exercise or Expiry of Warrants

No gain or loss will be realized by a U.S. Holder of a Warrant or Pre-Funded Warrant upon the exercise of such Warrant or Pre-Funded Warrant for Common Shares. When a Warrant or Pre-Funded Warrant is exercised, the U.S. Holder’s cost of the Common Share acquired thereby will be equal to the adjusted cost base of the Warrant or Pre-Funded Warrant to such U.S. Holder, plus the amount paid by such U.S. Holder on the exercise of the Warrant or Pre-Funded Warrant. For the purpose of computing the adjusted cost base to a U.S. Holder of the Common Shares acquired on the exercise of a Warrant or Pre-Funded Warrant, the cost of such Common Shares must be averaged with the adjusted cost base to such U.S. Holder of all other Common Shares (if any) held by the U.S. Holder as capital property immediately prior to the exercise of such Warrant.

Generally, the expiry of an unexercised Warrant or Pre-Funded Warrant will give rise to a capital loss equal to the adjusted cost base to the U.S. Holder of such expired Warrant or Pre-Funded Warrant.

Dividends

Amounts paid or credited or deemed to be paid or credited as, on account or in lieu of payment, or in satisfaction of, dividends on the Common Shares to a U.S. Holder will be subject to Canadian withholding tax. Under the Convention, the rate of Canadian withholding tax on dividends paid or credited by the Company to a U.S. Holder that beneficially owns such dividends is generally 15% unless the beneficial owner is a company that owns at least 10% of the Company's voting stock at that time, in which case the rate of Canadian withholding tax is reduced to 5%.

Dispositions

Upon the disposition of a Security (but not upon the exercise of a Warrant or Pre-Funded Warrant), a U.S. Holder will realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the U.S. Holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the U.S. Holder of the particular Security immediately before the disposition or deemed disposition.

A U.S. Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such U.S. Holder on a disposition of Securities, unless such Securities constitute "taxable Canadian property" (as defined in the Tax Act) of the U.S. Holder at the time of disposition and the U.S. Holder is not entitled to relief under the Convention.

Provided that the Common Shares are listed on a designated stock exchange for purposes of the Tax Act (which currently includes the NYSE American) at the time of the disposition, the Securities, will generally not constitute taxable Canadian property of a U.S. Holder, unless: (a) at any time during the 60-month period immediately preceding the disposition or deemed disposition of the Security (as applicable): (i) 25% or more of the issued shares of any class or series of the share capital of the Company were owned by, or belonged to, one or any combination of (x) the U.S. Holder, (y) persons with whom the U.S. Holder did not deal at arm's length (within the meaning of the Tax Act) and (z) partnerships in which the U.S. Holder or a person referred to in (y) holds a membership interest directly or indirectly through one or more partnerships; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of: (A) real or immovable property situated in Canada, (B) Canadian resource property (as defined in the Tax Act), (C) timber resource property (as defined in the Tax Act), and (D) options in respect of, or interests in, or for civil law rights in, property described in any of (A) through (C) above, whether or not such property exists; or (b) the Security (as applicable) is deemed under the Tax Act to be taxable Canadian property.

If a Security is taxable Canadian property to a U.S. Holder, any capital gain realized on the disposition or deemed disposition of such Security may not be subject to Canadian federal income tax pursuant to the terms of the Convention. U.S. Holders whose Securities may be taxable Canadian property should consult their own tax advisors.

U.S. Holders who hold our Common Shares should consult their own tax advisers as to whether their Common Shares are taxable Canadian property.

CAUTIONARY STATEMENT ON SERVICE OF PROCESS AND THE ENFORCEMENT OF CIVIL LIABILITIES

We are a British Columbia, Canada company. As a result, the rights of holders of our Common Shares will be governed by the laws of British Columbia, Canada and our Articles. The rights of shareholders under the laws of British Columbia, Canada may differ from the rights of shareholders of companies incorporated in other jurisdictions. Some of our directors and some of the named experts referred to in this prospectus are not residents of the U.S. As a result, it may be difficult for investors to effect service of process on those persons in the U.S. or to enforce in the U.S. judgments obtained in U.S. courts against us or those persons based on the civil liability provisions of the U.S. securities laws. Uncertainty exists as to whether courts in British Columbia, Canada will enforce judgments obtained in other jurisdictions, including the U.S., against us or our directors or officers under the securities laws of those jurisdictions or entertain actions in British Columbia, Canada against us or our directors or officers under the securities laws of other jurisdictions.

UNDERWRITING

ThinkEquity LLC is the representative for the several underwriters of this offering, or the representative. We have entered into an underwriting agreement dated _____, 2023, with the underwriters named below. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has agreed, severally and not jointly, to purchase, at the public offering price less the underwriting discounts set forth on the cover page of this prospectus, the number of Common Units and Pre-funded Units at the public offering price, less the underwriting discounts and commissions, as set forth on the cover page of this prospectus, the number of shares listed next to its name in the following table:

Underwriters	Number of Common Units	Number of Pre-funded Units
ThinkEquity LLC		
Total		

The underwriters are committed to purchase all Common Units and Pre-funded Units offered by us, if any are purchased. The obligations of the underwriters may be terminated upon the occurrence of certain events specified in the underwriting agreement. Furthermore, the underwriting agreement provides that the obligations of the underwriters to pay for and accept delivery of the Common Units and Pre-funded Units offered by us in this prospectus are subject to various representations and warranties and other customary conditions specified in the underwriting agreement, such as receipt by the representative of officers' certificates and legal opinions.

We have agreed to indemnify the underwriters against specified liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect thereof.

The underwriters are offering the Common Units and Pre-funded Units subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by its counsel and other conditions specified in the underwriting agreement. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Discounts, Commissions and Reimbursement

The representative has advised us that the underwriters propose to offer the shares to the public at the initial public offering price per share set forth on the cover page of this prospectus. The underwriters may offer Common Units and Pre-funded Units to securities dealers at that price less a concession of not more than \$ _____ per security. After the initial offering to the public, the public offering price and other selling terms may be changed by the representative.

The following table summarizes the underwriting discounts and commissions, non-accountable underwriters' expense allowance and proceeds, before expenses, to us assuming both no exercise and full exercise by the underwriters of their over-allotment option:

	Per Common Unit	Per Pre-funded Unit	Total	
			Offering without Over- Allotment Option	Offering with Over- Allotment Option
Public offering price	\$ _____	\$ _____	\$ _____	\$ _____
Underwriting discounts and commissions (7.5%)				
Non-accountable expense allowance (1%)				
Proceeds, before expenses, to us	\$ _____	\$ _____	\$ _____	\$ _____

We have agreed to reimburse the representative for its out-of-pocket accountable expenses, including for background checks, bound volumes of the public offering materials and commemorative mementos and lucite tombstones, the fees and expenses of the representative's legal counsel, the cost associated with the use of Ipreo's book building, prospectus tracking and compliance software for this offering, data services and communications expenses, road show expenses, market making and trading, and clearing firm settlement expenses for this offering, up to \$222,500 in the aggregate. We have paid an expense deposit of \$50,000 to the representative of the underwriters upon execution of an engagement letter relating to this offering (the "Advance"), which will be applied against the actual out-of-pocket accountable expenses that will be incurred by the underwriters in connection with this offering, and will be reimbursed to us to the extent not incurred.

We estimate that the total expenses of this offering payable by us, not including underwriting discounts and commissions, will be approximately \$.

Over-Allotment Option

We have granted the representative an over-allotment option. This option, which is exercisable for up to 45 days after the date of this prospectus, permits the representative to purchase up to an aggregate of 540,000 additional Common Shares, representing 15% of the Common Units sold in the offering, and/or up to 540,000 Pre-funded Warrants, representing 15% of the Pre-funded Units sold in the offering and/or up to 540,000 Warrants, representing 15% of the Warrants sold in the offering, in each case, solely to cover over-allotments, if any. The purchase price to be paid per additional Common Share or Pre-funded Warrant by the underwriter shall be equal to the public offering price of one Common Unit or one Pre-funded Unit, as applicable less underwriting discount, and the purchase price to be paid per additional Warrant by the underwriter shall be \$0.00001.

Representative's Warrants

Upon the closing of this offering, we have agreed to issue to the representative, or its designees, warrants to purchase up to Common Shares equal in the aggregate to 5% of the total Common Shares (or in lieu thereof, the Pre-Funded Warrants) sold in this public offering (the "Representative's Warrants"). The Representative's Warrants will be exercisable at a per share exercise price equal to \$, which represents 125% of the public offering price per Common Unit sold in this offering. The Representative's Warrants are exercisable at any time and from time to time, in whole or in part, during the four-and-½-year period commencing six months after the commencement of sales of this offering. The Representative's Warrants also provide for one demand registration right of the shares underlying the Representative's Warrants, and unlimited "piggyback" registration rights with respect to the registration of the Common Shares underlying the Representative's Warrants and customary antidilution provisions. The demand registration right provided will not be greater than five years from the effective date of the registration statement related to this offering in compliance with FINRA Rule 5110 (g)(8)(C). The piggyback registration right provided will not be greater than seven years from the effective date of the registration statement related to this offering in compliance with FINRA Rule 5110(g)(8)(D).

The Representative's Warrants and the Common Shares underlying the Representative's Warrants have been deemed compensation by the Financial Industry Regulatory Authority, or FINRA, and are therefore subject to a 180-day lock-up pursuant to Rule 5110(e)(1) of FINRA. The representative, or permitted assignees under such rule, may not sell, transfer, assign, pledge, or hypothecate the Representative's Warrants or the securities underlying the Representative's Warrants, nor will the representative engage in any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the Representative's Warrants or the underlying shares for a period of 180 days from the effective date of the registration statement. Additionally, the Representative's Warrants may not be sold transferred, assigned, pledged or hypothecated for a 180-day period following the effective date of the registration statement except to any underwriter and selected dealer participating in the offering and their bona fide officers or partners. The Representative's Warrants will provide for adjustment in the number and price of the Representative's Warrants and the Common Shares underlying such Representative's Warrants in the event of recapitalization, merger, stock split or other structural transaction, or a future financing undertaken by us.

Right of First Refusal

Until 24 months from the closing of this offering, the representative shall have an irrevocable right of first refusal to act as sole investment banker, sole book-runner, sole financial advisor, sole underwriter and/or sole placement agent, at the representative's sole discretion, for each and every future public and private equity offerings for our Company, or any successor to or any subsidiary of our Company, including all equity linked financings, on terms customary to the representative. The representative shall have the sole right to determine whether or not any other broker-dealer shall have the right to participate in any such offering and the economic terms of any such participation. The representative will not have more than one opportunity to waive or terminate the right of first refusal in consideration of any such transaction.

Discretionary Accounts

The underwriters do not intend to confirm sales of the securities offered hereby to any accounts over which they have discretionary authority.

Lock-up Agreements

The Company has agreed with the representative to be subject to a lock-up period of three months following the date of this prospectus. In addition, each of our officers and directors have agreed with the representative to be subject to a lock-up period of six months following the date of this prospectus. This means that, during the applicable lock-up period, we and such persons may not offer for sale, contract to sell, sell, distribute, grant any option, right or warrant to purchase, pledge, hypothecate or otherwise dispose of, directly or indirectly, any of our Common Shares or any securities convertible into, or exercisable or exchangeable for, Common Shares, subject to customary exceptions. The representative may waive the terms of these lock-up agreements in its sole discretion and without notice. In addition, we have agreed to not issue any securities that are subject to a price reset based on the trading prices of our Common Shares or upon a specified or contingent event in the future, or enter into any agreement to issue securities at a future determined price for a period of two years following the closing date of this offering, subject to an exception. The representative may waive this prohibition in its sole discretion and without notice.

Electronic Offer, Sale and Distribution of Securities

A prospectus in electronic format may be made available on the websites maintained by the underwriters or selling group members. The underwriters may agree to allocate a number of securities to selling group members for sale to its online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations. Other than the prospectus in electronic format, the information on these websites is not part of, nor incorporated by reference into, this prospectus or the registration statement of which this prospectus forms a part, has not been approved or endorsed by us, and should not be relied upon by investors.

Stabilization

In connection with this offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate-covering transactions, penalty bids and purchases to cover positions created by short sales.

Stabilizing transactions permit bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum, and are engaged in for the purpose of preventing or retarding a decline in the market price of the shares while this offering is in progress.

Over-allotment transactions involve sales by the underwriters of securities in excess of the number of securities the underwriters are obligated to purchase. This creates a syndicate short position which may be either a covered short position or a naked short position. In a covered short position, the number of securities over-allotted by the underwriters are not greater than the number of securities that they may purchase in the over-allotment option. In a naked short position, the number of securities involved is greater than the number of securities in the over-allotment option. The underwriters may close out any short position by exercising their over-allotment option and/or purchasing securities in the open market.

Syndicate covering transactions involve purchases of securities in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of securities to close out the short position, the underwriters will consider, among other things, the price of securities available for purchase in the open market as compared with the price at which it may purchase securities through exercise of the over-allotment option. If the underwriters sell more securities than could be covered by exercise of the over-allotment option and, therefore, have a naked short position, the position can be closed out only by buying securities in the open market. A naked short position is more likely to be created if the underwriters are concerned that after pricing there could be downward pressure on the price of the securities in the open market that could adversely affect investors who purchase in this offering.

Penalty bids permit an underwriter to reclaim a selling concession from a syndicate member when the securities originally sold by that syndicate member are purchased in stabilizing or syndicate covering transactions to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our securities or preventing or retarding a decline in the market price of our securities. As a result, the price of our securities in the open market may be higher than it would otherwise be in the absence of these transactions. Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the price of our securities. These transactions may be effected in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

Passive Market Making

In connection with this offering, underwriters and selling group members may engage in passive market making transactions in our securities on the NYSE American in accordance with Rule 103 of Regulation M under the Exchange Act, during a period before the commencement of offers or sales of the securities and extending through the completion of the distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker's bid, then that bid must then be lowered when specified purchase limits are exceeded.

Other Relationships

The underwriters and their affiliates may in the future provide various investment banking, commercial banking and other financial services for us and our affiliates for which they may in the future receive customary fees. The representative of the underwriters acted as the placement agent for our March 2022 offering and received a cash fee equal to 10% of the gross proceeds received by us in the offering and reimbursement of \$125,000 for its expenses. Moreover, we issued ThinkEquity LLC and its designees warrants to purchase such number of Common Shares equal to 10% of the units sold in the offering, or warrants to purchase up to 78,548 Common Shares, at an exercise price of \$12.60 per share. Except as disclosed in this prospectus, we have no current arrangements with the underwriters for any further services.

Offer Restrictions Outside of the United States

Other than in the United States, no action has been taken that would permit a public offering of our securities in any jurisdiction where action for the purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that country or jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Australia

This prospectus is not a disclosure document under Chapter 6D of the Australian Corporations Act, has not been lodged with the Australian Securities and Investments Commission and does not purport to include the information required of a disclosure document under Chapter 6D of the Australian Corporations Act. Accordingly, (i) the offer of the securities under this prospectus is only made to persons to whom it is lawful to offer the securities without disclosure under Chapter 6D of the Australian Corporations Act under one or more exemptions set out in section 708 of the Australian Corporations Act, (ii) this prospectus is made available in Australia only to those persons as set forth in clause (i) above, and (iii) the offeree must be sent a notice stating in substance that by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (i) above, and, unless permitted under the Australian Corporations Act, agrees not to sell or offer for sale within Australia any of the securities sold to the offeree within 12 months after its transfer to the offeree under this prospectus.

Canada

The securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

China

The information in this document does not constitute a public offer of the securities, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The securities may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors."

European Economic Area—Belgium, Germany, Luxembourg and Netherlands

The information in this document has been prepared on the basis that all offers of securities will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities. An offer to the public of securities has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (i) an average of at least 250 employees during its last fiscal year; (ii) a total balance sheet of more than €43,000,000 (as shown on its last annual unconsolidated or consolidated financial statements) and (iii) an annual net turnover of more than €50,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to fewer than 100 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Company or any underwriter for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of securities shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

France

This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code Monétaire et Financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers ("AMF"). The securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the securities have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed or caused to be distributed, directly or indirectly, to the public in France.

Such offers, sales and distributions have been and shall only be made in France to (i) qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-1 to D.411-3, D.744-1, D.754-1 ;and D.764-1 of the French Monetary and Financial Code and any implementing regulation and/or (ii) a restricted number of non-qualified investors (cercle restreint d'investisseurs) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-4, D.744-1, D.754-1; and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the securities cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (the "Prospectus Regulations"). The securities have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to (i) qualified investors as defined in Regulation 2(l) of the Prospectus Regulations and (ii) fewer than 100 natural or legal persons who are not qualified investors.

Israel

The securities offered by this prospectus have not been approved or disapproved by the Israeli Securities Authority (the ISA), nor have such securities been registered for sale in Israel. The shares may not be offered or sold, directly or indirectly, to the public in Israel, absent the publication of a prospectus. The ISA has not issued permits, approvals or licenses in connection with the offering or publishing the prospectus; nor has it authenticated the details included herein, confirmed their reliability or completeness, or rendered an opinion as to the quality of the securities being offered. Any resale in Israel, directly or indirectly, to the public of the securities offered by this prospectus is subject to restrictions on transferability and must be effected only in compliance with the Israeli securities laws and regulations.

Italy

The offering of the securities in the Republic of Italy has not been authorized by the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa, or "CONSOB") pursuant to the Italian securities legislation and, accordingly, no offering material relating to the securities may be distributed in Italy and such securities may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998 ("Decree No. 58"), other than:

- to Italian qualified investors, as defined in Article 100 of Decree no.58 by reference to Article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999 ("Regulation no. 11971") as amended ("Qualified Investors"); and
- in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971 as amended.
- Any offer, sale or delivery of the securities or distribution of any offer document relating to the securities in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:
 - made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 and any other applicable laws; and
 - in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Any subsequent distribution of the securities in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971 as amended, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such securities being declared null and void and in the liability of the entity transferring the securities for any damages suffered by the investors.

Japan

The securities have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the securities may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires securities may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of securities is conditional upon the execution of an agreement to that effect.

Portugal

This document is not being distributed in the context of a public offer of financial securities (oferta pública de valores mobiliários) in Portugal, within the meaning of Article 109 of the Portuguese Securities Code (Código dos Valores Mobiliários). The securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in Portugal. This document and any other offering material relating to the securities have not been, and will not be, submitted to the Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários) for approval in Portugal and, accordingly, may not be distributed or caused to be distributed, directly or indirectly, to the public in Portugal, other than under circumstances that are deemed not to qualify as a public offer under the Portuguese Securities Code. Such offers, sales and distributions of securities in Portugal are limited to persons who are "qualified investors" (as defined in the Portuguese Securities Code). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

Sweden

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United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (“FSMA”) has been published or is intended to be published in respect of the securities. This document is issued on a confidential basis to “qualified investors” (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the securities may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the securities has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (“FPO”), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together “relevant persons”). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts, or NI 33-105, the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

LEGAL MATTERS

Sheppard, Mullin, Richter & Hampton LLP, Los Angeles, California is acting as counsel to the Company regarding United States securities law matters. The validity of the issuance of the securities offered hereby and other matters under the laws of British Columbia, Canada will be passed upon for us by DuMoulin Black LLP, Vancouver, British Columbia, Canada. The representative of the underwriters is being represented by Dentons US LLP, New York, New York.

