

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2023

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-41558

PERMEX PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

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

98-1384682
(I.R.S. Employer
Identification No.)

1700 Post Oak Boulevard, 2 Blvd Place Suite 600
Houston Texas, 77056
(Address of principal executive offices)

Registrant's telephone number, including area code: (469) 804-1306

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act: Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files): Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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 pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes No

The aggregate market value of common shares held by non-affiliates of the registrant as of March 31, 2023 was approximately \$9,856,280.

The number of outstanding shares of the registrant's common shares as of July 26, 2024 was 551,503.

DOCUMENTS INCORPORATED BY REFERENCE

None

PERMEX PETROLEUM CORPORATION
FORM 10-K

TABLE OF CONTENTS

	<u>PAGE</u>
<u>PART I</u>	
Item 1 Business	6
Item 1A Risk Factors	19
Item 1B Unresolved Staff Comments	33
Item 2 Properties	34
Item 3 Legal Proceedings	34
Item 4 Mine Safety Disclosures	34
<u>PART II</u>	
Item 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	35
Item 6 Selected Financial Data	36
Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations	36
Item 7A Quantitative and Qualitative Disclosures about Market Risk	42
Item 8 Financial Statements and Supplementary Data	F-1
Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	43
Item 9A Controls and Procedures	43
Item 9B Other Information	43
<u>PART III</u>	
Item 10 Directors, Executive Officers and Corporate Governance	44
Item 11 Executive Compensation	47
Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	53
Item 13 Certain Relationships and Related Transactions, and Director Independence	55
Item 14 Principal Accounting Fees and Services	56
Item 15 Exhibits, Financial Statement Schedules	57

PERMEX PETROLEUM CORPORATION
FORM 10-K

As used in this Annual Report on Form 10-K, 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 subsidiaries. Certain operational terms used in this Annual Report are defined in the "Glossary of Terms" section below. 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.

GLOSSARY OF TERMS

Unless otherwise indicated in this Annual Report, 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 Annual Report.

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.

MARKET AND INDUSTRY INFORMATION

This Annual Report contains 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 in this Annual Report, these estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading “Risk Factors”. Accordingly, investors should not place undue reliance on this information.

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K, including any information incorporated by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, referred to as the “Securities Act”, and Section 21E of the Securities Exchange Act of 1934, as amended, referred to as the “Exchange Act”. All statements, other than statements of historical fact included in this Annual Report, 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 Annual Report, 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 all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. 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 oil and 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 Annual Report 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, expressed or implied, included in this Annual Report are expressly qualified in their entirety by this cautionary statement. 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 Annual Report.

PART I

ITEM 1. 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 reducing risk by 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.

Corporate History

We were incorporated on April 24, 2017 under the laws of British Columbia, Canada. At September 30, 2023, we had one wholly-owned subsidiary, Permex Petroleum US Corporation, a corporation incorporated under the laws of New Mexico. 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 Petroleum US Corporation owns and operates oil and gas properties in New Mexico (Henshaw Property and the Oxy Yates Property).

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, 2023 (the "2023 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, 2022 (the "2022 Appraisal Report" and together with the 2023 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 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 this Annual Report.

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 Annual Report.

Since all of the Company's reserves are from conventional reservoirs, MKM Engineering assumed for the purposes of its appraisal reports that the technology to be used to develop the Company's reserves would include horizontally drilled wells, fracturing, and acidizing.

The following tables show a summary of our reserves as of September 30, 2023 and September 30, 2022 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, 2023

		Proved	Proved Developed Producing	Proved Non-Producing	Proved Undeveloped
Net Reserves					
Oil/Condensate	MBbl	2,636.8	372.2	654.9	1,609.7
Natural Gas	Mcf	2,042.4	241.2	524.1	1,277.1
Revenue					
Oil/Condensate	M\$	207,269.9	29,035.8	51,407.8	126,826.3
Natural Gas	M\$	4,558.1	585.1	1,138.5	2,834.5
Severance and Ad Valorem Taxes	M\$	15,674.3	2,601.4	3,770.8	9,302.1
Operating Expenses	M\$	24,386.7	9,882.4	5,313.9	9,190.4
Investments	M\$	17,241.5	806.9	724.6	15,710.0
Operating Income (BFIT)	M\$	154,525.5	16,330.2	42,736.9	95,458.4
Discounted @ 10%	M\$	74,000.6	8,510.2	25,158.9	40,331.5

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 Probable Reserve Estimates and Economic Forecasts for the year ended September 30, 2023

		Probable	Probable Developed Producing	Probable Non-Producing	Probable Undeveloped
Net Reserves					
Oil/Condensate	MBbl	9,443.2	2.0	150.8	9,290.4
Gas	Mcf	10,892.4	3.4	6.2	10,882.8
Revenue					
Oil/Condensate	M\$	738,808.9	150.6	11,660.7	726,997.6
Gas	M\$	33,254.8	11.7	21.4	33,221.7
Severance and Ad Valorem Taxes	M\$	55,231.2	19.8	832.3	54,379.1
Operating Expenses	M\$	55,531.2	55.0	1,172.2	54,304.0
Investments	M\$	134,428.5	—	—	134,428.5
Operating Income (BFIT)	M\$	526,872.9	87.6	9,677.6	517,107.7
Discounted @ 10%	M\$	122,796.7	37.3	4,026.0	118,733.4

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

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. The Company has started development and conversion of its undeveloped acreage located in Martin County, Texas. The PPC Eoff #3 well, operated by Permex Petroleum, is the first of two permitted wells to be drilled by the Company on the 7,780 gross acre Breedlove oilfield. Drilling of the first well commenced on September 14, 2022. Management expects to restart its drilling and development program in the second half of 2024, subject to receipt of additional funding.

An aggregate of 1,609 MBO and 1,277 MMCF, of the Company's proved undeveloped reserves as of September 30, 2023, 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, 2023. Management currently anticipates spending approximately \$1.25 million in capital expenditures towards developing the Company's proved undeveloped reserves during the 2024 fiscal year, subject to the Company acquiring the necessary financing.

Proved Undeveloped Reserves Additions

From September 30, 2022 to September 30, 2023, the Company had no proved undeveloped reserve additions. The specific changes to the Company's proved undeveloped reserves from September 30, 2022 to September 30, 2023 were as follows:

	Breedlove	Pittcock & Mary Bullard	Henshaw	Royalty Wells	Total
Beginning balance at September 30, 2022 (MBoe)(1)	4,966.43	342.11	—	0.22	5,308.76
Production (MBoe)(1)	—	—	—	—	—
Revisions or reclassifications of previous estimates (MBoe)(1)	(3,148.56)	(342.11)	—	(0.22)	(3,490.89)
Improved Recovery (MBoe)(1)	—	—	—	—	—
Extensions and Discoveries (MBoe)(1)	—	—	—	—	—
Acquisitions/Purchases (MBoe)(1)	—	—	—	—	—
Sales (MBoe)(1)	—	—	—	—	—
Price Change (MBoe)	4.67	—	—	—	4.67
Ending balance as of September 30, 2023 (MBoe)(1)	1,822.54	0.00	—	—	1,822.54

- (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, 2023, the average prices of WTI (Cushing) oil and NYMEX Henry Hub natural gas were \$78.54 per Bbl and \$3.419 per Mcf, respectively, resulting in an oil-to-gas ratio of just under 23 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 1,609.7 MBbl of oil and 1,277.1 Mcf of natural gas as of September 30, 2023 is \$15,710,000. 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 9,290.4 MBbl of oil and 10,882.8 Mcf of natural gas as of September 30, 2023 is \$134,428,500. 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, 2023, the Company had 103 gross wells and 23 net productive wells. 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	8	5.76
Oxy Yates	680	489.60	5	3.60
Bullard	241	187.98	1	0.78
Breedlove	1,558	1,246.40	15	12.00
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 nearly entirely 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 active expiry date that is less than two years from the date of this Annual Report.

Sales and Production

The average sales prices of the Company's oil and gas products sold in the fiscal years ended September 30, 2023, 2022, and 2021 was \$71.45/Boe, \$89.14/Boe, and \$54.19/Boe, respectively.

The Company's net production quantities by final product sold in the fiscal years ended September 30, 2023, 2022, and 2021, was 12,979.36 Boe, 12,597.45 Boe, and 1,182.70 Boe, respectively.

The Company's average production costs per unit for the fiscal years ended September 30, 2023, 2022, and 2021, was \$67.76, \$65.82, and \$40.94, respectively.

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

Net Production Volumes	Fiscal Year Ended September 30, 2023	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021
Oil/Condensate (Bbl)	11,729	10,670	948
Natural Gas (Mcf)	7,500	11,567	1,410
Average Sales Price	Fiscal Year Ended September 30, 2023	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021
Oil/Condensate (\$/Bbl)	76.17	96.18	62.37
Natural Gas (\$/Mcf)	4.53	8.36	3.54

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

Breedlove

Net Production Volumes	Fiscal Year Ended September 30, 2023	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021
Oil/Condensate (Bbl)	7,628	6,998	—
Natural Gas (Mcf)	6,362	11,567	419

Henshaw

Net Production Volumes	Fiscal Year Ended September 30, 2023	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021
Oil/Condensate (Bbl)	3,098	2,189	—
Natural Gas (Mcf)	1,138	—	—

Pittcock & Mary Bullard

Net Production Volumes	Fiscal Year Ended September 30, 2023	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021
Oil/Condensate (Bbl)	1,003	1,483	847
Natural Gas (Mcf)	—	—	—

Texas Properties

Breedlove "B" Clearfork Leases

In September 2021, the Company, through its 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. 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, the Company began the pilot re-entry on the Carter Clearfork well #5, which is one of 67 shut-in wells that it currently owns. The re-entry involved targeting the Clearfork formation at a depth of 7,200 feet. Due to the high water content, management plans to maximize utilization of existing injection wells on the property when putting the well on line. By doing so management plans to reduce operating expenses from water disposal in third party disposal facilities. During fiscal 2023, the Company engaged in various operating activities across the Breedlove assets including the completion and production of the Eoff #3 well that was completed in November 2022. The Eoff #3 was put online fully following the build out of production facilities, tank battery, etc. Subsequent to September 2023, the Eoff #3 was shut in due to maintenance issues that were deferred due to financing efforts being undertaken by the Company. The Eoff #3 is currently available to resume production potentially as a top recompletable candidate for the Company, pending successful capital raising efforts. The Company is currently evaluating a number of re-entry opportunities across this asset including the 9 currently shut-in wells as well as opportunities across the existing producing wells.

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. The Company 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. The Company holds 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 assistance to the offset wells being the Pittcock wells located east boundary of the Windy Jones Property. The Company holds a 100% working interest in the Windy Jones Property and a 78.9% net revenue interest.

Mary Bullard Property

The Company 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. The Company holds a 100% working interest in the Mary Bullard Property and a 78.625% net revenue interest.

New Mexico Properties

In December 2017, Permex U.S., 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 - 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. The Company holds a 100% working interest in the West Henshaw Property and a 72% net revenue interest.

In January 2022, the Company began the pilot re-entry on the West Henshaw well #15-3, one out of the 67 shut-in wells it 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.

In April 2022, the Company 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. Throughout 2023, the Company completed a number of re-entry and basic workover efforts to try and establish more steady production from the West Henshaw assets.

The remaining 67 shut-in wells that the Company plans 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. The Company holds a 100% working interest in the Oxy Yates Property and a 77% net revenue interest.

Royalty Interest Properties

The Company holds royalty interests in 73 producing oil and gas wells located in Texas and New Mexico.

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-oriented and reduced-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 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 as of the time of our studies.
- 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 Dorado Transportation, LLC, Energy Transfer Partners and HollyFrontier at prices tied to West Texas Intermediate oil prices. Our natural gas production is being sold to DCP Operating Company LP under Henry Hub gas spot prices.

For the years ended September 30, 2023 and 2022, we had three significant purchasers that accounted for approximately 99% and 83%, 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.

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 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 outsized 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. Opponents of hydrocarbon production and consumption contend 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, rulemakings or other regulatory initiatives to limit GHG emissions. Interpretation/implementation of existing statutes and common law is evolving. 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 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 or repairs/decommissioning of assets 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 July 26, 2024, 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 1700 Post Oak Boulevard, 2 Blvd Place Suite 600, Houston Texas, 77056 and consists of one office leased space. We believe our current office space is sufficient to meet our needs and that additional office space can be obtained if necessary.

Additional Information

The Company files Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and proxy statements with the Securities and Exchange Commission ("SEC"). The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC at www.sec.gov. You may learn more about the Company by visiting the Company's website at www.permexpetroleum.com. All of the reports we file with the SEC are available from this website. All websites referred to herein are inactive textual references only, meaning that the information contained in such websites is not incorporated by reference herein.

