

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

**FORM 10-Q**

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

For the Quarterly Period Ended June 30, 2024

**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)

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

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

**77056**  
(Zip Code)

**(346) 245-8981**

(Registrant's telephone number, including area code)

**Not applicable**

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by checkmark 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 checkmark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large Accelerated Filer

Non-accelerated Filer

Emerging Growth Company

Accelerated Filer

Smaller Reporting 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 is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of October 22, 2024, there were 551,503 common shares of the registrant issued and outstanding.

**PERMEX PETROLEUM CORPORATION**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2024**

**TABLE OF CONTENTS**

	<b>Page</b>
<a href="#">Explanatory Note</a>	3
<a href="#">Cautionary Notice Regarding Forward Looking Statements</a>	6
<b><a href="#">PART I. FINANCIAL INFORMATION</a></b>	<b>7</b>
<a href="#">Item 1. Financial Statements (Unaudited)</a>	7
<a href="#">a) Condensed Interim Consolidated Balance Sheets as of June 30, 2024 and September 30, 2023</a>	7
<a href="#">b) Condensed Interim Consolidated Statements of Operations and Comprehensive Loss – Three and Nine Months Ended June 30, 2024 and 2023</a>	8
<a href="#">c) Condensed Interim Consolidated Statements of Changes in Stockholders' Equity – Three and Nine Months Ended June 30, 2024 and 2023</a>	9
<a href="#">e) Condensed Interim Consolidated Statements of Cash Flows – Nine Months Ended June 30, 2024 and 2023</a>	11
<a href="#">f) Notes to Condensed Interim Consolidated Financial Statements</a>	12
<a href="#">Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	23
<a href="#">Item 3. Quantitative and Qualitative Disclosures about Market Risk</a>	33
<a href="#">Item 4. Controls and Procedures</a>	33
<b><a href="#">PART II. OTHER INFORMATION</a></b>	<b>34</b>
<a href="#">Item 1. Legal Proceedings</a>	34
<a href="#">Item 1A. Risk Factors</a>	34
<a href="#">Item 5. Other Information</a>	35
<a href="#">Item 6. Exhibits</a>	35

## EXPLANATORY NOTE

Unless otherwise indicated or the context otherwise requires, all references in this Quarterly Report on Form 10-Q (this “Report”) to “we,” “us,” “our,” “Permex,” and the “Company” are to Permex Petroleum Corporation., a corporation existing under the laws of the Province of British Columbia, Canada, and our wholly-owned subsidiary.

Unless otherwise indicated in this 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 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.

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

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

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

“*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.

[Table of Contents](#)

*“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.

[Table of Contents](#)

*“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 United States Securities and Exchange Commission (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 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.

## CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS

We desire to take advantage of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. This Report contains a number of forward-looking statements that reflect management’s current views and expectations with respect to our business, strategies, products, future results and events, and financial performance. All statements made in this Report other than statements of historical fact, including statements that address operating performance, the economy, events or developments that management expects or anticipates will or may occur in the future, including the adequacy of funds from operations, cash flows and financing, potential strategic transactions, statements regarding future operating results and non-historical information, are forward-looking statements. In particular, the words such as “believe,” “expect,” “intend,” “anticipate,” “estimate,” “may,” “will,” “can,” “plan,” “predict,” “could,” “future,” “continue,” variations of such words, and similar expressions identify forward-looking statements, but are not the exclusive means of identifying such statements and their absence does not mean that the statement is not forward-looking.

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading “Risk Factors” in our annual report on Form 10-K for the fiscal year ended September 30, 2023. 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;
- general economic conditions;
- our future operating results; 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, incident to the exploration for and development, production and sale of natural gas. These risks include, but are not limited to, commodity price volatility, lack of availability of drilling and production equipment and services, environmental risks, drilling and other operating risks, regulatory changes, the uncertainty inherent in estimating natural gas reserves and in projecting future rates of production, cash flow and access to capital, the timing of development expenditures, and the other risks described under the heading “Risk Factors” in our annual report on Form 10-K for the fiscal year ended September 30, 2023.

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

Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Report. Notwithstanding the foregoing, any public statements or disclosures by us following this Report that modify or impact any of the forward-looking statements contained in this Report will be deemed to modify or supersede such statements in this Report.

PART 1 – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PERMEX PETROLEUM CORPORATION  
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

	June 30, 2024	September 30, 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 428,385	\$ 82,736
Trade and other receivables (net of allowance: June 30, 2024 - \$nil; September 30, 2023 - \$nil)	20,126	78,441
Prepaid expenses and deposits	101,389	127,239
<b>Total current assets</b>	<b>549,900</b>	<b>288,416</b>
<b>Non-current assets</b>		
Reclamation deposits	75,000	145,000
Property and equipment, net of accumulated depletion and depreciation	10,306,590	10,361,419
Right of use asset, net	96,058	146,912
<b>Total assets</b>	<b>\$ 11,027,548</b>	<b>\$ 10,941,747</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Trade and other payables	\$ 3,774,392	\$ 3,228,327
Loans payable	160,936	125,936
Convertible debentures	1,016,444	-
Lease liability – current portion	78,791	77,069
<b>Total current liabilities</b>	<b>5,030,563</b>	<b>3,431,332</b>
<b>Non-current liabilities</b>		
Asset retirement obligations	287,761	260,167
Lease liability, less current portion	30,538	81,456
<b>Total liabilities</b>	<b>5,348,862</b>	<b>3,772,955</b>
<b>Stockholders' Equity</b>		
Common stock, no par value per share; unlimited shares authorized, 551,503 shares* issued and outstanding as of June 30, 2024 and September 30, 2023.	14,947,150	14,947,150
Additional paid-in capital	5,475,316	4,549,431
Accumulated other comprehensive loss	(127,413)	(127,413)
Accumulated deficit	(14,616,367)	(12,200,376)
<b>Total stockholders' equity</b>	<b>5,678,686</b>	<b>7,168,792</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 11,027,548</b>	<b>\$ 10,941,747</b>

\*The number of shares has been restated to reflect 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 split.

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

**PERMEX PETROLEUM CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(UNAUDITED)

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Nine Months Ended June 30, 2024	Nine Months Ended June 30, 2023
<b>Revenues</b>				
Oil and gas sales	\$ -	\$ 156,716	\$ 75,466	\$ 541,459
Royalty income	2,671	303	11,190	18,140
<b>Total revenues</b>	<b>2,671</b>	<b>157,019</b>	<b>86,656</b>	<b>559,599</b>
<b>Operating expenses</b>				
Lease operating expense	10,421	235,511	165,305	762,668
General and administrative	629,836	788,659	1,674,738	3,014,307
Depletion and depreciation	14,875	37,286	54,829	120,459
Accretion on asset retirement obligations	9,198	7,994	27,594	23,982
<b>Total operating expenses</b>	<b>(664,330)</b>	<b>(1,069,450)</b>	<b>(1,922,466)</b>	<b>(3,921,416)</b>
<b>Loss from operations</b>	<b>(661,659)</b>	<b>(912,431)</b>	<b>(1,835,810)</b>	<b>(3,361,817)</b>
<b>Other income (expense)</b>				
Interest income	-	108	-	108
Other income	-	6,000	8,000	18,000
Foreign exchange gain (loss)	5,146	(3,310)	5,087	(7,690)
Interest and debt expense	(97,191)	(1,026)	(98,217)	(2,208)
Loss on debt extinguishment	(495,051)	-	(495,051)	-
Gain on settlement of warrant liability	-	930	-	930
Change in fair value of warrant liability	-	136	-	22,570
<b>Total other income (expense)</b>	<b>(587,096)</b>	<b>2,838</b>	<b>(580,181)</b>	<b>31,710</b>
<b>Net loss and comprehensive loss</b>	<b>\$ (1,248,755)</b>	<b>\$ (909,593)</b>	<b>\$ (2,415,991)</b>	<b>\$ (3,330,107)</b>
Deemed dividend arising from warrant modification	-	(543,234)	-	(543,234)
<b>Net loss attributable to common stockholders</b>	<b>\$ (1,248,755)</b>	<b>\$ (1,452,827)</b>	<b>\$ (2,415,991)</b>	<b>\$ (3,873,341)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (2.26)</b>	<b>\$ (2.96)</b>	<b>\$ (4.38)</b>	<b>\$ (7.97)</b>
<b>Weighted average number of common shares outstanding*</b>	<b>551,503</b>	<b>491,036</b>	<b>551,503</b>	<b>485,779</b>

\*The number of shares has been restated to reflect 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 split (Note 1).

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



**PERMEX PETROLEUM CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
 (UNAUDITED)

**Three months ended June 30**

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, March 31, 2024	551,503	\$ 14,947,150	\$ 4,549,431	\$ (127,413)	\$ (13,367,612)	\$ 6,001,556
Warrants issued in private placement	-	-	431,666	-	-	431,666
Warrants issued for debt amendment	-	-	494,219	-	-	494,219
Net loss	-	-	-	-	(1,248,755)	(1,248,755)
Balance, June 30, 2024	<u>551,503</u>	<u>\$ 14,947,150</u>	<u>\$ 5,475,316</u>	<u>\$ (127,413)</u>	<u>\$ (14,616,367)</u>	<u>\$ 5,678,686</u>
	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, March 31, 2023	483,150	\$ 14,337,739	\$ 4,513,512	\$ (127,413)	\$ (10,680,929)	\$ 8,042,909
Exercise of warrants	68,353	781,953	-	-	-	781,953
Share issuance costs	-	(129,780)	35,919	-	-	(93,861)
Deemed dividend arising from warrant modification	-	-	543,234	-	-	543,234
Warrant modification	-	-	(543,234)	-	-	(543,234)
Net loss	-	-	-	-	(909,593)	(909,593)
Balance, June 30, 2023	<u>551,503</u>	<u>\$ 14,989,912</u>	<u>\$ 4,549,431</u>	<u>\$ (127,413)</u>	<u>\$ (11,590,522)</u>	<u>\$ 7,821,408</u>

**Nine months ended June 30**

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, September 30, 2023	551,503	\$ 14,947,150	\$ 4,549,431	\$ (127,413)	\$ (12,200,376)	\$ 7,168,792
Warrants issued in private placement	-	-	431,666	-	-	431,666
Warrants issued for debt amendment	-	-	494,219	-	-	494,219
Net loss	-	-	-	-	(2,415,991)	(2,415,991)
Balance, June 30, 2024	<u>551,503</u>	<u>\$ 14,947,150</u>	<u>\$ 5,475,316</u>	<u>\$ (127,413)</u>	<u>\$ (14,616,367)</u>	<u>\$ 5,678,686</u>
	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
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	-	(129,780)	35,919	-	-	(93,861)
Deemed dividend arising from warrant modification	-	-	543,234	-	-	543,234
Warrant modification	-	-	(543,234)	-	-	(543,234)
Share-based payments	-	-	318	-	-	318
Net loss	-	-	-	-	(3,330,107)	(3,330,107)
Balance, June 30, 2023	<u>551,503</u>	<u>\$ 14,989,912</u>	<u>\$ 4,549,431</u>	<u>\$ (127,413)</u>	<u>\$ (11,590,522)</u>	<u>\$ 7,821,408</u>

\*The number of shares has been restated to reflect 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 split (Note 1).

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

**PERMEX PETROLEUM CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**NINE MONTHS ENDED JUNE 30**  
**(UNAUDITED)**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (2,415,991)	\$ (3,330,107)
Adjustments to reconcile net loss to net cash from operating activities:		
Accretion on asset retirement obligations	27,594	23,982
Depletion and depreciation	54,829	120,459
Foreign exchange loss (gain)	(5,087)	-
Amortization of debt discount	82,278	-
Loss on debt extinguishment	495,051	-
Gain on settlement of warrant liability	-	(930)
Change in fair value of warrant liability	-	(22,570)
Share-based payments	-	318
Changes in operating assets and liabilities:		
Trade and other receivables	58,315	40,599
Prepaid expenses and deposits	25,850	180,877
Trade and other payables	551,152	1,045,347
Right of use asset and lease liability	1,658	5,819
Net cash used in operating activities	<u>(1,124,351)</u>	<u>(1,936,206)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures on property and equipment	-	(1,249,704)
Reclamation deposit redemption	70,000	-
Net cash provided by (used in) investing activities	<u>70,000</u>	<u>(1,249,704)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from debenture financing	1,365,000	-
Proceeds from exercise of warrants	-	781,953
Share issuance costs	-	(93,861)
Loan payable proceeds	45,000	-
Loan payable repayment	(10,000)	-
Debenture repayment	-	(38,291)
Net cash provided by financing activities	<u>1,400,000</u>	<u>649,801</u>
<b>Change in cash during the period</b>	<b>345,649</b>	<b>(2,536,109)</b>
<b>Cash, beginning of the period</b>	<b>82,736</b>	<b>3,300,495</b>
<b>Cash, end of the period</b>	<b>\$ <u>428,385</u></b>	<b>\$ <u>764,386</u></b>
<b>Supplemental cash flow disclosures:</b>		
Interest paid	\$ 1,026	\$ 1,182
Taxes paid	\$ -	\$ -
<b>Supplemental disclosures of non-cash investing and financing activities:</b>		
Share purchase warrants issued in connection with exercise of warrants	\$ -	\$ 579,153
Share purchase warrants issued in connection with debt issuance	\$ 431,666	\$ -
Trade and other payables related to property and equipment	\$ -	\$ 1,459,667

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

**PERMEX PETROLEUM CORPORATION**  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
THREE AND NINE MONTHS ENDED JUNE 30, 2024  
(UNAUDITED)

---

**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 10<sup>th</sup> 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”. On April 16, 2024, the Company received a cease trade order (the “FFCTO”) 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. Subsequent to June 30, 2024, the Company brought all filings required by the BCSC up to date. On September 6, 2024, the FFCTO was revoked by the BCSC, and the Company’s common shares were reinstated for trading on the CSE effective September 9, 2024.