EXPERTS

The consolidated financial statements of Permex Petroleum Corporation as of September 30, 2021 and 2020 and for each of the two years in the period ended September 30, 2021, included in this prospectus and in the registration statement, have been so included in reliance on the report of Davidson & Company LLP, an independent registered public accounting firm, appearing elsewhere herein and in the registration statement, given on the authority of said firm as experts in auditing and accounting.

Davidson & Company LLP, Chartered Professional Accountants, Vancouver, British Columbia, Canada is registered with both the Canadian Public Accountability Board and the U.S. Public Company Accounting Oversight Board.

Certain estimates of our oil and gas reserves and related information included in this prospectus have been derived from reports prepared by the independent engineering firm, MKM Engineering. All such information has been so included on the authority of such firm as an expert regarding the matters contained in its reports.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1, including amendments and relevant exhibits and schedules, under the Securities Act covering the securities to be sold in this offering. This prospectus does not contain all of the information contained in the registration statement that we filed. You should read the registration statement and its exhibits and schedules for further information with respect to us and our securities. Each statement made in this prospectus concerning a document filed as an exhibit to the registration statement is qualified by reference to that exhibit for a complete statement of its provisions.

We are subject to the periodic reporting and other informational requirements of the Exchange Act, which requires us to file reports, including annual reports, and other information with the SEC.

All information filed with the SEC, including the registration statement, will be available at the SEC's web site at www.sec.gov. We will also make our filings available on our website at www.permexpetroleum.com. The information on our website, however, is not a part of this prospectus.

ABOUT THIS PROSPECTUS

Exclusive Information

In evaluating an investment in our securities, you should rely only on the information contained in this prospectus. We have not authorized any person to provide you with information that is different from that contained in this prospectus.

Management Estimates

Management estimates are derived in part from information released by independent industry analysts and other third-party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of such industry and markets, which we believe to be reasonable. Our estimates involve risks and uncertainties, and are subject to change based on various factors, including those discussed in this prospectus under the heading "Risk Factors."

These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by our management. See "Cautionary Note Regarding Forward-Looking Statements."

Trademarks, Service Marks, and Trade Names

This prospectus may contain trademarks, service marks, trade names and copyrights of other companies, which are the property of their respective owners. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to in this prospectus are listed without the TM, SM, © and ® symbols, but parties may assert, to the fullest extent under applicable law, their rights to these trademarks, service marks, trade names and copyrights.

Date of Information

The information contained in this prospectus is accurate only as of the date of this prospectus. Neither the delivery of this prospectus nor any distribution of securities pursuant to this prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated by reference into this prospectus or in our affairs since the date of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.



PERMEX PETROLEUM CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(EXPRESSED IN UNITED STATES DOLLARS)

PERMEX PETROLEUM CORPORATION

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Permex Petroleum Corporation

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Permex Petroleum Corporation (the “Company”) as of September 30, 2021 and 2020, and the related consolidated statements of loss and comprehensive loss, equity, and cash flows for the years ended September 30, 2021 and 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2021 and 2020, and the results of its operations and its cash flows for the years ended September 30, 2021 and 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor from 2017 to 2022.

/s/ DAVIDSON & COMPANY LLP

Vancouver, Canada

Chartered Professional Accountants

July 14, 2022 (February, 9, 2023 as to the effects of the reverse stock split discussed in Note 1, and Note 3)



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PERMEX PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30

	2021	2020
ASSETS		
Current assets		
Cash	\$ 25,806	\$ 5,517
Trade and other receivables	12,984	44,702
Prepaid expenses and deposits	46,151	15,603
Assets held for sale	-	2,714,341
Total current assets	84,941	2,780,163
Non-current assets		
Reclamation deposits	144,847	194,750
Property and equipment	6,638,975	3,248,550
Right of use asset	72,539	49,870
Total assets	\$ 6,941,302	\$ 6,273,333
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	\$ 402,979	\$ 699,592
Amounts due to related party	16,628	165,457
Convertible debentures – current portion	78,500	75,000
Lease liability – current portion	51,963	21,202
Liabilities held for sale	-	1,591,097
Total current liabilities	550,070	2,552,348
Non-current liabilities		
Asset retirement obligations	552,594	271,402
Convertible debentures	-	75,000
Lease liability	26,986	31,926
Loan payable	31,400	30,000
Total liabilities	1,161,050	2,960,676
Equity		
Common stock, no par value per share; unlimited shares authorized, 1,103,010 and 667,073 shares issued and outstanding as of September 30, 2021 and September 30, 2020, respectively.	8,976,747	6,453,039
Additional paid-in capital	2,476,717	1,422,477
Accumulated other comprehensive loss	(127,413)	(270,302)
Deficit	(5,545,799)	(4,292,557)
Total equity	5,780,252	3,312,657
Total liabilities and equity	\$ 6,941,302	\$ 6,273,333

The financial statements were authorized for issue by the board of directors on July 14, 2022 and were signed on its behalf by:

“Mehran Ehsan”

Director

“Gregory Montgomery”

Director

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

PERMEX PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
YEARS ENDED SEPTEMBER 30

	<u>2021</u>	<u>2020</u>
Revenue		
Oil and gas sales	\$ 46,703	\$ 682,786
Royalty income	37,922	-
Total revenue	<u>84,625</u>	<u>682,786</u>
Operating expenses		
Production	59,671	557,624
General and administrative	496,381	412,594
Depletion and depreciation	60,479	37,291
Accretion on asset retirement obligations	19,907	49,700
Foreign exchange gain (loss)	24,301	(5,402)
Gain on settlement of asset retirement obligations	-	(10,415)
Forfeiture of reclamation deposit	50,165	-
Loss on disposal of property and equipment	613,457	879,070
Total operating expenses	<u>(1,324,361)</u>	<u>(1,920,462)</u>
Loss from operations	<u>(1,239,736)</u>	<u>(1,237,676)</u>
Other income (expense)		
Interest income	-	50
Finance expense	(13,506)	(15,905)
Total other income (expense)	<u>(13,506)</u>	<u>(15,855)</u>
Net loss	<u>(1,253,242)</u>	<u>(1,253,531)</u>
Other comprehensive income (loss)		
Foreign currency translation adjustment	142,889	(30,706)
Comprehensive loss	<u>\$ (1,110,353)</u>	<u>\$ (1,284,237)</u>
Basic and diluted loss per common share	<u>\$ (1.84)</u>	<u>\$ (1.88)</u>

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

PERMEX PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, September 30, 2019	667,073	\$6,453,039	\$1,418,302	\$ (239,595)	\$(3,039,026)	\$ 4,592,720
Share-based payments	-	-	4,175	-	-	4,175
Net loss	-	-	-	-	(1,253,531)	(1,253,531)
Other comprehensive income	-	-	-	(30,707)	-	(30,707)
Balance, September 30, 2020	667,073	\$6,453,039	\$1,422,477	\$ (270,302)	\$(4,292,557)	\$ 3,312,657
Acquisition of property	416,666	2,468,750	-	-	-	2,468,750
Acquisition of property - warrants	-	-	1,051,370	-	-	1,051,370
Shares issued for services	19,271	54,958	-	-	-	54,958
Share-based payments	-	-	2,870	-	-	2,870
Net loss	-	-	-	-	(1,253,242)	(1,253,242)
Other comprehensive income	-	-	-	142,889	-	142,889
Balance, September 30, 2021	<u>1,103,010</u>	<u>\$8,976,747</u>	<u>\$2,476,717</u>	<u>\$ (127,413)</u>	<u>\$(5,545,799)</u>	<u>\$ 5,780,252</u>

* The number of shares has been restated to reflect the 60:1 share consolidation (Note 1).

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

PERMEX PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,253,242)	\$ (1,253,531)
Adjustments to reconcile net loss to net cash from operating activities:		
Accretion on asset retirement obligations	19,907	49,700
Depletion and depreciation	60,479	37,291
Foreign exchange loss (gain)	87,747	(2,209)
Forfeiture of reclamation bond	50,165	-
Interest	13,506	15,905
Gain on settlement of decommissioning obligations	-	(10,415)
Settlement of trade payables	(9,682)	(23,329)
Proceeds from redemption of credit card deposit	-	18,600
Share-based payments	2,870	4,175
Shares issued for services	54,958	-
Loss on disposal of property and equipment	613,457	879,070
Trade and other receivables	34,092	58,169
Prepaid expenses and deposits	(29,977)	40,218
Trade and other payables	(234,475)	82,876
Amounts due to related parties	(162,598)	102,052
Right of use asset and lease liability	3,010	3,232
Net cash provided by (used in) operating activities	<u>(749,783)</u>	<u>1,804</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures on property and equipment	(265,717)	(128,752)
Proceeds from sale of oil and gas interests	1,123,244	-
Net cash provided by (used in) investing activities	<u>857,527</u>	<u>(128,752)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Convertible debentures	(79,000)	148,800
Loan proceeds	-	29,760
Loan from related party	(8,455)	(48,793)
Net cash provided by (used in) financing activities	<u>(87,455)</u>	<u>129,767</u>
Change in cash during the year	20,289	2,819
Cash, beginning of the year	<u>5,517</u>	<u>2,698</u>
Cash, end of the year	<u>\$ 25,806</u>	<u>\$ 5,517</u>
Supplemental disclosures of non-cash investing and financing activities:		
Common stock issued in connection with property acquisition agreement	\$ 2,468,750	\$ -
Common stock purchase warrants issued in connection with property acquisition agreement	1,051,370	-
Trade and other payables related to property and equipment	68,735	157,240
Adjustments to decommissioning liabilities	376,647	(116,191)
Supplemental cash flow disclosures:		
Interest paid	<u>13,090</u>	<u>-</u>

The accompanying notes are an integral part of these 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 Suite 500, 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8 and its US office at Suite 700, 100 Crescent Court, Dallas, Texas, 75201. 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 is listed on the Canadian Securities Exchange (the “CSE”) under the symbol “OIL” and on the OTCQB under the symbol “OILCF”.

On October 26, 2022, the Company’s board of directors approved a reverse stock split of the Company’s issued and outstanding common stock at a 1 for 60 ratio, which was effective November 2, 2022. The par value and authorized shares of common stock were not adjusted as a result of the reverse stock split. All issued and outstanding common stock, options, and warrants to purchase common stock and per share amounts contained in the financial statements have been retroactively adjusted to reflect the reverse stock split for all periods presented.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Permex Petroleum US Corporation and have been prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”).

These consolidated financial statements are presented in United States dollars (“USD”). The functional currency of the Company is the Canadian dollar (“CAD”). The functional currency for the subsidiary of the Company is the United States dollar (“USD”).

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, revenue and expenses of all wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

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) 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 asset retirement obligations; (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.

Cash

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Trade and other receivables

Trade and other receivables are stated at net realizable value. The majority of customers are not extended credit and therefore time to maturity for receivables is short. On a periodic basis, management evaluates its accounts receivable and determines whether to provide an allowance or if any accounts should be written off based on a past history of write-offs, collections, and current credit conditions. A receivable is considered past due if the Company has not received payments based on agreed-upon terms. Given the nature and balances of the Company's receivables the Company has no material loss allowance as at September 30, 2021 and September 30, 2020.

Property and equipment

The Company follows the successful efforts method of accounting for its oil and gas properties. All costs for development wells along with related acquisition costs, the costs of drilling development wells, and related asset retirement obligation (ARO) assets are capitalized. Exploration costs, such as exploratory geological and geophysical costs, and costs associated with non-productive exploratory wells, delay rentals and exploration overhead are expensed. Costs of drilling exploratory wells are capitalized pending determination of whether the wells found proved reserves. Costs of wells that are assigned proved reserves remain capitalized. Costs also are capitalized for exploratory wells that have found crude oil and natural gas reserves even if the reserves cannot be classified as proved when the drilling is completed, provided the exploratory well has found a sufficient quantity of reserves to justify its completion as a producing well and the Company is making sufficient progress assessing the reserves and the economic and operating viability of the project. The Company groups its oil and gas properties with a common geological structure or stratigraphic condition ("common operating field") for purposes of computing depletion expenses, assessing proved property impairments and accounting for asset dispositions.

Capitalized costs of proved oil and gas properties are depleted by individual field using a unit-of-production method based on proved and probable developed reserves. Proved reserves are estimated using reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids, which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Proved oil and natural gas properties are assessed for possible impairment by comparing their carrying values with their associated undiscounted, future net cash flows. Events that can trigger assessments for possible impairments include write-downs of proved reserves based on field performance, significant decreases in the market value of an asset (including changes to the commodity price forecast or carbon costs), significant change in the extent or manner of use of or a physical change in an asset, and a more-likely-than-not expectation that a long-lived asset or asset group will be sold or otherwise disposed of significantly sooner than the end of its previously estimated useful life. Impaired assets are written down to their estimated fair values, generally their discounted, future net cash flows. For proved oil and natural gas properties, the Company performs impairment reviews on a field basis, annually or as appropriate.

Other corporate equipment consist primarily of leasehold improvements and computer equipment and are stated at cost less accumulated depreciation. The capitalized costs are generally depreciated on a straight line basis over their estimated useful lives as follows:

Computer equipment	2 years
Leasehold improvements	5 years

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Property and equipment (cont'd...)

For property dispositions, measurement is at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in net income. Any deferred consideration recorded on property dispositions are recognized as revenue in the statement of loss and comprehensive loss over the reserve life.

Gains or losses are recorded for sales or dispositions of oil and gas properties which constitute an entire common operating field or which result in a significant alteration of the common operating field's depletion rate. These gains and losses are classified as asset dispositions in the accompanying consolidated statements of loss and comprehensive loss. Partial common operating field sales or dispositions deemed not to significantly alter the depletion rates are generally accounted for as adjustments to capitalized costs with no gain or loss recognized.

Impairment of long-lived assets

The Company assesses long-lived assets for impairment in accordance with the provisions of Financial Accounting Standards Board ASC 360, *Property, Plant and Equipment*. Long-lived assets (asset group), such as property and equipment and capitalized software development costs subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset. The amount of impairment loss, if any, is measured as the difference between the carrying value of the asset and its estimated fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. As of September 30, 2021 and 2020, no impairment charge has been recorded.

Asset retirement obligations

The Company's activities give rise to dismantling, decommissioning, and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Asset retirement obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Changes in the present value of the estimated expenditure are reflected as an adjustment to the provision and the relevant asset. The unwinding of the discount on the asset retirement obligations is recognized as an accretion expense. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision was recognized.

Asset retirement obligations require the use of management's best estimates of future remediation 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 retirement 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Fair value measurement

Fair value accounting is applied for all assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company follows the established framework for measuring fair value and expands disclosures about fair value measurements.

The Company categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The financial statements as of and for the years ended September 30, 2021 and 2020, do not include any recurring or nonrecurring fair value measurements relating to assets or liabilities.

Subsequent to initial recognition, the Company may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Company has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date.

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease obligation. The lease obligation is subsequently measured at amortized cost using the effective interest rate method.

Share capital

The Company records proceeds from the issuance of its common shares as equity. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that the shares are issued.

Warrants issued with private placement units are classified as equity and initially recorded at fair value with no subsequent remeasurement. Proceeds from the issuance of private placement units are allocated between the private placement warrants and common shares on a relative fair value basis.

Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the EPS attributable to common shareholders by the weighted average number of common shares outstanding in the period. The diluted EPS reflects all dilutive potential common share equivalents, in the weighted average number of common shares outstanding during the period, if dilutive. All of the outstanding convertible securities, stock options and warrants were anti-dilutive for the years ended September 30, 2021 and 2020.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based payments

The Company issues stock options and other share-based compensation to directors, employees and others service providers. Equity awards including stock options and share purchase warrants are measured at grant date at the fair value of the instruments issued and amortized over the vesting periods using a graded approach. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award is considered a separate grant with a different vesting date and fair value and is accounted for on that basis.

The offset to the recorded cost is to share-based payments reserve. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized as an expense is based on the number of options that eventually vest. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital.

The fair value of the equity awards is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience), expected dividends, and the risk-free interest rate (based on government bonds).

Revenue

In accordance with ASC 606, *Revenue from Contracts with Customers*, the Company recognizes revenue when a customer obtains control of a promised good. For natural gas, this is generally at the time product enters the pipeline. For crude oil, this is generally at the time the product reaches a trucking terminal. For natural gas liquids, this is generally at the time the product reaches a gas plant. The amount of revenue recognized reflects consideration that the Company expects to be entitled to receive in exchange for these goods, net of discounts, customs duties, royalties and withholding tax. Royalty income represents net revenue interests from the sale of crude oil and natural gas and is recognized when the operators of the properties complete the sale of crude oil and natural gas.

For natural gas, this is generally at the time product enters the pipeline. For crude oil, this is generally at the time the product reaches a trucking terminal. For natural gas liquids, this is generally at the time the product reaches a gas plant. Revenue is measured net of discounts, customs duties, royalties and withholding tax. Royalty income represents net revenue interests from the sale of crude oil and natural gas and is recognized upon the operators of the properties completing the sale of crude oil and natural gas.

The Company records revenue in the month production is delivered to the purchaser. However, production statements for oil and gas sales may not be received until the following month end after the products are purchased, and as a result, the Company is required to estimate the amount of revenue to be received. The Company records the differences between its estimates and the actual amounts received for revenue in the month that payment is received from the customer. Identified differences between the Company's revenue estimates and actual revenue received historically have not been significant. The Company believes that the pricing provisions of its oil, natural gas and natural gas liquids contracts are customary in the industry. To the extent actual volumes and prices of oil and natural gas sales are unavailable for a given reporting period because of timing or information not received from third parties, the revenue related to sales volumes and prices for those good sold are estimated and recorded.

The Company does not have any contract assets or liabilities, or capitalized contract costs.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currencies

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

Financial statements of the parent company prepared under their functional currencies are translated into United States dollars for consolidation purposes as follows: assets and liabilities are translated using the exchange rate prevailing at the reporting date; revenue and expenses are translated using the average rates of exchange for the period. Gains and losses resulting from translation adjustments are recorded to other comprehensive income (loss) and accumulated as a separate component of shareholders' equity, described as foreign currency translation adjustment.

Income taxes

Current taxes receivable or payable are estimated on taxable income or loss for the current year at the statutory tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which they can be utilized.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New accounting standards

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40) – Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* (“ASU 2020-06”). ASU 2020-06 simplifies the guidance on the issuer's accounting for convertible debt instruments by removing the separation models for (1) convertible debt with a cash conversion feature and (2) convertible instruments with a beneficial conversion feature. As a result, entities will not separately present in equity an embedded conversion feature in such debt. Instead, they will account for a convertible debt instrument wholly as debt, and for convertible preferred stock wholly as preferred stock, unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC 815 or (2) a convertible debt instrument was issued at a substantial premium. The elimination of these models will reduce reported interest expense and increase reported net income for entities that have issued a convertible instrument that is within the scope of ASU 2020-06. ASU 2020-06 requires entities to provide expanded disclosures about the terms and features of convertible instruments, how the instruments have been reported in the entity's financial statements, and information about events, conditions, and circumstances that can affect the amount or timing of an entity's future cash flows related to those instruments. ASU 2020-06 further removes three of the conditions for equity classification from ASC 815-40-25-10 and requires freestanding contracts on an entity's own equity that do not qualify as equity under ASC 815-40 to be accounted for at fair value, with changes in fair value recognized in earnings, irrespective of whether such contracts meet the definition of a derivative in ASC 815. ASU 2020-06 also requires the application of the if-converted method for calculating diluted earnings per share and the treasury stock method will be no longer available. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, with early adoption permitted, but no earlier than fiscal years beginning after December 15, 2020. The Company adopted ASU 2020-06 during the year ended September 30, 2021.