ITEM 1A. RISK FACTORS

The following disclosures should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report on Form 10-K. These disclosures are intended to discuss certain material risks of the Company's business as they appear to Management at this time. However, this list is not exhaustive. Other risks may, and likely will, arise from time to time.

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 will 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 independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing.

Our financial statements as of September 30, 2023 have been prepared under the assumption that we will continue as a going concern. Our independent registered public accounting firm included in its opinion for the year ended September 30, 2023 an explanatory paragraph referring to our significant losses from operations and working capital deficiency, and expressing substantial doubt in our ability to continue as a going concern for the next twelve months. Our ability to continue as a going concern is dependent upon our ability to obtain additional equity or debt financing, reduce expenditures and to generate significant revenue. Our financial statements as of September 30, 2023 did not include any adjustments that might result from the outcome of this uncertainty. The reaction of investors to the inclusion of an explanatory paragraph regarding our ability to continue to operate as a going concern for the twelve months following the issuance of these financial statements could materially adversely affect the price of our securities and our ability to raise new capital.

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 had volatile prices, 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 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 future acquisitions will depend in part on 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 will perform reviews of the subject properties that we believe to be generally consistent with industry practices. These reviews will be 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 will typically be 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 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 and other physical accidents;
- 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, 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 61.1% of our estimated net proved reserves volumes were classified as proved undeveloped as of September 30, 2023. 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, repairing, 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. Decommissioning costs’ predictability is challenging as more focus and demand is placed on decommissioning activities in the future than was previously the case, and because we do not have lengthy operating experience with our wells.

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 hydrocarbons.

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, gathering or transportation capacity constraints, (iv) market limitations, (v) availability of equipment and personnel, (vi) fluid shortages or other drought related conditions or (vii) interruption of the processing, gathering or transportation of 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.

Increasing scrutiny and changing expectations from investors, lenders and other market participants with respect to our Environmental, Social and Governance (“ESG”) policies may impose additional costs on us or expose us to additional risks.

Companies across all industries are facing increasing scrutiny relating to their ESG policies. Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants are increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. The increased focus and activism related to ESG and similar matters may hinder access to capital, as investors and lenders may decide to reallocate capital or not to commit capital as a result of their assessment of a company’s ESG practices. Companies that do not adapt to or comply with investor, lender or other industry shareholder expectations and standards, which are evolving, or which are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and the business, financial condition or stock price of such a company could be materially and adversely affected.

We may face increasing pressures from investors, lenders and other market participants, who are increasingly focused on climate change, to prioritize sustainable energy practices, reduce our carbon footprint and promote sustainability. As a result, we may be required to implement more stringent ESG procedures or standards so that our existing and future investors and lenders remain invested in us and make further investments in us. If we do not meet these standards, our business or our ability to access capital could be harmed.

Additionally, certain investors and lenders have and may continue to exclude companies engaged in exploration and production activity, such as us, from their investing portfolios altogether due to ESG factors. These limitations in both the debt and equity capital markets may affect our ability to grow as our plans for growth may include accessing those markets. If those markets are unavailable, or if we are unable to access alternative means of financing on acceptable terms, or at all, we may be unable to implement our business strategy, which would have a material adverse effect on our financial condition and results of operations. At the same time, some stakeholders and regulators have increasingly expressed or pursued opposing views, legislation, and investment expectations with respect to ESG, including the enactment or proposal of “anti-ESG” legislation or policies.

Further, it is likely that we will incur additional costs and require additional resources to monitor, report and comply with wide ranging ESG requirements, including the SEC climate change disclosure rules. Similarly, these policies may negatively impact the ability of our customers to access debt and capital markets. The occurrence of any of the foregoing could have a material adverse effect on our business and financial condition.

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, 2023 and 2022, we had three significant purchaser that accounted for approximately 99% and 83%, 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, or venting excess production of methane 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. Furthermore, some rail lines are not subject to material competitive pressure which would act as a brake on rates for rail transportation service.

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 of the Parties to 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 re-commence production. We have no control over the operations or activities of offsetting operators.

Risks Related to our Common Shares

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.

In addition, 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. If there is extreme market volatility and trading patterns in our securities, it may create several risks for investors, including the following:

- the market price of our securities may experience rapid and substantial increases or decreases unrelated to our actual or expected operating performance, financial condition or prospects, which may make it more difficult for prospective investors to assess the rapidly changing value of our securities;
- if our future market capitalization reflects trading dynamics unrelated to our actual or expected operating performance, financial performance or prospects, purchasers of our securities stock could incur substantial losses as prices decline once the level of market volatility has abated; and
- if the future market price of securities declines, investors may be unable to resell their securities at or above the price at which they acquired them. We cannot assure you that the market of our securities will not fluctuate or decline significantly in the future, in which case you could incur substantial losses.

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. In addition, our securities may be more thinly traded than securities of larger, more established energy companies and, as a result of this lack of liquidity, sales of relatively small quantities of our securities by our shareholders may disproportionately influence the price of our securities. The market price of our securities may decline below the initial public offering price, and you may lose some or all of your investment.

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

There is no assurance that an investment in our securities will earn any positive return. An investment in our securities 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 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.

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 addition 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 and warrants and may continue to issue additional securities in the future. The exercise 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 July 26, 2024, we have issued and outstanding options to purchase 20,313 Common Shares with a weighted average exercise price of \$54.23 per share and warrants to purchase 279,746 Common Shares with a weighted average exercise price of \$39.79 per share. In addition, we have 34,837 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 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.

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.

Our executive officers, directors and principal shareholders and their affiliates beneficially hold, in the aggregate, approximately 28% 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 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.

Unstable market and economic conditions and adverse developments with respect to financial institutions and associated liquidity risk may have serious adverse consequences on our business, financial condition and stock price.

The global credit and financial markets have recently experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, inflationary pressure and interest rate changes, increases in unemployment rates and uncertainty about economic stability. The financial markets and the global economy may also be adversely affected by the current or anticipated impact of military conflict, terrorism or other geopolitical events. Sanctions imposed by the United States and other countries in response to such conflicts may also adversely impact the financial markets and the global economy, and any economic countermeasures by the affected countries or others could exacerbate market and economic instability. More recently, the closures of Silicon Valley Bank and Signature Bank and their placement into receivership with the Federal Deposit Insurance Corporation (“FDIC”) created bank-specific and broader financial institution liquidity risk and concerns. Although the Department of the Treasury, the Federal Reserve, and the FDIC jointly confirmed that depositors at SVB and Signature Bank would continue to have access to their funds, even those in excess of the standard FDIC insurance limits, under a systemic risk exception, future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages, impair the ability of companies to access near-term working capital needs, and create additional market and economic uncertainty. There can be no assurance that future credit and financial market instability and a deterioration in confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn, liquidity shortages, volatile business environment or continued unpredictable and unstable market conditions. If the equity and credit markets deteriorate, or if adverse developments are experienced by financial institutions, it may cause short-term liquidity risk and also make any necessary debt or equity financing more difficult, more costly and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and stock price and could require us to delay or abandon our business plans.

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 \$1.07 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 (“US GAAP”), 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.

As of September 30, 2023, management assessed the effectiveness of our internal control over financial reporting and concluded that such internal controls and procedures were not effective. Management determined that this was due to the following deficiencies:

- insufficient resources resulting in inadequate segregation of duties in certain accounting functions, the processing and approval of transactions, due to the size of the accounting department;
- lack of knowledge of US GAAP and ineffective controls associated with the conversion from International Financial Reporting Standards to US GAAP;
- ineffective controls over inputs used in the valuation of the asset retirement obligation;
- Ineffective controls over the depletion calculation and the preparation of the oil and gas reserve report;
- ineffective controls on the accounting and the valuation of complex financial instruments;
- ineffective review of the financial statements due to the limited financial and reporting resources; and
- ineffective information technology general controls in the areas of user access and program change-management over certain information technology systems that support our financial reporting processes.

Although management has taken steps to address the deficiencies in our internal controls, we currently do not have sufficient internal controls over financial reporting which could limit investment in our securities and expose the us to SEC fines or administrative sanctions. Additionally, if we fail to implement required improvements to our disclosure controls and procedures, we may be obligated to continue 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

The Company has not adopted any formal cybersecurity risk management program or formal processes for assessing, identifying, and managing material risks from cybersecurity threats. At the management level, our Chief Executive Officer and Chief Financial Officer are responsible for addressing cybersecurity incidents, while our full board of directors has oversight responsibility for the Company’s overall risk management, including cybersecurity risk, and has not delegated oversight authority for cybersecurity risks to any committee. In the event a cybersecurity incident occurs, the Company’s Chief Executive Officer and the Chief Financial Officer are expected to inform our board of directors of the details of such incident as well as the measures taken in response to such incident. In fiscal year 2023, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition.

ITEM 2. PROPERTIES

Executive Office

Our executive office is located at 1700 Post Oak Boulevard, 2 Blvd Place Suite 600, Houston Texas, 77056 and consists of one office leased space. We believe our current office space is sufficient to meet our needs and that additional office space can be obtained if necessary.

Oil and Gas Properties

Information concerning proved and probable reserves, production, wells, acreage and related matters are contained in Item 1. "Business."

ITEM 3. LEGAL PROCEEDINGS

The Company from time to time may be involved with disputes, claims and litigation related to the conduct of its business. The following are the material legal proceedings pending to which the Company is a party or to which any of its property is subject.

1. *Atlas Tubular, LLC* filed a suit against the Company in the 14th Judicial District Court of Dallas, County, Texas, seeking damages of at least \$172,981. This amount is included in the Company's trade payables as at September 30, 2023. The Company made a payment of \$100,000 to Atlas Tubular in June 2024 towards this alleged debt.

2. *Foundation Energy Services, LLC* filed a suit against the Company in the 160th Judicial District Court, Dallas County, Texas, seeking damages of at least \$66,074. This amount is included in the Company's trade payables as at September 30, 2023. Foundation Energy Services, LLC was awarded a judgment for the amount owed, plus attorney's fees of \$11,055, court costs of \$485, 5% interest, and \$10,000 in post judgment attorney's fees for collection efforts.

3. *Panther Fluids Management, LLC* filed a suit against the Company in the County Court at Law No. 3, Harris County, Texas, alleging a breach of contract and seeking payment for an outstanding balance of \$81,788. This amount is included in the Company's trade payables as at September 30, 2023.

4. *Piedmont Park Place* filed a suit against the Company in the 134th Judicial District Court of Dallas County, Texas, alleging breach of lease and breach of contract, seeking recovery of \$127,230 plus attorney's fees. The Company is currently negotiating a settlement.

5. *Premier Energy Services, LLC* filed a suit against the Company in the 118th Judicial District Court of Martin County, Texas, seeking damages of at least \$104,205. Of this amount, \$95,541 is included in the Company's trade payables as at September 30, 2023. The Company disputes the remaining \$8,664 of the claimed damages.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our Common Shares currently trades on the OTCQB Marketplace in the United States under the symbol "OILCF" on the Canadian Securities Exchange ("CSE") in Canada under the symbol "OIL" and under the Frankfurt Stock Exchange under the symbol "75P". On April 16, 2024, the Company received a cease trade order issued by the British Columbia Securities Commission (the "BCSC") due to its failure to file the annual financial statements for fiscal 2023 and quarterly reports for fiscal 2024. The trading was halted on the CSE effective April 17, 2024. The closing price of our common shares as reported on the OTCQB on the last trading date of April 16, 2024 was \$4.00.

Shareholders

As of July 26, 2024, there were 551,503 Common Shares issued and outstanding, held by approximately 58 holders of record, although there are a much larger number of beneficial owners.

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.

Recent Sales of Unregistered Securities

None.

Equity Compensation Plans

Information required with respect to Equity Compensation Plans in this Item 5 is included in Item 12 on page 53 of this Annual Report on Form 10-K.

Issuer Purchases of Equity Securities

None.

ITEM 6. [Reserved]

ITEM 7. 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 Annual Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report, 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 Annual Report 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.

Company Overview

The Company was incorporated on April 24, 2017 under the laws of British Columbia, Canada. The Company is an independent energy company engaged in the acquisition, exploration, development and production of oil and gas properties on private, state and federal land in the United States, primarily in the Permian Basin which includes the Midland Basin and Delaware Basin. The Company focuses on acquiring producing assets at a discount to market, increasing production and cash-flow through recompletion and re-entries, secondary recovery and lower risk infill drilling and development. Currently, the Company owns and operates various oil and gas properties located in Texas and New Mexico. In addition, the Company holds various royalty interests in 73 wells and 5 permitted wells across 3,800 acres within the Permian Basin of West Texas and southeast New Mexico. Moreover, the Company has more than 11,700 net acres of producing oil and gas assets, 62 shut-in opportunities, and 17 salt water disposal wells allowing for waterflood secondary recovery.