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 unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) and applicable rules and regulations of the United States Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the condensed consolidated financial statements include all adjustments necessary, which are of a normal and recurring nature, for the fair presentation of the Company’s financial position and of the results of operations and cash flows for the periods presented. These interim results are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2023 or for any other interim period or for any other future fiscal year. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and footnotes included in Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

**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.

**PERMEX PETROLEUM CORPORATION**  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
THREE AND NINE MONTHS ENDED JUNE 30, 2024  
(UNAUDITED)

---

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

**Going concern of operations**

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has incurred losses since inception in the amount of \$14,616,367, has a working capital deficiency of \$4,480,663 as of June 30, 2024 and has not yet achieved profitable operations. The Company requires equity or debt 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 expects to raise additional funds through equity and debt financings. There is no assurance that such financing will be available in the future. During the quarter ended June 30, 2024, the Company raised \$1,365,000 through the issuance of convertible debentures. These debentures had a maturity date of September 12, 2024 but are currently in default due to the Company's failure to repay the principal and accrued interest on the maturity date. The Company is currently negotiating a debt restructuring plan with the debenture holders. Subsequent to June 30, 2024, the Company received \$2,400,000 in subscription proceeds through additional debt financing. 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.

**Use of Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Management evaluates these estimates and judgments on an ongoing basis and bases its estimates on experience, current and expected future conditions, third-party evaluations and various other assumptions that management believes are reasonable under the circumstances.

Significant estimates have been used by management in conjunction with the following: (i) the fair value of assets when determining the existence of impairment factors and the amount of impairment, if any; (ii) the costs of site restoration when determining decommissioning liabilities; (iii) the useful lives of assets for the purposes of depletion and depreciation; (iv) petroleum and natural gas reserves; and (v) share-based payments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from those estimates.

**New accounting standards**

On October 1, 2023, the Company adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as issued by the FASB, the modified retrospective approach. This update replaces the incurred loss methodology with a forward-looking current expected credit loss (CECL) model for most financial assets measured at amortized cost. The CECL model requires the recognition of credit losses for financial assets based on expected losses 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 share.

In November 2023, the FASB issued ASU 2023 - 07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which becomes effective for fiscal years beginning after December 15, 2024. This update requires public entities to disclose significant expenses for reportable segments in both interim and in annual reporting periods, while entities with only a single reportable segment must now provide all segment disclosures required both in ASC 280 and under the amendments in ASU 2023-07. The Company does not expect the standard to have a material effect on its consolidated financial statements and has begun evaluating disclosure presentation alternatives.

In December 2023, the FASB issued ASU 2023 - 09, *Income Taxes (Topic 740) 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.

**PERMEX PETROLEUM CORPORATION**  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
THREE AND NINE MONTHS ENDED JUNE 30, 2024  
(UNAUDITED)

**3. REVENUE**

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

As of June 30, 2024 and September 30, 2023, receivable from contracts with customers, included in trade and other receivables, were \$2,983 and \$48,165, respectively.

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

Three months ended June 30, 2024	Texas	New Mexico	Total
Crude oil	\$ -	\$ -	\$ -
Natural gas	-	-	-
Revenue	\$ -	\$ -	\$ -

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

Nine months ended June 30, 2024	Texas	New Mexico	Total
Crude oil	\$ 39,857	\$ 35,609	\$ 75,466
Natural gas	-	-	-
Revenue	\$ 39,857	\$ 35,609	\$ 75,466

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

**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.

Trade receivables included in the Company’s receivable balance are \$6,164 as of June 30, 2024 (September 30, 2023 - \$73,021). For the nine months ended June 30, 2024 and 2023, the Company had two significant customers that accounted for approximately 100% and 92%, respectively, of our total oil and natural gas revenues. For the three months ended June 30, 2024 and 2023, the Company had two significant customers that accounted for approximately nil% and 93%, respectively, of our total oil, and natural gas revenues. The Company routinely assesses the financial strength of its customers. The non-trade receivable balance consists of goods and services tax (“GST”) recoverable of \$13,962. GST recoverable is due from the Canadian Government. Management believes that the Company is not exposed to significant credit risk. During the nine months ended June 30, 2024, the Company recognized \$9,587 (2023 - \$nil) in credit losses on its receivables. During the three months ended June 30, 2024, the Company recognized \$nil (2023 - \$nil) in credit losses on its receivables.

**PERMEX PETROLEUM CORPORATION**  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
THREE AND NINE MONTHS ENDED JUNE 30, 2024  
(UNAUDITED)

**5. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	June 30, 2024	September 30, 2023
Oil and natural gas properties, at cost	\$ 10,501,244	\$ 10,501,244
Less: accumulated depletion	(305,706)	(289,456)
Oil and natural gas properties, net	<u>10,195,538</u>	<u>10,211,788</u>
Other property and equipment, at cost	205,315	205,315
Less: accumulated depreciation	(94,263)	(55,684)
Other property and equipment, net	<u>111,052</u>	<u>149,631</u>
Property and equipment, net	<u>\$ 10,306,590</u>	<u>\$ 10,361,419</u>

Depletion and depreciation expense was \$54,829 and \$120,459 for the nine month periods ended June 30, 2024 and 2023, respectively. Depletion and depreciation expense was \$14,875 and \$37,286 for the three month periods ended June 30, 2024 and 2023, respectively.

**6. LEASES**

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

	June 30, 2024	September 30, 2023
Right-of-use assets	<u>\$ 96,058</u>	<u>\$ 146,912</u>
Lease liabilities		
Balance, beginning of the year	\$ 158,525	\$ 244,906
Addition	-	-
Liability accretion	12,346	24,221
Lease payments	(61,542)	(110,602)
Balance, end of the year	<u>\$ 109,329</u>	<u>\$ 158,525</u>
Current lease liabilities	<u>\$ 78,791</u>	<u>\$ 77,069</u>
Long-term lease liabilities	<u>\$ 30,538</u>	<u>\$ 81,456</u>
Weighted-average remaining lease term (in years)	1.42	2.17
Weighted-average discount rate	12%	12%

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

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Nine Months Ended June 30, 2024	Nine Months Ended June 30, 2023
Operating lease cost	\$ 20,573	\$ 27,704	\$ 63,200	\$ 92,947
Variable lease expense	15,469	22,516	45,905	48,513
Sublease income	-	(12,367)	-	(32,762)
Net lease cost	<u>\$ 36,042</u>	<u>\$ 37,853</u>	<u>\$ 109,105</u>	<u>\$ 108,698</u>

As of June 30, 2024, 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	\$ 20,648
2025	84,664
2026	14,180
Total lease payments	119,492
Less: imputed interest	(10,163)
Total lease liabilities	<u>\$ 109,329</u>

**PERMEX PETROLEUM CORPORATION**  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
THREE AND NINE MONTHS ENDED JUNE 30, 2024  
(UNAUDITED)

**7. ASSET RETIREMENT OBLIGATIONS**

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

	June 30, 2024	September 30, 2023
Asset retirement obligations, beginning of the year	\$ 260,167	\$ 236,412
Obligations derecognized	-	(287)
Revisions of estimates	-	(7,934)
Accretion expense	27,594	31,976
	<u>\$ 287,761</u>	<u>\$ 260,167</u>

During the year ended September 30, 2023, the Company had a revision of estimates totaling \$7,934 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 June 30, 2024, the Company held reclamation deposits of \$75,000 (September 30, 2023 - \$145,000), which are expected to be released after all reclamation work has been completed with regard to its oil and natural gas interests. During the nine months ended June 30, 2024, the Company redeemed \$70,000 in reclamation deposits.

**8. DEBT**

**Convertible debentures**

During the three months ended June 30, 2024, the Company completed private placement financings of 1,365 convertible debenture units (each a "Unit") for gross proceeds of \$1,365,000. Each Unit is comprised of one senior secured convertible debenture in the principal amount of \$1,000 and 294 common share purchase warrants as amended. Each warrant is exercisable for a period of five years from the date of issuance for one common share of the Company at an exercise price of \$4.08 per share. As a result, the Company issued convertible debentures with an aggregate principal amount of \$1,365,000 and 401,310 Warrants.

Of the 1,365 Units issued, 500 Units were originally comprised of one secured convertible debenture in the principal amount of \$1,000 and 1 common share purchase warrant. The number of warrants issued with these Units was subsequently modified to 294 warrants per Unit. No other terms of the debt or warrant were modified. This modification was assessed as a debt extinguishment. A loss of \$495,051 was recognized, consisting of \$494,219 representing the fair value of the amended warrants determined using the Black-Scholes option pricing model (assuming a risk-free interest rate of 3.41%, an expected life of 5 years, annualized volatility of 128.69% and a dividend rate of 0%) and an unamortized discount of \$832 on the original warrants.



**PERMEX PETROLEUM CORPORATION**  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
THREE AND NINE MONTHS ENDED JUNE 30, 2024  
(UNAUDITED)

---

**8. DEBT (cont'd...)**

**Convertible debentures (cont'd...)**

The Company allocated the proceeds received from the issuance of the convertible debentures and warrants between the debt and equity components based on their relative fair values at the issuance date. Due to the lack of an active market for the Company's privately placed debt instruments and the absence of relevant observable inputs, the Company determined that a reliable estimate of the fair value of the convertible debentures could not be obtained. Accordingly, the face value of the debentures is considered to be a reasonable approximation of their fair value at the issuance date. The fair value of the warrants issued was determined using the Black-Scholes option pricing model (assuming a risk-free interest rate of 3.41%, an expected life of 5 years, annualized volatility of 128.69% and a dividend rate of 0%). \$431,666 of the proceeds allocated to the warrants was recorded as additional paid-in capital with a corresponding debt discount, which is being amortized over the term of the debt. The remaining debt discount as of June 30, 2024 is \$348,556.

The Convertible Debentures will mature 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 Convertible Debentures are secured by the Company's assets, 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 Convertible Debenture is repaid, and are convertible into common shares of the Company at a conversion price of \$3.40 per share. Interest will be paid in cash or Shares based on a conversion price of \$3.40.

As June 30, 2024, the following Convertible Debentures were outstanding:

Principal Amount	Interest rate	Maturity Date
500,000	10%	July 12, 2024 (subsequently extended to September 12, 2024)
865,000	10%	September 12, 2024
<u>1,365,000</u>		

These Convertible Debentures are currently in default due to the Company's failure to repay the principal and accrued interest on the maturity date. As of the date of this report, the aggregate amount due under these Convertible Debentures, including accrued interest is \$1,421,829. The Company is currently negotiating a debt restructuring plan with the debenture holders.

**Loans payable**

During the nine months ended June 30, 2024, 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.

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 June 30, 2024, the Company has an outstanding unpaid principal amount of \$115,936 (September 30, 2023 - \$125,936).

**Debenture loan – Related party**

During the year ended September 30, 2023, the Company repaid the remaining principal amount of \$38,291 (CAD\$52,454) on the debenture loan due to the former CEO of the Company. During the years ended September 30, 2023, the Company recorded interest of \$1,182.

**PERMEX PETROLEUM CORPORATION**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE AND NINE MONTHS ENDED JUNE 30, 2024**  
**(UNAUDITED)**

**9. RELATED PARTY TRANSACTIONS**

- i) The Company entered into an employment agreement with Bradley Taillon, the Company’s CEO, on April 29, 2024, for an annual base salary of base salary of \$250,000, which shall be reviewed by the Company annually. Subject to the discretion of the board of directors, Mr. Taillon is also eligible on an annual basis for a cash bonus of up to 100% of annual salary and 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. During the three and nine months ended June 30, 2024, the Company incurred management salary of \$59,812 and a one-time sign-on bonus of \$50,000 for Mr. Taillon.
- ii) The Company had 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 nine months ended June 30, 2024, the Company incurred management salary of \$187,500 (2023 - \$187,500), for Mr. Ehsan, with no bonuses incurred in either period. During the three months ended June 30, 2024, the Company incurred management salary of \$62,500 (2023 - \$62,500), 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) 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 remained the same. Subsequent to June 30, 2024, the Company signed a separation agreement to terminate Mr. Ehsan’s employment. The settlement includes: i) a lump sum payment of \$100,000 payable upon the Company’s receipt of capital investment of no less than \$1,000,000 or by October 31, 2024, whichever occurs first; ii) six equal monthly payments of \$7,500 starting October 1, 2024 (with the first payment already made); and iii) the transfer of ownership of a Company vehicle with a fair value of \$35,155.
- iii) 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 nine months ended June 30, 2024, the Company incurred management salary of \$37,500 (2023 - \$37,500), to the CFO of the Company, with no bonuses incurred in either period. During the three months ended June 30, 2024, the Company incurred management salary of \$12,500 (2023 - \$12,500).
- iv) The convertible debenture loan from the former CEO of the Company mentioned in Note 8 was paid off during the nine months ended June 30, 2023.