In June 2016, the FASB issued ASU No. 2016-13 (Topic 326), *Financial Instruments—Credit Losses – Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). ASU 2016-13 changes how to recognize expected credit losses on financial assets. The standard requires more timely recognition of credit losses on loans and other financial assets and also provides additional transparency about credit risk. The current credit loss standard generally requires that a loss actually be incurred before it is recognized, while the new standard will require recognition of full lifetime expected losses upon initial recognition of the financial instrument. Originally, ASU 2016-13 was effective for fiscal years beginning after December 15, 2019, with early adoption permitted. In November 2019, FASB issued ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. This ASU defers the effective date of ASU 2016-13 for non-public companies to fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of this standard on its financial statements and related disclosures.

3. IMMATERIAL CORRECTION TO PRIOR PERIODS

During fiscal 2022, The Company has discovered errors in prior years financial statements. The errors are as follows:

- (a) The Company had previously used the US Treasury bond rate in calculating its asset retirement obligations rather than an appropriate credit adjusted risk free rate. This caused the asset retirement obligations and related oil and gas properties in prior years to be overstated.
- (b) During fiscal 2021, the Company issued warrants for the acquisition of the Breedlove property. An incorrect volatility was used in the calculation of the fair value of the warrants causing an overstatement of oil and gas properties and equity.
- (c) The Company incorrectly reduced reserves and reduced accumulated deficit for cancellations of stock options on fully vested share-based compensation awards.
- (d) During 2021, payments on operating leases were accounted for as financing cash flows. These payments should have been operating cash flows.

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

3. IMMATERIAL CORRECTION TO PRIOR PERIODS (cont'd...)

The table below represents the balances of the affected accounts on the Consolidated Balance Sheet as of September 30, 2021, the Consolidated Statement of Loss and Comprehensive Loss for the year ended September 30, 2021, Consolidated Statement of Equity, and the Consolidated Statement of Cash Flows for the year ended September 30, 2021. Certain of the prior year figures have been reclassified to conform to the current financial statement presentation.

Consolidated Balance Sheet

	Balance as reported on September 30, 2021	Adjustment of asset retirement obligations	Adjustment for correction of warrant fair value	Adjustment for reclassification of option cancellation	Total Adjustments	Balance as revised at September 30, 2021
Cash	\$ 25,806					\$ 25,806
Trade and other receivables	\$ 12,984					\$ 12,984
Prepaid expenses and deposits	\$ 46,151					\$ 46,151
Reclamation deposits	\$ 144,847					\$ 144,847
Property and equipment, net	\$ 7,846,145	\$ (1,077,822)	\$ (129,348)		\$ (1,207,170)	\$ 6,638,975
Right of use asset	\$ 72,539					\$ 72,539
Total assets	\$ 8,148,472	\$ (1,077,822)	\$ (129,348)		\$ (1,207,170)	\$ 6,941,302
Trade and other payables	\$ 402,979					\$ 402,979
Amounts due to related party	\$ 16,628					\$ 16,628
Convertible debentures	\$ 78,500					\$ 78,500
Lease liability	\$ 78,949					\$ 78,949
Loan payable	\$ 31,400					\$ 31,400
Asset retirement obligations	\$ 1,627,465	\$ (1,074,871)			\$ (1,074,871)	\$ 552,594
Total liabilities	\$ 2,235,921	\$ (1,074,871)			\$ (1,074,871)	\$ 1,161,050
Common stock	\$ 8,976,747					\$ 8,976,747
Additional paid-in capital	\$ 2,383,105		\$ (129,348)	\$ 222,960	\$ 93,612	\$ 2,476,717
Accumulated other comprehensive loss	\$ (128,532)	1,119			\$ 1,119	\$ (127,413)
Deficit	\$ (5,318,769)	\$ (4,070)		(222,960)	\$ (227,030)	\$ (5,545,799)
Total equity	\$ 5,912,551	\$ (2,951)	\$ (129,348)		\$ (132,299)	\$ 5,780,252
Total liabilities and equity	\$ 8,148,472	\$ (1,077,822)	\$ (129,348)		\$ (1,207,170)	\$ 6,941,302

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

3. IMMATERIAL CORRECTION TO PRIOR PERIODS (cont'd...)

Consolidated Statement of Loss and Comprehensive Loss

	For the year ended September 30, 2021		
	Previously reported	Adjustments	As Revised
Revenue	\$ 84,625	\$ -	\$ 84,625
Operating expenses	\$ (661,632)	\$ (8,185)	\$ (669,817)
Other income (expense)	\$ (668,050)	\$ -	\$ (668,050)
Net Loss	\$ (1,245,057)	\$ (8,185)	\$ (1,253,242)
Foreign currency translation adjustment	\$ 141,703	\$ 1,186	\$ 142,889
Comprehensive loss	\$ (1,102,709)	\$ (6,999)	\$ (1,109,708)
Loss Per Share- basic and diluted	\$ (1.83)	\$ (0.01)	\$ (1.84)

Consolidated Statement of Equity

	For the year ended September 30, 2021		
	Previously reported	Adjustments	As Revised
Deficit at September 30, 2020	\$ (4,096,774)	\$ (195,783)	\$ (4,292,557)
Adjustment on cancelation of stock options	\$ (23,062)	\$ 23,062	\$ -
Deficit at September 30, 2021	\$ (5,318,769)	\$ (227,030)	\$ (5,545,799)
Reserve at September 30, 2020	\$ 1,192,123	\$ 199,898	\$ 1,392,021
Acquisition of property - warrants	\$ 1,180,718	\$ (129,348)	\$ 1,051,370
Reserve at September 30, 2021	\$ 2,383,105	\$ 93,612	\$ 2,446,261
Net Loss	\$ (1,245,057)	\$ (8,185)	\$ (1,253,242)
Accumulated other comprehensive income at September 30, 2020	\$ (270,235)	\$ (67)	\$ (270,302)
Other comprehensive loss	\$ 141,703	\$ 1,186	\$ 142,889
Accumulated other comprehensive income at September 30, 2021	\$ (128,532)	\$ 1,119	\$ (127,413)

Consolidated Statement of Cash Flows

	For the year ended September 30, 2021		
	Previously reported	Adjustments	As Revised
Net loss	\$ (1,245,057)	\$ (8,185)	\$ (1,253,242)
Net cash provided by (used in) operating activities	\$ (705,851)	\$ (35,747)	\$ (749,783)
Net cash provided by (used in) investing activities	\$ 857,527	\$ -	\$ 857,527
Net cash provided by (used in) financing activities	\$ (131,387)	\$ 43,932	\$ (87,455)
Change in cash during the year	\$ 20,289	\$ -	\$ 20,289
Cash, beginning of the year	\$ 5,517	\$ -	\$ 5,517
Cash, end of the year	\$ 25,806	\$ -	\$ 25,806

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

3. IMMATERIAL CORRECTION TO PRIOR PERIODS (cont'd...)

The table below represents the balances of the affected accounts on the Consolidated Balance Sheet as of September 30, 2020, the Consolidated Statement of Loss and Comprehensive Loss for the year ended September 30, 2020, Consolidated Statement of Equity, and the Consolidated Statement of Cash Flows for the year ended September 30, 2020. Certain of the prior year figures have been reclassified to conform to the current financial statement presentation.

Consolidated Balance Sheet

	Balance as reported on September 30, 2020	Adjustment of asset retirement obligations	Adjustment for correction of warrant fair value	Adjustment for reclassification of option cancellation	Total Adjustments	Balance as revised at September 30, 2020
Cash	\$ 5,517					\$ 5,517
Trade and other receivables	\$ 44,702					\$ 44,702
Prepaid expenses and deposits	\$ 15,603					\$ 15,603
Assets held for sale	\$ 2,924,465	\$ (210,124)			\$ (210,124)	\$ 2,714,341
Reclamation deposits	\$ 194,750					\$ 194,750
Property and equipment, net	\$ 3,765,914	\$ (517,364)			\$ (517,364)	\$ 3,248,550
Right of use asset	\$ 49,870					\$ 49,870
Total assets	<u>\$ 7,000,821</u>	<u>\$ (727,488)</u>			<u>\$ (727,488)</u>	<u>\$ 6,273,333</u>
Trade and other payables	\$ 713,696					\$ 713,696
Amounts due to related party	\$ 151,353					\$ 151,353
Convertible debentures	\$ 150,000					\$ 150,000
Liabilities held for sale	\$ 1,801,221	\$ (210,124)			\$ (210,124)	\$ 1,591,097
Lease liability	\$ 53,128					\$ 53,128
Loan payable	30,000					\$ 30,000
Asset retirement obligations	\$ 792,814	\$ (521,412)			\$ (521,412)	\$ 271,402
Total liabilities	<u>\$ 3,692,212</u>	<u>\$ (731,536)</u>			<u>\$ (731,536)</u>	<u>\$ 2,960,676</u>
Common stock	\$ 6,453,039					\$ 6,453,039
Additional paid-in capital	\$ 1,222,579			\$ 199,898	\$ 199,898	\$ 1,422,477
Accumulated other comprehensive loss	\$ (270,235)	(67)			\$ (67)	\$ (270,302)
Deficit	\$ (4,096,774)	\$ 4,115		(199,898)	\$ (195,783)	\$ (4,292,557)
Total equity	<u>\$ 3,308,609</u>	<u>\$ 4,048</u>			<u>\$ 4,048</u>	<u>\$ 3,312,657</u>
Total liabilities and equity	<u>\$ 7,000,821</u>	<u>\$ (727,488)</u>			<u>\$ (727,488)</u>	<u>\$ 6,273,333</u>

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

3. IMMATERIAL CORRECTION TO PRIOR PERIODS (cont'd...)

Consolidated Statement of Loss and Comprehensive Loss

	For the year ended September 30, 2020		
	Previously reported	Adjustments	As Revised
Revenue	\$ 682,786	\$ -	\$ 682,786
Operating expenses	\$ (1,101,747)	\$ (4,329)	\$ (1,106,076)
Other income (expense)	\$ (830,241)	\$ -	\$ (830,241)
Net Loss	\$ (1,249,202)	\$ (4,329)	\$ (1,253,531)
Foreign currency translation adjustment	\$ (39,084)	\$ 8,377	\$ (30,707)
Comprehensive loss	\$ (270,235)	\$ (67)	\$ (270,302)
Loss Per Share- basic and diluted	\$ (1.87)	\$ (0.01)	\$ (1.88)

Consolidated Statement of Equity

	For the year ended September 30, 2020		
	Previously reported	Adjustments	As Revised
Deficit at September 30, 2019	\$ (3,047,470)	\$ 8,444	\$ (3,039,026)
Adjustment on cancelation of stock options	\$ (199,898)	\$ 199,898	\$ -
Deficit at September 30, 2020	\$ (4,096,774)	\$ (195,783)	\$ (4,292,557)
Reserve at September 30, 2020	\$ 1,192,123	\$ 199,898	\$ 1,392,021
Net Loss	\$ (1,249,202)	\$ (4,329)	\$ (1,253,531)
Accumulated other comprehensive income at September 30, 2019	\$ (231,151)	\$ (8,444)	\$ (239,595)
Other comprehensive loss	\$ (39,084)	\$ 8,377	\$ (30,707)
Accumulated other comprehensive income at September 30, 2020	\$ (270,235)	\$ (67)	\$ (270,302)

Consolidated Statement of Cash Flows

	For the year ended September 30, 2020		
	Previously reported	Adjustments	As Revised
Net loss	\$ (1,249,202)	\$ (4,329)	\$ (1,253,531)
Net cash provided by (used in) operating activities	\$ 22,766	\$ (20,962)	\$ 1,804
Net cash provided by (used in) investing activities	\$ (128,752)	\$ -	\$ (128,752)
Net cash provided by (used in) financing activities	\$ 108,805	\$ 20,962	\$ 129,767
Change in cash during the year	\$ 2,819	\$ -	\$ 2,819
Cash, beginning of the year	\$ 2,698	\$ -	\$ 2,698
Cash, end of the year	\$ 5,517	\$ -	\$ 5,517

4. CONCENTRATION OF CREDIT RISK

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 and cash equivalents 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.

During the year ended September 30, 2021, the Company generated 49% of total revenue from one customer (2020 - 45%). As at September 30, 2021, one customer represented \$2,927 (26%) of the trade receivable balance (2020 - one customer represented \$38,465 (95%)). It is in management's opinion that the Company is not exposed to significant credit risk.

5. NON-CURRENT ASSETS

The Company is engaged in the exploration for, and the development of, petroleum and natural gas projects in the United States. The Company holds 100% working interests and 71.9% to 81.75% net revenue interests and certain royalty interests in the various oil and gas properties located in Texas and New Mexico.

Reclamation bonds

As of September 30, 2021, the Company held reclamation bonds of \$144,847 (2020 - \$194,750), which are expected to be released after all reclamation work has been completed with regard to its oil and natural gas interests. During the year ended September 30, 2021, the Company wrote off \$50,165 of reclamation deposit forfeited by the Texas State government due to violation on a previous owned property.

Property and equipment

Property and equipment as of September 30, 2021 and 2020 consisted of the following:

	2021	2020
Oil and natural gas properties	\$ 6,723,778	\$ 3,336,906
Corporate assets	-	42,436
Property and equipment, at cost	6,723,778	3,379,342
Less: accumulated depreciation and depletion	(84,803)	(130,792)
Property and equipment, net	<u>\$ 6,638,975</u>	<u>\$ 3,248,550</u>

Depreciation and depletion expense was \$60,479 and \$37,291 for the years ended September 30, 2021 and 2020, respectively.

Acquisition

During the year ended September 30, 2021, the Company, through its wholly owned subsidiary, Permex Petroleum US Corporation, acquired a 100% Working Interest and a 81.75% Net Revenue Interest in the Breedlove "B" Clearfork leases located in Martin County, Texas. The Company issued 416,666 common shares and 208,333 share purchase warrants as consideration for this acquisition. The Company valued the 416,666 common shares issued at a fair value of \$2,468,750. The share purchase warrants were valued at \$1,051,370 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 1.51%, an expected life of 10-years, annualized volatility of 96.56% and a dividend rate of 0%). The warrants have an exercise price \$9.42 per share (CAD\$12.00) and are exercisable until September 30, 2031.

Dispositions

During the year ended September 30, 2021, the Company sold its interests in the Peavy leases together with reclamation obligations for \$10,000 and recognized a loss of \$604,687 from the sale. The Company also recognized a loss of \$8,770 from the disposal of equipment.

5. NON-CURRENT ASSETS (cont'd...)

Assets held for sale

During the year ended September 30, 2020, the Company initiated a plan to dispose of its interest in certain oil and gas leases. As a result, the carrying costs of the related assets and its associated decommissioning liabilities were included in a disposal group and classified as assets held for sale and liabilities held for sale, respectively, at September 30, 2020. The disposal group classified as held for sale were measured at the fair value less costs to sell and an impairment loss of \$879,070 was recognized in the profit and loss during the year ended September 30, 2020. The Company believes the disposal group is not a separate major line of business; therefore, disclosure of discontinued operation is not being presented.

The recoverable amount of the disposal group as of September 30, 2020 is as follows.

Assets held for sale	
Oil and gas properties	\$ 2,714,341
Liabilities held for sale	
Decommissioning liabilities	\$ 1,591,097

During the year ended September 30, 2021, the Company sold its interest in the oil and gas leases classified in assets and liabilities held for sale for \$1,123,244.

6. ASSET RETIREMENT OBLIGATIONS

The total future asset retirement obligations are based on the Company's net ownership in wells and facilities, estimated costs to reclaim and abandon the wells and facilities, and the estimated timing of the costs to be incurred in future periods.

Changes to the asset retirement obligations are as follows:

	2021	2020
Asset retirement obligations, beginning of the year	\$ 271,402	\$ 1,942,075
Obligations acquired	258,726	-
Obligations derecognized	(125,511)	(116,192)
Change in estimates	117,921	-
Accretion expense	19,907	49,700
Reclassification to liabilities held for sale	-	(1,591,097)
Foreign exchange movement	10,149	(13,084)
	<u>\$ 552,594</u>	<u>\$ 271,402</u>

6. ASSET RETIREMENT OBLIGATIONS (cont'd...)

During the year ended September 30, 2021, the Company derecognized \$125,511 (2020 - \$116,192) in asset retirement obligations as a result of an assignment of certain oil and gas interests. The asset retirement obligations were offset by the asset retirement provision of \$112,317 (2020 - \$105,777) and a gain of \$13,194 was netted against the loss realized from the sale of properties (2020 - a gain of \$10,415 realized).

7. DEBT

Convertible debentures

The Company issued a total of \$150,000 (CAD\$200,000) in convertible debentures to the CEO and a director of the Company on October 17, 2019 and February 21, 2020 for cash. The debentures are secured by an interest in all of the Company's right, title, and interest in all of its oil and gas assets, have a maturity date of September 30, 2021 and February 20, 2022, and bear interest at a rate of 12% per annum, payable on maturity. The debentures are convertible at the holder's option into units of the Company at \$7.20 (CAD\$9.00) per unit. Each unit will be comprised of one common share of the Company and one share purchase warrant; each warrant entitles the holder to acquire one additional common share for a period of three years at an exercise price of \$9.60 (CAD\$12.00).

During the year ended September 30, 2021 and 2020, the Company accrued interest of \$13,506 and \$13,991, respectively, and is included within amounts due to related party on the consolidated balance sheets. During the year ended September 30, 2021, the Company repaid \$79,000 (CAD\$100,000) of the convertible debenture together with accrued interest of \$13,090.

Loan payable

In May 2020, the Company opened a Canada Emergency Business Account ("CEBA") and received a loan of \$30,000 (CAD\$40,000) from the Canadian Government.

The CEBA program was established to provide interest-free loans of up to CAD\$60,000 to small businesses and not-for-profits to help them cover operating costs during the COVID-19 pandemic. The loan is unsecured and non-interest bearing with an original repayment deadline of December 31, 2022. In January 2022, the Canadian government extended the repayment deadline to December 31, 2023 in order for the loan to be considered for partial forgiveness of up to one-third of the balance. Any loans not repaid by December 31, 2023 convert to two-year term loans bearing interest at an annual rate of 5% starting January 1, 2024, with loans fully due by December 31, 2025.

8. COMMITMENTS AND CONTINGENCIES

Lease Liability

The Company has entered into office lease agreements for its office premises for terms ending in 2023. As of September 30, 2021, the Company's lease had a weighted-average remaining term of 1.6 years. The undiscounted future lease payments as of September 30, 2021 are as follows:

2022	\$	55,402
2023		31,885
	\$	<u>87,287</u>

8. COMMITMENTS AND CONTINGENCIES (cont'd...)

Lease Liability (cont'd...)