The Company's common shares are listed on the Canadian Securities Exchange under the symbol "OIL" on the OTCQB under the symbol "OILCF", and on the Frankfurt Stock Exchange under the symbol "75P". On April 16, 2024, the Company received a cease trade order issued by the British Columbia Securities Commission (the "BCSC") due to its failure to file the annual financial statements for fiscal 2023 and quarterly reports for fiscal 2024. The trading was halted on the CSE effective April 17, 2024. The Company is currently working to bring all required filings up to date.

Key Activities:

- 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.
- 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.
- On June 30, 2023, the Company announced the close of its warrant exercise incentive program, whereby the Company agreed to reduce the exercise price of the eligible warrants and also issue incentive bonus warrants in order to induce warrant holders to exercise their warrants for cash. The Company issued 68,353 common shares at a price of \$11.44 from the exercise of warrants pursuant to the program for gross proceeds of \$781,953 (net proceeds of \$645,330).
- On October 23, 2023, the Company effected a 1-for-4 reverse split of the Company's outstanding common shares.
- On February 28, 2024, the Company announced a private placement of convertible debenture units of the Company (the "Units") for gross proceeds of up to \$20,000,000. Each Unit will consist of one convertible debenture (a "Debenture") in the principal amount of \$1,000 and one common share purchase warrant (a "Warrant"). Each Warrant will be exercisable for a period of five years from the date of issuance for one common share of the Company (a "Share") at an exercise price of \$4.08. On May 29, 2024, the Company amended the terms of the Units. Each Unit will now consist of one convertible debenture (a "Debenture") in the principal amount of \$1,000 and 294 common share purchase warrants (each a "Warrant"). Each Warrant will be exercisable for a period of five years from the date of issuance for one common share of the Company (a "Share") at an exercise price of \$4.08. The Debentures will mature (the "Maturity Date") on the earlier of: (i) one-year from the date of issuance or (ii) three-months from the date of issuance if the Company does not enter into a securities exchange, unit purchase or merger agreement with a third party to the reasonable satisfaction of a majority of the holders of Debentures. The Debentures will bear simple interest at a rate of 10% per annum, payable on the Maturity Date or the date on which all or any portion of the Debenture is repaid, and have a conversion price of \$3.40 per share. Interest will be paid in cash or Shares based on a conversion price of \$3.40.
- On April 16, 2024, the Company announced the closing of the first tranche of the private placement announced on February 28, 2024, consisting of 500 Units for gross proceeds of \$500,000. As a result, the Company issued a Debenture with a principal amount of \$500,000 and 147,000 Warrants.
- On May 1, 2024, the Company announced the appointment of Bradley Taillon as the President and Chief Executive Officer ("CEO") of the Company. Mehran Ehsan, the former President and CEO of the Company, will now serve as Vice President of Business Development.
- On May 29, 2024, the Company announced that it has applied to the British Columbia Securities Commission (the "BCSC") for a partial revocation of the failure-to-file cease trade order that was issued by the BCSC against the Company on April 16, 2024 (the "FFCTO") for failing to file certain outstanding continuous disclosure documents in a timely manner (the "Partial Revocation Order").
- On June 16, 2024, the Company announced the closing of the second tranche of the private placement announced on February 28, 2024, consisting of 865 Units for gross proceeds of \$865,000. As a result, the Company issued a Debenture with a principal amount of \$865,000 and 254,310 Warrants. The Second Tranche was conducted pursuant to a partial revocation order (the "Partial Revocation Order") issued by the BCSC on June 5, 2024. The Partial Revocation Order partially revoked the FFCTO that was issued by the BCSC against the Company on April 16, 2024 for failing to file certain outstanding continuous disclosure documents in a timely manner. The FFCTO continues to apply in all other respects. The Company intends to use the proceeds of the Second Tranche to prepare and file all outstanding financial statements and continuous disclosure records, pay all outstanding related fees and penalties, pay outstanding amounts owing pursuant to summary judgments and to continue operations until it can apply for and receive a full revocation of the FFCTO. If and when the Company has filed all such outstanding financial statements and continuous disclosure records, the Company intends to apply for a full revocation of the FFCTO and request that trading of its Shares on the CSE be reinstated.
- On June 27, 2024, the Company announced the appointment of Bradley Taillon, the President and CEO, to the Company's Board of Directors. As a part of Permex's strategic reconstitution and expansion of the Board, the Company also announced the resignations of Melissa Folz, Barry Whelan, James Perry Bryan, Mehran Ehsan, Douglas Charles Urch and John James Lendrum from the Board of Directors.

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, 2023 and 2022.

	<u>Fiscal 2023 (\$)</u>	<u>Fiscal 2022 (\$)</u>
Revenues	688,827	878,459
Net loss	(4,483,195)	(2,714,616)
Net loss per common share - basic and diluted	(8.81)	(7.04)
Total assets	10,941,747	12,567,558
Total non-current liabilities	341,623	400,594
Dividends	—	—

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

Net losses for the years ended September 30, 2023 and 2022 were mainly attributable to operating expenses (2023 - \$4,668,466, 2022 - \$3,783,122) and other income (2023 - \$39,678, 2022 - \$193,047), partially offset by revenue from oil and gas sales and royalty income (2023 - \$688,827, 2022 - \$878,459). The decrease in total assets in fiscal 2023 is mainly due to the use of approximately \$1.6 million in cash for general operations and administrative expenses. The change in non-current liabilities in fiscal 2023 is mainly due to the decrease in lease obligations.

Results of Operations

Selected Operating Data

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, 2023, 2022, and 2021 was \$71.45/Boe, \$89.14/Boe, and \$54.19/Boe, respectively.

The Company's net production quantities by final product sold in the fiscal years ended September 30, 2023, 2022, and 2021, was 12,979.36 Boe, 12,597.45 Boe, and 1,182.70 Boe, respectively.

The Company's average production costs per unit for the fiscal years ended September 30, 2023, 2022, and 2021, was \$67.76/Boe, \$65.82/Boe, and \$40.94/Boe, respectively.

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

<u>Net Production Volumes</u>	<u>Fiscal Year Ended September 30, 2023</u>	<u>Fiscal Year Ended September 30, 2022</u>	<u>Fiscal Year Ended September 30, 2021</u>
Oil/Condensate (Bbl)	11,729	10,670	948
Natural Gas (Mcf)	7,500	11,567	1,410

<u>Average Sales Price</u>	<u>Fiscal Year Ended September 30, 2023</u>	<u>Fiscal Year Ended September 30, 2022</u>	<u>Fiscal Year Ended September 30, 2021</u>
Oil/Condensate (\$/Bbl)	76.17	96.18	62.37
Natural Gas (\$/Mcf)	4.53	8.36	3.54

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

Breedlove

Net Production Volumes	Fiscal Year Ended September 30, 2023	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021
Oil/Condensate (Bbl)	7,628	6,998	—
Natural Gas (Mcf)	6,362	11,567	419

Henshaw

Net Production Volumes	Fiscal Year Ended September 30, 2023	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021
Oil/Condensate (Bbl)	3,098	2,189	—
Natural Gas (Mcf)	1,138	—	—

Pittcock & Mary Bullard

Net Production Volumes	Fiscal Year Ended September 30, 2023	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021
Oil/Condensate (Bbl)	1,003	1,483	847
Natural Gas (Mcf)	—	—	—

During the year ended September 30, 2023, the Company reported a net loss of \$4,483,195 as compared to a net loss of \$2,714,616 for the year ended September 30, 2022. The increase in net loss for fiscal 2023 compared to fiscal 2022 was mainly attributable to operating expenses increasing to \$4,672,137 in the current fiscal year compared to operating expenses of \$3,778,693 in the previous fiscal year, combined with revenue from oil and gas sales and royalty income of \$688,827 in the current fiscal years compared to \$878,459 in our 2022 fiscal year.

The Company reported oil and gas sales revenue of \$685,623 in fiscal 2023 compared with revenue of \$815,391 in fiscal 2022. The decrease was mainly due to the decrease in oil and gas prices in the current fiscal year to \$71.45/Boe from \$89.14/Boe in the comparative year, being partially offset by increased production during the Company's current fiscal year. The production from Breedlove "B" Clearfork properties decreased by 3% while the Henshaw property increased 50% from the last fiscal year. Net oil-equivalent production by final product sold in the current fiscal year averaged 35.56 barrels per day, compared with 34.51 barrels per day in the last fiscal year.

The lease operating expenses for fiscal 2023 were \$879,471 compared with \$829,194 in fiscal 2022. The increase was mostly due to the increase in production in the current fiscal year compared to the previous fiscal year combined with increased maintenance expenses on the Breedlove and West Henshaw wells.

The general and administrative expenses excluding share-based payment expenses for fiscal 2023 were \$3,535,800, compared with \$2,250,060 in fiscal 2022. The increase was mainly due to the increase in property development and corporate activities in general during in the current fiscal year. Specifically, the variance in the current fiscal year from the same period in the previous fiscal year was mainly attributable to:

- Accounting and audit fees of \$849,783, which increased from \$240,286 in the previous fiscal year mostly due to increased property development activities and the increased regulatory compliance work in the United States since the Company became a reporting company under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in connection with the effectiveness of a Form S-1 Registration Statement in August 2022.
- Consulting fees of \$190,102 in the current year compared to \$241,421 in the previous fiscal year, which related to fees to contract consultants for geological, project management, and general regulatory and corporate consulting work. The increase in the current period from the same period in the previous fiscal year was mostly due to the increase in property development and corporate activities.
- Insurance expense of \$230,706 in the current year compared to \$62,350 in the previous fiscal year. The increase in the current year from the previous fiscal year was due to the increase in property development and corporate activities in the current year.
- Legal fees of \$758,367 in the current year compared to \$351,975 in previous fiscal year, which increased in the current year mostly due to the work related to the Company's planned uplisting to a national securities exchange and corresponding public offering of securities as well as compliance with the disclosure requirements under the Exchange Act in the United States.
- Marketing and promotion of \$426,111 in the current year compared to \$607,207 in previous fiscal year, which decreased in the current year as the Company scaled back its marketing and promotion activities.
- Salaries expenses of \$440,996 in the current year compared to \$287,371 in the previous fiscal year, which mainly included salaries to the Company's CEO, CFO and administrative employees.

The Company also incurred share-based compensation expenses of \$318 in fiscal 2023 compared to \$546,335 in fiscal 2022. Share-based compensation expenses are a non-cash charge that are the estimated fair value of the stock options granted and vested during the period. The Company used the Black-Scholes option pricing model for the fair value calculation.

Liquidity and Capital Resources

As of September 30, 2023, the Company had a cash balance of \$82,736, a decrease of \$3,217,759 from the cash balance of \$3,300,495 on September 30, 2022. During the year ended September 30, 2023, cash used in operating activities was \$2,296,216, primarily consisting of accounting, legal, marketing, and salary expenses. For the year ended September 30, 2023, net cash used in investing activities included \$1,445,021 invested in capital expenditures on oil and gas assets compared to \$1,685,999 for the year ended September 30, 2022. During the year ended September 30, 2023 net cash provided by financing activities was \$523,478, consisting of \$781,953 in proceeds from the exercise of warrants, which was partially offset by \$136,623 in share issuance costs, \$38,291 for repayment of a debenture loan, and \$83,561 for repayment of a loan payable. During the year ended September 30, 2022, net cash provided by financing activities was \$6,984,711 consisting of \$8,112,346 in proceeds from the issuance of units of common shares and warrants, which amount was partially offset by \$1,067,868 in shares issuance costs, \$34,709 for repayment of a debenture loan, \$1,452 for repayment of a related party loan and \$23,600 for repayment of a loan.

The Company had a working capital deficiency of \$3,142,916 as at September 30, 2023 compared to a working capital deficiency of \$2,051,127 as at September 30, 2022.

Management has budgeted approximately \$1.5 million in minimum operating expenses and \$0.5 million in capital expenditures for the 2024 fiscal year, which the Company plans to finance principally from one or more equity financings and/or a line of credit. The amount and timing of capital expenditures will depend on several factors including, but not limited to, the speed with which we are able to bring our wells to production, our ability to complete an equity financing or to secure a suitable line of credit, commodity prices, supply/demand considerations and attractive rates of return. There are no guarantees that we will be able to acquire the necessary funds to meet our budgeted capital expenditures, and any postponement of our planned development of our proved undeveloped reserves could materially affect our business, financial condition and results of operations.

Although the Company has budgeted investments of additional capital in the continued development of our oil and gas operations, the Company currently does not have any material commitments for capital expenditures. However, the Company does not have sufficient working capital to meet its anticipated operating and capital requirements over the next 12 months from the filing of its Annual Report on Form 10-K for the year ended September 30, 2023 and, consequently, the Company is currently evaluating options to support its funding requirements over this time period, including but not limited to, completing a financing transaction. The Company will also continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

Critical Accounting Estimates

The preparation of financial statements in accordance with US 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. We believe the following discussions of critical accounting estimates address all important accounting areas where the nature of accounting estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change.