**10. LOSS PER SHARE**

The calculation of basic and diluted loss per share for the three and nine month periods ended June 30, 2024 and 2023 was based on the net losses attributable to common shareholders. The following table sets forth the computation of basic and diluted loss per share:

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Nine Months Ended June 30, 2024	Nine Months Ended June 30, 2023
Net loss	\$ (1,248,755)	\$ (1,452,827)	\$ (2,415,991)	\$ (3,873,341)
Weighted average common shares outstanding	551,503	491,036	551,503	485,779
Basic and diluted loss per share	\$ (2.26)	\$ (2.96)	\$ (4.38)	\$ (7.97)

For the three and nine months ended June 30, 2024, 16,980 stock options and 676,663 warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive. For the three and nine months ended June 30, 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.

**PERMEX PETROLEUM CORPORATION**  
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
THREE AND NINE MONTHS ENDED JUNE 30, 2024  
(UNAUDITED)

---

**11. EQUITY**

**Common stock**

The Company has authorized an unlimited number of common shares with no par value. At June 30, 2024 and September 30, 2023, the Company had 551,503 common shares issued and outstanding after giving effect to the 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 split.

There were no share issuance transactions during the three and nine months ended June 30, 2024.

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.

**Share-based payments**

**Stock options**

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

**PERMEX PETROLEUM CORPORATION**  
 NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
 THREE AND NINE MONTHS ENDED JUNE 30, 2024  
 (UNAUDITED)

**11. EQUITY (cont'd...)**

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

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price
Balance, September 30, 2022	21,146	\$ 53.04
Cancelled	(833)	42.62
Balance, September 30, 2023	20,313	\$ 54.23
Cancelled	(3,333)	59.94
Balance, June 30, 2024	16,980	\$ 53.11
Exercisable at June 30, 2024	16,980	\$ 53.11

The aggregate intrinsic value of options outstanding and exercisable as of June 30, 2024 was \$nil (September 30, 2023 - \$nil).

The options outstanding as of June 30, 2024 have exercise prices in the range of \$8.88 to \$88.80 and a weighted average remaining contractual life of 5.93 years.

During the three and nine months ended June 30, 2024, the Company recognized \$nil share-based payment expense. During the three and nine months ended June 30, 2023, the Company recognized share-based payment expense of \$nil and \$318, respectively, for the portion of stock options that vested during the period.

As June 30, 2024, the following stock options were outstanding:

Number of Options	Exercise Price	Issuance Date	Expiry Date
4,480	\$ 88.88	December 4, 2017	December 4, 2027
1,250	\$ 53.28	November 1, 2018	November 1, 2028
1,250	\$ 8.88	March 16, 2020	March 16, 2030
10,000	\$ 42.62	October 6, 2021	October 6, 2031
<u>16,980</u>			

**PERMEX PETROLEUM CORPORATION**  
 NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
 THREE AND NINE MONTHS ENDED JUNE 30, 2024  
 (UNAUDITED)

**11. EQUITY (cont'd...)**

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, September 30, 2022	274,276	\$	48.48
Exercised	(68,353)		11.44
Granted	73,823		18.00
Balance, September 30, 2023	279,746	\$	39.79
Granted	401,310		4.08
Expired	(4,393)		95.90
Balance, June 30, 2024	676,663	\$	18.25

As June 30, 2024, the following warrants were outstanding:

Number of Warrants	Exercise Price	Issuance Date	Expiry Date
149,447	\$ 50.40	March 29, 2022	March 29, 2027
73,823	\$ 18.00	June 30, 2023	June 30, 2028
147,000	\$ 4.08	April 16, 2024	April 16, 2029
254,310	\$ 4.08	June 12, 2024	June 12, 2029
52,083	\$ 35.52	September 30, 2021	September 30, 2031
<u>676,663</u>			

**PERMEX PETROLEUM CORPORATION**  
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
THREE AND NINE MONTHS ENDED JUNE 30, 2024  
(UNAUDITED)

---

**12. 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.

**13. CONTINGENCIES**

The Company from time to time may be involved with disputes, claims and litigation related to the conduct of its business. The Company had \$455,447 in claims from certain trade vendors for non-payment, of which \$446,783 have been accrued as of June 30, 2024. The Company plans to continue engaging with these claimants faithfully and is working on potential settlements for all outstanding claims.

**14. SUBSEQUENT EVENT**

Subsequent to June 30, 2024, the Company announced a non-brokered private placement of up to 18,635 convertible debenture units of the Company (each, a “Unit”). Each Unit consists of one convertible debenture (a “Debenture”) in the principal amount of \$1,000 and 523 common share purchase warrants (each, a “Warrant”). Each Warrant is 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 \$1.91 per share. The Debentures will mature one-year from the date of issuance. 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. Interest will be paid in cash or Shares based on a conversion price of \$1.91 (the “Conversion Price”). As of the date of this quarterly report, the Company has received subscription proceeds totaling \$2,400,000.

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

*This Report contains forward-looking statements. These statements relate to future events or our future financial performance. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks outlined at the beginning of this Report under "Cautionary Notice Regarding Forward-Looking Statements" the risks outlined under the heading "Risk Factors" in our annual report on Form 10-K for the fiscal year ended September 30, 2023 and in our other reports we file with the SEC. These factors may cause our actual results to differ materially from any forward-looking statements. All amounts in this report are in U.S. dollars, unless otherwise noted.*

*Reserve engineering is a method of estimating underground accumulations of natural gas and oil that cannot be measured in an exact way. The accuracy of any reserve estimate depends on the quality of available data, the interpretation of such data and price and cost assumptions made by reserve engineers. In addition, the results of drilling, testing and production activities may justify revisions of previous estimates. If significant, such revisions would change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ significantly from the quantities of natural gas and oil that are ultimately recovered.*

**Company Overview**

The Company was incorporated on April 24, 2017 under the laws of British Columbia, Canada. The Company is an independent energy company engaged in the acquisition, exploration, development and production of oil and gas properties on private, state and federal land in the United States, primarily in the Permian Basin which includes the Midland Basin and Delaware Basin. The Company focuses on acquiring producing assets at a discount to market, increasing production and cash-flow through recompletion and re-entries, secondary recovery and lower risk infill drilling and development. Currently, the Company owns and operates various oil and gas properties located in Texas and New Mexico. In addition, the Company holds various royalty interests in 73 wells and 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 saltwater disposal wells allowing for waterflood secondary recovery.

The Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "OIL", and on the Frankfurt Stock Exchange under the symbol "75P". On April 16, 2024, the Company received a failure to file cease trade order (the "FFCTO") 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. Subsequently, the Company brought all filings required by the BCSC up to date. On September 6, 2024, the FFCTO was revoked by the BCSC, and the Company's common shares ("Common Shares") were reinstated for trading on the CSE effective September 9, 2024.

Key activities:

- 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 the commencement of a private placement of convertible debenture units (the "Initial Units") of the Company for gross proceeds of up to \$20,000,000 (the "Original Private Placement"). Under the terms of the Original Private Placement, each Initial Unit consists of one convertible debenture (an "Initial Unit Debenture") in the principal amount of \$1,000 and one common share purchase warrant, that was to be exercisable for a period of five years from the date of issuance for one Common Share at an exercise price of \$4.08 (the "Initial Unit Warrants"). The maturity date for the Initial Unit Debentures (the "Initial Unit Debenture Maturity Date") was 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 Initial Unit Debentures. The Initial Unit Debentures bore 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 Initial Unit Debenture is repaid, and had a conversion price of \$3.40 per Common Share. Interest will be paid on the Initial Unit Debenture in cash or Common Shares at the holder's option based on a conversion price of \$3.40. The Initial Unit Debentures will rank senior to all other existing and future indebtedness of the Company and are secured by a general security agreement over certain assets of the Company.

## [Table of Contents](#)

- On April 16, 2024, the Company announced the closing of the first tranche of the Original Private Placement, consisting of 500 Units for gross proceeds of \$500,000.
- On May 1, 2024, the Company announced the appointment of Bradley Taillon as the President and Chief Executive Officer (“CEO”) of the Company, replacing Mehran Ehsan, the former President and CEO of the Company, who continued to work with the Company as the Company’s Vice President of Business Development until August 30, 2024.
- On May 29, 2024, the Company announced that it had applied to the BCSC for a partial revocation of the FFCTO. The Company also announced that all Initial Units previously issued and to be issued in future tranches under the Original Private Placement would consist of one Initial Unit Debenture and 294 Initial Unit Warrants. Pursuant to this amendment, the number of outstanding Initial Unit Warrants issued with the first tranche was increased from 500 to 147,000.
- On June 18, 2024, the Company announced the closing of the second tranche of the Original Private Placement, consisting of 865 Initial Units for gross proceeds of \$865,000. As a result, the Company issued an Initial Unit Debenture with a principal amount of \$865,000 and 254,310 Initial Unit Warrants, exercisable for a period of five years at an exercise price of \$4.08 per share. The second tranche was conducted pursuant to a partial revocation of the FFCTO which was issued by the BCSC on June 5, 2024. The Company used 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 certain outstanding amounts owing pursuant to summary judgments and to continue operations until it could apply for and receive a full revocation of the FFCTO.
- On June 18, 2024, the Company announced the appointment of Brad Taillon, the Company’s President and Chief Executive Officer, as a director, and that each of Melissa Folz, Barry Whelan, James Perry Bryan and Mehran Ehsan had resigned from the Company’s Board of Directors for personal reasons. Subsequently, on June 26, 2024, the Company announced that each of John Lendrum, and Douglas Urch resigned from the Company’s Board of Directors for personal reasons and on August 27, 2024, the Company announced that Richard Little and Kevin Nanke had been appointed to serve as directors on the Company’s Board of Directors. These changes to the Company’s Board of Directors were a result of resignations by the then current directors for personal reasons, including the time commitment associated with serving as a director on the Company’s Board of Directors, and were not part of any strategic reconstitution and expansion initiative.
- On August 29, 2024, the Company filed all required outstanding financial statements and continuous disclosure with the CSE.
- On September 9, 2024, the Company announced the revocation of the FFCTO issued by the BCSC and the reinstatement of trading of its Common Shares on the CSE effective September 9, 2024. The Company also announced the termination of the Original Private Placement and the commencement of a new non-brokered private placement of units (the “Subsequent Units”) of the Company for gross proceeds of up to \$18,635,000 (the “Subsequent Private Placement”) and on September 18, 2024, the Company announced a repricing of the Subsequent Private Placement. Under the terms of the Subsequent Private Placement, each Subsequent Unit consists of one convertible debenture (a “Subsequent Unit Debenture”) in the principal amount of \$1,000 and originally included 245 common share purchase warrants but were subsequently repriced to include 523 common share purchase warrants (each, a “Subsequent Unit Warrant”). Each Subsequent Unit Warrant is exercisable for a period of five years from the date of issuance for one Common Share and originally had an exercise price of \$4.90 per share, but was subsequently repriced so that the Subsequent Unit Warrants now have an exercise price of \$1.91 per share. The Subsequent Debentures will mature one-year from the date of issuance. Upon issuance, the Subsequent Unit Debentures are expected to rank pari passu with the Initial Unit Debentures and rank senior to all other existing and future indebtedness of the Company and will be secured by a general security agreement over certain assets of the Company. The Subsequent Debentures originally bore simple interest at a rate of 15% per annum, but such interest rate was subsequently reduced to 10% per annum, payable on the maturity date or the date on which all or any portion of the Subsequent Debenture is repaid. Interest will be paid in cash or Common Shares at the holder’s option based on a conversion price of \$1.91 per share (the conversion price was originally \$4.08, but was subsequently reduced). As of the date of this quarterly report, the Company has received subscription proceeds totaling \$2,400,000.



## Oil And Gas Properties

### Breedlove "B" Clearfork Leases - Texas

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. 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. The Eoff #3 was subsequently 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 production optimization of the producing wells as well as the 9 currently shut-in wells. As of September 2024, the Company has resumed production of these assets including limited recompletion activity based on available capital.

### Pittcock Leases - Texas

The Pittcock Leases are situated in Stonewall County. Stonewall County is in Northwest Texas, in the central part of the North Central Plains and 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. These assets were shut-in in April 2024 and remain shut in pending successful capital raising of the Company.

### Mary Bullard Property - Texas

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 southwest 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. These assets were shut-in in April 2024 and remain shut in pending successful capital raising of the Company.

### 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. These assets were shut-in in April 2024 and remain shut in pending successful capital raising of the Company.

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.

## [Table of Contents](#)

### Oxy Yates Property - New Mexico

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.

### 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 fourth quarter 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 \$0.5 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.

### 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. Management does not currently anticipate any capital expenditures towards developing the Company's probable undeveloped reserves in the next twelve months.

### 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:

<b>Property</b>	<b>Gross Developed Acreage</b>	<b>Net Developed Acreage</b>	<b>Gross Productive Wells</b>	<b>Net Productive Wells</b>
Pittcock	818	664.63	1	0.81
Henshaw	1,880	1,353.60	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 Report.

