PERMEX PETROLEUM
CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended June 30, 2023

(EXPRESSED IN UNITED STATES DOLLARS)

(UNAUDITED)

PERMEX PETROLEUM CORPORATION
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2023	September 30, 2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 764,386	$ 3,300,495
Trade and other receivables, net	96,615	137,214
Prepaid expenses and deposits	136,400	317,277
Total current assets	997,401	3,754,986
Non-current assets		
Reclamation deposits	145,000	145,000
Property and equipment, net of accumulated depreciation and depletion	10,368,436	8,426,776
Right of use asset, net	166,960	240,796
Total assets	$ 11,677,797	$ 12,567,558
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	$ 3,419,106	$ 1,561,344
Convertible debenture	-	38,291
Lease liability – current portion	79,866	104,224
Total current liabilities	3,498,972	1,703,859
Non-current liabilities		
Asset retirement obligations	260,394	236,412
Lease liability, less current portion	97,023	140,682
Warrant liability	-	23,500
Total liabilities	3,856,389	2,104,453
Equity		
Common stock, no par value per share; unlimited shares authorized, 2,206,014 and 1,932,604 shares* issued and outstanding as of June 30, 2023 and September 30, 2022, respectively.	14,989,912	14,337,739
Additional paid-in capital	5,092,665	4,513,194
Accumulated other comprehensive loss	(127,413)	(127,413)
Accumulated deficit	(12,133,756)	(8,260,415)
Total equity	7,821,408	10,463,105
Total liabilities and equity	$ 11,677,797	$ 12,567,558

*The number of shares has been restated to reflect the 60:1 reverse stock split (Note 1)

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

PERMEX PETROLEUM CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS
(UNAUDITED)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Nine Months Ended June 30, 2023	Nine Months Ended June 30, 2022
Revenues				
Oil and gas sales	$ 156,716	$ 258,757	$ 541,459	$ 577,244
Royalty income	303	17,965	18,140	47,813
Total revenues	157,019	276,722	559,599	625,057
Operating expenses				
Lease operating expense	235,511	135,467	762,668	332,346
General and administrative	788,659	1,053,070	3,014,307	2,067,042
Depletion and depreciation	37,286	73,093	120,459	161,988
Accretion on asset retirement obligations	7,994	8,238	23,982	24,714
Foreign exchange gain (loss)	3,310	(22,337)	7,690	(13,723)
Total operating expenses	(1,072,760)	(1,247,531)	(3,929,106)	(2,572,367)
Loss from operations	(915,741)	(970,809)	(3,369,507)	(1,947,310)
Other income (expense)				
Interest income	108	-	108	2
Other income	6,000	4,000	18,000	16,000
Forgiveness of loan payable	-	7,900	-	7,900
Finance expense	(1,026)	(2,598)	(2,208)	(27,246)
Gain on settlement of warrant liability	930	-	930	-
Change in fair value of warrant liability	136	72,838	22,570	152,869
Total other income	6,148	82,140	39,400	149,525
Net loss and comprehensive loss	$ (909,593)	$ (888,669)	$ (3,330,107)	$ (1,797,785)
Deemed dividend arising from warrant modification	(543,234)	-	(543,234)	-
Net loss attributable to common stockholders	$ (1,452,827)	$ (888,669)	$ (3,873,341)	$ (1,797,785)
Basic and diluted loss per common share	$ (0.74)	$ (0.46)	$ (1.99)	$ (1.27)
Weighted average number of common shares outstanding*	1,964,147	1,932,604	1,943,118	1,411,734

*The number of shares has been restated to reflect the 60:1 reverse stock split (Note 1)

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	Accumulated deficit	Total equity
Balance, March 31, 2023	1,932,604	$ 14,337,739	$ 4,513,512	$ (127,413)	$ (10,680,929)	$ 8,042,909
Exercise of warrants	273,410	781,953	-	-	-	781,953
Share issuance costs	-	(129,780)	35,919	-	-	(93,861)
Deemed dividend arising from warrant modification	-	-	543,234	-	(543,234)	-
Share-based payments	-	-	-	-	-	-
Net loss	-	-	-	-	(909,593)	(909,593)
Balance, June 30, 2023	2,206,014	$ 14,989,912	$ 5,092,665	$ (127,413)	$ (12,133,756)	$ 7,821,408