Oil and natural gas reserves

Crude oil and natural gas reserves are estimates of future production that impact certain asset and expense accounts included in the consolidated financial statements. Proved reserves are the estimated quantities of oil and gas that geoscience and engineering data demonstrate with reasonable certainty to be economically producible in the future under existing economic conditions, operating methods and government regulations. Proved reserves include both developed and undeveloped volumes. Proved developed reserves represent volumes expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are volumes expected to be recovered from new wells on undrilled proved acreage, or from existing wells where a relatively major expenditure is required for recompletion. Variables impacting the Company's estimated volumes of crude oil and natural gas reserves include field performance, available technology, commodity prices, and development, production and carbon costs.

The estimation of proved reserves is important to the consolidated statements of operations because the proved reserve estimate for a field serves as the denominator in the unit-of-production calculation of the depletion of the capitalized costs for that asset. If the estimates of proved reserves used in the unit-of-production calculations had been lower by 10 percent across all calculations, the depletion in fiscal 2023 would have increased by an estimated \$13,000.

Impairment

The Company tests long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Individual assets are grouped for impairment purposes at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets, generally on a field-by-field basis for oil and gas assets. Because there usually is a lack of quoted market prices for long-lived assets, the fair value of impaired assets is typically determined based on the present values of expected future cash flows using discount rates and prices believed to be consistent with those used by principal market participants. The expected future cash flows used for impairment reviews and related fair value calculations are based on estimated future production volumes, commodity prices, operating costs and capital decisions, considering all available evidence at the date of review. Differing assumptions could affect the timing and the amount of an impairment in any period.

Asset retirement obligations

The Company is subject to retirement obligations for certain assets. The fair values of these obligations are recorded as liabilities on a discounted basis, which is typically at the time the assets are installed. In the estimation of fair value, the Corporation uses assumptions and judgments regarding such factors as the existence of a legal obligation for an asset retirement obligation, technical assessments of the assets, estimated amounts and timing of settlements, discount rates, and inflation rates.

A sensitivity analysis of the ARO impact on earnings for 2023 is not practicable, given the broad range of the company's long-lived assets and the number of assumptions involved in the estimates. Favorable changes to some assumptions would have reduced estimated future obligations, thereby lowering accretion expense and amortization costs, whereas unfavorable changes would have the opposite effect.

Related party transactions

- i) The Company has an employment agreement with Mehran Ehsan, the former CEO of the Company, for an annual base salary of \$250,000, with no specified term. Mr. Ehsan is also eligible on an annual basis for a cash bonus of up to 100% of annual salary, subject to the discretion of the board of directors. During the years ended September 30, 2023 and 2022, the Company incurred management salary of \$250,000 and \$220,834, respectively, for Mr. Ehsan. 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) then 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. Mr. Ehsan resigned as President and CEO of the Company on April 29, 2024. On May 15, 2024, the Company amended the employment agreement to change his role to Vice President of Business Development. All other terms and conditions of the employment agreement remain the same. 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.
- ii) 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, subject to the discretion of the board of directors. The employment agreement may be terminated with a termination payment equal to two months of base salary. During the years ended September 30, 2023 and 2022, the Company incurred salaries of \$50,004 and \$20,835, respectively 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.

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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u> (PCAOB ID No. 688)	F-2
CONSOLIDATED FINANCIAL STATEMENTS:	
<u>Consolidated Balance Sheets</u>	F-3
<u>Consolidated Statements of Operations and Comprehensive Loss</u>	F-4
<u>Consolidated Statements of Changes in Stockholders' Equity</u>	F-5
<u>Consolidated Statements of Cash Flows</u>	F-6
<u>Notes to the Consolidated Financial Statements</u>	F-7
<u>Supplemental Information on Oil and Gas Operations (Unaudited)</u>	F-23

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Permex Petroleum Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Permex Petroleum Corporation (the “Company”) as of September 30, 2023 and 2022, the related consolidated statements of operations and comprehensive loss, changes in stockholders’ equity and cash flows for each of the two years in the period ended September 30, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended September 30, 2023, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s 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 audits 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 Company’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.

/s/ Marcum LLP

Marcum LLP

We have served as the Company’s auditor since 2022.

Houston, Texas
July 26, 2024

PERMEX PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 82,736	\$ 3,300,495
Trade and other receivables (net of allowance: 2023 - \$nil; 2022 - \$nil)	78,441	137,214
Prepaid expenses and deposits	127,239	317,277
Total current assets	288,416	3,754,986
Non-current assets		
Reclamation deposits	145,000	145,000
Property and equipment, net of accumulated depreciation and depletion	10,361,419	8,426,776
Right of use asset, net	146,912	240,796
Total assets	\$ 10,941,747	\$ 12,567,558
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade and other payables	\$ 3,228,327	\$ 1,561,344
Loan payable	125,936	-
Convertible debenture – related party	-	38,291
Lease liability – current portion	77,069	104,224
Total current liabilities	3,431,332	1,703,859
Non-current liabilities		
Asset retirement obligations	260,167	236,412
Lease liability, less current portion	81,456	140,682
Warrant liability	-	23,500
Total liabilities	3,772,955	2,104,453
Stockholders' Equity		
Common stock, no par value per share; unlimited shares authorized, 551,503 and 483,150 shares* issued and outstanding as of September 30, 2023 and 2022, respectively.	14,947,150	14,337,739
Additional paid-in capital	4,549,431	4,513,194
Accumulated other comprehensive loss	(127,413)	(127,413)
Accumulated deficit	(12,200,376)	(8,260,415)
Total stockholders' equity	7,168,792	10,463,105
Total liabilities and stockholders' equity	\$ 10,941,747	\$ 12,567,558

*The number of shares has been restated to reflect the 60:1 reverse stock split effective on November 2, 2022 and the 4:1 reverse stock split effective on October 23, 2023 (Note 1). All historical share and per share amounts reflected in this report have been adjusted to reflect the reverse stock splits.

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

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

	2023	2022
Revenues		
Oil and gas sales	\$ 665,623	\$ 815,391
Royalty income	23,204	63,068
Total revenues	688,827	878,459
Operating expenses		
Lease operating expense	879,471	829,194
General and administrative	3,536,118	2,796,395
Depletion and depreciation	154,834	105,503
Accretion on asset retirement obligations	31,976	55,030
Loss on settlement of asset retirement obligations	66,067	-
Total operating expenses	(4,668,466)	(3,786,122)
Loss from operations	(3,979,639)	(2,907,663)
Other income (expense)		
Interest income	108	5,895
Other income	24,000	24,000
Foreign exchange gain (loss)	(3,671)	7,429
Forgiveness of loan payable	-	7,800
Finance expense	(4,259)	(30,586)
Change in fair value of warrant liability	22,570	178,509
Gain on settlement of warrant liability	930	-
Total other income	39,678	193,047
Net loss and comprehensive loss	(3,939,961)	(2,714,616)
Deemed dividend arising from warrant modification	(543,234)	-
Net loss	\$ (4,483,195)	\$ (2,714,616)
Basic and diluted loss and comprehensive loss per common share	\$ (8.81)	\$ (7.04)
Weighted average number of common shares outstanding*	508,813	\$ 385,756

*The number of shares has been restated to reflect the 60:1 reverse stock split effective on November 2, 2022 and the 4:1 reverse stock split effective on October 23, 2023 (Note 1). All historical share and per share amounts reflected in this report have been adjusted to reflect the reverse stock splits.

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

PERMEX PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
Balance, September 30, 2021	275,752	\$ 8,976,747	\$ 2,476,717	\$ (127,413)	\$ (5,545,799)	\$ 5,780,252
Private placements	207,398	7,303,161	607,170	-	-	7,910,331
Share issuance costs	-	(1,942,169)	882,972	-	-	(1,059,197)
Share-based payments	-	-	546,335	-	-	546,335
Net loss	-	-	-	-	(2,714,616)	(2,714,616)
Balance, September 30, 2022	483,150	\$ 14,337,739	\$ 4,513,194	\$ (127,413)	\$ (8,260,415)	\$ 10,463,105
Exercise of warrants	68,353	781,953	-	-	-	781,953
Share issuance costs	-	(172,542)	35,919	-	-	(136,623)
Deemed dividend arising from warrant modification	-	-	543,234	-	-	543,234
Warrant modification	-	-	(543,234)	-	-	(543,234)
Share-based payments	-	-	318	-	-	318
Net loss	-	-	-	-	(3,939,961)	(3,939,961)
Balance, September 30, 2023	551,503	\$ 14,947,150	\$ 4,549,431	\$ (127,413)	\$ (12,200,376)	\$ 7,168,792

*The number of shares has been restated to reflect the 60:1 reverse stock split effective on November 2, 2022 and the 4:1 reverse stock split effective on October 23, 2023 (Note 1). All historical share and per share amounts reflected in this report have been adjusted to reflect the reverse stock splits.

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

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (3,939,961)	\$ (2,714,616)
Adjustments to reconcile net loss to net cash from operating activities:		
Accretion on asset retirement obligations	31,976	55,030
Depletion and depreciation	154,834	105,503
Foreign exchange loss (gain)	-	(7,168)
Forgiveness of loan payable	-	(7,800)
Finance expense	-	18,031
Change in fair value of warrant liability	(22,570)	(178,509)
Gain on settlement of warrant liability	(930)	-
Extinguishment of trade and other payables	(263,605)	(4,368)
Loss on settlement of asset retirement obligations	66,067	-
Share-based payments	318	546,335
Changes in operating assets and liabilities:		
Trade and other receivables	58,773	(124,230)
Prepaid expenses and deposits	190,038	(271,126)
Trade and other payables	1,421,341	584,216
Amounts due to related parties	-	(24,536)
Right of use asset and lease liability	7,503	(785)
Net cash used in operating activities	<u>(2,296,216)</u>	<u>(2,024,023)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures on property and equipment	(1,445,021)	(1,685,999)
Net cash used in investing activities	<u>(1,445,021)</u>	<u>(1,685,999)</u>
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	(136,623)	(1,067,868)
Convertible debenture repayment to related party	(38,291)	(34,709)
Loan from related party	-	(1,452)
Loan repayment	(83,561)	(23,600)
Net cash provided by financing activities	<u>523,478</u>	<u>6,984,711</u>
Change in cash and cash equivalents during the year	(3,217,759)	3,274,689
Cash and cash equivalents, beginning of the year	<u>3,300,495</u>	<u>25,806</u>
Cash and cash equivalents, end of the year	\$ 82,736	\$ 3,300,495
Supplemental cash flow disclosures:		
Interest paid	\$ 4,259	\$ 24,536
Taxes paid	\$ -	\$ -
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	\$ 1,299,929	\$ 647,252
Loan payable issued for settlement	\$ 209,497	\$ -
Changes in estimates of asset retirement obligations	\$ 7,934	\$ 371,212

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 1700 Post Oak Boulevard, 2 Blvd Place Suite 600, Houston Texas, 77056. Its registered office is located at 10th floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5. The Company is primarily engaged in the acquisition, development and production of oil and gas properties in the United States. The Company’s oil and gas interests are located in Texas and New Mexico, USA. The Company is listed on the Canadian Securities Exchange (the “CSE”) under the symbol “OIL” and on the OTCQB under the symbol “OILCF”. On April 16, 2024, the Company received a cease trade order issued by the British Columbia Securities Commission (the “BCSC”) due to its failure to file the annual financial statements for fiscal 2023 and quarterly reports for fiscal 2024. The trading was halted on the CSE effective April 17, 2024. The Company is currently working to bring all required filings up to date.

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. On September 12, 2023, the Company’s board of directors approved a reverse stock split of the Company’s issued and outstanding common stock at a 1 for 4 ratio, which was effective October 23, 2023. 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 splits for all periods presented.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Company’s consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”).

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.

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 \$12,743,610, has a working capital deficiency of \$3,142,916 as of September 30, 2023 and has not yet achieved profitable operations. The Company requires equity financings to fund its operation, which it has been unable to secure in sufficient amounts to date, and there can be no assurances that it will be able to do so in the future. The aforementioned factors raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are issued.

The Company also expects to raise additional funds through equity and debt 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. Subsequent to September 30, 2023, the Company has raised \$1,365,000 through the issuance of convertible debentures. Management believes that this plan provides an opportunity for the Company to continue as a going concern subject to its continued ability to raise funds to maintain its operations and manage its working capital deficiency.

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

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) 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.

Cash and cash equivalents

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.