**Results of Operations**

Sales and Production

The average sales prices of the Company's oil and gas products sold in the nine months ended June 30, 2024 and 2023, and the fiscal year ended September 30, 2023 was \$72.14/Boe, \$72.59/Boe, and \$71.45/Boe, respectively. The average sales prices of the Company's oil and gas products sold in the three months ended June 30, 2024 and 2023 was \$nil/Boe and \$66.91/Boe, respectively.

The Company's net production quantities by final product sold in the nine months ended June 30, 2024 and 2023, and the fiscal year ended September 30, 2023 was 1,470.20 Boe, 10,260.71 Boe, and 12,979.36 Boe, respectively. The Company's net production quantities by final product sold in the three months ended June 30, 2024 and 2023 was nil Boe and 3,258.07 Boe, respectively.

The Company's average production costs per unit for the nine months ended June 30, 2024 and 2023, and the fiscal year ended September 30, 2023, was \$112.44/Boe, \$74.33/Boe, and \$67.76/Boe, respectively. The Company's average production costs per unit for the three months ended June 30, 2024 and 2023 was \$nil/Boe and \$72.29/Boe, respectively.

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

	<b>Three Months Ended June 30, 2024</b>	<b>Three Months Ended June 30, 2023</b>	<b>Nine Months Ended June 30, 2024</b>	<b>Nine Months Ended June 30, 2023</b>
<b>Net Production Volumes</b>				
Oil/Condensate (Bbl)	-	3,022	1,470	9,589
Natural Gas (Mcf)	-	1,418	-	4,030
	<b>Three Months Ended June 30, 2024</b>	<b>Three Months Ended June 30, 2023</b>	<b>Nine Months Ended June 30, 2024</b>	<b>Nine Months Ended June 30, 2023</b>
<b>Average Sales Price</b>				
Oil/Condensate (\$/Bbl)	-	70.29	72.14	75.49
Natural Gas (\$/Mcf)	-	3.95	-	5.20

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

*Breedlove*

	<b>Three Months Ended June 30, 2024</b>	<b>Three Months Ended June 30, 2023</b>	<b>Nine Months Ended June 30, 2024</b>	<b>Nine Months Ended June 30, 2023</b>
<b>Net Production Volumes</b>				
Oil/Condensate (Bbl)	-	1,961	735	6,534
Natural Gas (Mcf)	-	1,418	-	4,030

**Henshaw**

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Nine Months Ended June 30, 2024	Nine Months Ended June 30, 2023
<b>Net Production Volumes</b>				
Oil/Condensate (Bbl)	-	898	735	2,385
Natural Gas (Mcf)	-	-	-	-

**Pittcock & Mary Bullard**

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Nine Months Ended June 30, 2024	Nine Months Ended June 30, 2023
<b>Net Production Volumes</b>				
Oil/Condensate (Bbl)	-	163	-	670
Natural Gas (Mcf)	-	-	-	-

Operating Results*Three Months Ended June 30, 2024 and 2023*

During the three months ended June 30, 2024, the Company reported a net loss of \$1,248,755, compared to a net loss of \$909,593 for the same quarter in 2023. The increase in loss in 2024 was mostly as a result of lower revenue and higher other expenses, which more than offset the reduction in operating expenses during the third quarter of fiscal 2024. The Company reported interest and debt expenses of \$97,191 (2023 - \$1,026) related to debenture loans issued during the 2024 quarter and a loss on debt extinguishment of \$495,051 (2023 - \$nil) due to the modification of the number of warrants issued with a debenture loan.

The Company reported oil and gas sales revenue of \$nil in the third quarter of the current fiscal year compared to \$156,716 in the same quarter of the previous fiscal year. The decrease in revenue is due to the shutdown of oil and gas production across all fields, resulting from financial constraints that impacted field operations. Net oil-equivalent production by final product sold in the current quarter was nil, compared to 35.80 barrels per day in the same quarter of last year.

The Company's total operating expenses for the three months ended June 30, 2024 was \$664,330 compared to \$1,069,450 for the same period in 2023. Lease operating expenses decreased to \$10,421 from \$235,511 in the comparative period due to the production shutdown. General and administrative expenses for the three month period ended June 30, 2024 were \$629,836, compared to \$788,659 for the same quarter in the prior fiscal year. The decrease in accounting, audit and legal fees is attributable to a reduction in overall activity. Investor relations and marketing expenses also decreased as management scaled back these efforts. However, consulting fees increased as the Company engaged a consultant for merger and acquisition activities. Additionally, salaries rose due to the appointment of a new CEO during the quarter, with an annual salary of \$250,000 and a one-time sign-on bonus of \$50,000.

*General and administrative expenses*

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Nine Months Ended June 30, 2024	Nine Months Ended June 30, 2023
Accounting and audit	\$ 103,250	\$ 174,931	\$ 247,697	\$ 697,109
Consulting	80,550	29,823	147,707	172,698
Filing and transfer agent	10,047	15,002	40,212	64,305
Insurance	69,497	45,316	131,139	190,556
Investor relations	4,631	72,816	73,145	245,841
Legal fees	72,051	156,359	349,111	545,911
Marketing and promotion	9,360	88,643	45,076	388,050
Office and miscellaneous	26,011	22,745	110,157	138,968
Rent	36,042	37,853	109,106	108,697
Salaries and benefits	214,376	112,339	391,728	329,940
Share-based payments	-	-	-	318
Travel	4,021	32,832	29,660	131,914
	<u>\$ 629,836</u>	<u>\$ 788,659</u>	<u>\$ 1,674,738</u>	<u>\$ 3,014,307</u>

*Nine Months Ended June 30, 2024 and 2023*

During the nine months ended June 30, 2024, the Company reported a net loss of \$2,415,991 compared to a net loss of \$3,330,107 for the same period in 2023. The net loss for the first nine months of current fiscal year was mainly attributable to operating expenses of \$1,922,466 compared to operating expenses of \$3,921,416 in the prior year, and other expenses of \$580,181, compared to other income of \$31,710 in 2023. These losses were partially offset by revenue from oil and gas sales and royalty income of \$86,656, compared to \$559,599 in the same period of fiscal 2023. Other expense for the 2024 period mainly consists of interest and debt expenses of \$98,217 (2023 - \$2,208) related to debenture loans issued during the 2024 period and a non-cash loss on debt extinguishment of \$495,051 (2023 - \$nil) due to the modification of the number of warrants issued with a debenture loan.

The Company reported oil and gas sales revenue of \$75,466 in the first nine months of the current fiscal year compared to \$541,459 in the same period last year. The decrease was due to reduced oil and gas production across all fields, resulting from financial constraints that impacted field operations. Net oil-equivalent production by final product sold in the current period averaged 5.39 barrels per day, compared with 37.59 barrels per day in the same period of the previous fiscal year.

The lease operating expenses for the nine months ended June 30, 2024 were \$165,305 compared with \$762,668 in the nine months ended June 30, 2023. The decrease in lease operating expenses is attributed to reduced production in the current period compared to the same period in the previous fiscal year. Lease operating expenses exceeded oil and gas sales revenue mainly due to significant maintenance expenses on the West Henshaw wells.

[Table of Contents](#)

General and administrative expenses for the nine months ended June 30, 2024 were \$1,674,738, compared with \$3,014,307 in the nine months ended June 30, 2023. The significant reduction is mainly due to the decreased property development and corporate activities during the current period, as management scaled back operations in response to tighter financial constraints. Specifically, the variance from the prior year was mainly attributable:

- Accounting and audit fees of \$247,697, which decreased from \$697,109 in the first nine months of the prior fiscal year. The decrease was largely due to a significant decrease in overall activities. A substantial portion of the fees in the current period was related to regulatory compliance work associated with the proposed U.S. uplisting in November 2023.
- Legal fees of \$349,111 in the current period, down from \$545,911 in the same period of the prior fiscal year. The legal fees mainly related to the regulatory work associated with the Company's proposed uplisting to the NASDAQ in November 2023 as well as compliance with the disclosure requirements under the Exchange Act in the United States.
- Marketing, investor relations, news and media, and promotion expenses of \$85,288 in the current period, compared to \$633,891 in the same period of the previous fiscal year. The reduction was due to the Company scaling back marketing and promotion activities.
- Salaries and benefits for the current period totaled \$391,728, compared to \$329,940 in the previous year. Of this amount, \$340,594 was allocated to management salaries, an increase from \$252,305 in 2023, while \$51,134 was spent on administrative salaries, down from \$77,635 in the previous year. The increase in management salaries was due to the appointment of a new CEO in April 2024, with an annual salary of \$250,000 and a one-time sign-on bonus of \$50,000.
- Travel expenses of \$29,660 in the current period compared to \$131,914 in the same period of the previous fiscal year. The reduction was due to reduced travel by management for marketing and promotion activities.

#### Update on Use of Proceeds

During the nine months ended June 30, 2024, the Company completed two tranches of the private placement of convertible debenture units for gross proceeds of \$1,365,000. The net proceeds were intended for potential mergers and acquisitions, general working capital, preparing and filing all outstanding financial statements and continuous disclosure records, paying revocation related legal and filing fees, settling outstanding amounts under certain claim judgments.

As of September 30, 2024, the Company has fully utilized \$1,365,000 of the net proceeds. The following table provides the Company's use of these proceeds.

#### Offering Net Proceeds \$1,365,000

**Intended Use of Net Proceeds:** Mergers and acquisitions, accounting and audit, revocation related legal and filing fees, claim judgement payments, and general working capital

<u>Actual Use of Net Proceeds (\$)</u>		<u>Variance – (Over)/Under Expenditures</u>	<u>Explanation of Variance</u>
Accounting and audit fees related to outstanding filings	\$ 284,000	N/A	N/A
Claim judgement payments	\$ 209,615	N/A	N/A
Potential mergers and acquisitions	\$ 124,000	N/A	N/A
Revocation-related legal and filing fees	\$ 61,915	N/A	N/A
General working capital	\$ 685,470	N/A	N/A
<b>Total</b>	<b>\$ 1,365,000</b>		

#### Liquidity and Capital Resources

As of June 30, 2024, the Company had a cash balance of \$428,385, an increase of \$345,649 from the cash balance of \$82,736 on September 30, 2023. During the nine months ended June 30, 2024, cash used in operating activities was \$1,124,351, primarily covering accounting, insurance, salary and general office expenses. The Company received \$1,365,000 from debenture financings, \$70,000 from reclamation deposit redemption, and \$45,000 from a related party loan, while repaying \$10,000 on a third-party loan.

The Company had a working capital deficiency of \$4,480,663 as of June 30, 2024 compared to a working capital deficiency of \$3,142,916 as of September 30, 2023. The Company will need substantial additional funding to pay the outstanding payables and bring the operated assets back to production. This raises substantial doubt about the Company's ability to continue as a going concern. The company has decreased its activity to a minimal level to minimize the expected increases in additional balances to the working capital deficiency. The company has dramatically limited its ongoing commitments and account demands going forward and expects a meaningful reduction in the rate of increase of the working capital deficiency account. Additionally, the company is actively engaging with its trade partners to remedy its working capital deficiency through all means available to it including but not limited to financing arrangements, payment plans, and principal reductions.

## [Table of Contents](#)

Management has budgeted approximately \$1.5 million in minimum operating expenses and \$0.5 million in capital expenditures for the next 12 months, which the Company plans to finance principally from one or more equity or debt financings. The purpose of these funds will be to resume full field operations, reduce the working capital deficit, as well as invest in additional oil and gas production activities across the company's assets. This capital can be adjusted as necessary based on economic or business factors. 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. As of the date of our Quarterly Report on Form 10-Q for the nine months ended June 30, 2024, the Company does not have sufficient working capital to meet its anticipated operating and capital requirements over the next 12 months. Subsequent to June 30, 2024, the Company received \$2.4 million in financing proceeds. 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 the 2024 period would have increased by approximately \$1,800.

#### 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 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**

- (a) The Company entered into an employment agreement with Bradley Taillon, the Company's CEO, on April 29, 2024, for an annual base salary of base salary of \$250,000, which shall be reviewed by the Company annually. Subject to the discretion of the board of directors, Mr. Taillon is also eligible on an annual basis for a cash bonus of up to 100% of annual salary and 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. During the three and nine months ended June 30, 2024, the Company incurred management salary of \$59,812 and a one-time sign-on bonus of \$50,000 for Mr. Taillon.
- (b) The Company had 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 nine months ended June 30, 2024, the Company incurred management salary of \$187,500 (2023 - \$187,500), for Mr. Ehsan, with no bonuses incurred in either period. During the three months ended June 30, 2024, the Company incurred management salary of \$62,500 (2023 - \$62,500), 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) 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 remained the same. On August 30, 2024, the Company signed a separation agreement to terminate Mr. Ehsan's employment. The settlement includes: i) a lump sum payment of \$100,000 payable upon the Company's receipt of capital investment of no less than \$1,000,000 or by October 31, 2024, whichever occurs first; ii) six equal monthly payments of \$7,500 starting October 1, 2024 (with the first payment already made); and iii) the transfer of ownership of a Company vehicle with a fair value of \$35,155.
- (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 nine months ended June 30, 2024, the Company incurred management salary of \$37,500 (2023 - \$37,500), to the CFO of the Company, with no bonuses incurred in either period. During the three months ended June 30, 2024, the Company incurred management salary of \$12,500 (2023 - \$12,500).
- (d) The convertible debenture loan from the former CEO of the Company in the aggregate principal amount of \$38,291 with accrued interest of \$1,182 was paid off during the nine months ended June 30, 2023.