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated 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	1,932,604	$ 14,338,233	$ 4,571,720	$ (127,413)	$ (7,343,584)	$ 11,438,956

* 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 CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)

Nine months ended June 30

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total equity
Balance, September 30, 2022	1,932,604	$ 14,337,739	$ 4,513,194	$ (127,413)	$ (8,260,415)	$ 10,463,105
Exercise of warrants	273,410	781,953	-	-	-	781,953
Share issuance costs	-	(129,780)	35,919	-	-	(93,861)
Deemed dividend arising from warrant modification	-	-	543,234	-	(543,234)	-
Share-based payments	-	-	318	-	-	318
Net loss	-	-	-	-	(3,330,107)	(3,330,107)
Balance, June 30, 2023	2,206,014	$ 14,989,912	$ 5,092,665	$ (127,413)	$ (12,133,756)	$ 7,821,408

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated 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	-	(1,941,675)	882,972	-	-	(1,058,703)
Share-based payments	-	-	604,861	-	-	604,861
Net loss	-	-	-	-	(1,797,785)	(1,797,785)
Balance, June 30, 2022	1,932,604	$ 14,338,233	$ 4,571,720	$ (127,413)	$ (7,343,584)	$ 11,438,956

*The number of shares has been restated to reflect the 60:1 reverse stock split (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
NINE MONTHS ENDED JUNE 30
(UNAUDITED)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (3,330,107)	$ (1,797,785)
Adjustments to reconcile net loss to net cash from operating activities:		
Accretion on asset retirement obligations	23,982	24,714
Depletion and depreciation	120,459	161,988
Foreign exchange loss (gain)	-	(1,062)
Forgiveness of loan payable	-	(7,900)
Finance expense	-	14,956
Gain on settlement of warrant liability	(930)	-
Change in fair value of warrant liability	(22,570)	(152,869)
Share-based payments	318	604,861
Changes in operating assets and liabilities:		
Trade and other receivables	40,599	(173,756)
Prepaid expenses and deposits	180,877	(831,968)
Trade and other payables	1,045,347	695,431
Amounts due to related parties	-	(10,618)
Right of use asset and lease liability	5,819	(930)
Net cash used in operating activities	(1,936,206)	(1,474,938)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures on property and equipment	(1,249,704)	(201,698)
Net cash used in investing activities	(1,249,704)	(201,698)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of private placement units	-	8,112,340
Proceeds from exercise of warrants	781,953	-
Share issuance costs	(93,861)	(1,067,374)
Convertible debenture repayment	(38,291)	(23,700)
Loan from related party	-	(3,647)
Net cash provided by (used in) financing activities	649,801	7,017,619
Change in cash and cash equivalents during the period	(2,536,109)	5,340,983
Cash and cash equivalents, beginning of the period	3,300,495	25,806
Cash and cash equivalents, end of the period	$ 764,386	$ 5,366,789
Supplemental disclosures of non-cash investing and financing activities:		
Share purchase warrants issued in connection with private placements	-	1,692,151
Share purchase warrants issued in connection with exercise of warrants	579,153	-
Trade and other payables related to property and equipment	1,459,667	93,960
Supplemental cash flow disclosures:		
Interest paid	1,182	18,960

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 925, 2911 Turtle Creek Blvd, Dallas, Texas, 75219. 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, 2023 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 footnotes for the fiscal year ended September 30, 2022.

Principles of Consolidation

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Going concern of operations

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has incurred losses since inception in the amount of $12,133,756 and has not yet achieved profitable operations. The Company has been relying on equity financing and loans from related parties to fund its operation in the past. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. The aforementioned factors raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued.

Management plans to fund operations of the Company with its current working capital and through increasing production from its oil and gas leases. The Company also expects to raise additional funds through equity financings. There are no written agreements in place for such funding or issuance of securities and there can be no assurance that such will be available in the future. Management believes that this plan provides an opportunity for the Company to continue as a going concern.

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

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Management evaluates these estimates and judgments on an ongoing basis and bases its estimates on experience, current and expected future conditions, third-party evaluations and various other assumptions that management believes are reasonable under the circumstances. Significant estimates have been used by management in conjunction with the following: (i) the fair value of assets when determining the existence of impairment factors and the amount of impairment, if any; (ii) the costs of site restoration when determining decommissioning liabilities; (iii) the useful lives of assets for the purposes of depletion and depreciation; (iv) petroleum and natural gas reserves; and (v) share-based payments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from those estimates.