The components of lease expense were as follows:

	<u>2021</u>	<u>2020</u>
Fixed lease expense	\$ 43,932	\$ 20,962
Variable lease expense	10,404	6,048
Total	<u>\$ 54,336</u>	<u>\$ 27,010</u>

The following is a continuity schedule of lease liability:

	<u>2021</u>	<u>2020</u>
Balance, beginning of the year	\$ 53,128	\$ -
Addition	57,357	66,432
Interest expense	9,812	7,233
Lease payments	(43,932)	(20,962)
Foreign exchange movement	2,584	425
Balance, end of the year	<u>\$ 78,949</u>	<u>\$ 53,128</u>
Current liability	<u>\$ 51,963</u>	<u>\$ 21,202</u>
Long-term liability	<u>\$ 26,986</u>	<u>\$ 31,926</u>

9. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2020, the Company issued a total of \$150,000 (CAD\$200,000) in convertible debentures to the CEO and a director of the Company for cash (Note 6). During the year ended September 30, 2021, the Company repaid \$79,000 (CAD\$100,000) of the convertible debenture due to a director of the Company together with accrued interest of \$13,090. As of September 30, 2021, \$78,500 (CAD\$100,000) of the debenture loan remained outstanding and the accrued interest of \$15,176 (2020 - \$14,104) was included in amounts due to related parties.

During the year ended September 30, 2021, the Company incurred management fees of \$149,806 (2020 - \$144,288) to a company controlled by the CEO of the Company. The Company considers this a related party transaction, as it relates to key management personnel and entities over which it has control or significant influence.

Included in amounts due to related parties are \$1,321 (2020 - \$145,063) related to accrued management fees to the Company by the Chief Executive Officer ("CEO") and a director of the Company and \$131 (2020 - \$6,290) in advances from the CEO of the Company. Amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

10. EQUITY

Common stock

The Company has authorized an unlimited number of common shares with no par value. At September 30, 2021 and 2020, the Company had 1,103,010 and 667,073 common shares issued and outstanding, respectively. During the year ended September 30, 2021, the Company issued the following shares:

- a) 19,271 common shares of the Company with a fair value of \$54,958 pursuant to service agreements.
- b) 416,666 common shares of the Company with a value of \$2,468,750 pursuant to a property acquisition agreement (Note 5).

There were no common shares issued during the year ended September 30, 2020.

Share-based payments

Stock options

The Company has a stock option plan (the “Plan”) in place under which it is authorized to grant options to executive officers and directors, employees and consultants. Pursuant to the Plan, the Company may issue aggregate stock options totaling up to 10% of the issued and outstanding common stock of the Company. Further, the Plan calls for the exercise price of each option to be equal to the market price of the Company’s stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors at the time of grant.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price
Balance, September 30, 2019	42,336	\$ 21.58
Granted	5,000	2.23
Cancelled	(8,333)	22.32
Balance, September 30, 2020	39,003	\$ 18.75
Cancelled	(1,086)	23.70
Balance, September 30, 2021	37,917	\$ 19.51
Exercisable at September 30, 2021	35,417	\$ 20.72
Weighted average fair value of options granted during the year	\$ nil	(2020 - \$1.69)

The aggregate intrinsic value of options outstanding and exercisable as at September 30, 2021 was \$nil (2020 - \$nil).

10. EQUITY (cont'd...)

Share-based payments (cont'd...)

The options outstanding as of September 30, 2021 equalled 37,917 shares, and have exercise prices in the range of \$2.36 to \$23.55 and a weighted average remaining contractual life of 6.60 years. The weighted average fair value of options granted during the year ended September 30, 2020 was \$1.69. There were no options granted during the year ended September 30, 2021.

During the years ended September 30, 2021 and 2020, the Company recognized share-based payment expense of \$2,870 and \$4,175, respectively, for the portion of stock options that vested during the year. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	2021	2020
Risk-free interest rate	-	0.78%
Expected life of options	-	10 Years
Expected annualized volatility	-	120%
Dividend rate	-	Nil

As at September 30, 2021, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
27,917	\$ 23.55	December 4, 2027
5,000	\$ 14.13	November 1, 2028
5,000	\$ 2.36	March 16, 2030
<u>37,917</u>		

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2019 and 2020	80,087	\$ 12.77
Granted	208,333	9.48
Warrants expired	(80,087)	13.46
Balance, September 30, 2021	<u>208,333</u>	<u>\$ 9.42</u>

The 208,333 warrants outstanding at September 30, 2021 have an exercise price of \$9.42 and expire on September 30, 2031.

11. LOSS PER SHARE

The calculation of basic and diluted loss per share for the years ended September 30, 2021 and 2020 was based on the losses attributable to common shareholders. The following table sets forth the computation of basic and diluted loss per share:

	<u>2021</u>	<u>2020</u>
Net loss	\$ (1,253,242)	\$ (1,253,531)
Weighted average common shares outstanding	<u>678,958</u>	<u>667,069</u>
Basic and diluted loss per share	<u>\$ (1.84)</u>	<u>\$ (1.88)</u>

As of September 30, 2021, \$78,500 (CAD\$100,000) of convertible debentures convertible into 11,111 common shares, 37,917 (2020 - 39,003) stock options and 208,333 (2020 - 80,087) warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	<u>2021</u>	<u>2020</u>
Loss before income taxes	\$ (1,253,242)	\$ (1,253,531)
Expected income tax recovery at statutory rates	\$ (338,000)	\$ (338,000)
Change in statutory, foreign tax, foreign exchange rates and other	(53,000)	50,000
Permanent differences	1,000	2,000
Adjustment to prior years provision versus statutory tax returns	(11,000)	(13,000)
Unrecognized temporary differences	<u>401,000</u>	<u>299,000</u>
Deferred income tax recovery	<u>\$ -</u>	<u>\$ -</u>

The significant components of the Company's deferred tax assets and liabilities are as follows:

	<u>2021</u>	<u>2020</u>
Non-capital losses available for future periods	\$ 780,000	\$ 571,000
Property and equipment	(9,000)	(233,000)
Financing fees	<u>38,000</u>	<u>70,000</u>
	809,000	408,000
Unrecognized deferred income tax assets	<u>(809,000)</u>	<u>(408,000)</u>
Net deferred income tax assets	<u>\$ -</u>	<u>\$ -</u>

The significant components of the Company's temporary differences include financing fees and non-capital losses available for future periods. For the years ended September 30, 2021 and 2020, the Company had financing fees of \$140,000 and \$254,000, respectively, with expiration dates between 2041 and 2043. The Company also had non-capital losses available for future periods in both Canada and the United States. For the years ended September 30, 2021 and 2020, the Canada losses totaled \$2,707,000 and \$1,130,000, respectively, with expiration dates ranging from 2037 to 2041 and 2037 to 2040, respectively. The United States non-capital losses for the years ended September 30, 2021 and 2020 totaled \$213,000 and \$106,000, respectively, and had no expiration dates.

13. SEGMENTED 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.

14. EVENTS AFTER THE REPORTING PERIOD

Subsequent to September 30, 2021, The Company

- i) Completed a non-brokered private placement of 44,117 units at a price of \$13.20 (CAD\$16.20) per unit for gross proceeds of \$571,760 (CAD\$714,700). Each unit is comprised of one common share and one half of one 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 (CAD\$32.40). \$137,946 of the proceeds was allocated to the warrants. The Company paid \$34,733 and issued 2,680 agent's warrants as a finders' fee. The finder's warrants have the same terms as the warrants issued under the private placement. The finder's warrants were valued at \$24,543 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 0.98%, an expected life of 2 years, annualized volatility of 153.02% and a dividend rate of 0%). The Company also incurred filing and other expenses of \$800 in connection with the private placement.
- ii) Completed a brokered private placement 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 entitles the holder to acquire one additional common share for a period of 5 years at an exercise price of \$12.60. \$607,170 of the proceeds was allocated to the warrants. ThinkEquity LLC acted as sole placement agent for the private placement. In connection with the private placement, ThinkEquity received a cash commission of \$754,058, broker warrants of 78,548 and expense reimbursement of \$131,560. The broker's warrants have the same terms as the warrants issued under the private placement. The broker's warrants were valued at \$858,429 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 2.45%, an expected life of 5 years, annualized volatility of 134.66% and a dividend rate of 0%). The Company also incurred filing and other expenses of \$140,475 in connection with the private placement.
- iii) Granted stock options to directors and consultants of the Company to purchase 55,000 common shares at an exercise price of \$11.40 (CAD\$14.40) per share for a period of 10 years.
- iv) Amended the employment with the CEO of the Company for an annual base salary of \$250,000, with no specified term. The CEO is also eligible on an annual basis for a cash bonus of up to 100% of annual salary. The employment agreement may be terminated with a termination payment equal to three years of base salary and a bonus equal to 20% of the annual base salary.
- v) Entered into an employment with the CFO of the Company for an annual base salary of \$50,000, with no specified term. The CFO is also eligible on an annual basis for a cash bonus of up to 100% of annual salary. The employment agreement may be terminated with a termination payment equal to two months of base salary.

15. SUPPLEMENTAL INFORMATION ON OIL AND GAS OPERATIONS (UNAUDITED)

Supplemental unaudited information regarding Permex's oil and gas activities is presented in this note. All of Permex's reserves are located within the U.S.

Costs Incurred in Oil and Gas Producing Activities

	12 Months Ended September 30, 2021	12 Months Ended September 30, 2020
Acquisition of proved properties	\$ 3,699,215	\$ —
Acquisition of unproved properties	—	—
Development costs	9,403	254,299
Exploration costs	—	—
Total costs incurred	\$ 3,708,618	\$ 254,299

Results of Operations from Oil and Gas Producing Activities

	12 Months Ended September 30, 2021	12 Months Ended September 30, 2020
Oil and gas revenues	\$ 46,703	\$ 682,786
Production costs	(59,671)	(557,624)
Exploration expenses	—	—
Depletion, depreciation and amortization	(52,439)	(28,660)
Impairment of oil and gas properties	—	—
Result of oil and gas producing operations before income taxes	(65,407)	96,502
Provision for income taxes	—	—
Results of oil and gas producing activities	\$ (65,407)	\$ 96,502

Proved Reserves

The Company's proved oil and natural gas reserves have been estimated by the certified independent engineering firm, MKM Engineering. Proved reserves are the estimated quantities that geologic and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are the quantities expected to be recovered through existing wells with existing equipment and operating methods when the estimates were made. Due to the inherent uncertainties and the limited nature of reservoir data, such estimates are subject to change as additional information becomes available. The reserves actually recovered and the timing of production of these reserves may be substantially different from the original estimate. Revisions result primarily from new information obtained from development drilling and production history; acquisitions of oil and natural gas properties; and changes in economic factors.

15. SUPPLEMENTAL INFORMATION ON OIL AND GAS OPERATIONS (UNAUDITED) (cont'd...)

Our proved reserves are summarized in the table below:

	Oil (Barrels)	Natural Gas (Mcf)	BOE (Barrels)
Proved developed and undeveloped reserves:			
September 30, 2019	3,992,240	498,180	4,075,270
Revisions(1)	440,160	251,196	482,026
Discoveries and extensions	—	—	—
Sale of reserves(2)	(709,800)	—	(709,800)
Production	(16,240)	(9,196)	(17,773)
September 30, 2020	3,706,360	740,180	3,829,723
Revisions	(88,263)	38,640	(81,823)
Purchase of proved reserves(3)	5,408,560	2,859,590	5,885,158
Sale reserves(4)	(2,826,290)	(618,650)	(2,929,398)
Production	(947)	(1,410)	(1,182)
September 30, 2021	6,199,420	3,018,350	6,702,478
Proved developed reserves:			
September 30, 2019	921,410	104,000	938,743
September 30, 2020	549,390	82,430	563,128
September 30, 2021	587,450	411,910	656,102
Proved undeveloped reserves:			
September 30, 2019	3,070,830	394,180	3,136,527
September 30, 2020	3,156,970	657,750	3,266,595
September 30, 2021	5,611,970	2,606,440	6,046,377

(1)Revisions in 2020 included 120,850 bbls additional proved undeveloped reserves due to economic conditions and approximately 373,000 bbls of oil and 242,000 mcf of natural gas added to the ODC Gaines County property due to two additional productive zones evaluated and included in proved reserves.

(2)During 2020, the Company sold their McMurtry-Loving property.

(3)Revisions in 2021 included 120,850 bbls in proved undeveloped reserves being classified as probable in the 2021 reserve report, net of other immaterial revisions in several properties.

(4)During 2021, the Company purchased 1,246 net acres in Martin County, Texas.

(5)During 2021, the Company sold ODC and Taylor properties.

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

The following information is based on the Company's best estimate of the required data for the Standardized Measure of Discounted Future Net Cash Flows as of September 30, 2021 and September 30, 2020 in accordance with ASC 932, "Extractive Activities – Oil and Gas" which requires the use of a 10% discount rate. This information is not the fair market value, nor does it represent the expected present value of future cash flows of the Company's proved oil and gas reserves.

Future cash inflows for the years ended September 30, 2021 and September 30, 2020 were estimated as specified by the SEC through calculation of an average price based on the 12-month unweighted arithmetic average of the first-day-of-the-month price for the period from October through September during each respective fiscal year. The resulting net cash flow are reduced to present value by applying a 10% discount factor.

	12 Months Ended	
	September 30, 2021	September 30, 2020
Future cash inflows	\$ 355,958,000	\$ 150,694,000
Future production costs(1)	(69,683,000)	(50,268,000)
Future development costs	(71,700,000)	(26,263,000)
Future income tax expenses	(57,206,000)	(19,689,000)
Future net cash flows	157,369,000	54,474,000
10% annual discount for estimated timing of cash flows	(84,100,000)	(33,677,000)
Standardized measure of discounted future net cash flows at the end of the fiscal year	\$ 73,269,000	\$ 20,797,000

(1) Production costs include crude oil and natural gas operations expense, production ad valorem taxes, transportation costs and G&A expense supporting the Company's crude oil and natural gas operations.

15. SUPPLEMENTAL INFORMATION ON OIL AND GAS OPERATIONS (UNAUDITED) (cont'd...)

Average hydrocarbon prices are set forth in the table below.

	Average Price Crude Oil (Bbl)	Natural Gas (Mcf)
Year ended September 30, 2019 (1)	\$ 53.60	\$ 2.51
Year ended September 30, 2020 (1)	\$ 40.30	\$ 1.77
Year ended September 30, 2021 (1)	\$ 55.98	\$ 2.95

(1) Average prices were based on 12-month unweighted arithmetic average of the first-day-of-the-month prices for the period from October through September during each respective fiscal year.

Future production and development costs, which include dismantlement and restoration expense, are computed by estimating the expenditures to be incurred in developing and producing the Company's proved crude oil and natural gas reserves at the end of the year, based on year-end costs, and assuming continuation of existing economic conditions.

Sources of Changes in Discounted Future Net Cash Flows

Principal changes in the aggregate standardized measure of discounted future net cash flows attributable to the Company's proved crude oil and natural gas reserves, as required by ASC 932, at fiscal year-end are set forth in the table below.

	12 Months Ended	
	September 30, 2021	September 30, 2020
Standardized measure of discounted future net cash flows at the beginning of the year	\$ 20,797,000	\$ 40,833,000
Extensions, discoveries and improved recovery, less related costs	—	—
Sales of minerals in place	(62,682,000)	(7,509,000)
Purchase of minerals in place	125,927,000	—
Revisions of previous quantity estimates	(1,751,000)	5,099,000
Net changes in prices and production costs	32,573,000	(21,863,000)
Accretion of discount	1,498,000	3,416,000
Sales of oil produced, net of production costs	13,000	(125,000)
Changes in future development costs	(21,339,000)	(919,000)
Changes in timing of future production	(2,580,000)	(5,562,000)
Net changes in income taxes	(19,187,000)	7,427,000
Standardized measure of discounted future net cash flows at the end of the year	\$ 73,269,000	\$ 20,797,000

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six Months Ended March 31, 2022

(EXPRESSED IN UNITED STATES DOLLARS)

(UNAUDITED)

PERMEX PETROLEUM CORPORATION
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PERMEX PETROLEUM CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 2022	September 30, 2021
ASSETS		
Current assets		
Cash	\$ 6,727,758	\$ 25,806
Trade and other receivables	146,403	12,984
Prepaid expenses and deposits	81,236	46,151
Total current assets	6,955,397	84,941
Non-current assets		
Reclamation deposits	145,000	144,847
Property and equipment	6,639,233	6,638,975
Right of use asset	49,195	72,539
Total assets	\$ 13,788,825	\$ 6,941,302
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	\$ 581,772	\$ 402,979
Amounts due to related party	2,290	16,628
Convertible debentures	80,000	78,500
Lease liability – current portion	47,559	51,963
Total current liabilities	711,621	550,070
Non-current liabilities		
Asset retirement obligations	569,070	552,594
Lease liability	8,414	26,986
Loan payable	32,000	31,400
Warrant liability	121,978	-
Total liabilities	1,443,083	1,161,050
Equity		
Common stock, no par value per share; unlimited shares authorized, 1,932,604 and 1,103,010 shares issued and outstanding as of March 31, 2022 and September 30, 2021, respectively.	14,356,535	8,976,747
Additional paid-in capital	4,571,535	2,476,717
Accumulated other comprehensive loss	(127,413)	(127,413)
Deficit	(6,454,915)	(5,545,799)
Total equity	12,345,742	5,780,252
Total liabilities and equity	\$ 13,788,825	\$ 6,941,302

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

PERMEX PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Revenue				
Oil and gas sales	\$ 228,497	\$ 40	\$ 318,487	\$ 3,094
Royalty income	13,389	-	29,848	-
Total revenue	241,886	40	348,335	3,094
Operating expenses				
Production	115,000	9,949	196,879	10,213
General and administrative	204,366	115,037	1,013,972	197,791
Depletion and depreciation	56,884	2,077	88,895	9,238
Accretion on asset retirement obligations	8,223	2,931	16,476	5,805
Foreign exchange loss	3,644	10,476	8,614	27,152
Forfeiture of reclamation deposit	-	50,483	-	50,483
Total operating expenses	(388,117)	(190,953)	(1,324,836)	(300,682)
Loss from operations	(146,231)	(190,913)	(976,501)	(297,588)
Other income (expense)				
Interest income	2	-	2	-
Other income	12,000	-	12,000	-
Finance expense	(1,180)	(5,110)	(24,648)	(9,768)
Change in fair value of warrant liability	(22,519)	-	80,031	-
Total other income (expense)	(11,697)	(5,110)	67,385	(9,768)
Net loss	(157,928)	(196,023)	(909,116)	(307,356)
Other comprehensive income				
Foreign currency translation adjustment	-	40,389	-	196,182
Comprehensive loss	\$ (157,928)	\$ (155,634)	\$ (909,116)	\$ (111,173)
Basic and diluted loss per common share	\$ (0.13)	\$ (0.29)	\$ (0.79)	\$ (0.46)

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

PERMEX PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)

Three months ended March 31

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, December 31, 2021	1,147,127	\$ 9,307,648	\$ 3,108,585	\$ (127,413)	\$ (6,296,987)	\$ 5,991,833
Private placements	785,477	6,933,410	607,170	-	-	7,540,580
Share issuance costs	-	(1,884,522)	858,429	-	-	(1,026,093)
Share-based payments	-	-	(2,649)	-	-	(2,649)
Net loss	-	-	-	-	(157,928)	(157,928)
Balance, March 31, 2022	<u>1,932,604</u>	<u>\$ 14,356,535</u>	<u>\$ 4,571,535</u>	<u>\$ (127,413)</u>	<u>\$ (6,454,915)</u>	<u>\$ 12,345,742</u>