Trade and other receivables

Trade and other receivables are stated at net realizable value. The majority of customers are not extended credit and the majority of the receivables have payment terms of 30 days or less. The Company's oil and gas revenues are mainly derived from three significant customers. As a result, the Company's trade receivables are exposed to a concentration of credit risk. The Company routinely assesses the financial strength of its customers. 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, 2023 and 2022.

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 estimated future asset retirement costs 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.

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

Property and equipment (cont'd...)

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 property and equipment consist primarily of leasehold improvements, vehicle, and office furniture and 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 ranging from three to five years.

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.

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 the Financial Account Standards Board Accounting Standards Codification ("ASC") regarding long-lived assets. It requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value. As of September 30, 2023 and September 30, 2022, no impairment charge has been recorded.

Asset retirement obligations

The Company recognizes asset retirement obligations ("ARO") associated with tangible assets such as well sites when there is a legal obligation associated with the retirement of such assets and the amount can be reasonably estimated. The ARO are measured at the present value of management's best estimate of the future remediation expenditures at the reporting date. The initial measurement of an ARO is recorded as a liability at its fair value, with an offsetting asset retirement cost recorded as an increase to the associated property and equipment on the consolidated balance sheet. When the assumption used to estimate a recorded ARO change, a revision is recorded to both the ARO and the asset retirement cost. The ARO is accreted to its then present value each period, and the asset retirement cost is depreciated using a systematic and rational method similar to that used for the associated property and equipment.

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 carrying values of cash and cash equivalents, trade receivable, other current receivables, due from/to related parties, trade payable, other current payables, accrued expenses, convertible debenture and lease liability included in the accompanying consolidated balance sheets approximated fair value at September 30, 2023 and 2022. The financial statements as of and for the years ended September 30, 2023 and 2022, 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.

Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing net income (loss) 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, 2023 and 2022.

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 liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability 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 liability. The lease liability 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 from the proceeds. Common shares issued for consideration other than cash are valued based on their fair value at the date that the shares are issued.

Share purchase warrants

The fair value of warrants is determined using the Black-Scholes option pricing model. Proceeds from the issuance of private placement units are allocated between the private placement warrants and common shares on a relative fair value basis. Share purchase warrants with exercise prices denominated in a currency other than its functional currency are classified as a liability. Proceeds from the issuance of private placement units are first allocated to the warrant liability based on their fair value and the residual is allocated to common shares issued while for equity warrants, proceeds are allocated to common stock and additional paid in capital on a relative fair value basis. The changes in fair value of the warrant liability are recorded in the statement of loss and comprehensive loss.

Warrants issued for oil and gas interests and warrants issued as finder's fees are share-based payments and are measured at fair value on the date of the grant as determined using the Black-Scholes option pricing model.

Share-based payments

The Company issues stock options and other share-based compensation to directors, employees and other 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 vesting approach. 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. The Company has elected to account for forfeitures as they occur rather than estimate expected forfeitures.

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).

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

Revenue

In accordance with ASC 606, *Revenue from Contracts with Customers*, the Company recognizes revenue when the performance obligation is satisfied, which typically occurs at the point in time when control of the product transfer to the customer. For natural gas, this is generally at the time product enters the pipeline. For crude oil, this is generally at the time the product is loaded into customer operated transports. Revenue is measured net of discounts, customs duties, royalties and withholding tax. Royalty income represents net revenue interests from certain crude oil and natural gas wells and is recognized upon the operators of the properties producing revenue from subject oil and gas wells.

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 are \$nil and \$1,395 for years ended September 30, 2023 and 2022, respectively. 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.

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.

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.

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

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 assets and liabilities are recognized for the estimated future tax consequences attributable to differences 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 tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

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.

Recently Adopted Accounting Pronouncements

On October 1, 2022, the Company adopted Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, as issued by the FASB. This standard established the current expected credit loss model, a new impairment model for certain financial instruments, based on expected rather than incurred losses. Adoption of this standard is on a modified retrospective basis and had no impact on the Company's financial position, results of operations, cash flows or net loss per common share.

New accounting standards

In December 2023, the FASB issued ASU 2023 - 09, *Income Taxes (Topic740) Improvements to Income Tax Disclosures*, which becomes effective for fiscal years beginning after December 15, 2024. The standard requires companies to disclose specific categories in the income tax rate reconciliation table and the amount of income taxes paid per major jurisdiction. The Company does not expect the standard to have a material effect on its consolidated financial statements and has begun evaluating disclosure presentation alternatives.

3. REVENUE

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

As of September 30, 2023 and 2022, receivables from contracts with customers, included in trade and other receivables, were \$48,165 and \$56,639, respectively.

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

Year ended September 30, 2023	Texas	New Mexico	Total
Crude oil	\$ 501,920	\$ 154,700	\$ 656,620
Natural gas	9,003	-	9,003
Revenue from contracts with customers	<u>\$ 510,923</u>	<u>\$ 154,700</u>	<u>\$ 665,623</u>
Year ended September 30, 2022	Texas	New Mexico	Total
Crude oil	\$ 621,275	\$ 140,236	\$ 761,511
Natural gas	53,880	-	53,880
Revenue from contracts with customers	<u>\$ 675,155</u>	<u>\$ 140,236</u>	<u>\$ 815,391</u>

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 \$73,021 as of September 30, 2023 (September 30, 2022 - \$91,928). For the years ended September 30, 2023 and 2022, we had three significant customers that accounted for approximately 99% and 83%, respectively, of our total oil, and natural gas revenues. Two customers represented \$42,704 (59%) of the trade receivable balance. The Company routinely assesses the financial strength of its customers. The non-trade receivable balance consists of GST recoverable of \$5,420. 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:

	September 30, 2023	September 30, 2022
Oil and natural gas properties, at cost	\$ 10,501,244	\$ 8,029,234
Construction in progress	-	460,306
Less: accumulated depletion	(289,456)	(184,658)
Oil and natural gas properties, net	10,211,788	8,304,882
Other property and equipment, at cost	205,315	127,542
Less: accumulated depreciation	(55,684)	(5,648)
Other property and equipment, net	149,631	121,894
Property and equipment, net	<u>\$ 10,361,419</u>	<u>\$ 8,426,776</u>

Depletion and depreciation expense was \$154,834 and \$105,503 for the years ended September 30, 2023 and 2022, 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:

	2023	2022
Right-of-use assets	\$ 146,912	\$ 240,796
Lease liabilities		
Balance, beginning of the year	\$ 244,906	\$ 78,949
Addition	-	220,368
Liability accretion	24,221	9,042
Lease payments	(110,602)	(63,453)
Balance, end of the year	\$ 158,525	\$ 244,906
Current lease liabilities	\$ 77,069	\$ 104,224
Long-term lease liabilities	\$ 81,456	\$ 140,682
Weighted-average remaining lease term (in years)	2.17	2.87
Weighted-average discount rate	12%	12%

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

	2023	2022
Operating lease cost	\$ 118,105	\$ 61,153
Variable lease expense	65,245	36,216
Sublease income	(25,390)	(36,633)
Rent subsidy	-	(1,644)
Net lease cost	\$ 157,960	\$ 59,092

As of September 30, 2023, the Company has one office lease agreement for its office premises for terms ending in November 2025. The maturities of the Company's operating lease liabilities are as follows:

Year	
2024	82,190
2025	84,664
2026	14,180
Total lease payments	181,034
Less: imputed interest	(22,509)
Total lease liabilities	\$ 158,525

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:

	2023	2022
Asset retirement obligations, beginning of the year	\$ 236,412	\$ 552,594
Obligations derecognized	(287)	-
Revisions of estimates	(7,934)	(371,212)
Accretion expense	31,976	55,030
	<u>\$ 260,167</u>	<u>\$ 236,412</u>

During the year ended September 30, 2023, the Company had revision of estimates totaling \$7,934 (2022 - \$371,212) primarily due to changes in future cost estimates and retirement dates for its oil and gas assets. During the year ended September 30, 2023, the Company incurred plugging and abandonment costs of \$66,354 and recognized a loss of \$66,067 on the settlement.

Reclamation deposits

As of September 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 \$26.28 (CAD\$36.00) 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 \$35.04 (CAD\$48.00).

During the year ended September 30, 2022, the Company repaid \$34,709 of the loan (CAD\$47,546). During the year ended September 30, 2023, the Company repaid the remaining principal loan amount of \$38,291 (CAD\$52,454).

During the years ended September 30, 2023 and 2022, the Company recorded interest of \$1,182 and \$9,360, respectively.

Loan payable

On April 28, 2023, the Company issued a promissory note with a principal amount of \$209,497 to a supplier to settle an outstanding trade payable. The promissory note is unsecured and bears interest at 6% per annum, payable on September 30, 2023. At September 30, 2023, the Company has an outstanding unpaid principal amount of \$125,936.

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

- (a) The convertible debenture loan from the CEO of the Company mentioned in Note 8 was repaid during the year ended September 30, 2023.
- (b) The Company has an employment agreement with Mehran Ehsan, the former CEO of the Company, for an annual base salary of \$250,000, with no specified term. Mr. Ehsan is also eligible on an annual basis for a cash bonus of up to 100% of annual salary, subject to the discretion of the board of directors. During the years ended September 30, 2023 and 2022, the Company incurred management salary of \$250,000 and \$220,834, respectively, for Mr. Ehsan, with no bonuses incurred in either year. 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. Mr. Ehsan resigned as President and CEO of the Company on April 29, 2024. On May 15, 2024, the Company amended the employment agreement to change his role to Vice President of Business Development. All other terms and conditions of the employment agreement remain the same. 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.
- (c) 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, subject to the discretion of the board of directors. The employment agreement may be terminated with a termination payment equal to two months of base salary. During the years ended September 30, 2023 and 2022, the Company incurred salaries of \$50,004 and \$20,835, respectively to the CFO of the Company, with no bonuses incurred in either year. 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.

10. LOSS PER SHARE

The calculation of basic and diluted loss per share for the years ended September 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:

	<u>2023</u>	<u>2022</u>
Net loss	\$ (4,483,195)	\$ (2,714,616)
Weighted average common shares outstanding	<u>508,813</u>	<u>385,756</u>
Basic and diluted loss per share	<u>\$ (8.81)</u>	<u>\$ (7.04)</u>

For the year ended September 30, 2023, 20,313 stock options and 279,746 warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

For the year ended September 30, 2022, \$73,000 (CAD\$100,000) of convertible debentures convertible into 2,778 common shares, 21,146 stock options and 274,276 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 September 30, 2023 and September 30, 2022, the Company had 551,503 and 483,150 common shares issued and outstanding, respectively, after giving effect to the 60:1 reverse stock split effective November 2, 2022 and 4:1 reverse stock split effective October 23, 2023. 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 splits.

During the year ended September 30, 2023, the Company announced a warrant exercise incentive program (the "Program") whereby the Company amended the exercise prices of 253,966 warrants (the "Eligible Warrants") from \$50.40 per share to \$11.44 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 \$18.00 per Share.

On June 30, 2023, the Company issued 68,353 common shares at a price of \$11.44 per share from the exercise of the Eligible Warrants pursuant to the Program for gross proceeds of \$781,953 (net proceeds of \$645,330). In connection with the Program, the Company issued 68,353 Incentive Warrants. The Company also incurred \$62,556 and issued 5,470 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 operations and comprehensive loss. The Company also incurred legal and other expenses of \$74,066 in connection with the Program.

During the year ended September 30, 2022, the Company:

- a) Completed a non-brokered private placement of 11,029 units at a price of \$51.84 (CAD\$64.80) 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 \$94.61 (CAD\$129.60). \$202,009 of the proceeds were allocated to the warrants and recorded as a warrant liability. The Company paid \$34,733 and issued 670 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 196,369 units at a price of \$38.40 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 \$50.40. \$607,170 of the proceeds were 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, 19,640 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.

11. EQUITY (cont'd...)

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, 2021	9,480	\$ 78.05
Granted	13,749	42.04
Cancelled	(2,083)	69.38
Balance, September 30, 2022	21,146	\$ 53.04
Cancelled	(833)	42.62
Balance, September 30, 2023	20,313	\$ 54.23
Exercisable at September 30, 2023	20,313	\$ 54.23

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

The options outstanding as of September 30, 2023 have exercise prices in the range of \$9.00 to \$90.00 and a weighted average remaining contractual life of 6.91 years.