New accounting standards

There are not currently any new or pending accounting standards that are expected to have a significant impact on the Company's consolidated financial statements.

3. REVENUE

Revenue from contracts with customers is presented in “Oil and gas sales” on the Consolidated Statements of Loss.

As of June 30, 2023 and September 30, 2022, receivable from contracts with customers, included in trade and other receivables, were $52,201 and $56,639, respectively.

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

Three months ended June 30, 2023	Texas	New Mexico	Total
Crude oil	$ 113,471	$ 42,230	$ 155,701
Natural gas	1,015	-	1,015
Revenue	$ 114,486	$ 42,230	$ 156,716

Three months ended June 30, 2022	Texas	New Mexico	Total
Crude oil	$ 205,861	$ 36,562	$ 242,423
Natural gas	16,334	-	16,334
Revenue	$ 222,195	$ 36,562	$ 258,757

Nine months ended June 30, 2023	Texas	New Mexico	Total
Crude oil	$ 417,050	$ 116,285	$ 533,335
Natural gas	8,124	-	8,124
Revenue	$ 425,174	$ 116,285	$ 541,459

Nine months ended June 30, 2022	Texas	New Mexico	Total
Crude oil	$ 445,769	$ 84,809	$ 530,578
Natural gas	46,666	-	46,666
Revenue	$ 492,435	$ 84,809	$ 577,244

4. CONCENTRATION OF CREDIT RISK

The Company’s financial instruments that are exposed to concentrations of credit risk consist primarily of its cash equivalents and trade receivables. The Company’s cash balances sometimes exceed the United States’ Federal Deposit Insurance Corporation insurance limits. The Company mitigates this risk by placing its cash 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.

The majority of the Company’s receivable balance is concentrated in trade receivables, with a balance of $94,380 as of June 30, 2023 (September 30, 2022 - $91,928). Two customers represented $57,744 (61%) of the trade receivable balance. The Company routinely assesses the financial strength of its customers. The non-trade receivable balance consists of goods and services tax (“GST”) recoverable of $2,235. GST recoverable is due from the Canadian Government. It is in management’s opinion that the Company is not exposed to significant credit risk. To date, the Company has not recognized any credit losses on its receivables.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30, 2023	September 30, 2022
Oil and natural gas properties, at cost	$ 10,473,886	$ 8,029,234
Construction in progress	-	460,306
Less: accumulated depletion	(267,941)	(184,658)
Oil and natural gas properties, net	10,205,945	8,304,882
Other property and equipment, at cost	205,315	127,542
Less: accumulated depreciation	(42,824)	(5,648)
Other property and equipment, net	162,491	121,894
Property and equipment, net	$ 10,368,436	$ 8,426,776

Depletion and depreciation expense was $120,459 and $161,988 for the nine month periods ended June 30, 2023 and June 30, 2022, respectively. Depletion and depreciation expense for the three month periods ended June 30, 2023 and June 30, 2022 was $37,286 and $73,093, respectively.

6. LEASES

All of the Company's right-of-use assets are operating leases related to its office premises. Details of the Company's right-of-use assets and lease liabilities are as follows:

	June 30, 2023	September 30, 2022
Right-of-use assets	$ 166,960	$ 240,796
Lease liabilities		
Balance, beginning of the year	$ 244,906	$ 78,949
Addition	-	220,368
Liability accretion	19,111	9,042
Lease payments	(87,128)	(63,453)
Balance, end of the year	$ 176,889	$ 244,906
Current lease liabilities	$ 79,866	$ 104,224
Long-term lease liabilities	$ 97,023	$ 140,682

The following table presents the Company's total lease cost.

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Nine Months Ended June 30, 2023	Nine Months Ended June 30, 2022
Operating lease cost	$ 27,704	$ 12,956	$ 92,947	$ 40,730
Variable lease expense	22,516	13,397	48,513	30,823
Sublease income	(12,367)	(10,752)	(32,762)	(26,350)
Rent subsidy	-	-	-	(1,674)
Net lease cost	$ 37,853	$ 15,601	$ 108,698	$ 43,529

As of June 30, 2023, maturities of the Company's operating lease liabilities are as follows:

Year	
2023 remaining	$ 23,709
2024	82,190
2025	84,664
2026	14,180
Total lease payments	204,743
Less: imputed interest	(27,854)
Total lease liabilities	$ 176,889

7. ASSET RETIREMENT OBLIGATIONS

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

	June 30, 2023	September 30, 2022
Asset retirement obligations, beginning of the year	$ 236,412	$ 552,594
Revisions of estimates	-	(371,212)
Accretion expense	23,982	55,030
	$ 260,394	$ 236,412

During the year ended September 30, 2022, the Company had revision of estimates totalling $371,212 primarily due to changes in future cost estimates and retirement dates for its oil and gas assets.