## **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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company is not required to provide the information required by this Item as it is a “smaller reporting company,” as defined in Rule 12b-2 of the Exchange Act.

### **ITEM 4. CONTROLS AND PROCEDURES.**

#### *Evaluation of disclosure controls and procedures*

We maintain disclosure controls and procedures (as such terms are defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this Report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2024.

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.”

#### *Changes in internal controls*

There were no changes in our internal controls over financial reporting during the nine months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

#### *Limitations on Effectiveness of Controls and Procedures*

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

## PART II – OTHER INFORMATION

### ITEM 1. 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 of June 30, 2024. 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 of June 30, 2024. 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 of June 30, 2024. On October 16, 2024, the Company paid \$40,000 toward the outstanding balance.
4. *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 of June 30, 2024. The Company disputes the remaining \$8,664 of the claimed damages.

### ITEM 1A RISK FACTORS

There have been no material changes to the factors disclosed in Item 1A. Risk Factors in our annual report on Form 10-K for the fiscal year ended September 30, 2023, except as set forth below.

**Our obligations to certain of our creditors are secured by security interests in our assets. We are currently in default on these obligations and accordingly our creditors could foreclose on some or all of our assets.**

Our obligations to certain of our creditors under certain 10% senior secured convertible debentures are secured by security interests in our assets. As of the date of this prospectus, approximately \$1,365,000 in principal was owed to such secured creditors. These 10% senior secured convertible debentures had a maturity date of September 12, 2024. We are currently in default on our obligations under these convertible debentures and accordingly our secured creditors could foreclose on their security interests and liquidate some or all of these assets, which would harm our financial condition and results of operations.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended June 30, 2024, the Company issued a total of 1,365 convertible debenture units (the "Units") in a private placement offering (the "Private Placement"). Each Unit consists of one 10% Senior Secured Convertible Debenture (a "Debenture") in the principal amount of US\$1,000 and 294 Common Share Purchase Warrants (the "Warrants"). Each Warrant is 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 US\$4.08.

The Debentures had a maturity date of September 12, 2024 and bear simple interest at a rate of 10%, payable on the maturity date or the date on which all or any portion of the Debenture is repaid. Interest will be paid in cash or Shares based on a conversion price of US\$3.40 (the "Conversion Price"), subject to the approval of the Canadian Securities Exchange (the "Exchange"). The Debentures will rank senior to all other existing and future indebtedness of the Company and are secured by a general security agreement over certain assets of the Company pursuant to the terms of a Security Agreement.

At any time during the term of the Debentures, a holder of Debentures may elect to convert the outstanding principal and any accrued and unpaid interest thereon into Shares at the Conversion Price. The Debentures will automatically convert into Shares at the Conversion Price in the event the Company completes a financing of Shares for aggregate gross proceeds of at least US\$7,500,000. The Company has the right to repay the Debenture at any time in whole or in part without the consent of the debentureholder and without penalty. The terms of the Debenture provide that upon certain Events of Default (as defined in the Debenture), the outstanding principal and interest owed under the Debenture may become immediately due and payable.

The Company used the proceeds of the Private Placement for general working capital purposes as well as potential mergers and acquisitions.

The Debentures, the Warrants and the Common Shares issuable upon exercise of the Debentures and Warrants have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state, and are being offered and sold in reliance on the exemption from registration under the Securities Act, afforded by Section 4(a)(2) and/or Rule 506 promulgated thereunder.

The foregoing description of the Debenture, the Warrant and the Security Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Debenture, the Warrant and the Security Agreement, which are attached to this Current Report on Form 8-K as Exhibits 4.1, 4.2, and 10.1 respectively, and are incorporated into this Item 1.01 by reference.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

The Company is in default on \$1,365,000 in principal amount of its 10% Senior Secured Convertible Debentures. These 10% Senior Secured Convertible Debentures had a maturity date of September 12, 2024 and are secured by certain assets of the Company. As of the date of this report, the aggregate amount due under these 10% Senior Secured Convertible Debentures, including accrued interest is \$1,421,829.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

During the nine months ended June 30, 2024, no director or officer (as defined in Rule 16a-1(f) of the Exchange Act) of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “Non-Rule 10b5-1 trading arrangement” as each term is defined in Item 408(a) of Regulation S-K.

**ITEM 6. EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#">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)</a>
4.1	<a href="#">Form of 10% Senior Secured Convertible Debenture (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on April 22, 2024)</a>
4.2	<a href="#">Form of Common Share Purchase Warrant (Incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed with the SEC on April 22, 2024)</a>
10.1	<a href="#">Form of Security Agreement</a>
31.1*	<a href="#">Certification of Principal Executive Officer, pursuant to Rules 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of Principal Financial Officer, pursuant to Rules 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1**	<a href="#">Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2**	<a href="#">Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
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 - the cover page from the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 is formatted in Inline XBRL

\* Filed herewith.

\*\* Furnished herewith.

**SIGNATURES**

Pursuant to the requirements 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**

Date: October 22, 2024

By: /s/ Bradley Taillon  
Bradley Taillon  
Chief Executive Officer  
(Principal Executive Officer)

**PERMEX PETROLEUM CORPORATION**

Date: October 22, 2024

By: /s/ Gregory Montgomery  
Gregory Montgomery  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

## Exhibit 10.1

## EXECUTION VERSION

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Security Agreement"), is entered into as of [•], 2024, among PERMEX PETROLEUM CORPORATION, a corporation formed under the laws of the Province of British Columbia, Canada (the "Borrower"; together with each other Person joined as a "Obligor" to this Security Agreement, individually an "Obligor" and collectively the "Obligors") and [\_\_\_], in its capacity as Collateral Agent (in such capacity, the "Collateral Agent") for the holders of the Debentures (as defined herein) (individually a "Debentureholder" and collectively the "Debentureholders").

## RECITALS

WHEREAS, in connection with the issuance of the 10.00% Senior Secured Convertible Debentures dated as of the date hereof and issued by the Borrower to the Debentureholders (as amended, modified, restated or supplemented from time to time, the "Debentures"), the Debentureholders have agreed to extend credit upon the terms and subject to the conditions set forth therein; and

WHEREAS, in connection with the execution and delivery of the Debentures, the Borrower has agreed to execute and deliver this Security Agreement to the Collateral Agent for the ratable benefit of the Debentureholders and the other Secured Parties; and

WHEREAS, each Obligor will derive substantial direct and indirect benefits from the making of the credit extensions under the Debentures; and

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Debentures, and the following terms which are defined in the Uniform Commercial Code from time to time in effect in the State of New York (the "UCC") are used herein as so defined: Accession, Account, As-Extracted Collateral, Chattel Paper, Deposit Account, Document, Electronic Chattel Paper, Equipment, Farm Product, Fixture, General Intangible, Goods, Instrument, Inventory, Investment Property, Letter-of-Credit Right, Manufactured Home, Payment Intangible, Proceeds, Securities Account, Software and Supporting Obligation. As used in this Security Agreement and the Debentures,

"Affiliate" means, as applied to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise. Notwithstanding anything to the contrary contained herein, neither the Collateral Agent, any Debentureholder, nor any of their respective Affiliates shall be deemed to be an Affiliate of any Obligor.

---

“Bankruptcy Code” means the Federal Bankruptcy Reform Act of 1978.

“Commercial Tort Claims” has the meaning set forth in the UCC, except that it refers only to such claims that have been asserted in judicial proceedings or are subject to an arbitration.

“Contractual Obligation” means, as applied to any Person, any provision of any security issued by that Person or of any indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

“Copyrights” means all United States, and foreign copyrights (including community designs), including copyrights in software and databases, whether registered or unregistered, and, with respect to any and all of the foregoing: (i) all registrations and applications therefor including the registrations and applications referred to on Schedule 4(h) attached hereto (as such schedule may be amended or supplemented from time to time in accordance with this Security Agreement), (ii) all rights corresponding thereto throughout the world, (iii) all rights to sue for past, present and future infringements thereof, and (iv) all proceeds of the foregoing, including licenses, royalties, income, payments, claims, damages and proceeds of suit.

“Excluded Property” means, collectively, (i) any permit or license or any Contractual Obligation entered into by any Obligor (A) that prohibits or requires the consent of any Person other than the Borrower and its Affiliates which has not been obtained as a condition to the creation by such Obligor of a Lien on any right, title or interest in such permit, license or Contractual Obligation or any equity interests related thereto or (B) to the extent that any applicable law thereto prohibits the creation of a Lien thereon, but only, with respect to the prohibition in (A) and (B), to the extent, and for as long as, such prohibition is not terminated, waived or rendered unenforceable or otherwise deemed ineffective by the UCC, any other law or any principle of equity (it being expressly acknowledged and agreed that “Excluded Property” shall not include the proceeds thereof, the assignment of which is expressly deemed effective under the UCC notwithstanding such prohibition), (iii) any “intent to use” Trademark applications for which a statement of use has not been filed (but only until such statement is filed), (iv) governmental licenses, state or local franchises, charters and authorizations and any other property and assets to the extent that the Collateral Agent may not validly possess a security interest therein under, or such security interest is restricted by, applicable laws (including, without limitation, rules and regulations of any governmental authority or agency) or the pledge or creation of a security interest in which would require governmental consent, approval, license or authorization, other than to the extent such prohibition or limitation is rendered ineffective under the UCC or other applicable law notwithstanding such prohibition (but excluding proceeds of any such governmental license), or otherwise require consent thereunder (after giving effect to the applicable anti-assignment provisions of the UCC or other applicable law), (v) any motor vehicles, aircraft and other property or assets subject to certificates of title, and letter of credit rights less than \$50,000 in the aggregate (in each case, except if the perfection of the security interest in such property may be accomplished solely by filing a UCC financing statement), (vi) all Real Property owned in fee, other than any Real Property in value in excess of \$500,000, and (vii) any assets with respect to which Collateral Agent has determined by written notice to Borrower that the cost of obtaining a Lien in such assets is excessive in relation to the benefit to the Secured Parties of the security to be afforded thereby; provided, however, “Excluded Property” shall not include any proceeds, products, substitutions or replacements of Excluded Property (unless such proceeds, products, substitutions or replacements would otherwise constitute Excluded Property).

“Intellectual Property” means, collectively, the Copyrights, the Patents, the Trademarks, and the IP Licenses.

“IP Ancillary Rights” means, with respect to any Intellectual Property, as applicable, all foreign counterparts to, and all divisionals, reversions, continuations, continuations-in-part, reissues, reexaminations, renewals and extensions of, such Intellectual Property and all income, royalties, proceeds and liabilities at any time due or payable or asserted under or with respect to any of the foregoing or otherwise with respect to such Intellectual Property, including all rights to sue or recover at law or in equity for any past, present or future infringement, misappropriation, dilution, violation or other impairment thereof, and, in each case, all rights to obtain any other IP Ancillary Right.

“IP Licenses” means all Contractual Obligations (and all related IP Ancillary Rights), whether written or oral, granting any right, title and interest in or relating to any Intellectual Property.

“Mortgage” means a security instrument (whether designated as a deed of trust or a mortgage or by any similar title) granting a security interest in real property executed and delivered by any Obligor, in the forms attached hereto as Exhibit D or Exhibit E, as the context may require, in each case with such changes thereto as may be recommended by Collateral Agent’s local counsel based on local laws or customary local mortgage or deed of trust practices.

“Obligations” means all obligations of every nature of each Obligor, including obligations from time to time owed to the Collateral Agent and the Debentureholders (or any one of them individually) or any other Person required to be indemnified, under any Transaction Document, whether for principal, interest (including interest which, but for the filing of a petition in a bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in each case, with respect to such Obligor, would have accrued on any Obligation, whether or not a claim is allowed against such Obligor for such interest in the related proceeding), premium, payments for fees, expenses, indemnification or otherwise.

“Patents” means all United States and foreign patents and certificates of invention, or similar industrial property rights, and applications for any of the foregoing, including: (i) each patent and patent application referred to on Schedule 4(h), attached hereto (as such schedule may be amended or supplemented from time to time in accordance with this Security Agreement), (ii) all reissues, divisions, continuations, continuations-in-part, extensions, renewals, and reexaminations thereof, (iii) all rights corresponding thereto throughout the world, (iv) all inventions and improvements described therein, (v) all rights to sue for past, present and future infringements thereof, (vi) all licenses, claims, damages, and proceeds of suit arising therefrom, and (vii) all proceeds of the foregoing, including licenses, royalties, income, payments, claims, damages, and proceeds of suit.

“Real Property” means any estates or interests in real property now owned or hereafter acquired by any Obligor and the improvements thereto.

“Trademarks” means all United States, state, territorial and provincial and foreign trademarks (including, to the extent constituting a trademark or service mark, trade names, corporate names, company names, business names, fictitious business names and internet domain names), service marks, certification marks, collective marks, logos, other source or business identifiers, trade dress and general intangibles of a like nature, all registrations and applications for any of the foregoing including: (i) the registrations and applications referred to on Schedule 4(h) attached hereto (as such schedule may be amended or supplemented from time to time in accordance with this Security Agreement), (ii) all extensions or renewals of any of the foregoing, (iii) all of the goodwill of the business connected with the use of and symbolized by the foregoing, (iv) the right to sue for past, present and future infringement or dilution of any of the foregoing or for any injury to goodwill, and (v) all proceeds of the foregoing, including licenses, royalties, income, payments, claims, damages, and proceeds of suit.