During the years ended September 30, 2023 and 2022, the Company recognized share-based payment expense of \$318 and \$546,335, 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:

	2023	2022
Risk-free interest rate	-	1.50%
Expected life of options	-	10 Years
Expected annualized volatility	-	96.56%
Dividend rate	-	Nil
Weighted average fair value of options granted	\$ -	\$ 10.17

11. EQUITY (cont'd...)

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

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

Number of Options	Exercise Price	Issuance Date	Expiry Date
5,730	\$ 90.00	December 4, 2017	December 4, 2027
1,250	\$ 54.00	November 1, 2018	November 1, 2028
1,250	\$ 9.00	March 16, 2020	March 16, 2030
12,083	\$ 43.20	October 6, 2021	October 6, 2031
<u>20,313</u>			

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2021	52,083	\$ 37.68
Granted	222,193	52.60
Balance, September 30, 2022	274,276	\$ 48.48
Exercised	(68,353)	11.44
Granted	73,823	18.00
Balance, September 30, 2023	<u>279,746</u>	<u>39.79</u>

The aggregate intrinsic value of warrants outstanding as at September 30, 2023 was \$nil (September 30, 2022 - \$nil)

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

Number of Warrants	Exercise Price	Issuance Date	Expiry Date
4,393	\$ 97.20	November 4, 2021	November 4, 2023
149,447	\$ 50.40	March 29, 2022	March 29, 2027
73,823	\$ 18.00	June 30, 2023	June 30, 2028
52,083	\$ 36.00	September 30, 2021	September 30, 2031
<u>279,746</u>			

5,515 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 year ended September 30, 2023, a gain on fair value of \$23,500 was recorded.

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

	2023	2022
Risk-free interest rate	4.87%	3.79%
Expected life of options	0.17 Year	1 Year
Expected annualized volatility	39.02%	135.59%
Dividend rate	Nil	Nil
Weighted average fair value of options granted	<u>\$ 0.00</u>	<u>\$ 1.46</u>

12. INCOME TAXES

	2023	2022
Loss before income taxes	\$ (3,939,961)	\$ (2,714,616)
Expected income tax recovery at statutory rates	\$ (591,000)	\$ (407,000)
Provincial income tax recovery	(290,000)	(244,000)
Effect of income taxes from US operations	(100,000)	(42,000)
Change in statutory, foreign tax, foreign exchange rates and other	(18,000)	(32,000)
Permanent differences	3,000	103,000
Adjustment to prior years provision versus statutory tax returns	(43,000)	(53,000)
Change in valuation allowance	1,039,000	675,000
Deferred income tax recovery	\$ -	\$ -

Components of the Company's pre-tax loss and income taxes are as follows:

	2023	2022
Loss for the year		
Canada	\$ (2,418,491)	\$ (2,030,281)
US	(1,521,470)	(684,335)
	\$ (3,939,961)	\$ (2,714,616)
Expected income tax (recovery)		
Canada	\$ (659,000)	\$ (549,000)
US	(319,000)	(102,000)
	\$ (978,000)	\$ (651,000)
Deferred income tax		
Canada	\$ 659,000	\$ 548,000
US	319,000	103,000
	\$ 978,000	\$ 651,000
Deferred income tax recovery	\$ -	\$ -

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2023	2022
Tax loss carryforwards	\$ 2,313,000	\$ 1,342,000
Property and equipment	39,000	(74,000)
Financing fees	191,000	216,000
	2,543,000	1,484,000
Deferred tax assets valuation allowance	(2,543,000)	(1,484,000)
Net deferred tax assets	\$ -	\$ -

The significant components of the Company's temporary differences include unamortized financing fees and tax loss carryforwards. The valuation allowance reduces the deferred tax assets to amounts that are, in management's assessment, more likely than not to be realized. For the years ended September 30, 2023 and 2022, the Company had financing fees of \$709,000 and \$801,000, respectively, with expiration dates between 2044 and 2048. The Company also had tax loss carryforwards of approximately \$9,386,000 in Canada and the United States. For the years ended September 30, 2023 and 2022, the Canada tax losses totaled \$7,019,000 and \$4,028,000, respectively, with expiration dates ranging from 2037 to 2043 and 2037 to 2042, respectively. The United States tax losses for the years ended September 30, 2023 and 2022 totaled \$2,367,000 and \$804,000, respectively, and had no expiration dates.

13. SEGMENT INFORMATION

Operating segments

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

14. CONTINGENCIES

The Company from time to time may be involved with disputes, claims and litigation related to the conduct of its business. The Company currently has \$473,818 in claims from certain trade vendors for non-payment, of which \$443,614 have been accrued as of September 30, 2023. The Company plans to continue engaging with these claimants faithfully and is working on potentially settlements for all outstanding claims.

15. SUBSEQUENT EVENTS

- (a) On October 23, 2023, the Company effected a 1-for-4 reverse split of the Company's outstanding common shares.
- (b) On November 2, 2023, the Company received a \$45,000 loan from a former director of the Company. The loan is unsecured, non-interest bearing, and has no specific repayment terms.
- (c) On February 28, 2024, the Company announced a private placement of convertible debenture units of the Company (the "Units") for gross proceeds of up to \$20,000,000. Each Unit will consist of one convertible debenture (a "Debenture") in the principal amount of \$1,000 and one common share purchase warrant (a "Warrant"). Each Warrant will be exercisable for a period of five years from the date of issuance for one common share of the Company (a "Share") at an exercise price of \$4.08. On May 29, 2024, the Company amended the terms of the Units. Each Unit will now consist of one convertible debenture (a "Debenture") in the principal amount of \$1,000 and 294 common share purchase warrants (each a "Warrant"). Each Warrant will be exercisable for a period of five years from the date of issuance for one common share of the Company (a "Share") at an exercise price of \$4.08. The Debentures will mature (the "Maturity Date") on the earlier of: (i) one-year from the date of issuance or (ii) three-months from the date of issuance if the Company does not enter into a securities exchange, unit purchase or merger agreement with a third party to the reasonable satisfaction of a majority of the holders of Debentures. The Debentures will bear simple interest at a rate of 10% per annum, payable on the Maturity Date or the date on which all or any portion of the Debenture is repaid, and have a conversion price of \$3.40 per share. Interest will be paid in cash or Shares based on a conversion price of \$3.40.
- (d) On April 16, 2024, the Company closed the first tranche of the private placement announced on February 28, 2024, consisting of 500 Units for gross proceeds of \$500,000. As a result, the Company issued a Debenture with a principal amount of \$500,000 and 147,000 Warrants.
- (e) On April 16, 2024, the Company received a cease trade order due to failing to file its annual financial statements for fiscal 2023 (the "FFCTO") from the British Columbia Securities Commission (the "BCSC") and the trading was halted from the CSE effective April 17, 2024.
- (f) On June 5, 2024, the Company was granted a partial revocation of the FFCTO by the BCSC to permit the Company to complete an additional private placement of convertible debenture units for gross proceeds of \$865,000.
- (g) On June 16, 2024, the Company closed the second tranche of the private placement of convertible debenture units announced on February 28, 2024, consisting of 865 Units for gross proceeds of \$865,000. As a result, the Company issued a Debenture with a principal amount of \$865,000 and 254,310 Warrants.
- (h) The Company entered into an employment agreement with Bradley Taillon, the Company's CEO, on April 29, 2024. Pursuant to this employment agreement, the Company employs Mr. Taillon 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. Taillon a base salary of \$250,000, which shall be reviewed by the Company annually. The terms of this employment agreement as amended also provide that Mr. Taillon is eligible for an annual cash bonus of up to 100% of his annual salary. In addition to any annual bonus, Mr. Taillon received a one-time sign-on bonus of \$50,000 and is eligible for additional performance bonuses ranging from \$50,000 to \$750,000 upon the closing of a qualified financing with proceeds to the Company of \$1 million or greater. Further, the terms of this employment agreement provide that if Mr. Taillon's employment with the Company is terminated without "cause" (as defined in the agreement) than Mr. Taillon is entitled to a severance payment equal to two years of base salary and a bonus equal to 50% of his annual base salary.

16. 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, 2023	12 Months Ended September 30, 2022
Acquisition of proved properties	\$ —	\$ —
Acquisition of unproved properties	—	—
Development costs	2,019,639	1,676,668
Exploration costs	—	—
Total costs incurred	\$ 2,019,639	\$ 1,676,668

Results of Operations from Oil and Gas Producing Activities

	12 Months Ended September 30, 2023	12 Months Ended September 30, 2022
Oil and gas revenues	\$ 688,827	\$ 815,391
Production costs	(879,471)	(829,194)
Exploration expenses	—	—
Depletion, depreciation and amortization	(104,798)	(99,855)
Impairment of oil and gas properties	—	—
Result of oil and gas producing operations before income taxes	(295,442)	(113,658)
Provision for income taxes	—	—
Results of oil and gas producing activities	\$ (295,442)	\$ (113,658)

16. SUPPLEMENTAL INFORMATION ON OIL AND GAS OPERATIONS (UNAUDITED) (cont'd...)

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.

Our proved reserves are summarized in the table below:

	Oil (Barrels)	Natural Gas (Mcf)	BOE (Barrels)
Proved developed and undeveloped reserves:			
September 30, 2021	6,199,420	3,018,350	6,702,478
Revisions	48,320	(5,613)	47,385
Purchase of proved reserves	-	-	-
Sale reserves	-	-	-
Production	(10,670)	(11,567)	(12,598)
September 30, 2022	6,237,070	3,001,170	6,737,265
Revisions	(3,588,541)	(951,270)	(3,747,086)
Purchase of proved reserves	-	-	-
Sale reserves	-	-	-
Production	(11,729)	(7,500)	(12,979)
September 30, 2023	2,636,800	2,042,400	2,977,200
Proved developed reserves:			
September 30, 2021	587,450	411,910	656,102
September 30, 2022	1,153,870	864,770	1,297,998
September 30, 2023	1,027,100	765,300	1,154,650
Proved undeveloped reserves:			
September 30, 2021	5,611,970	2,606,440	6,046,377
September 30, 2022	5,083,200	2,136,400	5,439,267
September 30, 2023	1,609,700	1,277,100	1,822,550

16. SUPPLEMENTAL INFORMATION ON OIL AND GAS OPERATIONS (UNAUDITED) (cont'd...)

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, 2023 and September 30, 2022 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, 2023 and September 30, 2022 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, 2023	September 30, 2022
Future cash inflows	\$ 211,828,000	\$ 589,481,000
Future production costs(1)	(40,061,000)	(91,630,000)
Future development costs	(17,241,000)	(71,700,000)
Future income tax expenses	(39,262,000)	(113,873,000)
Future net cash flows	115,264,000	312,278,000
10% annual discount for estimated timing of cash flows	(60,184,000)	(167,549,000)
Standardized measure of discounted future net cash flows at the end of the fiscal year	<u>\$ 55,080,000</u>	<u>\$ 144,729,000</u>

- (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.

Average hydrocarbon prices are set forth in the table below.

	Average Price Crude Oil (Bbl)	Natural Gas (Mcf)
Year ended September 30, 2021 (1)	\$ 55.98	\$ 2.95
Year ended September 30, 2022 (1)	\$ 91.72	\$ 5.79
Year ended September 30, 2023 (1)	\$ 78.61	\$ 2.23

- (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.

16. SUPPLEMENTAL INFORMATION ON OIL AND GAS OPERATIONS (UNAUDITED) (cont'd...)

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, 2023	September 30, 2022
Standardized measure of discounted future net cash flows at the beginning of the year	\$ 144,729,000	\$ 73,269,000
Extensions, discoveries and improved recovery, less related costs	—	—
Sales of minerals in place	—	—
Purchase of minerals in place	—	—
Revisions of previous quantity estimates	(103,529,000)	1,674,000
Net changes in prices and production costs	(52,170,000)	88,333,000
Accretion of discount	19,862,000	10,077,000
Sales of oil produced, net of production costs	191,000	(49,000)
Changes in future development costs	27,173,000	911,000
Changes in timing of future production	(16,145,000)	(3,099,000)
Net changes in income taxes	34,969,000	(26,387,000)
Standardized measure of discounted future net cash flows at the end of the year	\$ 55,080,000	\$ 144,729,000

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We carried out an evaluation as of the end of the period covered by this Annual Report on Form 10-K, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-5(e) under the Exchange Act) pursuant to paragraph (b) of Rules 13a-15 and 15d-5 under the Exchange Act. Based on that review, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this Annual Report on Form 10-K, our disclosure controls and procedures are not effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act (1) is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

The following control deficiencies constitute material weaknesses in internal control over financial reporting:

- Insufficient resources resulting in inadequate segregation of duties in certain accounting functions, the processing and approval of transactions, due to the size of the accounting department.
- Lack of knowledge of US GAAP and ineffective controls associated with the conversion from IFRS to US GAAP
- Ineffective controls over inputs used in the valuation of the Asset Retirement Obligation
- Ineffective controls over the depletion calculation and the preparation of the oil and gas reserve report
- Ineffective controls on the accounting and the valuation of complex financial instruments
- Ineffective review of the financial statements due to the limited financial and reporting resources
- Ineffective information technology general controls in the areas of user access and program change-management over certain information technology systems that support the Company's financial reporting processes."