Reclamation deposits

As of June 30, 2023, the Company held reclamation deposits of $145,000 (September 30, 2022 - $145,000), which are expected to be released after all reclamation work has been completed with regard to its oil and natural gas interests.

8. DEBT

Convertible debenture – Related party

As of September 30, 2022, the Company had a debenture loan of $73,000 (CAD$100,000) from the CEO of the Company outstanding. 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 December 20, 2022. The debenture was convertible at the holder's option into units of the Company at $6.57 (CAD$9.00) per unit. Each unit would be comprised of one common share of the Company and one share purchase warrant; each warrant entitled the holder to acquire one additional common share for a period of three years at an exercise price of $8.76 (CAD $12.00).

During the year ended September 30, 2022, the Company repaid $34,709 of the loan (CAD$47,546). In November 2022, the Company repaid the remaining principal loan amount of $38,291 (CAD$52,454).

The Company recorded interest of $nil and $1,182 for the three and nine months ended June 30, 2023. The Company recorded interest of $2,597 and $6,285 for the three and nine months ended June 30, 2022.

Loan payable

In May 2020, the Company opened a Canada Emergency Business Account ("CEBA") and received a loan of $28,640 (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 to help them cover operating costs during the COVID-19 pandemic. The loan was unsecured and non-interest bearing with a repayment deadline of December 31, 2023. During the year ended September 30, 2022, the Company repaid the loan balance of $23,600 (CAD$30,000) and recognized a gain of $7,800 (CAD$10,000) on the forgiven amount.

9. RELATED PARTY TRANSACTIONS

The convertible debenture loan from the CEO of the Company mentioned in Note 8 was repaid during the nine months ended June 30, 2023.

10. LOSS PER SHARE

The calculation of basic and diluted loss per share for the three and nine month periods ended June 30, 2023 and 2022 was based on the net losses attributable to common shareholders. The following table sets forth the computation of basic and diluted loss per share:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Nine Months Ended June 30, 2023	Nine Months Ended June 30, 2022
Net loss	$ (1,452,827)	$ (888,669)	$ (3,873,341)	$ (1,797,785)
Weighted average common shares outstanding	1,964,147	1,932,604	1,943,118	1,411,734
Basic and diluted loss per share	$ (0.74)	$ (0.46)	$ (1.99)	$ (1.27)

For the three and nine months ended June 30, 2023, 81,250 stock options and 1,118,942 warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive. For the three and nine months ended June 30, 2022, 92,917 stock options and 1,097,096 warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

11. EQUITY

Common stock

The Company has authorized an unlimited number of common shares with no par value. At June 30, 2023 and September 30, 2022, the Company had 2,206,014 common shares issued and outstanding after giving effect to the 60:1 reverse stock split.

During the nine months ended June 30, 2023, the Company announced a warrant exercise incentive program (the "Program") whereby the Company amended the exercise prices of 1,015,869 warrants (the "Eligible Warrants") from $12.60 per share to $2.86 per share if the holders of the Eligible Warrants exercised the Eligible Warrants before June 30, 2023 (the "Program Period"). In addition to the repricing, the Company offered, to each warrant holder who exercised the Eligible Warrants during the Program Period, the issuance of one additional common share purchase warrant for each warrant exercised during the Program Period (each, an "Incentive Warrant"). Each Incentive Warrant entitles the warrant holder to purchase one common share of the Company for a period of 5 years from the date of issuance, at a price of $4.50 per Share.