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, December 31, 2020	678,011	\$ 6,473,147	\$ 1,423,477	\$ (114,141)	\$ (4,403,890)	\$ 3,378,593
Share-based payments	-	-	915	-	-	915
Net loss	-	-	-	-	(196,023)	(196,023)
Other comprehensive income	-	-	-	40,389	-	40,389
Balance, March 31, 2021	<u>678,011</u>	<u>\$ 6,473,147</u>	<u>\$ 1,424,392</u>	<u>\$ (73,752)</u>	<u>\$ (4,599,913)</u>	<u>\$ 3,223,874</u>

*The number of shares has been restated to reflect the 60:1 share consolidation (Note 1)

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

PERMEX PETROLEUM CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)

Six months ended March 31

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, September 30, 2021	1,103,010	\$ 8,976,747	\$ 2,476,717	\$ (127,413)	\$ (5,545,799)	\$ 5,780,252
Private placements	829,594	7,303,161	607,170	-	-	7,910,331
Share issuance costs	-	(1,923,373)	882,972	-	-	(1,040,401)
Share-based payments	-	-	604,676	-	-	604,676
Net loss	-	-	-	-	(909,116)	(909,116)
Balance, March 31, 2022	<u>1,932,604</u>	<u>\$ 14,356,535</u>	<u>\$ 4,571,535</u>	<u>\$ (127,413)</u>	<u>\$ (6,454,915)</u>	<u>\$ 12,345,742</u>

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, September 30, 2020	667,073	\$ 6,453,039	\$ 1,422,477	\$ (270,302)	\$ (4,292,557)	\$ 3,312,657
Shares issued for services	10,938	20,108	-	-	-	20,108
Share-based payments	-	-	1,915	-	-	1,915
Net loss	-	-	-	-	(307,356)	(307,356)
Other comprehensive income	-	-	-	196,550	-	196,550
Balance, March 31, 2021	<u>678,011</u>	<u>\$ 6,473,147</u>	<u>\$ 1,424,392</u>	<u>\$ (73,752)</u>	<u>\$ (4,599,913)</u>	<u>\$ 3,223,874</u>

*The number of shares has been restated to reflect the 60:1 share consolidation (Note 1)

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

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

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (909,116)	\$ (307,356)
Adjustments to reconcile net loss to net cash from operating activities:		
Accretion on asset retirement obligations	16,476	5,805
Depletion and depreciation	88,895	9,238
Foreign exchange loss	2,710	87,814
Forfeiture of reclamation bond	-	49,530
Finance expense	12,359	8,642
Change in fair value of warrant liability	(80,031)	-
Settlement of trade payables	-	(7,572)
Share-based payments	604,676	1,915
Shares issued for services	-	16,696
Changes in operating assets and liabilities:		
Trade and other receivables	(133,419)	43,009
Prepaid expenses and deposits	(35,085)	(19,013)
Trade and other payables	179,859	(286,934)
Amounts due to related parties	(18,960)	(162,477)
Right of use asset and lease liability	(261)	1,528
Net cash used in operating activities	<u>(271,897)</u>	<u>(559,175)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures on property and equipment	(90,219)	(195,419)
Proceeds from sale of oil and gas interests	-	1,123,244
Net cash provided by (used in) investing activities	<u>(90,219)</u>	<u>927,825</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	8,112,340	-
Share issuance costs	(1,049,072)	-
Convertible debentures	-	(2,730)
Loan from related party	800	(78,000)
Net cash provided by (used in) financing activities	<u>7,064,068</u>	<u>(80,730)</u>
Change in cash during the period	6,701,952	287,920
Cash, beginning of the period	25,806	5,517
Cash, end of the period	\$ 6,727,758	\$ 293,437
Supplemental disclosures of non-cash investing and financing activities:		
Trade and other payables related to property and equipment	\$ 82,054	\$ 76,855
Share issued for services included in prepaid	-	3,413
Share purchase warrants issued in connection with private placement	1,692,151	-
Supplemental cash flow disclosures:		
Interest paid	<u>18,960</u>	<u>13,090</u>

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 Suite 700, 100 Crescent Court, Dallas, Texas, 75201. 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 is listed on the Canadian Securities Exchange (the “CSE”) under the symbol “OIL” and on the OTCQB under the symbol “OILCF”.

On October 26, 2022, the Company’s board of directors approved a reverse stock split of the Company’s issued and outstanding common stock at a 1 for 60 ratio, which was effective November 2, 2022. The par value and authorized shares of common stock were not adjusted as a result of the reverse stock split. All issued and outstanding common stock, options, and warrants to purchase common stock and per share amounts contained in the financial statements have been retroactively adjusted to reflect the reverse stock split for all periods presented.

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, 2022 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 Company’s audited financial statements and notes thereto included in the Company’s amended Form S-1 for the fiscal year ended September 30, 2021 filed with the SEC on February 10, 2023. There have been no material changes in the Company’s significant accounting policies from those that were disclosed in the fiscal 2021 financial statements, except as noted below.

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, revenue and expenses of all wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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) 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 asset retirement obligations; (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.

Foreign Currency

These consolidated financial statements are presented in United States dollars ("U.S. dollar"). The functional currency of the Company and the subsidiary of the Company is the U.S. dollar. The Company changed its functional currency from Canadian dollars ("CAD") to the U.S. dollars as at October 1, 2021. The change in functional currency from Canadian dollars to U.S. dollars is accounted for prospectively from October 1, 2021. Management determined that the Company's functional currency had changed based on the assessment related to significant changes of the Company's economic facts and circumstances. These significant changes included the fact that the Company's equity financings and the primary economic environment are now in the U.S. as well as the expectation of the majority of the Company's expenses will be denominated in U.S. dollars. Moreover, the Company's place of business and management are now located in the United States.

Recently adopted accounting pronouncement

None.

3. IMMATERIAL CORRECTION TO PRIOR PERIODS

The Company changed the functional currency from Canadian dollars ("CAD") to U.S. dollars in fiscal 2022. The change in functional currency from Canadian dollars to U.S. dollars is accounted for prospectively from October 1, 2021. The Company's interim financial statements previously filed for quarter two and three of fiscal 2022 were based on Canadian dollars as its functional currency.

The tables below represent the balances of the affected accounts for the effect of the change in functional currency as well as the adjustments of 2021 that affect 2022 on the Consolidated Balance Sheet as of March 31, 2022 and the Condensed Consolidated Statement of Loss and Comprehensive Loss for the three and six months ended March 31, 2022. Certain of the prior period figures have been reclassified to conform to the current financial statement presentation.

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2022
(UNAUDITED)

3. IMMATERIAL CORRECTION TO PRIOR PERIODS (cont'd...)

Consolidated Balance Sheet as of March 31, 2022

	Balance as March 31, 2022		
	Previously reported	Adjustments	As Revised
Cash	\$ 6,727,758	\$	\$ 6,727,758
Trade and other receivables	146,403		146,403
Prepaid expenses and deposits	81,236		81,236
Reclamation deposits	145,000		145,000
Property and equipment, net	7,967,249	(1,077,822)(a)	6,639,233
		(129,348)(b)	
		(120,846)(c)	
Right of use asset	49,736	(541)(c)	49,195
Total assets	15,117,382	(1,328,557)	13,788,825
Trade and other payables	581,772		581,772
Amounts due to related party	2,290		2,290
Convertible debentures	80,000		80,000
Lease liability	55,973		55,973
Loan payable	32,000		32,000
Warrant liability	-	121,978(c)	121,978
Asset retirement obligations	1,655,428	(1,074,871)(a)	569,070
		(11,487)(c)	
Total liabilities	2,407,463	(964,380)	1,443,083
Common stock	14,399,373	(42,838)(c)	14,356,535
Additional paid-in capital	4,615,869	(129,348)(a)	4,571,535
		222,960(d)	
		(137,946)(c)	
Accumulated other comprehensive income	(18,845)	(108,568)(c)	(127,413)
Deficit	(6,286,478)	(4,070)(a)	(6,454,915)
		(222,960)(b)	
		58,593(c)	
Total equity	12,709,919	(364,177)	12,345,742
Total liabilities and equity	\$ 15,117,382	\$ (1,328,557)	\$ 13,788,825

Consolidated Statements of Loss and Comprehensive Loss for the three and six months ended March 31, 2022

	For the three months ended March 31, 2022			For the six months ended March 31, 2022		
	Previously reported	Adjustments	As revised	Previously reported	Adjustments	As revised
Revenue	\$ 241,886	-	\$ 241,886	\$ 348,335		\$ 348,335
Operating expenses	\$ (391,241)	3,124	\$ (388,117)	\$ (1,324,358)	(478)(c)	\$ (1,324,836)
Other income (expense)	\$ 4,402	(16,099)(c)	\$ (11,697)	\$ 8,314	\$ 59,071(c)	\$ 67,385
Net Loss	\$ (144,953)	(12,975)	\$ (157,928)	\$ (967,709)	\$ 58,593	\$ (909,116)
Foreign currency translation adjustment	\$ 82,825	\$ (82,825)(c)	\$ -	\$ 109,687	\$ (109,687)(c)	\$ -
Comprehensive loss	\$ (62,128)	\$ (95,800)	\$ (157,928)	\$ (858,022)	(51,094)	\$ (909,116)
Loss Per Share- basic and diluted	\$ (0.12)	\$ (0.01)	\$ (0.13)	\$ (0.84)	\$ 0.05	\$ (0.79)

- (a) Adjustment of decommissioning liability
(b) Adjustment for correction of warrant fair value
(c) Adjustment for functional currency change
(d) Adjustment for reclassification of option cancellation

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2022
(UNAUDITED)

3. IMMATERIAL CORRECTION TO PRIOR PERIODS (cont'd...)

Consolidated Statements of Cash Flows

	For the six months ended		
	March 31, 2022		
	Previously reported	Adjustments	As Revised
Net loss	\$ (967,709)	\$ 58,593	\$ (909,116)
Net cash provided by (used in) operating activities	\$ (231,131)	\$ (40,766)	\$ (271,897)
Net cash provided by (used in) investing activities	\$ (90,657)	\$ 438	\$ (90,219)
Net cash provided by (used in) financing activities	\$ 7,023,740	\$ 40,328	\$ 7,064,068
Change in cash during the period	\$ 6,701,952	\$ -	\$ 6,701,952
Cash, beginning of the period	\$ 25,806	\$ -	\$ 25,806
Cash, end of the period	\$ 6,727,758	\$ -	\$ 6,727,758

4. CONCENTRATION OF CREDIT RISK

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 and cash equivalents 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.

During the six months ended March 31, 2022, the Company generated 75% of total revenue from one customer (2021 - 100%). As at March 31, 2022, one customer represented \$55,255 (40%) of the trade receivable balance (September 30, 2021 - \$2,927 (26%)). It is in management's opinion that the Company is not exposed to significant credit risk.

5. NON-CURRENT ASSETS

The Company is engaged in the exploration for, and the development of, petroleum and natural gas projects in the United States. The Company holds 100% working interests and 71.9% to 81.75% net revenue interests and certain royalty interests in the various oil and gas properties located in Texas and New Mexico.

Property and equipment

Property and equipment consisted of the following:

	March 31, 2022	September 30, 2021
Oil and natural gas properties, at cost	\$ 6,812,931	\$ 6,723,778
Less: accumulated depreciation	(173,698)	(84,803)
Property, net	\$ 6,639,233	\$ 6,638,975

Depreciation expense was \$88,895 and \$9,238 for the six month periods ended March 31, 2022 and 2021, respectively.

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2022
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5. NON-CURRENT ASSETS (cont'd...)

Acquisition

During the year ended September 30, 2021, the Company and its wholly owned subsidiary, Permex Petroleum US Corporation, acquired a 100% Working Interest and a 81.75% Net Revenue Interest in the Breedlove "B" Clearfork leases located in Martin County, Texas. The Company issued 416,666 common shares and 208,333 share purchase warrants as consideration for this acquisition. The Company valued the 416,666 common shares issued at a fair value of \$2,468,750. The share purchase warrants were valued at \$1,051,370 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 1.51%, an expected life of 10-years, annualized volatility of 96.56% and a dividend rate of 0%). The warrants have an exercise price \$8.76 per share (CAD\$12.00) and are exercisable until September 30, 2031.

Disposition

During the year ended September 30, 2021, the Company sold its interests in the Peavy leases together with reclamation obligations for \$10,000 and recognized a loss of \$604,687 from the sale. The Company also recognized a loss of \$8,770 from the disposal of equipment.

Reclamation bonds

As of March 31, 2022, the Company held reclamation bonds of \$145,000 (September 30, 2021 - \$144,847), which are expected to be released after all reclamation work has been completed with regard to its oil and natural gas interests. During the year ended September 30, 2021, the Company wrote off \$50,165 of reclamation deposit forfeited by the Texas State government due to violation on a previous owned property.

6. ASSET RETIREMENT OBLIGATIONS

The total future asset retirement obligations are based on the Company's net ownership in wells and facilities, estimated costs to reclaim and abandon the wells and facilities, and the estimated timing of the costs to be incurred in future periods.

Changes to the asset retirement obligations are as follows:

	March 31, 2022	September 30, 2021
Asset retirement obligations, beginning of the year	\$ 552,594	\$ 271,402
Obligations acquired	-	258,726
Obligations derecognized	-	(125,511)
Change in estimates	-	117,921
Accretion expense	16,476	19,907
Foreign exchange movement	-	10,149
	<u>\$ 569,070</u>	<u>\$ 552,594</u>

During the year ended September 30, 2021, the Company derecognized \$125,511 in decommissioning obligations as a result of an assignment of certain oil and gas interests. The decommissioning obligations were offset by the decommissioning provision of \$112,317 and a gain of \$13,194 was netted against the loss realized from the sale of properties.

7. DEBT

Convertible debentures

The Company issued a total of \$157,000 (CAD\$200,000) in convertible debentures to the CEO and a director of the Company on October 17, 2019 and February 21, 2020 for cash. The debentures are secured by an interest in all of the Company's right, title, and interest in all of its oil and gas assets, have a maturity date of September 30, 2021 and February 20, 2022, and bear interest at a rate of 12% per annum, payable on maturity. The debentures are convertible at the holder's option into units of the Company at \$7.20 (CAD\$9.00) per unit. Each unit will be comprised of one common share of the Company and one share purchase warrant; each warrant entitles the holder to acquire one additional common share for a period of three years at an exercise price of \$9.60 (CAD\$12.00). As of March 31, 2022, \$80,000 (CAD\$100,000) (September 30, 2021 - \$78,500) of debenture loan remained outstanding and the interest accrued on the loan was \$nil (September 30, 2021 - \$15,176).

During the six months ended March 31, 2022 and 2021, the Company recorded interest of \$3,688 and \$9,768, respectively, and is included within amounts due to related party on the consolidated balance sheets. During the year ended September 30, 2021, the Company repaid \$79,000 (CAD\$100,000) of the convertible debenture together with accrued interest of \$13,090. During the six months ended March 31, 2022, the Company paid interest of \$18,960 (2020 - \$13,090) accrued on the debentures.

Loan payable

In May 2020, the Company opened a Canada Emergency Business Account ("CEBA") and received a loan of \$32,000 (CAD\$40,000) from the Canadian Government.

The CEBA program was established to provide interest-free loans of up to CAD\$60,000 to small businesses and not-for-profits to help them cover operating costs during the COVID-19 pandemic. The loan is unsecured and non-interest bearing with an original repayment deadline of December 31, 2022. In January 2022, the Canadian government extended the repayment deadline to December 31, 2023 in order for the loan to be considered for partial forgiveness of up to one-third of the balance. Any loans not repaid by December 31, 2023 convert to two-year term loans bearing interest at an annual rate of 5% starting January 1, 2024, with loans fully due by December 31, 2025.

8. COMMITMENTS AND CONTINGENCIES

Lease Liability

The Company has entered into office lease agreements for its office premises for terms ending in 2023. As of March 31, 2022, the Company's lease had a weighted-average remaining term of 1.16 years. The undiscounted future lease payments as of March 31, 2022 are as follows:

2022	\$	27,921
2023		<u>32,288</u>
	\$	60,209

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2022
(UNAUDITED)

8. COMMITMENTS AND CONTINGENCIES (cont'd...)

The components of lease expense for the six month periods ended March 31 were as follows:

	<u>2022</u>	<u>2021</u>
Fixed lease expense	\$ 27,774	\$ 16,389
Variable lease expense	5,744	3,747
Total	<u>\$ 33,518</u>	<u>\$ 20,136</u>

The following is a continuity schedule of the lease liability:

	<u>March 31, 2022</u>	<u>September 30, 2021</u>
Balance, beginning of the year	\$ 78,949	\$ 53,128
Addition	-	57,357
Interest expense	4,169	9,812
Lease payments	(27,145)	(43,932)
Foreign exchange movement	-	2,584
Balance, end of the year	<u>\$ 55,973</u>	<u>\$ 78,949</u>
Current liability	\$ 47,559	\$ 51,963
Long-term liability	<u>\$ 8,414</u>	<u>\$ 26,986</u>

9. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2020, the Company issued a total of \$157,000 (CAD\$200,000) in convertible debentures to the CEO and a director of the Company for cash. During the year ended September 30, 2021, the Company repaid \$79,000 (CAD\$100,000) of the convertible debenture due to a director of the Company together with accrued interest of \$13,090. As of March 31, 2022, \$80,000 (CAD\$100,000) (September 30, 2021 - \$78,500) of the debenture loan remained outstanding and the interest accrued on the loan was \$nil (September 30, 2021 - \$15,176).

During the six months ended March 31, 2022, the Company incurred management fees of \$109,773 (2021 - \$75,116) to a company controlled by the CEO of the Company. The Company considers this a related party transaction, as it relates to key management personnel and entities over which it has control or significant influence.

Subsequent to March 31, 2022, the Company amended the employment agreement with the CEO of the Company for an annual base salary of \$250,000, with no specified term. The CEO is also eligible on an annual basis for a cash bonus of up to 100% of annual salary. The employment agreement may be terminated with a termination payment equal to three years of base salary and a bonus equal to 20% of the annual base salary.

Subsequent to March 31, 2022, the Company entered into an employment agreement with the CFO of the Company for an annual base salary of \$50,000, with no specified term. The CFO is also eligible on an annual basis for a cash bonus of up to 100% of annual salary. The employment agreement may be terminated with a termination payment equal to two months of base salary.

10. EQUITY

Common stock

The Company has authorized an unlimited number of common shares with no par value. At March 31, 2022 and September 30, 2021, the Company had 1,932,604 and 1,103,010 common shares issued and outstanding, respectively.

During the six months ended March 31, 2022, the Company:

- a) Completed a non-brokered private placement of 44,117 units at a price of \$12.96 (CAD\$16.20) per unit for gross proceeds of \$571,760 (CAD\$714,700). Each unit is comprised of one common share and one half of one 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 (CAD\$32.40). \$202,009 of the proceeds was allocated to the warrants and recorded as a warrant liability. The Company paid \$34,733 and issued 2,680 agent's warrants as a finders' fee. The finder's warrants have the same terms as the warrants issued under the private placement. The finder's warrants were valued at \$24,543 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 0.98%, an expected life of 2 years, annualized volatility of 153.02% and a dividend rate of 0%). The Company also incurred filing and other expenses of \$800 in connection with the private placement. \$8,671 of issuance costs related to the warrants was recorded in the statement of loss and comprehensive loss.
- b) Completed a brokered private placement 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 entitles the holder to acquire one additional common share for a period of 5 years at an exercise price of \$12.60. \$607,170 of the proceeds was allocated to the warrants. ThinkEquity LLC acted as sole placement agent for the private placement. In connection with the private placement, ThinkEquity received a cash commission of \$754,058, 78,548 broker warrants and expense reimbursement of \$131,560. The broker's warrants have the same terms as the warrants issued under the private placement. The broker's warrants were valued at \$858,429 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 2.45%, an expected life of 5 years, annualized volatility of 134.66% and a dividend rate of 0%). The Company also incurred filing and other expenses of \$140,475 in connection with the private placement.