“Secured Parties” means, collectively, the Collateral Agent and the Debentureholders.

## 2. Grant of Security Interest in the Collateral.

(a) To secure the prompt payment and performance in full when due, whether by lapse of time, acceleration, mandatory prepayment or otherwise, of the Obligations, each Obligor hereby grants to the Collateral Agent, for the ratable benefit of the Secured Parties, a continuing security interest in any and all right, title and interest of such Obligor in and to the following, whether now owned or existing or owned, acquired, or arising hereafter (collectively, the “Collateral”):

(i) all Chattel Paper (including Electronic Chattel Paper);

(ii) all Commercial Tort Claims;

(iii) all Copyrights;

(iv) all Documents;

(v) all Equipment;

(vi) all Fixtures;

(vii) all General Intangibles;

(viii) all Goods;

(ix) all Instruments;

(x) all Inventory;

(xi) all Investment Property;

(xii) all IP Licenses;

(xiii) all Letter-of-Credit Rights;

(xiv) all agreements, contracts, leases or licenses now or hereafter entered into by an Obligor, as such agreements may be amended or otherwise modified from time to time (collectively, the “Assigned Agreements”), including without limitation, (A) all rights of an Obligor to receive moneys due and to become due under or pursuant to the Assigned Agreements, and (B) to the extent permitted pursuant to applicable law, (x) all rights of an Obligor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreements, (y) claims of an Obligor for damages arising out of or for breach of or default under the Assigned Agreements and (z) the right of an Obligor to terminate the Assigned Agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder;

(xv) all Patents;

(xvi) all Payment Intangibles;

(xvii) all Securities Accounts;

(xviii) all Software;

(xix) all Supporting Obligations;

(xx) all Trademarks;

(xxi) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks, and related data processing software (owned by such Obligor or in which it has an interest) that at any time evidence or contain material information relating to any Collateral or are otherwise reasonably necessary or helpful in the collection thereof or realization thereupon;

(xxii) all other personal property of any kind or type whatsoever owned by such Obligor; and

(xxiii) to the extent not otherwise included, all Accessions, Proceeds and products of any and all of the foregoing.



(b) The Obligors and the Collateral Agent, on behalf of the Secured Parties, hereby acknowledge and agree that the security interest created hereby in the Collateral (i) constitutes continuing collateral security for all of the Obligations, whether now existing or hereafter arising and (ii) is not to be construed as a present assignment of any Intellectual Property.

(c) Notwithstanding the foregoing, the Collateral shall exclude any and all Excluded Property.

3. Provisions Relating to Accounts, Contracts and Agreements.

(a) Anything herein to the contrary notwithstanding, each of the Obligors shall remain liable under each of its Accounts, material contracts and material agreements to observe and perform the material conditions and material obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Account or the terms of such contract or agreement. Neither the Collateral Agent nor any Secured Party shall have any obligation or liability under any Account (or any agreement giving rise thereto), contract or agreement by reason of or arising out of this Security Agreement or the receipt by the Collateral Agent or any Secured Party of any payment relating to such Account, contract or agreement pursuant hereto, nor shall the Collateral Agent or any Secured Party be obligated in any manner to perform any of the obligations of an Obligor under or pursuant to any Account (or any agreement giving rise thereto), contract or agreement, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any agreement giving rise thereto), contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times, except in the case of gross negligence, willful misconduct or bad faith.

(b) Collateral Agent may curtail or terminate the Obligors right to collect the Accounts at any time after the occurrence and during the continuance of an Event of Default upon notice thereof from the Collateral Agent to the Obligors (which may be concurrent). If required by the Collateral Agent at any time after the occurrence and during the continuation of an Event of Default, any payments of Accounts, when collected by the Obligors (i) shall be forthwith (and in any event within five (5) Business Days) deposited by the Obligors in a collateral account maintained under the sole dominion and control of the Collateral Agent, subject to withdrawal by the Collateral Agent for the account of the Secured Parties only as provided in Section 12 hereof, and (ii) until so turned over, shall be held by the Obligors in trust for the Collateral Agent and the Secured Parties.

4. Representations and Warranties. Each Obligor hereby represents and warrants to the Collateral Agent, for the benefit of the Secured Parties, that:

(a) Chief Executive Office; Books & Records; Legal Name; State of Formation. No Obligor has in the four (4) months preceding the Effective Date changed its name, or been party to a merger, consolidation or other change in structure not disclosed on Schedule 4(a) attached hereto.

(b) Ownership. Subject to Permitted Liens, each Obligor is the legal and beneficial owner of its Collateral and, subject to Section 2(d), has the right to pledge the same hereunder.

(c) Security Interest/Priority. This Security Agreement creates a valid security interest in favor of the Collateral Agent, for the benefit of the Secured Parties, in the Collateral of such Obligor and, when properly perfected by filing, obtaining possession, the granting of control to the Collateral Agent or otherwise (in each case, to the extent otherwise required by this Security Agreement), shall constitute a valid, perfected security interest in such Collateral (prior to all other Liens on such Collateral except for Permitted Liens), to the extent such security interest can be perfected by (i) filing, obtaining possession, the granting of control or otherwise under the UCC or (ii) by filing an appropriate notice with the United States Patent and Trademark Office or the United States Copyright Office, free and clear of all Liens except for Permitted Liens.

(d) Consents. Except for (i) the filing or recording of UCC financing statements, (ii) the filing of appropriate notices with the United States Patent and Trademark Office, and the United States Copyright Office, (iii) obtaining possession or otherwise obtaining control to perfect the Liens created by this Security Agreement, and (iv) compliance with the Federal Assignment of Claims Act or comparable state law (in each case, to the extent otherwise required by this Security Agreement), no consent or authorization of, filing with, or other act by or in respect of, any Governmental Authority and no consent of any other Person (including, without limitation, any stockholder, member or creditor of such Obligor) is required (A) for the grant by such Obligor of the security interest in the Collateral granted hereby or for the execution, delivery or performance of this Security Agreement by such Obligor or (B) for the perfection of such security interest or the exercise by the Collateral Agent of the rights and remedies provided for in this Security Agreement, in each case except (x) as may be required in connection with the disposition of Investment Property by laws affecting the offering and sale of securities generally and (y) for consents and authorizations that have been obtained or given (as applicable).

(e) Types of Collateral. Except as could not reasonably be expected to have a material adverse effect on such Obligor, none of the Collateral consists of, or is the Proceeds of, As-Extracted Collateral, Farm Products, Manufactured Homes or standing timber (as such term is used in the UCC).

(f) Inventory. Except as could not reasonably be expected to have a material adverse effect on such Obligor, no Inventory, to the extent they are not Excluded Property of an Obligor is held by a third party (other than an Obligor) pursuant to consignment, sale or return, sale on approval or similar arrangement.

(g) Intellectual Property.

(i) Except as could not reasonably be expected to have a material adverse effect on such Obligor, the Obligors and their Subsidiaries own, or have the legal right to use, all Intellectual Property necessary for the Obligors and their Subsidiaries, taken as a whole, to conduct their business (collectively, "Active IP").

(ii) Except as disclosed in Schedule 4(h) attached hereto or as could not reasonably be expected to have a material adverse effect on such Obligor, all registrations with and applications to governmental authorities in respect of such Active IP are valid and in full force and effect.

(iii) Except as could not reasonably be expected to have a material adverse effect on such Obligor, (A) none of the Obligors is in default (or with the giving of notice or lapse of time or both, would be in default) under any license to use its Active IP; (B) no claim has been asserted and is pending by any Person challenging or questioning the use of any such Active IP or the validity or effectiveness of any such Active IP, nor do the Obligors or any of their Subsidiaries know of any such claim; and (C) to the knowledge of the Obligors or any of their Subsidiaries, the use of such Active IP by any of the Obligors or any of its Subsidiaries does not infringe on the rights of any Person.

(iv) Except as set forth in Schedule 4(h) attached hereto, for Permitted Liens or as could not reasonably be expected to have a material adverse effect on such Obligor, all Active IP of each Obligor is valid, subsisting, unexpired, has not been abandoned and, to the knowledge of such Obligor, enforceable, and each Obligor is legally entitled to use its Active IP.

(v) Except as could not reasonably be expected to have a material adverse effect on such Obligor, no holding, decision or judgment has been rendered by any governmental authority which would limit, cancel or question the validity of any Active IP of the Obligors, except for decisions made in the ordinary course of Patent and Trademark prosecution.

(vi) No action or proceeding is pending seeking to limit, cancel or question the validity of any Active IP of the Obligors which would reasonably be expected to have a material adverse effect on such Obligor.

(h) Documents, Instruments and Chattel Paper. All Documents, Instruments and Chattel Paper describing, evidencing or constituting material Collateral are, to the Obligors' knowledge, complete, valid, and genuine in all material respects.

(i) Equipment. With respect to each Obligor's Equipment, such Obligor has good and marketable title thereto except to the extent the failure to do so could not reasonably be expected to have a material adverse effect on such Obligor.

5. Covenants. Each Obligor covenants that, so long as any of the Obligations (other than contingent indemnification obligations to the extent no claim giving rise thereto has been asserted) remain outstanding or any Transaction Document is in effect, such Obligor shall:

(a) Perfection of Security Interest by Filing, Etc. Execute and deliver to the Collateral Agent and/or file such agreements, assignments or instruments (including affidavits, notices, reaffirmations, amendments and restatements of existing documents, and any document as may be necessary if the law of any jurisdiction other than New York becomes or is applicable to the Collateral or any portion thereof, in each case, as the Collateral Agent may reasonably request; provided, that no such filings shall be required in any jurisdiction outside of the United States) and do all such other things as the Collateral Agent may reasonably request, in each case (i) to assure to the Collateral Agent its security interests hereunder is perfected (to the extent such perfection is required hereunder), including (A) such financing statements (including continuation statements) or amendments thereof or supplements thereto or other instruments as the Collateral Agent may from time to time reasonably request in order to perfect and maintain the security interests granted hereunder in accordance with the UCC and any other personal property security legislation in the appropriate state(s), (B) with regard to Copyrights, a Notice of Grant of Security Interest in Copyrights for filing with the United States Copyright Office in the form of Exhibit A attached hereto, (C) with regard to Patents, a Notice of Grant of Security Interest in Patents for filing with the United States Patent and Trademark Office in the form of Exhibit B attached hereto and (D) with regard to Trademarks, a Notice of Grant of Security Interest in Trademarks for filing with the United States Patent and Trademark Office in the form of Exhibit C attached hereto, (ii) to consummate the transactions contemplated hereby and (iii) to otherwise protect and assure the Collateral Agent of its rights and interests hereunder to the extent otherwise required under this Security Agreement. Each Obligor hereby authorizes the Collateral Agent to prepare and file such financing statements (including continuation statements) or amendments thereof or supplements thereto or other instruments as the Collateral Agent may from time to time deem reasonably necessary or appropriate in order to perfect and maintain the security interests granted hereunder in accordance with the UCC, including, without limitation, any financing statement that describes the Collateral as "all personal property" or "all assets" of such Obligor or that describes the Collateral in some other manner as the Collateral Agent deems reasonably necessary or advisable.

(b) Perfection of Security Interest by Possession. If (i) any amount payable under or in connection with any of the Collateral with a value in excess of \$250,000 individually, or \$500,000 in the aggregate for all such Collateral, shall be or become evidenced by any Instrument, (ii) any amount payable under or in connection with any of the Collateral with a value in excess of \$250,000 individually, or \$500,000 in the aggregate for all such Collateral, shall be or become evidenced by any Document, (iii) any amount payable under or in connection with any of the Collateral with a value in excess of \$250,000 individually, or \$500,000 in the aggregate for all such Collateral, shall be or become evidenced by any Chattel Paper or (iv) any Collateral shall consist of Investment Property in the form of certificated securities, promptly notify the Collateral Agent of the existence of such Collateral and deliver such Instrument, Chattel Paper, Document or Investment Property to the Collateral Agent, duly endorsed in a manner reasonably satisfactory to the Collateral Agent, to be held as Collateral pursuant to this Security Agreement. Notwithstanding the foregoing, no additional actions shall be required in order to perfect any security interest in any foreign Investment Property.

(c) Reserved.

(d) Other Liens. Defend its interests in the material Collateral against the claims and demands of all other parties claiming an interest therein (other than those holding a Permitted Lien with a priority that is senior to that of the Collateral Agent's Lien) and keep the Collateral free from all Liens, except for Permitted Liens. Neither the Collateral Agent nor any Secured Party authorizes any Obligor to, and no Obligor shall, sell, exchange, transfer, assign, lease or otherwise dispose of the Collateral or any interest therein, except as permitted under the Debenture.

(e) Preservation of Collateral. Keep all material Collateral useful and necessary in its business in good working order and condition (ordinary wear and tear and obsolescence excepted), except as could not reasonably be expected to have a material adverse effect on such Obligor.