On June 30, 2023, the Company issued 273,410 common shares at a price of $2.86 per share from the exercise of the Eligible Warrants pursuant to the Program for gross proceeds of $781,953 (net proceeds of $688,092). In connection with the Program, the Company issued 273,410 Incentive Warrants. The Company also incurred $62,556 and issued 21,872 warrants as a finders' fee to its investment bank. The finder's warrants are on the same terms as the Incentive Warrants. The Incentive Warrants and finder's warrants were valued at $449,005 and $35,919, respectively, using the Black-Scholes option pricing model (assuming a risk-free interest rate of 3.68%, an expected life of 5 years, annualized volatility of 128.81% and a dividend rate of 0%). The repricing of the Eligible Warrants is accounted for as a modification under ASC 815-40-35-14 through 18. The effect of the modification is $544,164, measured as the excess of the fair value of the repriced warrants over the fair value of the original warrants immediately before it was modified and the fair value of the incentive warrants issued as an additional inducement to exercise the warrants. The fair values were measured using the Black-Scholes option pricing model (assuming a risk-free interest rate of 4.21%, an expected life of 3.75 years, annualized volatility of 137.62% and a dividend rate of 0%). The Company recognized a deemed dividend of $543,234 for the fair value of the Incentive Warrants and the portion of inducement related to the equity-classified warrants. The effect of the repricing of the liability-classified warrants was $930 and was recorded in the statement of loss. The Company also incurred legal and other expenses of $31,305 in connection with the Program.

During the year ended September 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) on November 4, 2021. 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.

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 on March 29, 2022. 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 $159,271 in connection with the private placement.

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.

11. EQUITY (cont'd…)

Share-based payments (cont'd…)

Stock option transactions are summarized as follows:

	Number of options		Weighted Average Exercise Price
Balance, September 30, 2021	37,917	$	19.51
Granted	55,000		10.51
Cancelled	(8,334)		17.34
Balance, September 30, 2022	84,583	$	13.26
Cancelled	(3,333)		10.66
Balance, June 30, 2023	81,250	$	13.74
Exercisable at June 30, 2023	81,250	$	74

The aggregate intrinsic value of options outstanding and exercisable as at June 30, 2023 was $nil (September 30, 2022 - $nil).

The options outstanding as of June 30, 2023 have exercise prices in the range of $2.25 to $22.50 and a weighted average remaining contractual life of 6.91 years.

During the nine months ended June 30, 2023 and 2022, the Company recognized share-based payment expense of $318 and $604,861, respectively, for the portion of stock options that vested during the period. The share-based payment expense for the three months ended June 30, 2023 and 2022 was $nil and $185, respectively. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	2023		2022
Risk-free interest rate	-		1.5%
Expected life of options	-		10 Years
Expected annualized volatility	-		96.56%
Dividend rate	-		Nil
Weighted average fair value of options granted	-	$	10.17

As June 30, 2023, the following stock options were outstanding:

Number of Options		Exercise Price	Issuance Date	Expiry Date
22,917	$	22.50	December 4, 2017	December 4, 2027
5,000	$	13.50	November 1, 2018	November 1, 2028
5,000	$	2.25	March 16, 2020	March 16, 2030
48,333	$	10.80	October 6, 2021	October 6, 2031
81,250				

11. EQUITY (cont'd…)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, September 30, 2021	208,332	$	9.42
Granted	888,738		12.91
Balance, September 30, 2022	1,097,070	$	12.12
Exercised	(273,410)		2.86
Granted	295,282		4.50
Balance, June 30, 2023	1,118,942		9.98

As June 30, 2023, the following warrants were outstanding:

Number of Warrants		Exercise Price	Issuance Date	Expiry Date
17,558	$	24.30	November 4, 2021	November 4, 2023
597,770	$	12.60	March 29, 2022	March 29, 2027
295,282	$	4.50	June 30, 2023	June 30, 2028
208,332	$	9.00	September 30, 2021	September 30, 2031
1,118,942				

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 (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%) and recorded as a warrant liability. The fair value of these warrants were remeasured at each reporting period and a gain on fair value of $178,509 was recorded during the year ended September 30, 2022. During the nine months ended June 30, 2023, a gain on fair value of $23,500 was recorded (2022 - $152,869). During the three months ended June 30, 2023, a gain on fair value of $1,066 was recorded (2022 - $72,838).

The following weighted average assumptions were used for the Black-Scholes valuation of warrants as at June 30, 2023 and September 30, 2022:

		June 30, 2023		September 30, 2022
Risk-free interest rate		4.58%		3.79%
Expected life of options		0.33 Year		1 Year
Expected annualized volatility		73.12%		135.59%
Dividend rate		Nil		Nil
Weighted average fair value of options granted	$	0.00	$	1.46