During the year ended September 30, 2021, the Company:

- a) Issued 19,271 common shares of the Company with a fair value of \$54,958 pursuant to service agreements.
- b) Issued 416,666 common shares of the Company with a value of \$2,468,750 pursuant to a property acquisition agreement.

Share-based payments

Stock options

The Company has a stock option plan (the "Plan") in place under which it is authorized to grant options to executive officers and directors, employees and consultants. Pursuant to the Plan, the Company may issue aggregate stock options totaling up to 10% of the issued and outstanding common stock of the Company. Further, the Plan calls for the exercise price of each option to be equal to the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors at the time of grant.

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(UNAUDITED)

10. EQUITY (cont'd...)

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price
Balance, September 30, 2020	39,003	\$ 18.75
Cancelled	<u>(1,086)</u>	<u>23.70</u>
Balance, September 30, 2021	37,917	\$ 19.51
Granted	<u>55,000</u>	<u>10.51</u>
Balance, March 31, 2022	<u>92,917</u>	<u>\$ 15.00</u>
Exercisable at March 31, 2022	<u>92,917</u>	<u>\$ 15.00</u>
Weighted average fair value of options granted	<u>\$ 11.40</u>	<u>(2021 - \$nil)</u>

The aggregate intrinsic value of options outstanding and exercisable as at March 31, 2022 was \$nil (2021 - \$nil).

The options outstanding as of March 31, 2022 equalled 92,917 shares, and have exercise prices in the range of \$2.40 to \$24 and a weighted average remaining contractual life of 8.13 years. The weighted average fair value of options granted during the six months ended March 31, 2022 was \$11.40. There were no options granted during the year ended September 30, 2021.

During the six month periods ended March 31, 2022 and 2021, the Company recognized share-based payment expense of \$604,676 and \$1,915, respectively, for the portion of stock options that vested during the period. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	2022	2021
Risk-free interest rate	1.50%	-
Expected life of options	10 Years	-
Expected annualized volatility	96.56%	-
Dividend rate	<u>Nil</u>	<u>-</u>

As at March 31, 2022, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
27,917	\$ 21.90	December 4, 2027
5,000	\$ 13.14	November 1, 2028
5,000	\$ 2.19	March 16, 2030
<u>55,000</u>	<u>\$ 10.51</u>	<u>October 6, 2031</u>
<u>92,917</u>		

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2022
(UNAUDITED)

10. EQUITY (cont'd...)

Warrants

Warrants are measured at fair value on the date of the grant as determined using the Black-Scholes option pricing model.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2020	80,087	\$ 12.77
Granted	208,333	9.48
Warrants expired	<u>(80,087)</u>	<u>13.46</u>
Balance, September 30, 2021	208,333	\$ 9.42
Granted	888,763	12.91
Balance, March 31, 2022	<u>1,097,096</u>	<u>\$ 12.12</u>

As at March 31, 2022, the following warrants were outstanding:

Number of Options	Exercise Price	Expiry Date
24,739	\$ 23.65	November 4, 2023
864,024	\$ 12.60	March 29, 2027
208,333	\$ 8.76	September 30, 2031
<u>1,097,096</u>		

22,059 warrants issued with private placement units during fiscal 2022 have an exercise price denominated in CAD. These warrants were initially valued at \$202,009 using the Black-Scholes option pricing model and recorded as a warrant liability. These warrants were subsequently revaluated and a gain on fair value adjustment of \$80,031 was recorded during the six month periods ended March 31, 2022.

The following weighted average assumptions were used for the Black-Scholes valuation of warrants as at March 31, 2022 and November 4, 2021:

	March 31, 2022	November 4, 2021
Risk-free interest rate	2.27%	0.98%
Expected life of options	1.5 Year	2 Years
Expected annualized volatility	143.52%	153.02%
Dividend rate	Nil	Nil
Weighted average fair value of options granted	<u>\$ 6.91</u>	<u>\$ 11.45</u>

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2022
(UNAUDITED)

11. LOSS PER SHARE

The calculation of basic and diluted loss per share for the six month periods ended March 31, 2022 and 2021 was based on the losses attributable to common shareholders. The following table sets forth the computation of basic and diluted loss per share:

	<u>2022</u>	<u>2021</u>
Net loss	\$ (909,116)	\$ (307,356)
Weighted average common shares outstanding	<u>1,151,301</u>	<u>675,062</u>
Basic and diluted loss per share	<u>\$ (0.79)</u>	<u>\$ (0.46)</u>

As of March 31, 2022, \$80,000 (CAD\$100,000) of convertible debentures convertible into 11,111 common shares, 92,917 (2021 - 39,003) stock options and 1,097,096 (2021 - 80,087) warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

12. SEGMENTED 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.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Nine Months Ended June 30, 2022

(EXPRESSED IN UNITED STATES DOLLARS)

(UNAUDITED)

PERMEX PETROLEUM CORPORATION
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PERMEX PETROLEUM CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2022	September 30, 2021
ASSETS		
Current assets		
Cash	\$ 5,366,789	\$ 25,806
Trade and other receivables	186,740	12,984
Prepaid expenses and deposits	878,119	46,151
Total current assets	6,431,648	84,941
Non-current assets		
Reclamation deposits	145,052	144,847
Property and equipment	6,703,910	6,638,975
Right of use asset	37,522	72,539
Total assets	\$ 13,318,132	\$ 6,941,302
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	\$ 1,123,635	\$ 402,979
Amounts due to related party	8,687	16,628
Convertible debentures	77,600	78,500
Lease liability – current portion	39,493	51,963
Total current liabilities	1,249,415	550,070
Non-current liabilities		
Asset retirement obligations	577,308	552,594
Lease liability	3,313	26,986
Loan payable	-	31,400
Warrant liability	49,140	-
Total liabilities	1,879,176	1,161,050
Equity		
Common stock, no par value per share; unlimited shares authorized, 1,932,604 and 1,103,010 shares issued and outstanding as of June 30, 2022 and September 30, 2021, respectively.	14,338,233	8,976,747
Additional paid-in capital	4,571,720	2,476,717
Accumulated other comprehensive loss	(127,413)	(127,413)
Deficit	(7,343,584)	(5,545,799)
Total equity	11,438,956	5,780,252
Total liabilities and equity	\$ 13,318,132	\$ 6,941,302

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

PERMEX PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Nine Months Ended June 30, 2022	Nine Months Ended June 30, 2021
Revenue				
Oil and gas sales	\$ 258,757	\$ 34,298	\$ 577,244	\$ 37,392
Royalty income	17,965	-	47,813	-
Total revenue	276,722	34,298	625,057	37,392
Expenses				
Production	135,467	11,179	332,346	21,392
General and administrative	1,053,070	145,150	2,067,042	342,941
Depletion and depreciation	73,093	12,717	161,988	21,955
Accretion on asset retirement obligations	8,238	2,987	24,714	8,792
Foreign exchange gain (loss)	(22,337)	14,195	(13,723)	41,347
Forfeiture of reclamation deposit	-	(318)	-	50,165
Total operating expenses	(1,247,531)	(185,910)	(2,572,367)	(486,592)
Operating loss	(970,809)	(151,612)	(1,947,310)	(449,200)
Other income (expense)				
Interest income	-	-	2	-
Other income	4,000	-	16,000	-
Forgiveness of loan payable	7,900	-	7,900	-
Finance expense	(2,598)	(1,348)	(27,246)	(11,116)
Change in fair value of warrant liability	72,838	-	152,869	-
Total other income (expense)	82,140	(1,348)	149,525	(11,116)
Net loss	(888,669)	(152,960)	(1,797,785)	(460,316)
Other comprehensive income				
Foreign currency translation adjustment	-	49,419	-	245,969
Comprehensive loss	\$ (888,669)	\$ (103,541)	\$ (1,797,785)	\$ (214,347)
Basic and diluted loss per common share	\$ (0.46)	\$ (0.23)	\$ (1.27)	\$ (0.68)

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

PERMEX PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)

Three Months ended June 30

	Number of Shares	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, March 31, 2022	1,932,604	\$14,356,535	\$4,571,535	\$ (127,413)	\$(6,454,915)	\$12,345,742
Share issuance costs	-	(18,302)	-	-	-	(18,302)
Share-based payments	-	-	185	-	-	185
Net loss	-	-	-	-	(888,669)	(888,669)
Balance, June 30, 2022	<u>1,932,604</u>	<u>\$14,338,233</u>	<u>\$4,571,720</u>	<u>\$ (127,413)</u>	<u>\$(7,343,584)</u>	<u>\$11,438,956</u>
	Number of Shares	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, March 31, 2021	678,011	\$6,473,147	\$1,424,392	\$ (73,752)	\$(4,599,913)	\$3,223,874
Shares issued for services	8,333	34,850	-	-	-	34,850
Share-based payments	-	-	486	-	-	486
Net loss	-	-	-	-	(152,960)	(152,960)
Other comprehensive income	-	-	-	49,419	-	49,419
Balance, June 30, 2021	<u>686,344</u>	<u>\$6,507,997</u>	<u>\$1,424,878</u>	<u>\$ (24,333)</u>	<u>\$(4,752,873)</u>	<u>\$3,155,669</u>

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

PERMEX PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)

Nine Months ended June 30

	Number of Shares	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, September 30, 2021	1,103,010	\$ 8,976,747	\$2,476,717	\$ (127,413)	\$(5,545,799)	\$ 5,780,252
Private placements	829,594	7,303,161	745,116	-	-	7,910,331
Share issuance costs	-	(1,941,675)	882,972	-	-	(1,058,703)
Share-based payments	-	-	604,861	-	-	604,861
Net loss	-	-	-	-	(1,797,785)	(1,797,785)
Balance, June 30, 2022	<u>1,932,604</u>	<u>\$14,338,233</u>	<u>\$4,571,720</u>	<u>\$ (127,413)</u>	<u>\$(7,343,584)</u>	<u>\$11,438,956</u>
	Number of Shares	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, September 30, 2020	667,073	\$6,453,039	\$1,422,477	\$ (270,302)	\$(4,292,557)	\$3,312,657
Shares issued for services	19,271	54,958	-	-	-	54,958
Share-based payments	-	-	2,401	-	-	2,401
Net loss	-	-	-	-	(460,316)	(460,316)
Other comprehensive income	-	-	-	245,969	-	245,969
Balance, June 30, 2021	<u>686,344</u>	<u>\$6,507,997</u>	<u>\$1,424,878</u>	<u>\$ (24,333)</u>	<u>\$(4,752,873)</u>	<u>\$3,155,669</u>

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

PERMEX PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED JUNE 30
(UNAUDITED)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,797,785)	\$ (460,316)
Adjustments to reconcile net loss to net cash from operating activities:		
Accretion on asset retirement obligations	24,714	8,792
Depletion and depreciation	161,988	21,955
Foreign exchange loss (gain)	(1,062)	109,102
Forfeiture of reclamation bond	-	50,165
Forgiveness of loan payable	(7,900)	-
Finance expense	14,956	11,116
Change in fair value of warrant liability	(152,869)	-
Settlement of trade payables	-	(9,683)
Share-based payments	604,861	2,401
Shares issued for services	-	54,958
Changes in operating assets and liabilities:		
Trade and other receivables	(173,756)	35,414
Prepaid expenses and deposits	(831,968)	(21,336)
Trade and other payables	695,431	(293,869)
Amounts due to related parties	(10,618)	(164,560)
Right of use asset and lease liability	(930)	2,476
Net cash used in operating activities	<u>(1,474,938)</u>	<u>(653,385)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures on property and equipment	(201,698)	(283,298)
Proceeds from sale of oil and gas interests	-	1,123,244
Net cash provided by (used in) investing activities	<u>(201,698)</u>	<u>839,946</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	8,112,340	-
Share issuance costs	(1,067,374)	-
Convertible debenture repayment	-	(79,000)
Loan repayment	(23,700)	-
Loan from related party	(3,647)	(6,329)
Net cash provided by (used in) financing activities	<u>7,017,619</u>	<u>(85,329)</u>
Change in cash during the period	5,340,983	101,232
Cash, beginning of the period	25,806	5,517
Cash, end of the period	\$ 5,366,789	\$ 106,749
Supplemental disclosures of non-cash investing and financing activities:		
Trade and other payables related to property and equipment	\$ 93,960	\$ 69,262
Share purchase warrants issued in connection with private placement	1,692,151	-
Supplemental cash flow disclosures:		
Interest paid	<u>18,960</u>	<u>13,090</u>

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 Suite 700, 100 Crescent Court, Dallas, Texas, 75201. 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 is listed on the Canadian Securities Exchange (the “CSE”) under the symbol “OIL” and on the OTCQB under the symbol “OILCF”.

On October 26, 2022, the Company’s board of directors approved a reverse stock split of the Company’s issued and outstanding common stock at a 1 for 60 ratio, which was effective November 2, 2022. The par value and authorized shares of common stock were not adjusted as a result of the reverse stock split. All issued and outstanding common stock, options, and warrants to purchase common stock and per share amounts contained in the financial statements have been retroactively adjusted to reflect the reverse stock split for all periods presented.

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, 2022 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 Company’s audited financial statements and notes thereto included in the Company’s amended Form S-1 for the fiscal year ended September 30, 2021 filed with the SEC on February 10, 2023. There have been no material changes in the Company’s significant accounting policies from those that were disclosed in the fiscal 2021 financial statements, except as noted below.

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, revenue and expenses of all wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

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) 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 asset retirement obligations; (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.

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED JUNE 30, 2022
(UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign Currency

These consolidated financial statements are presented in United States dollars ("U.S. dollar"). The functional currency of the Company and the subsidiary of the Company is the U.S. dollar. The Company changed its functional currency from Canadian dollars ("CAD") to the U.S. dollars as at October 1, 2021. The change in functional currency from Canadian dollars to U.S. dollars is accounted for prospectively from October 1, 2021. Management determined that the Company's functional currency had changed based on the assessment related to significant changes of the Company's economic facts and circumstances. These significant changes included the fact that the Company's equity financings and the primary economic environment are now in the U.S. as well as the expectation of the majority of the Company's expenses will be denominated in U.S. dollars. Moreover, the Company's place of business and management are now located in the United States.

Recently adopted accounting pronouncement

None.

3. IMMATERIAL CORRECTION TO PRIOR PERIODS

The Company changed the functional currency from Canadian dollars ("CAD") to U.S. dollars in fiscal 2022. The change in functional currency from Canadian dollars to U.S. dollars is accounted for prospectively from October 1, 2021. The Company's interim financial statements previously filed for quarter two and three of fiscal 2022 were based on Canadian dollars as its functional currency.

The tables below represent the balances of the affected accounts for the effect of the change in functional currency as well as the adjustments of 2021 that affect 2022 on the Consolidated Balance Sheets as of June 30, 2022 and the Condensed Consolidated Statements of Loss and Comprehensive Loss for the three and nine months ended June 30, 2022. Certain of the prior period figures have been reclassified to conform to the current financial statement presentation.

Consolidated Balance Sheet as of June 30, 2022

	Balance as June 30, 2022		
	Previously reported	Adjustments	As Revised
Cash	\$ 5,366,789	\$	\$ 5,366,789
Trade and other receivables	186,740		186,740
Prepaid expenses and deposits	878,119		878,119
Reclamation deposits	145,052		145,052
Property and equipment, net	7,838,520	(1,077,822)(a)	6,703,910
		(129,348)(b)	
		72,560(c)	
Right of use asset	37,369	153(c)	37,522
Total assets	14,452,589	(1,134,457)	13,318,132
Trade and other payables	1,123,635		1,123,635
Amounts due to related party	8,687		8,687
Convertible debentures	77,600		77,600
Lease liability	42,806		42,806
Warrant liability	-	49,140(c)	49,140
Asset retirement obligations	1,645,171	(1,074,871)(a)	577,308
		7,008(c)	
Total liabilities	2,897,899	(1,018,723)	1,879,176
Common stock	14,381,071	(42,838)(c)	14,338,233
Additional paid-in capital	4,616,054	(129,348)(a)	4,571,720
		222,960(d)	
		(137,946)(e)	
Accumulated other comprehensive income	(394,654)	267,241(c)	(127,413)
Deficit	(7,047,781)	(4,070)(a)	(7,343,584)
		(222,960)(b)	
		(68,773)(c)	
Total equity	11,554,690	(115,734)	11,438,956
Total liabilities and equity	\$ 14,452,589	\$ (1,134,457)	\$ 13,318,132

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED JUNE 30, 2022
(UNAUDITED)

3. IMMATERIAL CORRECTION TO PRIOR PERIODS (cont'd...)

Consolidated Statements of Loss and Comprehensive Loss for the three and nine months ended June 30, 2022

	For the three months ended June 30, 2022			For the nine months ended June 30, 2022		
	Previously reported	Adjustments	As revised	Previously reported	Adjustments	As revised
	Revenue	\$ 276,722	-	\$ 276,722	\$ 625,057	
Operating expenses	\$(1,053,115)	\$ (194,416)(c)	\$(1,247,531)	\$(2,371,686)	\$ (200,681)(c)	\$(2,572,367)
Other income (expense)	\$ 15,090	67,050(c)	\$ 82,140	\$ 17,617	\$ 131,908(c)	\$ 149,525
Net Loss	\$ (761,303)	(127,366)	\$ (888,669)	\$(1,729,012)	\$ (68,773)	\$(1,797,785)
Foreign currency translation adjustment	\$ (375,809)	\$ 375,809(c)	\$ -	\$ (266,122)	\$ 266,122(c)	\$ -
Comprehensive loss	\$(1,137,112)	\$ 248,443	\$ (888,669)	\$(1,995,134)	197,349	\$(1,797,785)
Loss Per Share- basic and diluted	\$ (0.36)	\$ (0.10)	\$ (0.46)	\$ (1.22)	\$ (0.05)	\$ (1.27)

- (a) Adjustment of decommissioning liability
(b) Adjustment for correction of warrant fair value
(c) Adjustment for functional currency change
(d) Adjustment for reclassification of option cancellation

Consolidated Statements of Cash Flows

	For the nine months ended June 30, 2022		
	Previously reported	Adjustments	As Revised
Net loss	\$ (1,729,012)	\$ (68,773)	\$ (1,797,785)
Net cash provided by (used in) operating activities	\$ (1,420,285)	\$ (54,653)	\$ (1,474,938)
Net cash provided by (used in) investing activities	\$ (202,136)	\$ 438	\$ (201,698)
Net cash provided by (used in) financing activities	\$ 6,963,404	\$ 54,215	\$ 7,017,619
Change in cash during the period	\$ 5,340,983	\$ -	\$ 5,340,983
Cash, beginning of the period	\$ 25,806	\$ -	\$ 25,806
Cash, end of the period	\$ 5,366,789	\$ -	\$ 5,366,789

4. CONCENTRATION OF CREDIT RISK

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 and cash equivalents 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.