(f) Collateral Held by Warehouseman, Bailee, etc. Upon the occurrence and during the continuance of an Event of Default upon notice thereof from the Collateral Agent to the Obligors (which may be concurrent), if any Collateral in excess of \$500,000 in the aggregate, or greater than \$250,000 individually is at any time in the possession or control of a warehouseman, bailee or any agent or processor of such Obligor, (i) notify the Collateral Agent of such possession, (ii) upon the reasonable request of the Collateral Agent, notify such Person of the Collateral Agent's security interest for the benefit of the Secured Parties in such Collateral.

(g) Covenants Relating to Inventory. Maintain, keep and preserve its Inventory to the extent they are not Excluded Property in good salable condition at its own cost and expense, except to the extent the failure to do so could not reasonably be expected to have a material adverse effect on such Obligor.

(h) Covenants Relating to Copyrights.

(i) With respect to each Copyright that is necessary to the normal conduct of the business of the Obligors and their Subsidiaries, taken as a whole, except as otherwise determined by such Obligor in its reasonable business judgment, as permitted under the Debentures or as could not reasonably be expected to have a material adverse effect on such Obligor, (A) not do any act or knowingly omit to do any act whereby such Copyright may become invalidated, (B) not do any act, or knowingly omit to do any act, whereby such Copyright becomes injected into the public domain; (C) take all necessary steps as it shall deem appropriate under the circumstances to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of each such Copyright owned by an Obligor including, without limitation, filing of applications for renewal where necessary; and (D) take such actions as such Obligor shall reasonably deem appropriate under the circumstances to protect such Copyright, including, where appropriate, the bringing of suit for infringement, seeking injunctive relief and seeking to recover any and all damages for such infringement.

(i) Covenants Relating to Patents and Trademarks.

(i) With respect to each Trademark that is necessary to the normal conduct of the business of the Obligors and their Subsidiaries, taken as a whole, except as otherwise determined by such Obligor in its reasonable business judgment, as permitted under the Debentures or as could not reasonably be expected to have a material adverse effect on such Obligor, (A) continue to use such Trademark in order to maintain such Trademark in full force free from any claim of abandonment for non-use, (B) maintain as in the past the quality of products and services offered under such Trademark, (C) employ such Trademark with the appropriate notice of registration, (D) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the Collateral Agent, for the ratable benefit of the Secured Parties, shall obtain a perfected security interest in such mark pursuant to this Security Agreement, and (E) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any such Trademark may become invalidated.

(ii) With respect to each Patent that is necessary to the normal conduct of the business of the Obligors and their Subsidiaries, taken as a whole, except as otherwise determined by such Obligor in its reasonable business judgment, as permitted under the Debentures or as could not reasonably be expected to have a material adverse effect on such Obligor, not do any act, or omit to do any act, whereby any such Patent may become abandoned or dedicated to the public.

(iii) [Reserved].

(iv) With respect to each Patent or Trademark that is necessary to the normal conduct of the business of the Obligors and their Subsidiaries, taken as a whole, except as otherwise determined by such Obligor in its reasonable business judgment, as permitted under the Debentures or as could not reasonably be expected to have a material adverse effect on such Obligor, take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application, to obtain the relevant registration and to maintain each registration of such Patents and such Trademarks, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(v) With respect to each Patent or Trademark that is necessary to the normal conduct of the business of the Obligors and their Subsidiaries, taken as a whole, if such Patent or Trademark is of material economic value, promptly after it learns that any such Patent or Trademark included in the Collateral is materially infringed, misappropriated or diluted by a third party, take such actions as such Obligor shall deem appropriate under the circumstances in its reasonable business judgment to protect such Patent or Trademark, including, where appropriate, the bringing of suit for infringement, seeking injunctive relief and seeking to recover any and all damages for such infringement.

(j) New Patents, Copyrights and Trademarks. Solely with respect to Intellectual Property owned by the Obligors or their Subsidiaries, within 30 days upon formation of acquisition thereof, provide the Collateral Agent with (i) a listing of all applications for registration, if any, for new Patents or Trademarks (together with a listing of application numbers), which new applications and issued registrations or letters shall be subject to the terms and conditions hereunder, and (ii) (A) with respect to United States registered Copyrights or Copyrights with respect to which an application is pending, a duly executed Notice of Grant of Security Interest in Copyrights, (B) with respect to United States registered Patents or Patents with respect to which an application is pending, a duly executed Notice of Grant of Security Interest in Patents, (C) with respect to United States registered Trademarks or Trademarks, to the extent they are not Excluded Property, with respect to which an application is pending, a duly executed Notice of Grant of Security Interest in Trademarks or (D) such other duly executed documents as the Collateral Agent may reasonably request in a form reasonably acceptable to the Collateral Agent and suitable for recording to evidence the security interest of the Collateral Agent on behalf of the Secured Parties in the Copyright, Patent or Trademark which is the subject of such new application, and the goodwill and General Intangibles of such Obligor relating thereto or represented thereby. For the avoidance of doubt, no filings shall be required to be made on Intellectual Property in any foreign jurisdiction.

(k) [Reserved].

(l) Commercial Tort Claims; Notice of Litigation. (i) Provide to the Collateral Agent within 30 days written notification of any and all such material Commercial Tort Claims having a value in excess of \$250,000 of the Obligors and (ii) upon the reasonable request of the Collateral Agent, execute and deliver such statements, documents and notices and do and cause to be done all such things as may be reasonably required by the Collateral Agent, or required by law, including all things which may from time to time be necessary under the UCC to fully create, preserve, perfect and protect the priority of the Collateral Agent's security interest in any material Commercial Tort Claims having a value in excess of \$250,000.

(m) Real Property; Fixtures. Upon the acquisition of any ownership fee interest in Real Property having a fair market value in excess of \$1,500,000, each Obligor will promptly (and in any event within five (5) Business Days (or such longer period as agreed to by Agent in writing in its sole discretion) of acquisition) notify Collateral Agent of the acquisition of such Real Property and will grant to Collateral Agent, for the benefit of the Debentureholders, a first priority (subject only to Permitted Liens which are non-consensual Permitted Liens or purchase money Liens) Mortgage on each fee interest in Real Property now or hereafter owned by such Obligor and shall deliver such other documentation and opinions, in form and substance reasonably satisfactory to Agent, in connection with the grant of such Mortgage as Collateral Agent shall reasonably request in, including title insurance policies, financing statements, fixture filings and environmental audits and such Obligor shall pay all recording costs, intangible taxes and other fees and costs (including reasonable, documented and out-of-pocket attorneys' fees and expenses) incurred in connection therewith. Each Obligor acknowledges and agrees that, to the extent permitted by applicable law, all of the Collateral shall remain personal property regardless of the manner of its attachment or affixation to real property.

(n) Regulatory Approvals. Promptly after the occurrence and during the continuance of an Event of Default upon notice thereof from the Collateral Agent to the Obligors (which may be concurrent), and at its expense, execute and deliver, or cause to be executed and delivered, all applications, certificates, instruments, registration statements, and all other documents and papers the Collateral Agent may reasonably request and as may be required by law to acquire the consent, approval, registration, qualification or authorization of any other Person deemed reasonably necessary or appropriate for the effective exercise of any of the rights under this Security Agreement.

(o) Insurance. Insure the Collateral of such Obligor as set forth in, and to the extent required by, the Debentures except where failure to do so could not be expected to have a material adverse effect on such Obligor. All proceeds derived from insurance on the Collateral shall be subject to the security interest of the Collateral Agent hereunder.

6. License of Intellectual Property. The Obligors hereby assign, transfer and convey to the Collateral Agent, effective solely upon the occurrence and during the continuance of any Event of Default, the nonexclusive right and license to use all Intellectual Property owned or used by any Obligor that relate to the Collateral and any other collateral granted by the Obligors as security for the Obligations, together with any goodwill associated therewith, all to the extent necessary to enable the Collateral Agent to use, possess and realize on the Collateral and to enable any successor or assign to enjoy the benefits of the Collateral. This right and license shall inure to the benefit of all successors, assigns and transferees of the Collateral Agent and its successors, assigns and transferees, whether by voluntary conveyance, operation of law, assignment, transfer, foreclosure, deed in lieu of foreclosure or otherwise. Such right and license is granted free of charge, without requirement that any monetary payment whatsoever be made to the Obligors. Notwithstanding anything in this Security Agreement or any other Loan Document to the contrary, in no event shall Collateral Agent be permitted to license any Patent after the occurrence and continuance of an Event of Default.



7. Special Provisions Regarding Inventory. Notwithstanding anything to the contrary contained in this Security Agreement, each Obligor may, unless and until an Event of Default occurs and is continuing and the Collateral Agent instructs such Obligor otherwise, without further consent or approval of the Collateral Agent, use, consume, sell, lease and exchange its Inventory in the ordinary course of its business, whereupon, in the case of such a sale or exchange, the security interest created hereby in the Inventory so sold or exchanged (but not in any Proceeds arising from such sale or exchange) shall cease immediately without any further action on the part of the Collateral Agent.

8. Performance of Obligations; Advances by Collateral Agent. Upon the occurrence of an Event of Default and during continuation thereof, resulting from the failure of any Obligor to perform any of the covenants and agreements contained herein, the Collateral Agent may, at its sole option and in its sole discretion, perform or cause to be performed the same and in so doing may expend such sums as the Collateral Agent may reasonably deem advisable in the performance thereof, including, without limitation, the payment of any insurance premiums, the payment of any taxes, a payment to obtain a release of a Lien or potential Lien, expenditures made in defending against any adverse claim and all other expenditures which the Collateral Agent may make for the protection of the security interest hereof or may be compelled to make by operation of law. All such sums and amounts so expended shall be repayable by the Obligors on a joint and several basis promptly upon timely notice thereof and demand therefor, and shall constitute additional Obligations unless such actions taken by the Collateral Agent result from gross negligence, willful misconduct or bad faith. No such performance of any covenant or agreement by the Collateral Agent on behalf of any Obligor, and no such advance or expenditure therefor, shall relieve the Obligors of any default under the terms of this Security Agreement or the other Transaction Documents. The Collateral Agent may make any payment hereby authorized in accordance with any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien, title or claim except to the extent such payment is being contested in good faith by an Obligor in appropriate proceedings and against which adequate reserves are being maintained and except in the event of gross negligence, willful misconduct or bad faith on behalf of the Collateral Agent.

9. Events of Default.

The occurrence of an event which under the Debentures would constitute an Event of Default shall be an event of default hereunder (an "Event of Default").

## 10. Remedies.

(a) **General Remedies.** Upon the occurrence of an Event of Default and during continuation thereof, the Collateral Agent shall have for the benefit of the Secured Parties, in addition to the rights and remedies provided herein, in the Transaction Documents or by law (including, but not limited to, levy of attachment, garnishment and the rights and remedies set forth in the UCC of the jurisdiction applicable to the affected Collateral), the rights and remedies of a secured party under the UCC (regardless of whether the UCC is the law of the jurisdiction where the rights and remedies are asserted and regardless of whether the UCC applies to the affected Collateral), and further, the Collateral Agent may, with or without judicial process or the aid and assistance of others, but subject to the last sentence of clause (c) below, (i) enter on any premises on which any of the Collateral may be located and, without resistance or interference by the Obligors, take possession of the Collateral, (ii) dispose of any Collateral on any such premises, (iii) require the Obligors to assemble and make available to the Collateral Agent at the expense of the Obligors any Collateral at any place and time designated by the Collateral Agent which is reasonably convenient to both parties, (iv) remove any Collateral from any such premises for the purpose of effecting the sale or other disposition thereof, and/or (v) without demand and without advertisement, notice, hearing or process of law, all of which each of the Obligors hereby waives to the fullest extent permitted by law, at any place and time or times, sell and deliver any or all Collateral held by or for it at public or private sale, by one or more contracts, in one or more parcels, for cash, upon credit or otherwise, at such prices and upon such terms as the Collateral Agent deems advisable, in its sole discretion (subject to any and all mandatory legal requirements). Neither the Collateral Agent's compliance with any applicable state or federal law in the conduct of such sale, nor its disclaimer of any warranties relating to the Collateral, shall be considered to adversely affect the commercial reasonableness of such sale. To the extent the rights of notice cannot be legally waived hereunder, each Obligor agrees that any requirement of reasonable notice shall be met if such notice is personally served on or mailed, postage prepaid, to the Borrower in accordance with the notice provisions of Section 8.2 of the Debentures at least ten (10) days before the time of sale or other event giving rise to the requirement of such notice. The Collateral Agent shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. To the extent permitted by law, any Secured Party may be a purchaser at any such sale. To the extent permitted by applicable law, each of the Obligors hereby waives all of its rights of redemption with respect to any such sale. Subject to the provisions of applicable law, the Collateral Agent may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, to the extent permitted by law, be made at the time and place to which the sale was postponed, or the Collateral Agent may further postpone such sale by announcement made at such time and place.

(b) **Remedies Relating to Accounts.** Upon the occurrence of an Event of Default and during the continuation thereof, whether or not the Collateral Agent has exercised any or all of its rights and remedies hereunder, the Collateral Agent shall have the right to enforce any Obligor's rights against any account debtors and obligors on such Obligor's Accounts. After the occurrence and during the continuance of an Event of Default, to the extent reasonably required by the Collateral Agent, each Obligor agrees to execute any document or instrument, and to take any action, necessary under applicable law (including the Federal Assignment of Claims Act) in order for the Collateral Agent to exercise its rights and remedies (or be able to exercise its rights and remedies at some future date) with respect to any Accounts of such Obligor where the account debtor is a Governmental Authority. The Collateral Agent and the Secured Parties shall have no liability or responsibility to any Obligor for acceptance of a check, draft or other order for payment of money bearing the legend "payment in full" or words of similar import or any other restrictive legend or endorsement or be responsible for determining the correctness of any remittance except in the case of gross negligence, willful misconduct or bad faith.