Internal Control over Financial Reporting

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act and includes those policies and procedures that: (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements. All internal controls, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework (2013)*. Based on this assessment, management has concluded that, as of September 30, 2023, our internal control over financial reporting was not effective, due to the material weaknesses in our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's fourth fiscal quarter that our certifying officers concluded materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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 July 26, 2024. 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
Bradley Taillon	34	Chief Executive Officer, President and Director
Gregory Montgomery	55	Chief Financial Officer

Biographical Information

Bradley Taillon

Bradley Taillon's experience in junior Oil & Gas operations not only consists of working as a senior manager at the corporate level, but also in the field as a Registered Professional Landman with the AAPL. Mr. Taillon recently led M&A efforts for Ruckus Energy, a private Permian Basin focused junior Oil & Gas company, where he was instrumental in increasing their assets from zero to greater than approximately \$130m in 1P reserves. Prior to Ruckus Energy, from Mr. Taillon oversaw the M&A initiative at Lilis Energy, Inc., a US publicly listed junior Oil & Gas company also focused on the Permian Basin, and contributed to Lilis' success of more than doubling its acreage position in the highly competitive Delaware Basin while the company's market capitalization grew from approximately \$3MM to approximately \$550MM in a period of less than two years. Prior to Brad's appointment at Permex as President and CEO, he recently served the Company as Vice President of Finance. Mr. Taillon holds a Bachelor of Business Administration in International Economics and an MBA in International Finance from Fort Hays State University.

Gregory Montgomery

Gregory Montgomery has served as Chief Financial Officer of the Company since May 2022 and served as a member of the Company's Board of Directors from March 2020 until April 2023. 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.

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

Currently, Bradley Taillon is the sole director of the Company. Bradley Taillon is not independent since he is the current President and CEO 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. In lieu of a charter for the compensation committee or Board has adopted resolutions specifying (i) the scope of the compensation committee's responsibilities, and how it carries out those responsibilities, including structure, processes and membership requirements; (ii) the compensation committee's responsibility for determining, or recommending to the board for determination, the compensation of the chief executive officer and all other executive officers of the Company; and (iii) that the chief executive officer may not be present during voting or deliberations on his or her compensation. In lieu of a charter for the nominating committee, our Board has adopted resolutions addressing the nominations process and certain other matters related to corporate governance.

Audit Committee

Until June 12, 2024 when James Perry Bryan resigned from the Board our audit committee consisted of Douglas Charles Urch (Chair), James Perry Bryan and John James Lendrum. With the resignations of Douglas Charles Urch and John James Lendrum from the Board on June 20, 2024, the Board currently does not have a standing audit committee but plans fill vacancies on the Board with directors who will serve as members of the audit committee.

Our Board of Directors previously determined that each of Douglas Charles Urch, James Perry Bryan and John James Lendrum met the definition as an "independent" director within the meaning of the listing standards of the Nasdaq Capital Market. Each member of the audit committee was financially literate, and in addition, our Board of Directors has determined that Douglas Charles Urch qualified 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. The Board currently does not have a standing audit committee but plans fill vacancies on the Board with directors who will serve as members of the 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 former 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, 2023.

Name	Fees earned or paid in cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified deferred compensation earnings (\$)	All Other Compensation (\$)	Total (\$)
Douglas Charles Urch (1)	—	—	—	—	—	—	—
John James Lendrum (2)	—	—	—	—	—	—	—
James Perry Bryan (3)	—	—	—	—	—	—	—
Barry Whelan (4)	—	—	—	—	—	—	—
Melissa Folz (5)	—	—	—	—	—	—	—
Scott Kelly (6)	—	—	—	—	—	—	—
Greg Montgomery (7)	—	—	—	—	—	—	—

(1) Douglas Charles Urch resigned from the Board on June 20, 2024.

(2) John James Lendrum resigned from the Board on June 20, 2024.

(3) James Perry Bryan resigned from the Board on June 12, 2024.

(4) Barry Whelan also served as our Chief Operating Officer. Barry Whelan resigned from the Board on June 12, 2024.

(5) Melissa Folz resigned from the Board on May 30, 2024.

(6) 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 \$9,360 during the fiscal year ended September 30, 2022. Mr. Kelly resigned from the Board on September 12, 2023

(7) Gregory 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 \$50,000 during the fiscal year ended September 30, 2023 in connection with his service as our Chief Financial Officer. On April 24, 2023, Mr. Montgomery resigned as a director of the Company.

ITEM 11. EXECUTIVE COMPENSATION

For the purposes hereof, a named executive officer (“NEO”) of the Company means the Company’s Chief Executive Officer, during the fiscal years ended 2022 and 2023, Mehran Ehsan, as no other executive officer of the Company received total compensation in fiscal 2023 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, 2023 and 2022, 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 Paid (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	Other Compensation (\$)	Total (\$)
Mehran Ehsan	2023	250,000	—	—	—	—	—	—	250,000
President, CEO and Director (1)	2022	220,834	—	—	144,231	—	—	—	365,065

(1) Mehran Ehsan resigned as President and CEO of the Company on April 29, 2024, and from the Board on June 12, 2024. Effective May 1, 2022, Mehran Ehsan serves the Company as Vice President of Business Development.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information regarding option and restricted stock unit awards held by the NEO that were outstanding as of September 30, 2023.

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 (#)	Equity Incentive Plan Awards: Number of 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	2,813(1)	—	—	\$ 90	12/4/2027	—	—	—	—
President, CEO and Director	3,125(2)	—	—	\$ 43.20	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 23, 2023. 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 ten 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 July 26, 2024 there were options outstanding under the Option Plan to acquire 20,313 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 registered office is located at 10th floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5, 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 agreements and 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").

Employment Agreement with Bradley Taillon

Pursuant to the CEO Employment Agreement dated April 29, 2024, the Company employs Mr. Taillon 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. Taillon a base salary of \$250,000 per year. Mr. Taillon 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. In addition to any annual bonus, Mr. Taillon is eligible for additional performance bonuses ranging from \$50,000 to \$750,000 upon the closing of a qualified financing with proceeds to the Company of \$1 million or greater.

The Company may immediately terminate Mr. Taillon's employment at any time for cause, by written notice. The Company may terminate the Mr. Taillon'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 24 months base salary;
- payment of an amount in lieu of his performance bonus equal to 50% of base salary; and
- continuation of his benefit coverage for a period of six months, or alternatively, if it is unable to continue Mr. Taillon'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. Taillon 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. Taillon'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. Taillon's employment shall terminate immediately upon such payment.

In the event of death, Mr. Taillon'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.

Employment Agreement with Mehran Ehsan

Pursuant to the CEO Employment Agreement dated May 1, 2022, 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 \$250,000 per year. 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.

Mr. Ehsan resigned as President and CEO of the Company on April 29, 2024. On May 15, 2024, the Company amended the employment agreement to change his role to Vice President of Business Development. All other terms and conditions of the employment agreement remain the same.

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.

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 Annual Report and assuming that they were in effect on September 30, 2023.

<u>Name</u>	Estimated Payment Assuming Termination Without Cause on September 30, 2023 (\$)	Estimated Payment Assuming a Change of Control on September 30, 2023 (\$)
Mehran Ehsan	\$ 900,000	—

The estimated payments assuming a change of control on September 30, 2023 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, 2023 were set at the following:

- Mehran Ehsan (former CEO) – Annual salary of \$250,000 commencing May 1, 2022. During the year ended September 30, 2023, Mr. Ehsan received \$250,000.

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.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

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 July 26, 2024 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 551,503 Common Shares outstanding as of July 26, 2024. 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 July 26, 2024 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, 1700 Post Oak Boulevard, 2 Blvd Place Suite 600, Houston Texas, 77056.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Common Shares Beneficially Owned
Directors and Named Executive Officers:		
Bradley Taillon	—	—
Gregory Montgomery	1,875(1)	—
All Officers and Directors as a Group (2 persons)	1,875	*
5% or Greater Shareholders:		
Ramnarain Jaigobind (2)	52,083(3)	9.44%
Petro Americas Resources, LLC (4)	29,167	5.29%
Rockport Permian, LLC (4)	26,042	4.72%
Pratt Oil and Gas, LLC (5)	48,958	8.88%

* less than 1%.

(1) Represents 1,875 Common Shares issuable upon exercise of options owned by Gregory Montgomery.

(2) 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 as financial advisor for the June 2023 warrant exercise program.

(3) Represents 52,083 Common Shares. Mr. Jaigobind disclaims beneficial ownership of warrants to purchase up to 30,451 Common Shares as the holder of the warrants 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.

(4) John Lendrum has the right to vote and dispose of the securities held by Petro Americas Resources, LLC and Rockport Permian, LLC.

(5) James Bryan has the right to vote and dispose of the securities held by Pratt Oil and Gas, LLC.

The following table summarizes information about our equity compensation plans as of September 30, 2023.

	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	20,313(1)	\$ 54.23(2)	34,837
Equity compensation plans not approved by securityholders	—	—	—
Total	20,313	\$ 54.23	34,837

(1) Represents the number of Common Shares available for issuance upon exercise of outstanding options as at September 30, 2023, as adjusted for the 1-4 reverse stock split effectuated on October 23, 2023.

(2) CAD\$73.28 converted into USD, as adjusted for the 1-4 reverse stock split effectuated on October 23, 2023.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The following includes a summary of transactions during the Company's last two fiscal years 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

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 \$26.28 (CAD\$36.00) 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 \$35.04 (CAD\$48.00). During the year ended September 30, 2022, the Company repaid \$34,709 of the loan (CAD\$47,546). During the year ended September 30, 2023, the Company repaid the remaining principal loan amount of \$38,291 (CAD\$52,454). During the years ended September 30, 2023 and September 30, 2022, the Company recorded interest of \$1,182 and \$9,360, respectively.

The Company has an employment agreement with Mehran Ehsan, the former CEO of the Company, for an annual base salary of \$250,000, with no specified term. Mr. Ehsan is also eligible on an annual basis for a cash bonus of up to 100% of annual salary, subject to the discretion of the board of directors. During the years ended September 30, 2023 and 2022, the Company incurred management salary of \$250,000 and \$220,834, respectively, for Mr. Ehsan. 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) then 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. Mr. Ehsan resigned as President and CEO of the Company on April 29, 2024. On May 15, 2024, the Company amended the employment agreement to change his role to Vice President of Business Development. All other terms and conditions of the employment agreement remain the same. 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 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. During the years ended September 30, 2023 and September 30, 2022, the Company incurred management fees of \$50,000 and \$20,835, respectively, 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 Bradley Taillon, the Company's CEO, on April 29, 2024. Pursuant to this employment agreement, the Company employs Mr. Taillon 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. Taillon a base salary of \$250,000, which shall be reviewed by the Company annually. The terms of this employment agreement as amended also provide that Mr. Taillon is eligible for an annual cash bonus of up to 100% of his annual salary. In addition to any annual bonus, Mr. Taillon received a one-time sign-on bonus of \$50,000 and is eligible for additional performance bonuses ranging from \$50,000 to \$750,000 upon the closing of a qualified financing with proceeds to the Company of \$1 million or greater. Further, the terms of this employment agreement provide that if Mr. Taillon's employment with the Company is terminated without "cause" (as defined in the agreement) then Mr. Taillon is entitled to a severance payment equal to two years of base salary and a bonus equal to 50% of his annual base salary. For information regarding this employment agreement see "Employment, Consulting and Management Agreements".

The Company entered into an employment agreement with Mehran Ehsan, the Company's former CEO, on May 1, 2022 for a base salary of \$200,000 per year. 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, subject to the discretion of the board of directors. 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. Mr. Ehsan resigned as President and CEO of the Company on April 29, 2024. On May 15, 2024, the Company amended the employment agreement to change his role to Vice President of Business Development. All other terms and conditions of the employment agreement remain the same. For information regarding this employment agreement see "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, subject to the discretion of the board of directors. 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.

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; 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.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Marcum LLP served as the Company's independent registered public accounting firm for the year ended September 30, 2023 and 2022. Fees for professional services provided by our independent registered public accounting firm in each of the last two fiscal years, in each of the following categories are:

Audit and Audit-Related Fees

The following table sets forth the aggregate fees billed by our current independent accountants, Marcum LLP, for professional services rendered in the fiscal years ended September 30, 2023 and 2022.

	2023	2022
Audit Fees (1)	\$ 530,390	\$ —
Audit-Related Fees (2)	—	—
Tax fees (3)	—	—
All Other Fees (4)	—	—

The following table sets forth the aggregate fees billed by our previous independent accountants, Davidson & Company LLP, for professional services rendered in the fiscal years ended September 30, 2023 and 2022.