During the nine months ended June 30, 2022, the Company generated 54% of total revenue from one customer (2021 - 100%). As at June 30, 2022, one customer represented \$107,738 (71%) of the trade receivable balance (September 30, 2021 - \$2,927 (26%)). It is in management's opinion that the Company is not exposed to significant credit risk.

5. NON-CURRENT ASSETS

The Company is engaged in the exploration for, and the development of, petroleum and natural gas projects in the United States. The Company holds 100% working interests and 71.9% to 81.75% net revenue interests and certain royalty interests in the various oil and gas properties located in Texas and New Mexico.

Property and equipment

Property and equipment consisted of the following:

	June 30, 2022	September 30, 2021
Oil and natural gas properties, at cost	\$ 6,886,783	\$ 6,723,778
Vehicle, at cost	63,918	-
Less: accumulated depletion and depreciation	(246,791)	(84,803)
Property and equipment, net	\$ 6,703,910	\$ 6,638,975

Depletion and depreciation expense was \$161,988 and \$21,955 for the nine month periods ended June 30, 2022 and 2021, respectively.

PERMEX PETROLEUM CORPORATION
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 NINE MONTHS ENDED JUNE 30, 2022
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5. NON-CURRENT ASSETS (cont'd...)

Acquisition

During the year ended September 30, 2021, the Company and its wholly owned subsidiary, Permex Petroleum US Corporation, acquired a 100% Working Interest and a 81.75% Net Revenue Interest in the Breedlove "B" Clearfork leases located in Martin County, Texas. The Company issued 416,666 common shares and 208,333 share purchase warrants as consideration for this acquisition. The Company valued the 416,666 common shares issued at a fair value of \$2,468,750. The share purchase warrants were valued at \$1,051,370 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 1.51%, an expected life of 10-years, annualized volatility of 96.56% and a dividend rate of 0%). The warrants have an exercise price \$8.76 per share (CAD\$12.00) and are exercisable until September 30, 2031.

Disposition

During the year ended September 30, 2021, the Company sold its interests in the Peavy leases together with reclamation obligations for \$10,000 and recognized a loss of \$604,687 from the sale. The Company also recognized a loss of \$8,770 from the disposal of equipment.

Reclamation bonds

As of June 30, 2022, the Company held reclamation bonds of \$145,052 (September 30, 2021 - \$144,847), which are expected to be released after all reclamation work has been completed with regard to its oil and natural gas interests. During the year ended September 30, 2021, the Company wrote off \$50,165 of reclamation deposit forfeited by the Texas State government due to violation on a previous owned property.

6. ASSET RETIREMENT OBLIGATIONS

The total future asset retirement obligations are based on the Company's net ownership in wells and facilities, estimated costs to reclaim and abandon the wells and facilities, and the estimated timing of the costs to be incurred in future periods.

Changes to the asset retirement obligations are as follows:

	June 30, 2022	September 30, 2021
Decommissioning obligations, beginning of the year	\$ 552,594	\$ 271,402
Obligations acquired	-	258,726
Obligations derecognized	-	(125,511)
Change in estimates	-	117,921
Accretion expense	24,714	19,907
Foreign exchange movement	-	10,149
	<u>\$ 577,308</u>	<u>\$ 552,594</u>

During the year ended September 30, 2021, the Company derecognized \$125,511 in decommissioning obligations as a result of an assignment of certain oil and gas interests. The decommissioning obligations were offset by the decommissioning provision of \$112,317 and a gain of \$13,194 was netted against the loss realized from the sale of properties.

7. DEBT

Convertible debentures

The Company issued a total of \$157,000 (CAD\$200,000) in convertible debentures to the CEO and a director of the Company on October 17, 2019 and February 21, 2020 for cash. The debentures are secured by an interest in all of the Company's right, title, and interest in all of its oil and gas assets, had a maturity date of September 30, 2021 and February 20, 2022, and bear interest at a rate of 12% per annum, payable on maturity. The debentures are convertible at the holder's option into units of the Company at \$7.20 (CAD\$9.00) per unit. Each unit will be comprised of one common share of the Company and one share purchase warrant; each warrant entitles the holder to acquire one additional common share for a period of three years at an exercise price of \$9.60 (CAD\$12.00). As of June 30, 2022, \$77,600 (CAD\$100,000) (September 30, 2021 - \$78,500) of the debenture loan remained outstanding and the interest accrued on the loan was \$4,241 (September 30, 2021 - \$15,176).

During the nine months ended June 30, 2022 and 2021, the Company recorded interest of \$6,285 and \$11,116, respectively, and is included within amounts due to related party on the consolidated balance sheets. During the year ended September 30, 2021, the Company repaid \$79,000 (CAD\$100,000) of the convertible debenture together with accrued interest of \$13,090. During the nine months ended June 30, 2022, the Company paid interest of \$18,960 (2021 - \$13,090) accrued on the debentures.

Loan payable

In May 2020, the Company opened a Canada Emergency Business Account ("CEBA") and received a loan of \$32,000 (CAD\$40,000) from the Canadian Government.

The CEBA program was established to provide interest-free loans of up to CAD\$60,000 to small businesses and not-for-profits to help them cover operating costs during the COVID-19 pandemic. The loan was unsecured and non-interest bearing with an original repayment deadline of December 31, 2022. In January 2022, the Canadian government extended the repayment deadline to December 31, 2023 in order for the loan to be considered for partial forgiveness of up to one-third of the balance. Any loans not repaid by December 31, 2023 convert to two-year term loans bearing interest at an annual rate of 5% starting January 1, 2024, with loans fully due by December 31, 2025. During the nine months ended June 30, 2022, the Company repaid the loan balance of \$23,700 (CAD\$30,000) and recognized a gain of \$7,900 (CAD\$10,000) on the forgiven amount.

8. COMMITMENTS AND CONTINGENCIES

Lease Liability

The Company has entered into office lease agreements for its office premises for terms ending in 2023. As of June 30, 2022, the Company's lease had a weighted-average remaining term of 0.93 year. The undiscounted future lease payments as of June 30, 2022 are as follows:

2022	\$	13,785
2023		31,643
	\$	45,428

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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8. COMMITMENTS AND CONTINGENCIES (cont'd...)

The components of lease expense for the nine month periods ended June 30 were as follows:

	<u>2022</u>	<u>2021</u>
Fixed lease expense	\$ 41,661	\$ 30,194
Variable lease expense	13,246	4,597
Total	<u>\$ 54,907</u>	<u>\$ 34,791</u>

The following is a continuity schedule of the lease liability:

	<u>June 30, 2022</u>	<u>September 30, 2021</u>
Balance, beginning of the year	\$ 78,949	\$ 53,128
Addition	-	57,357
Interest expense	5,714	9,812
Lease payments	(41,857)	(43,932)
Foreign exchange movement	-	2,584
Balance, end of the year	<u>\$ 42,806</u>	<u>\$ 78,949</u>
Current liability	\$ 39,493	\$ 51,963
Long-term liability	<u>\$ 3,313</u>	<u>\$ 26,986</u>

9. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2020, the Company issued a total of \$157,000 (CAD\$200,000) in convertible debentures to the CEO and a director of the Company for cash. During the year ended September 30, 2021, the Company repaid \$79,000 (CAD\$100,000) of the convertible debenture due to a director of the Company together with accrued interest of \$13,090. As of June 30, 2022, \$77,600 (CAD\$100,000) (September 30, 2021 - \$78,500) of debenture loan remained outstanding and the interest accrued on the loan was \$4,241 (September 30, 2021 - \$15,176).

During the nine months ended June 30, 2022, the Company incurred management fees of \$176,989 (2021 - \$112,478) to the CEO of the Company. The Company considers this a related party transaction, as it relates to key management personnel and entities over which it has control or significant influence.

On May 1, 2022, the Company amended the employment agreement with the CEO of the Company for an annual base salary of \$250,000, with no specified term. The CEO is also eligible on an annual basis for a cash bonus of up to 100% of annual salary. The employment agreement may be terminated with a termination payment equal to three years of base salary and a bonus equal to 20% of the annual base salary.

On May 1, 2022, the Company entered into an employment agreement with the CFO of the Company for an annual base salary of \$50,000, with no specified term. The CFO is also eligible on an annual basis for a cash bonus of up to 100% of annual salary. The employment agreement may be terminated with a termination payment equal to two months of base salary.

10. EQUITY

Common stock

The Company has authorized an unlimited number of common shares with no par value. At June 30, 2022 and September 30, 2021, the Company had 1,932,604 and 1,103,010 common shares issued and outstanding, respectively.

During the nine months ended June 30, 2022, the Company:

- a) Completed a non-brokered private placement of 44,117 units at a price of \$12.96 (CAD\$16.20) per unit for gross proceeds of \$571,760 (CAD\$714,700). Each unit is comprised of one common share and one half of one 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 (CAD\$32.40). \$202,009 of the proceeds was allocated to the warrants and recorded as a warrant liability. The Company paid \$34,733 and issued 2,680 agent's warrants as a finders' fee. The finder's warrants have the same terms as the warrants issued under the private placement. The finder's warrants were valued at \$24,543 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 0.98%, an expected life of 2 years, annualized volatility of 153.02% and a dividend rate of 0%). The Company also incurred filing and other expenses of \$800 in connection with the private placement. \$8,671 of issuance costs related to the warrants was recorded in the statement of loss and comprehensive loss.
- b) Completed a brokered private placement 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 entitles the holder to acquire one additional common share for a period of 5 years at an exercise price of \$12.60. \$607,170 of the proceeds was allocated to the warrants. ThinkEquity LLC acted as sole placement agent for the private placement. In connection with the private placement, ThinkEquity received a cash commission of \$754,058, 78,548 broker warrants and expense reimbursement of \$131,560. The broker's warrants have the same terms as the warrants issued under the private placement. The broker's warrants were valued at \$858,429 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 2.45%, an expected life of 5 years, annualized volatility of 134.66% and a dividend rate of 0%). The Company also incurred filing and other expenses of \$158,777 in connection with the private placement.

During the year ended September 30, 2021, the Company:

- a) Issued 19,271 common shares of the Company with a fair value of \$54,958 pursuant to service agreements.
- b) Issued 416,666 common shares of the Company with a value of \$2,468,750 pursuant to a property acquisition agreement.

Share-based payments

Stock options

The Company has a stock option plan (the "Plan") in place under which it is authorized to grant options to executive officers and directors, employees and consultants. Pursuant to the Plan, the Company may issue aggregate stock options totaling up to 10% of the issued and outstanding common stock of the Company. Further, the Plan calls for the exercise price of each option to be equal to the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors at the time of grant.

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED JUNE 30, 2022
(UNAUDITED)

10. 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, 2020	39,003	\$ 18.75
Cancelled	(1,086)	23.70
Balance, September 30, 2021	37,917	\$ 19.51
Granted	55,000	10.51
Balance, June 30, 2022	92,917	\$ 15.00
Exercisable at June 30, 2022	92,917	\$ 15.00
Weighted average fair value of options granted	\$ 11.40	(2021 - \$nil)

The aggregate intrinsic value of options outstanding and exercisable as at June 30, 2022 was \$nil (2021 - \$nil).

The options outstanding as of June 30, 2022 equalled 92,917 shares, and have exercise prices in the range of \$2.40 to \$23.40 and a weighted average remaining contractual life of 7.88 years. The weighted average fair value of options granted during the nine months ended June 30, 2022 was \$11.40. There were no options granted during the year ended September 30, 2021.

During the nine month periods ended June 30, 2022 and 2021, the Company recognized share-based payment expense of \$604,861 and \$2,401, respectively, for the portion of stock options that vested during the period. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	2022	2021
Risk-free interest rate	1.50%	-
Expected life of options	10 Years	-
Expected annualized volatility	96.56%	-
Dividend rate	Nil	-

As at June 30, 2022, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
27,917	\$ 21.90	December 4, 2027
5,000	\$ 13.14	November 1, 2028
5,000	\$ 2.19	March 16, 2030
55,000	\$ 10.51	October 6, 2031
92,917		

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED JUNE 30, 2022
(UNAUDITED)

10. EQUITY (cont'd...)

Warrants

Warrants are measured at fair value on the date of the grant as determined using the Black-Scholes option pricing model.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2020	80,087	\$ 12.77
Granted	208,333	9.48
Warrants expired	(80,087)	13.46
Balance, September 30, 2021	208,333	\$ 9.42
Granted	888,763	12.91
Balance, June 30, 2022	1,097,096	\$ 12.12

As at June 30, 2022, the following warrants were outstanding:

Number of Options	Exercise Price	Expiry Date
24,739	\$ 23.65	November 4, 2023
864,024	\$ 12.60	March 29, 2027
208,333	\$ 8.76	September 30, 2031
1,097,096		

22,059 warrants issued with private placement units during fiscal 2022 have an exercise price denominated in CAD. These warrants were initially valued at \$202,009 using the Black-Scholes option pricing model and recorded as a warrant liability. These warrants were subsequently revaluated and a gain on fair value adjustment of \$152,869 was recorded during the nine month periods ended June 30, 2022.

The following weighted average assumptions were used for the Black-Scholes valuation of warrants as at June 30, 2022 and November 4, 2021:

	June 30, 2022	November 4, 2021
Risk-free interest rate	3.10%	0.98%
Expected life of options	1.25 Year	2 Years
Expected annualized volatility	137.67%	153.02%
Dividend rate	Nil	Nil
Weighted average fair value of options granted	\$ 2.88	\$ 11.45

PERMEX PETROLEUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED JUNE 30, 2022
(UNAUDITED)

11. LOSS PER SHARE

The calculation of basic and diluted loss per share for the nine month periods ended June 30, 2022 and 2021 was based on the losses attributable to common shareholders. The following table sets forth the computation of basic and diluted loss per share:

	<u>2022</u>	<u>2021</u>
Net loss	\$ (1,797,785)	\$ (460,316)
Weighted average common shares outstanding	<u>1,411,734</u>	<u>676,474</u>
Basic and diluted loss per share	<u>\$ (1.27)</u>	<u>\$ (0.68)</u>

As of June 30, 2022, \$77,600 (CAD\$100,000) of convertible debentures convertible into 11,111 common shares, 92,917 (2021 - 39,003) stock options and 1,097,096 (2021 - 80,087) warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

12. SEGMENTED 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.

Up to **Common Units, Each Consisting of a Common Share and a Warrant to Purchase One Common Share**

Up to **Pre-funded Units, Each Consisting of a Pre-funded Warrant to Purchase One Common Share and a Warrant to Purchase One Common Share**



Permex Petroleum Corporation

PRELIMINARY PROSPECTUS

ThinkEquity

, 2023

Through and including , 2023 (the 25th day after the date of this offering), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II INFORMATION NOT REQUIRED IN PROSPECTUS.

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses payable by the Company in connection with the issuance and distribution of the securities being registered hereunder.

SEC registration fees	\$	3,945.82
FINRA filing fee	\$	3,960.00
NYSE filing fee	\$	5,000
Printing expenses*	\$	10,000
Accounting fees and expenses*	\$	35,000
Legal fees and expenses*	\$	317,535.34
Blue sky fees*	\$	5,000
Miscellaneous	\$	1,040
Total	\$	<u>381,481.16</u>

* All amounts are estimated except the SEC registration fee, the FINRA filing fee and the NYSE filing fee.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Business Corporations Act (British Columbia)

The Company is subject to the provisions of Part 5, Division 5 of the BCBCA.

Under Section 160 of the BCBCA, the Company may, subject to Section 163 of the BCBCA:

- (a) indemnify an individual who:
 - (i) is or was a director or officer of the Company,
 - (ii) is or was a director or officer of another corporation (A) at a time when the corporation is or was an affiliate of the Company; or (B) at our request, or
 - (iii) at our request of the Company, is or was, or holds or held a position equivalent to that of, a director or officer of a partnership, trust, joint venture or other unincorporated entity,

including, subject to certain limited exceptions, the heirs and personal or other legal representatives of that individual (collectively, an “eligible party”), against all eligible penalties, defined below, to which the eligible party is or may be liable; and

- (b) after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by an eligible party in respect of that proceeding, where:
 - (i) “eligible penalty” means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding,
 - (ii) “eligible proceeding” means a proceeding in which an eligible party or any of the heirs and personal or other legal representatives of the eligible party, by reason of the eligible party being or having been a director or officer of, or holding or having held a position equivalent to that of a director or officer of, the Company or an associated corporation (A) is or may be joined as a party, or (B) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding,
 - (iii) “expenses” includes costs, charges and expenses, including legal and other fees, but does not include judgments, penalties, fines or amounts paid in settlement of a proceeding, and
 - (iv) “proceeding” includes any legal proceeding or investigative action, whether current, threatened, pending or completed.

Under Section 161 of the BCBCA, and subject to Section 163 of the BCBCA, the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by an eligible party in respect of that proceeding if the eligible party (a) has not been reimbursed for those expenses and (b) is wholly successful, on the merits or otherwise, in the outcome of the proceeding or is substantially successful on the merits in the outcome of the proceeding.

Under Section 162 of the BCBCA, and subject to Section 163 of the BCBCA, the Company may pay, as they are incurred in advance of the final disposition of an eligible proceeding, the expenses actually and reasonably incurred by an eligible party in respect of the proceeding, provided that the Company must not make such payments unless the Company first receives from the eligible party a written undertaking that, if it is ultimately determined that the payment of expenses is prohibited under Section 163 of the BCBCA, the eligible party will repay the amounts advanced.

Under Section 163 of the BCBCA, the Company must not indemnify an eligible party against eligible penalties to which the eligible party is or may be liable or pay the expenses of an eligible party in respect of that proceeding under Sections 160(b), 161 or 162 of the BCBCA, as the case may be, if any of the following circumstances apply:

- (a) if the indemnity or payment is made under an earlier agreement to indemnify or pay expenses and, at the time that the agreement to indemnify or pay expenses was made, the Company was prohibited from giving the indemnity or paying the expenses by its memorandum or Articles;
- (b) if the indemnity or payment is made otherwise than under an earlier agreement to indemnify or pay expenses and, at the time that the indemnity or payment is made, the Company is prohibited from giving the indemnity or paying the expenses by its memorandum or Articles;
- (c) if, in relation to the subject matter of the eligible proceeding, the eligible party did not act honestly and in good faith with a view to the best interests of the Company or the associated corporation, as the case may be; or
- (d) in the case of an eligible proceeding other than a civil proceeding, if the eligible party did not have reasonable grounds for believing that the eligible party's conduct in respect of which the proceeding was brought was lawful.

If an eligible proceeding is brought against an eligible party by or on behalf of the Company or by or on behalf of an associated corporation, we must not either indemnify the eligible party under Section 160(a) of the BCBCA against eligible penalties to which the eligible party is or may be liable, or pay the expenses of the eligible party under Sections 160(b), 161 or 162 of the BCBCA, as the case may be, in respect of the proceeding.

Under Section 164 of the BCBCA, and despite any other provision of Part 5, Division 5 of the BCBCA and whether or not payment of expenses or indemnification has been sought, authorized or declined under Part 5, Division 5 of the BCBCA, on application of the Company or an eligible party, the court may do one or more of the following:

- (a) order the Company to indemnify an eligible party against any liability incurred by the eligible party in respect of an eligible proceeding;
- (b) order the Company to pay some or all of the expenses incurred by an eligible party in respect of an eligible proceeding;
- (c) order the enforcement of, or any payment under, an agreement of indemnification entered into by the Company;
- (d) order the Company to pay some or all of the expenses actually and reasonably incurred by any person in obtaining an order under Section 164 of the BCBCA; or
- (e) make any other order the court considers appropriate.

Section 165 of the BCBCA provides that the Company may purchase and maintain insurance for the benefit of an eligible party or the heirs and personal or other legal representatives of the eligible party against any liability that may be incurred by reason of the eligible party being or having been a director or officer of, or holding or having held a position equivalent to that of a director or officer of, the Company or an associated corporation.

Company's Articles

Under Part 21.2 of our Articles, and subject to the BCBCA, the Company must indemnify a director, former director or alternative director of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director and alternate director is deemed to have contracted with the Company on the terms of the indemnity contained in the Company's Articles.

Under Part 21.3 of the Company's Articles, and subject to any restrictions in the BCBCA, the Company may agree to indemnify and may indemnify any person.

Under Part 21.4 of the Company's Articles, the failure of a director, alternate director or officer of the Company to comply with the BCBCA or the Company's Articles or, if applicable, any former Companies Act or former Articles, does not invalidate any indemnity to which he or she is entitled under the Company's Articles.

Under Part 21.5 of the Company's Articles, the Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

- is or was a director, alternate director, officer, employee or agent of the Company;
- is or was a director, alternate director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;
- at the request of the Company, is or was a director, alternate director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;
- at the request of the Company, holds or held a position equivalent to that of a director, alternate director or officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director, alternate director, officer, employee or agent or person who holds or held such equivalent position.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The following is a summary of transactions during the three years preceding this offering, involving offers and sales of our securities which took place outside the United States, unless otherwise stated, and were not registered under the Securities Act.

2022

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 of the Company 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/or its designees received five year warrants to purchase up to 78,548 Common Shares of the Company at an exercise price of \$0.21 per share. The offering was exempt from registration under Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated by the SEC for purchasers located in the United States and Regulation S promulgated under the Securities Act for purchasers located outside of the United States.

2021

On June 16, 2021, the Company issued 8,333 Common Shares of the Company with a fair market value of \$34,850 (C\$42,500) pursuant to the investor relations service agreement.

On September 30, 2021, the Company issued 416,667 Common Shares with a value of \$2,468,750 (C\$3,125,000) and 208,333 share purchase warrants in connection with the acquisition of the Breedlove "B" Clearfork leases. The share purchase warrants have an exercise price \$9.60 per share (C\$12 per share) and are exercisable until October 1, 2031.

On October 7, 2021, the Company granted 55,000 stock options to certain directors and officers of the Company. The stock options are exercisable at a price of \$11.40 (C\$14.40) per Common Share and expire October 6, 2031.

On November 4, 2021, the Company completed a non-brokered private placement of 44,117 units at a price of \$12.00 (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, and 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). The Company issued two year warrants to purchase up to 2,680 Common Shares of the Company at an exercise price of \$25.80 (C\$0.54) as a finders' fee.

2020

On November 18, 2020, the Company issued 10,938 Common Shares at fair market value of \$20,108 pursuant to a marketing agreement.

On March 16, 2020, the Company granted ten year options to purchase up to 5,000 Common Shares of the Company to a director of the Company at an exercise price of \$2.40 (C\$3.00) per Common Share.

In February 2020, the Company issued a secured convertible debenture in the principal amount of \$75,000 (C\$100,000) to the Chief Executive Officer and President of the Company. The debenture is secured by an interest in all of the Company's right, title, and interest in all of its oil and gas assets, matures no later than August 20, 2022 or an earlier date at the request of the holder thereof upon 30 days written notice, and bears interest at a rate of 12% per annum, payable on maturity. The debenture is convertible at the holder's option into units of the Company at \$7.20 (C\$9.00) per unit. Each unit will be comprised of one Common Share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional Common Share for a period of three years at an exercise price of \$9.60 (C\$12.00).

2019

On May 8, 2019, the Company completed a non-brokered private placement of 67,506 units at a price of \$6.60 per unit (C\$9.00 per unit) for gross proceeds of \$451,413 (C\$607,555). Each unit consists of one Common Share and one Common Share purchase warrant, with each warrant entitling the holder to purchase one additional share at an exercise price of \$11.40 (C\$15.00) per share for a period of 24 months from the closing of the offering, subject to accelerated expiration in the event the price of the Company's shares close at or greater than \$22.20 (C\$30.00) for ten consecutive trading days on the CSE.

In October 2019, the Company issued a secured convertible debenture of \$75,000 (C\$100,000) to the Chief Operating Officer of the Company. The debenture was secured by an interest in all of the Company's right, title, and interest in all of its oil and gas assets, matured on September 30, 2021, and accrued interest at a rate of 12% per annum, payable on maturity. The debenture was convertible at the holder's option into units of the Company at \$7.20 (C\$9.00) per unit with each unit being comprised of one Common Share of the Company and one share purchase warrant. Each warrant would have entitled the holder to acquire one additional Common Share for a period of three years at an exercise price of \$9.60 (C\$12.00).

Unless otherwise set forth herein, the offerings were exempt from registration under Regulation S promulgated under the Securities Act for purchasers located outside of the United States.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

Exhibit Number	Exhibit Description
1.1**	Form of Underwriting Agreement
3.1	Articles of Permex Petroleum Corporation (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 29, 2022)
4.1	Specimen of Share Certificate for Permex Petroleum Corporation's Common Shares (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 filed with the SEC on June 28, 2022)
4.2**	Form of Representative's Warrant (included in Exhibit 1.1)
4.3**	Form of Warrant Agency Agreement for Warrants
4.4**	Form of Warrant (included in Exhibit 4.3)
4.5**	Form of Pre-funded Warrant (included in Exhibit 1.1)
5.1**	Opinion of DuMoulin Black LLP (including consent)
5.2**	Opinion of Sheppard, Mullin, Richter & Hampton LLP (including consent)
10.1	Asset Purchase Agreement dated August 31, 2017 between the Company and Permex Petroleum Limited Partnership (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 filed with the SEC on June 28, 2022)
10.2	Escrow Agreement dated March 7, 2018 between the Company and TSX Trust Company (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 filed with the SEC on June 28, 2022)
10.3	Form of Registration Rights Agreement between the Company and various purchasers (Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 filed with the SEC on June 28, 2022)
10.4	Security Agreement dated as of February 21, 2020 by and between the Company and Mehran Ehsan (Incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 filed with the SEC on June 28, 2022)
10.5	Secured Debenture Agreement by and between the Company and Mehran Ehsan dated February 21, 2020 (Incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1 filed with the SEC on June 28, 2022)
10.6	Amendment to Secured Debenture Purchase Agreement by and between the Company and Mehran Ehsan dated February 20, 2022 (Incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 filed with the SEC on June 28, 2022)
10.7	Form of Convertible Secured Debenture (Incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 filed with the SEC on June 28, 2022)
10.8+	Employment Agreement by and between the Company and Mehran Ehsan (Incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 filed with the SEC on June 28, 2022)
10.9+	2017 Stock Option Plan (Incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 filed with the SEC on June 28, 2022)
10.10+	Executive Employment Agreement by and between the Company and Gregory Montgomery (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 filed with the SEC on June 28, 2022)
16.1	Letter of Davidson & Company LLP dated November 3, 2022 (Incorporated by reference to Exhibit 16.1 to the Company's Current Report on Form 8-K filed with the SEC on November 4, 2022)
21.1*	List of subsidiaries of the Registrant
23.1*	Consent of Davidson & Company LLP
23.2**	Consent of DuMoulin Black LLP (included in Exhibit 5.1)
23.3**	Consent of Sheppard, Mullin, Richter & Hampton LLP (included in Exhibit 5.2)
23.4*	Consent of MKM Engineering
24.1**	Power of Attorney
99.1	Appraisal of Certain Oil & Gas Interests Owned by Permex Petroleum Corporation Located in New Mexico & Texas as of September 30, 2022
99.2	Appraisal of Certain Oil & Gas Interests Owned by Permex Petroleum Corporation Located in New Mexico & Texas as of September 30, 2022 (Incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-1 filed with the SEC on August 8, 2022)
107**	Calculation of Filing Fees Table

* Filed herewith.

** Previously filed.

+ Indicates management contract or compensatory plan or arrangement.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the consolidated financial statements or the notes thereto.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, if the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) That, for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(6) That, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on this Amendment No. 2 to Form S-1 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Dallas, Texas on the 10th day of February, 2023.

Permex Petroleum Corporation

By: /s/ Mehran Ehsan

Name: Mehran Ehsan

Title: Chief Executive Officer

<u>Signature</u>		<u>Date</u>
<u>/s/ Mehran Ehsan</u> Mehran Ehsan	Chief Executive Officer, President and Director (<i>Principal Executive Officer</i>)	February 10, 2023
* <u>Gregory Montgomery</u>	Chief Financial Officer and Director (<i>Principal Financial and Accounting Officer</i>)	February 10, 2023
* <u>Barry Whelan</u>	Chief Operating Officer and Director	February 10, 2023
* <u>Scott Kelly</u>	Director	February 10, 2023
* <u>Douglas Charles Urch</u>	Director	February 10, 2023
* <u>James Perry Bryan</u>	Director	February 10, 2023
* <u>John James Lendrum</u>	Director	February 10, 2023
* <u>Melissa Folz</u>	Director	February 10, 2023
*By: <u>/s/Mehran Ehsan</u> Name: Mehran Ehsan Title: Attorney-in-Fact		

Permex Petroleum Corporation

List of Subsidiaries

Entity Name	Jurisdiction of Formation
Permex Petroleum US Corporation	New Mexico

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Amendment No. 2 to Form S-1/A (No. 333-268191) of our report dated July 14, 2022 (February 9, 2023, as to effects of the reverse stock split discussed in Note 1, and Note 3), relating to the consolidated financial statements of Permex Petroleum Corporation, for the years ended September 30, 2021 and 2020 which is part of this Registration Statement.

We also consent to the reference to us under the caption "Interests of Experts" in the Prospectus

/s/ Davidson & Company LLP

Vancouver, British Columbia, Canada
February 10, 2023

CONSENT OF MKM ENGINEERING

We hereby consent to (i) the use of the name MKM Engineering, (ii) references to MKM Engineering as an independent oil and gas engineering consulting firm, and (iii) the use of information from our Appraisal of Certain Oil and Gas Interests owned by Permex Petroleum Corporation located in New Mexico and Texas as of September 30, 2022 (the "2022 Appraisal Report") as well as our 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" and together with the 2022 Appraisal Report, the "Appraisal Reports"), which contain our opinion of the proved reserves and future net revenue of Permex Petroleum as of September 30 2022 and September 30, 2021, respectively, in Amendment No. 2 to the Registration Statement on Form S-1 dated February 10, 2023 of Permex Petroleum Corporation (the "Registration Statement") and the related prospectus that is a part thereof. We further consent to the inclusion of each of the Appraisal Reports as exhibits through incorporation by reference in the Registration Statement. We further consent to the reference to MKM Engineering under the heading "EXPERTS" in the Registration Statement and related prospectus.

MKM ENGINEERING

Texas Registered Engineering Firm F-009733

By /s/ Michele K. Mudrone

Name: Michele K. Mudrone

Title: Professional Engineer

APPRAISAL OF
CERTAIN OIL AND GAS INTERESTS
OWNED BY PER MEX PETROLEUM CORPORATION
LOCATED IN
NEW MEXICO AND TEXAS
AS OF SEPTEMBER 30, 2022

PREPARED FOR
PERMEX PETROLEUM CORPORATION
SEC Pricing

MKM ENGINEERING
F-009377

Michele K. Mudrone, P.E.
November 21, 2022

MKM ENGINEERING
Oil and Gas Consulting Services
3905 Sagamore Hill Court
Plano, Texas 75025

November 21, 2022

Mr. Mehran Ehsan
Permex Petroleum Corporation
100 Crescent Court, Suite 700
Dallas, Texas 75201

Dear Mr. Ehsan:

As requested, we are submitting our estimates of proved and probable reserves and our forecasts of the resulting economics attributable to the interests of Permex Petroleum Corporation as of September 30, 2022, in certain properties located in Eddy County, New Mexico, Gaines, Stonewall, and Young Counties, Texas. We completed our evaluation on November 21, 2022. It is our understanding that the proved and probable reserves estimated in this report constitute 100% of all proved and probable reserves owned by Permex Petroleum Corporation in the United States.

This report has been prepared for Permex Petroleum Corporation's use in filing with the SEC; in our opinion the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose. Composite proved reserve estimates and economic forecasts are summarized below:

		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	MMcf	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 probable reserve estimates and economic forecasts are summarized below:

		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	MMcf	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	0.0	0.0	107,884.9
Operating Income (BFIT)	M\$	542,880.1	126.6	8,644.5	534,109.3
Discounted @ 10%	M\$	229,567.4	53.4	3,247.1	226,266.9

While the oil and gas industry may be subject to regulatory changes from time to time that could affect an industry participant's ability to recover its reserves, we are not aware of any such governmental actions which would restrict the recovery of the September 30, 2022 estimated reserves.

Primary Economic Assumptions

Values of proved and probable reserves in this report are expressed in terms of estimated future gross revenue, future net revenue, and present worth. Future gross revenue is that revenue which will accrue to the evaluated interests from the production and sale of the estimated net reserves.

Future net revenue is calculated by deducting estimated production taxes, ad valorem taxes, operating expenses, capital costs, and abandonment costs from the future gross revenue. Operating expenses include field operating expenses, transportation expenses, compression charges, and an allocation of overhead that directly relates to production activities. Future income tax expenses were not taken into account in the preparation of these estimates. Present worth of future net revenue is calculated by discounting the future net revenue at the arbitrary rate of 10 percent per year compounded annually over the expected period of realization. Present worth should not be construed as fair market value because no consideration was given to additional factors that influence the prices at which properties are bought and sold.

Future prices were estimated using guidelines established by the SEC and the Financial Account Standards Board (FASB). The assumptions used for estimating future prices and expense are as follows:

Oil and Condensate Prices

Oil and condensate price differentials were calculated for each property based on prices received by Permex. The prices were calculated using these differentials to a posted West Texas Intermediate (WTI) at Cushing of \$91.71 per barrel and were held constant for the lives of the properties. The WTI oil price of \$91.71 per barrel is the 12-month average price calculated as the unweighted arithmetic average of the first-day-of-the-month price for each of the last three months of 2021 and the first nine months of 2022. The volume-weighted average product price over the life of the properties was \$91.48 per barrel of oil.

Gas Prices

Gas price differentials were calculated for each property based on prices received by Permex. The prices were calculated using these differentials to a Henry Hub price of \$6.126 per million British thermal units (MMBtu) and were held constant for the lives of the properties. The Henry Hub gas price of \$6.126 per MMBtu is the 12-month average price calculated as the unweighted arithmetic average of the first-day-of-the-month price for each of the last three months of 2021 and the first nine months of 2022. British thermal unit factors were provided by Permex and used to convert prices from dollars per MMBtu to dollars per thousand cubic feet (\$/Mcf). The volume-weighted average product price over the life of the properties was \$ 5.98 per thousand cubic feet of gas.

Production and Ad Valorem taxes

Production taxes were calculated using the tax rates for the state in which the property is located. Ad valorem taxes were calculated using average rates for each county in which the property is located.

Operating Expenses, Capital Costs and Abandonment Costs

Operating costs were based on operating expense records of Permex Petroleum Corporation and based on current expenses, were held constant for the lives of the properties. Development costs were furnished to us by Permex and are based on authorization for expenditures for the proposed work or actual costs of similar projects. The development costs furnished to us were accepted as factual data and reviewed by MKM Engineering for their reasonableness; however, we have not conducted an independent verification of these costs. Capital expenditures for plugging, abandonment, and reclamation of the properties at the end-of-project life were included in this report.

The undeveloped reserves in this report have been incorporated herein in accordance with Permex's plans to develop these reserves as of September 30, 2022. The implementation of Permex's development plans and budget as presented to us and incorporated herein were approved by Permex's management. Additionally, Permex has informed MKM Engineering that they are not aware of any legal, regulatory or political obstacles that would significantly alter the development plans.

The proved and probable reserve classifications conform to criteria of the Securities and Exchange Commission. Reserves are judged to be economically producible in future years from known reservoirs under existing economic and operating conditions and assuming continuation of current regulatory practices using conventional production methods and equipment. In the analyses of production decline curves, reserves were estimated only to the limit of economic rates of production under existing economic and operating conditions using prices and costs consistent with the effective date of this report, including consideration of changes in existing prices provided only by contractual arrangement but not including escalations based on future conditions. The reserves and economics are predicted on the regulatory agency classifications, rules, policies, laws, taxes, and royalties in effect on the date of this report except as noted herein. In evaluating the information at our disposal concerning this report, we have excluded from our consideration all matters as to which the controlling interpretation may be legal or accounting, rather than engineering and geosciences. Therefore, the possible effects of changes in legislation or other Federal or State restrictive actions have not been considered. An on-site field inspection of these properties has not been made nor have the wells been tested by MKM Engineering. Possible environmental liability related to the properties has not been investigated nor considered.

Methodology and Procedures

The reserves were estimated using a combination of the production performance, volumetric, and analogy methods, in each case as we considered to be appropriate and necessary to establish the conclusions set forth herein. All reserve estimates represent our best judgment based on data available at the time of preparation and assumptions as to future economic and regulatory conditions. It should be realized that the reserves actually recovered, the revenue derived therefrom, and the actual cost incurred could be more or less than the estimated amounts.

The process of estimated reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change.

For depletion type reservoirs or those whose performance disclosed a reliable decline in producing rate trends or other diagnostic characteristics, reserves were estimated by the application of appropriate decline curves or other performance relationships. In the analyses of production decline curves, reserves were estimated only to the limits of economic production based on existing economic conditions. In certain cases, when the previously named method could not be used, reserves were estimated by analogy with similar wells or reservoirs for which more complex data were available.

As circumstances change and additional data become available, reserve estimates also change.

Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions, and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information, and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year end oil and gas prices, and reservoir performance. Such revisions can be positive or negative.

Gas reserves estimated herein are expressed as sales gas. Sales gas is defined as the total gas to be produced from the reservoirs, measured at the point of delivery, after reduction for fuel use and shrinkage resulting from the field separation and processing. Gas reserves are expressed at a temperature base of 60 degrees Fahrenheit and at the pressure base of the state in which the resources are located. Gas reserves included herein are expressed in thousands of cubic feet (Met). Oil and condensate reserves estimated herein are those to be recovered by conventional lease separation. Oil and condensate reserves included in this report are expressed in barrels (bbl) representing 42 United States gallons per barrel.

The reserve estimates were based on interpretations of factual data furnished by Permex Petroleum Corporation. Ownership interests were supplied by Permex Petroleum Corporation and were accepted as furnished. To some extent, information from public records has been used to check and/or supplement this data. The basic engineering and geological data were utilized subject to third party reservations and qualifications. Nothing has come to our attention, however, that would cause us to believe that we are not justified in relying on such data.

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 ("SPE Standards"). Neither MKM

Engineering nor any of its employees has any interest in the subject properties. Neither the employment to make this study nor the compensation is contingent on the results of our work or the future production rates for the subject properties.

Our work papers and related data are available for inspection and review by authorized parties.

Respectfully submitted,

MKM ENGINEERING
Texas Registered Engineering Firm F-009733

Michele K. Mudrone, P.E.

Attachments