	2023	2022
Audit Fees (1)	\$ —	\$ 97,893
Audit-Related Fees (2)	111,980	—
Tax fees (3)	—	—
All Other Fees (4)	—	—

- (1) "Audit Fees" represent fees for professional services provided in connection with the audit of our annual financial statements and review of our quarterly financial statements included in our reports on Form 10-Q, and audit services provided in connection with other statutory or regulatory filings, including without limitation, our Registration Statements on Form S-1
- (2) "Audit-Related Fees" generally represent fees for assurance and related services reasonably related to the performance of the audit or review of our financial statements.
- (3) "Tax Fees" generally represent fees for tax compliance, tax advice and tax planning.
- (4) "All Other Fees" generally represents fees for products and services provided to the Company that are not otherwise reported in the table.

Pre-approval policies and procedures

It is the policy of the Company not to enter into any agreement for Marcum LLP to provide any non-audit services to the Company unless (a) the agreement is approved in advance by the Audit Committee or (b) (i) the aggregate amount of all such non-audit services constitutes no more than 5% of the total amount the Company pays to Marcum LLP during the fiscal year in which such services are rendered, (ii) such services were not recognized by the Company as constituting non-audit services at the time of the engagement of the non-audit services and (iii) such services are promptly brought to the attention of the Audit Committee and prior to the completion of the audit were approved by the Audit Committee or by one or more members of the Audit Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Audit Committee. The Audit Committee will not approve any agreement in advance for non-audit services unless (1) the procedures and policies are detailed in advance as to such services, (2) the Audit Committee is informed of such services prior to commencement and (3) such policies and procedures do not constitute delegation of the Audit Committee's responsibilities to management under the Exchange Act.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report:

(1) *Financial Statements*

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (PCAOB ID No. 688)	F-2
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations and Comprehensive Loss	F-4
Consolidated Statements of Changes in Stockholders' Equity	F-5
Consolidated Statements of Cash Flows	F-6
Notes to the Consolidated Financial Statements	F-7
Supplemental Information on Oil And Gas Operations (Unaudited)	F-23

(2) *Financial Statement Schedules*

All financial statement schedules are omitted either because they are not required, not applicable or the required information is included in the financial statements or notes thereto.

(3) *Exhibits*

Exhibit Number	Exhibit Description
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)
3.2	Amendment to the Articles of Permex Petroleum Corporation (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on September 29, 2023)
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*	Description of Common Stock
4.3	Form of Incentive Warrant (Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed with the SEC on July 11, 2023)
10.1	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)

- 10.2+ [Employment Agreement by and between the Company and Mehran Ehsan \(Incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 filed with the SEC on June 28, 2022\)](#)
- 10.3+ [2017 Stock Option Plan \(Incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 filed with the SEC on June 28, 2022\)](#)
- 10.4+ [Executive Employment Agreement by and between the Company and Gregory Montgomery \(Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1/A filed with the SEC on July 15, 2022\)](#)
- 14.1 [Code of Business Conduct and Ethics, \(Incorporated by reference filed as an Exhibit 14.1 to the Company's Annual Report on Form 10-K for the year ended September 30, 2023 filed with the SEC on February 13, 2023\).](#)
- 21.1* [List of subsidiaries of the Registrant](#)
- 23.1* [Consent of MKM Engineering](#)
- 31.1* [Certification of the Principal Executive Officer pursuant to Rule 13a-14\(a\) or 15d-14\(a\) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2* [Certification of the Principal Financial Officer pursuant to Rule 13a-14\(a\) or 15d-14\(a\) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1* [Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2* [Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 99.1 [Appraisal of Certain Oil & Gas Interests Owned by Permex Petroleum Corporation Located in New Mexico & Texas as of September 30, 2023](#)
- 99.2* [Appraisal of Certain Oil & Gas Interests Owned by Permex Petroleum Corporation Located in New Mexico & Texas as of September 30, 2022\(Incorporated by reference to Exhibit 99.1 to the Company's Annual Report on Form 10-K for the year ended September 30, 2022 filed with the SEC on February 13, 2023\).](#)
- 101.INS* Inline XBRL Instance Document.
- 101.SCH* Inline XBRL Taxonomy Extension Schema Document.
- 101.CAL* Inline XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF* Inline XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB* Inline XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE* Inline XBRL Taxonomy Extension Presentation Linkbase Document.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

+ Indicates management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PERMEX PETROLEUM CORPORATION

By: /s/ Bradley Taillon
Bradley Taillon
President and Chief Executive Officer

Date: July 26, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>		<u>Date</u>
<u>/s/ Bradley Taillon</u> Bradley Taillon	Chief Executive Officer, President and Director (<i>Principal Executive Officer</i>)	July 26, 2024
<u>/s/ Gregory Montgomery</u> Gregory Montgomery	Chief Financial Officer (<i>Principal Financial and Accounting Officer</i>)	July 26, 2024

Exhibit 4.2**DESCRIPTION OF THE REGISTRANT'S COMMON SHARES**

The authorized share capital of Permex Petroleum Corporation (the "Company") consists of an unlimited number of common shares without par value (the "Common Shares"). As of July 26, 2024, 551,503 Common Shares were issued and outstanding.

Each Common Share carries the right to attend and vote at all general meetings of the Company's shareholders. Holders of the Common Shares are entitled to dividends, if any, as and when declared by the Company's Board of Directors and to one vote per Common Share at meetings of the Company's 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 Company's 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.

PERMEX PETROLEUM CORPORATION
(the "Company")

CODE OF BUSINESS CONDUCT AND ETHICS

All directors, officers, employees and consultants ("**Members**") will comply with the Company's Code of Business Conduct and Ethics, which reaffirms the Company's high standards of business conduct.

- a. The Company is subject to provincial and federal laws, rules and regulations. We have a duty to comply with these laws, rules and regulations. In addition, the Company will respect and comply with the laws, rules and regulations in the countries in which we operate. In interpreting the laws, rules and regulations, we strive to adopt a course that reinforces our reputation and integrity.
 - b. We respect the confidentiality of information acquired in the course of our work, duties and responsibilities with the Company, except when authorized or otherwise legally obliged to disclose such information.
 - c. We have an overriding commitment to the health and safety of our Members, and to being an environmentally responsible corporate citizen.
 - d. We will act honestly and with integrity, and will handle ethically any actual or apparent conflicts of interest between personal and professional relationships.
 - e. We will carry out our duties with due care, competence and diligence, and with a view to the best interests of the Company.
 - f. We will, to the best of our abilities, protect the Company's assets and resources and help achieve the responsible use and control of all Company assets and resources employed or entrusted in relation to one's work, duties and responsibilities, and ensure that all Company assets and resources are used only for legitimate business purposes.
 - g. We will, to the best of our abilities, ensure that our disclosure is full, fair, accurate, timely and understandable in all reports and documents that the Company files with, or submits to, government and regulatory agencies, self-regulatory bodies and stock exchanges and in all of the Company's other public communications.
 - h. We will encourage and facilitate the internal reporting of any conduct that one believes to be a violation of this Code of Business Conduct and Ethics. It is against the Company's policy to take any action against any employee for his or her reporting in good faith any violation of this Code of Business Conduct and Ethics or any of the Company's other guidelines, codes of conduct or policy statements.
 - i. We are committed to providing a work environment that enables all Members to pursue their careers free from discrimination or harassment.
-

- j. Using non-public material information to trade in securities for our own account, or providing a family member, friend or any other person with a "tip" is illegal. All non-public material information is inside information and must not be used for personal gain or the personal gain of others.

Any change in or waiver of this Code of Business Conduct and Ethics, any such changes or waivers of this code for directors or officers will be approved by the Board and such change or waiver will be promptly disclosed.

If you have any questions about this Code of Business Conduct and Ethics or what is expected of our Members, please contact the Company Secretary.

EFFECTIVE DATE

This Code was approved by the Board on December 4, 2017.

Exhibit 21.1

Permex Petroleum Corporation

List of Subsidiaries

Entity Name	Jurisdiction of Formation
Permex Petroleum US Corporation	New Mexico

Exhibit 23.1**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, 2023 (the "2023 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, 2022 (the "2022 Appraisal Report" and together with the 2023 Appraisal Report, the "Appraisal Reports"), which contain our opinion of the proved reserves and future net revenue of Permex Petroleum as of September 30 2023 and September 30. 2022, respectively, in the Permex Petroleum Corporation Annual Report on Form 10-K for the year ended September 30, 2023 (the "Form 10-K"). We further consent to the inclusion of our Appraisal Reports as Exhibits 99.1 and 99.2 in the Form 10-K.

MKM ENGINEERING

Texas Registered Engineering Firm F-009733

By /s/ Michele K. Mudrone

Name: Michele K. Mudrone

Title: Professional Engineer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Bradley Taillon, certify that:

1. I have reviewed this Annual Report on Form 10-K of Permex Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2024

/s/ "Bradley Taillon"

Bradley Taillon
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Gregory Montgomery, certify that:

1. I have reviewed this Annual Report on Form 10-K of Permex Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2024

/s/ Gregory Montgomery

Gregory Montgomery
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Bradley Taillon, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Permex Petroleum Corporation on Form 10-K for the annual period ended September 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of Permex Petroleum Corporation.

Date: July 26, 2024

By: /s/ Bradley Taillon

Name: Bradley Taillon

Title: President and Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Permex Petroleum Corporation, and will be retained by Permex Petroleum Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies this Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by Permex Petroleum Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Permex Petroleum Corporation specifically incorporates it by reference.

Exhibit 32.2**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gregory Montgomery, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Permex Petroleum Corporation, on Form 10-K for the annual period ended September 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of Permex Petroleum Corporation.

Date: July 26, 2024

By: /s/ Gregory Montgomery

Name: Gregory Montgomery

Title: Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Permex Petroleum Corporation and will be retained by Permex Petroleum Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies this Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by Permex Petroleum Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Permex Petroleum Corporation specifically incorporates it by reference.

July 26, 2024

Exhibit 99.1

Permex Petroleum Corporation
June 25, 2024
Page 1

APPRAISAL OF
CERTAIN OIL AND GAS INTERESTS
OWNED BY PER MEX PETROLEUM CORPORATION
LOCATED IN
NEW MEXICO AND TEXAS
AS OF SEPTEMBER 30, 2023

PREPARED FOR
PERMEX PETROLEUM CORPORATION
SEC Pricing
Revised

MKM ENGINEERING
F-009377

Michele K. Mudrone, P.E.
June 25, 2024

MKM ENGINEERING
Oil and Gas Consulting Services
3905 Sagamore Hill Court
Plano, Texas 75025

June 25, 2024

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, 2023, in certain properties located in Eddy County, New Mexico, Gaines, Stonewall, and Young Counties, Texas. We completed our evaluation on June 25, 2024. 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	2,636.8	372.2	654.9	1,609.7
Gas	MMcf	2,042.4	241.2	524.1	1,277.1
Revenue					
Oil/Condensate	M\$	207,269.9	29,035.8	51,407.8	126,826.3
Gas	M\$	4,558.1	585.1	1,138.5	2,834.5
Severance and					
Ad Valorem Taxes	M\$	15,674.3	2,601.4	3,770.8	9,302.1
Operating Expenses	M\$	24,386.7	9,882.4	5,313.9	9,190.4
Investments	M\$	17,241.5	806.9	724.6	15,710.0
Operating Income (BFIT)	M\$	154,525.5	16,330.2	42,736.9	95,458.4
Discounted @ 10%	M\$	74,000.6	8,510.2	25,158.9	40,331.5

Composite probable reserve estimates and economic forecasts are summarized below:

		Probable	Probable Developed Producing	Probable Non- Producing	Probable Undeveloped
Net Reserves					
Oil/Condensate	MBbl	9,443.2	2.0	150.8	9,290.4
Gas	MMcf	10,892.4	3.4	6.2	10,882.8
Revenue					
Oil/Condensate	M\$	738,808.9	150.6	11,660.7	726,997.6
Gas	M\$	33,254.8	11.7	21.4	33,221.7
Severance and Ad Valorem Taxes					
Ad Valorem Taxes	M\$	55,231.2	19.8	832.3	54,379.1
Operating Expenses					
Operating Expenses	M\$	55,531.2	55.0	1,172.2	54,304.0
Investments	M\$	134,428.5	0.0	0.0	134,428.5
Operating Income (BFIT)	M\$	526,872.9	87.6	9,677.6	517,107.7
Discounted @ 10%	M\$	122,796.7	37.3	4,026.0	118,733.4

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, 2023 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 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 \$78.54 per barrel and were held constant for the lives of the properties. The WTI oil price of \$78.54 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 2022 and the first nine months of 2023. The volume-weighted average product price over the life of the properties was \$78.32 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 \$3.419 per million British thermal units (MMBtu) and were held constant for the lives of the properties. The Henry Hub gas price of \$3.419 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 2022 and the first nine months of 2023 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 \$2.92 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, 2023. 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 (Mcf). 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