(c) Access. In addition to the rights and remedies hereunder, upon the occurrence of an Event of Default and during the continuation thereof, the Collateral Agent shall have the right to enter and remain upon the various premises of the Obligors without cost or charge to the Collateral Agent, and use the same, together with materials, supplies, books and records of the Obligors for the purpose of collecting and liquidating the Collateral, or for preparing for sale and conducting the sale of the Collateral, whether by foreclosure, auction or otherwise. In addition, the Collateral Agent may remove Collateral, or any part thereof, from such premises and/or any records with respect thereto, in order to effectively collect or liquidate such Collateral. If the Collateral Agent exercises its right to take possession of the Collateral, each Obligor shall also at its expense perform any and all other steps reasonably requested by the Collateral Agent to preserve and protect the security interest hereby granted in the Collateral, such as placing and maintaining signs indicating the security interest of the Collateral Agent, appointing overseers for the Collateral and maintaining inventory records. Notwithstanding the foregoing **and clause (a)(i) above**, the Collateral Agent acknowledges and agrees that any right provided in **such clause (a)(i) or** this clause (c) to enter and remain upon any premises of any Obligor that is leased from a third party landlord shall be subject to any rights or restrictions contained in the applicable lease for such premises and any rights of the landlord under applicable law.

(d) Nonexclusive Nature of Remedies. Failure by the Collateral Agent to exercise any right, remedy or option under this Security Agreement, any other Transaction Document or as provided by law, or any delay by the Collateral Agent in exercising the same, shall not operate as a waiver of any such right, remedy or option. No waiver hereunder shall be effective unless it is in writing, signed by the party against whom such waiver is sought to be enforced and then only to the extent specifically stated. To the extent permitted by law, neither the Collateral Agent, the Secured Parties, nor any party acting as attorney for the Collateral Agent or the Secured Parties, shall be liable hereunder for any acts or omissions or for any error of judgment or mistake of fact other than their gross negligence or willful misconduct hereunder. The rights and remedies of the Collateral Agent and the Secured Parties under this Security Agreement shall be cumulative and not exclusive of any other right or remedy which the Collateral Agent or the Secured Parties may have.

(e) [Reserved].

(f) Deficiency. In the event that the proceeds of any sale, collection or realization are insufficient to pay all amounts to which the Collateral Agent or the Secured Parties are legally entitled, the Obligors shall be jointly and severally liable for the deficiency, together with the costs of collection and the reasonable fees of any attorneys employed by the Collateral Agent to collect such deficiency. Any surplus remaining after the full payment and satisfaction of the Obligations shall be returned to the Obligors or to whomsoever a court of competent jurisdiction shall determine to be entitled thereto.

(g) Other Security. To the extent that any of the Obligations are now or hereafter secured by property other than the Collateral (including, without limitation, real and other personal property and securities owned by an Obligor), or by a guarantee, endorsement or property of any other Person, then the Collateral Agent shall have the right to proceed against such other property, guarantee or endorsement upon the occurrence and during the continuation of any Event of Default, and the Collateral Agent shall have the right, in its sole discretion, to determine which rights, security, Liens, security interests or remedies the Collateral Agent shall at any time pursue, relinquish, subordinate, modify or take with respect thereto, without in any way modifying or affecting any of them or any of the Collateral Agent's and the Secured Parties' rights or the Obligations under this Security Agreement or under any other of the Transaction Documents.

11. Rights of the Collateral Agent.

(a) Power of Attorney. Each Obligor hereby designates and appoints (effective after the occurrence and during the continuance of an Event of Default) the Collateral Agent, on behalf of the Secured Parties, and each of its designees or agents, as attorney-in-fact of such Obligor, irrevocably and with power of substitution, with authority to take any or all of the following actions upon the occurrence and during the continuation of an Event of Default:

(i) to demand, collect, settle, compromise, adjust and give discharges and releases concerning the Collateral of such Obligor, all as the Collateral Agent may reasonably determine in respect of such Collateral;

(ii) to commence and prosecute any actions at any court for the purposes of collecting any Collateral and enforcing any other right in respect thereof;

(iii) to defend, settle, adjust or compromise any action, suit or proceeding brought with respect to the Collateral and, in connection therewith, give such discharge or release as the Collateral Agent may deem reasonably appropriate;

(iv) to endorse checks, notes, drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or documents evidencing payment, shipment or storage of the goods giving rise to the Collateral of such Obligor, or securing or relating to such Collateral, on behalf of and in the name of such Obligor;

(v) to sell, assign, transfer, make any agreement in respect of, or otherwise deal with or exercise rights in respect of, any Collateral or the goods or services which have given rise thereto, as fully and completely as though the Collateral Agent were the absolute owner thereof for all purposes;

(vi) to adjust and settle claims under any insurance policy relating to the Collateral;

(vii) to execute and deliver and/or file all assignments, conveyances, statements, financing statements, continuation financing statements, security agreements, affidavits, notices and other agreements, instruments and documents that the Collateral Agent may determine necessary in order to perfect and maintain the security interests and Liens granted in this Security Agreement and in order to fully consummate all of the transactions contemplated herein;

(viii) to institute any foreclosure proceedings that the Collateral Agent may deem appropriate;

(ix) to execute any document or instrument, and to take any action, necessary under applicable law (including the Federal Assignment of Claims Act) in order for the Collateral Agent to exercise its rights and remedies (or to be able to exercise its rights and remedies at some future date) with respect to any Account of an Obligor where the account debtor is a Governmental Authority; and

(x) to do and perform all such other acts and things as the Collateral Agent may reasonably deem to be necessary, proper or convenient in connection with the Collateral.

This power of attorney is a power coupled with an interest and shall be irrevocable for so long as any of the Obligations (other than contingent indemnification obligations to the extent no claim giving rise thereto has been asserted) remain outstanding or any Transaction Document is in effect. The Collateral Agent shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges and options expressly or implicitly granted to the Collateral Agent in this Security Agreement, and shall not be liable for any failure to do so or any delay in doing so except if failure to do so or delay in doing so results from gross negligence, willful misconduct or bad faith. The Collateral Agent shall not be liable for any act or omission or for any error of judgment or any mistake of fact in its individual capacity or its capacity as attorney-in-fact except acts or omissions resulting from its gross negligence or willful misconduct. This power of attorney is conferred on the Collateral Agent solely to perfect, protect, preserve and realize upon its security interest in the Collateral.

(b) Assignment by the Collateral Agent. The Collateral Agent may from time to time assign the Obligations or any portion thereof and/or the Collateral or any portion thereof to a successor Collateral Agent in accordance with the terms of the Debentures, and the assignee shall be entitled to all of the rights and remedies of the Collateral Agent under this Security Agreement in relation thereto.

(c) The Collateral Agent's Duty of Care. Other than the exercise of reasonable care to assure the safe custody of the Collateral while being held by the Collateral Agent hereunder, the Collateral Agent shall have no duty or liability to preserve rights pertaining thereto, it being understood and agreed that the Obligors shall be responsible for preservation of all rights in the Collateral, and the Collateral Agent shall be relieved of all responsibility for the Collateral upon surrendering it or tendering the surrender of it to the Obligors. The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Collateral Agent accords its own property, which shall be no less than the treatment employed by a reasonable and prudent agent in the industry, it being understood that the Collateral Agent shall not have responsibility for taking any necessary steps to preserve rights against any parties with respect to any of the Collateral. Notwithstanding the foregoing, the Collateral Agent and the Secured Parties agree not to create a security interest for the benefit of its creditors in any Collateral in its possession or control. In the event of a public or private sale of Collateral pursuant to Section 10 hereof, the Collateral Agent shall have no obligation to clean-up, repair or otherwise prepare the Collateral for sale.

12. Application of Proceeds. After the exercise of remedies by the Collateral Agent pursuant to the Debentures (or after the extensions of credit (with accrued interest thereon) and all other amounts under the Transaction Documents shall automatically become due and payable in accordance with the terms of such Section), any proceeds of the Collateral, when received by the Collateral Agent or any of the Secured Parties in cash or its equivalent, will be applied in reduction of the Obligations in the order set forth in the Debentures, and each Obligor irrevocably waives the right to direct the application of such payments and proceeds and acknowledges and agrees that the Collateral Agent shall have the continuing and exclusive right to apply and reapply any and all such proceeds in the Collateral Agent's sole discretion, notwithstanding any entry to the contrary upon any of its books and records.

13. [Reserved].

14. Continuing Agreement.

(a) This Security Agreement shall be a continuing agreement in every respect and shall remain in full force and effect so long as any of the Obligations (other than contingent indemnification obligations to the extent no claim giving rise thereto has been asserted) remain outstanding or any Transaction Document is in effect. Upon such payment and termination, this Security Agreement shall be automatically terminated and all of the Liens and security interests granted hereunder shall be automatically released and the Collateral Agent and the Secured Parties shall, upon the request and at the expense of the Obligors, forthwith execute and/or deliver all UCC termination statements and/or other documents reasonably requested by the Obligors evidencing such termination and release. Notwithstanding the foregoing, all indemnities provided hereunder or under the Debenture shall survive termination of this Security Agreement.

(b) Any of the Collateral sold, transferred or otherwise disposed of by any Obligor to a Person in a transaction permitted by the Debenture, shall be transferred free of the security interest created hereby on such Collateral, and such security interest shall automatically terminate upon such permitted disposition. The Collateral Agent, at the request and sole expense of such Obligor, shall execute and deliver to such Obligor all releases or other documents reasonably requested by such Obligor to evidence such release of the Liens created hereby on such Collateral.

(c) This Security Agreement shall continue to be effective or be automatically reinstated, as the case may be, if at any time payment, in whole or in part, of any of the Obligations is rescinded or must otherwise be restored or returned by the Collateral Agent or any Secured Party as a preference, fraudulent conveyance or otherwise under any bankruptcy, insolvency or similar law, all as though such payment had not been made; provided that in the event that payment of all or any part of the Obligations is rescinded or must be restored or returned, all reasonable costs and expenses (including without limitation any reasonable legal fees and disbursements) incurred by the Collateral Agent or any Secured Party in defending and enforcing such reinstatement shall be deemed to be included as a part of the Obligations.

15. Amendments; Waivers; Modifications. None of the terms or provisions of this Secured Agreement may be waived, amended, supplemented or otherwise modified except in writing by the Borrower and the Collateral Agent; provided, however, that schedules to this Security Agreement may be supplemented in each case duly executed by each Obligor directly affected thereby.

16. Successors in Interest. This Security Agreement shall create a continuing security interest in the Collateral and shall be binding upon each Obligor, its successors and assigns and shall inure, together with the rights and remedies of the Collateral Agent and the Secured Parties hereunder, to the benefit of the Collateral Agent and the Secured Parties and their successors and permitted assigns; provided, however, that no party hereto may assign its rights or delegate its duties hereunder except as permitted by the Debentures.

17. Notices. All notices required or permitted to be given under this Security Agreement shall be in conformance with Section 8.2 of the Debenture.

18. Counterparts. This Security Agreement may be executed in any number of counterparts, each of which where so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Security Agreement to produce or account for more than one such counterpart. Delivery of executed counterparts of the Security Agreement by telecopy or other electronic means shall be effective as an original and shall constitute a representation that an original shall be delivered upon the request of the Collateral Agent.

19. Headings. The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning, construction or interpretation of any provision of this Security Agreement.

20. Governing Law; Consent to Jurisdiction; Waiver of Jury Trial; Electronic Execution. THIS SECURITY AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. The terms of Sections 8.11, 8.12 and 8.15 of the Debentures are incorporated herein by reference, *mutatis mutandis*, and the parties hereto agree to such terms.

21. Severability. If any provision of this Security Agreement is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

22. Entirety. This Security Agreement and the other Transaction Documents represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to this Security Agreement, the other Transaction Documents or the transactions contemplated herein and therein.

23. Survival. All representations and warranties of the Obligors hereunder shall survive the execution and delivery of this Security Agreement and the other Transaction Documents.

24. Joint and Several Obligations of Obligors.

(a) Each of the Obligors is accepting joint and several liability hereunder in consideration of the financial accommodations to be provided by the Debentureholders under the Debentures, for the mutual benefit, directly and indirectly, of each of the Obligors and in consideration of the undertakings of each of the Obligors to accept joint and several liability for the obligations of each of them.

(b) Each of the Obligors jointly and severally hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Obligors with respect to the payment and performance of all of the Obligations, it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each of the Obligors without preferences or distinction among them.

(c) Notwithstanding any provision to the contrary contained herein, in any other of the Transaction Documents, to the extent the obligations of a Guarantor shall be adjudicated to be invalid or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers) then the obligations of such Obligor hereunder shall be limited to the maximum amount that is permissible under applicable law (whether federal or state and including, without limitation, the Bankruptcy Code).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



Each of the parties hereto has caused a counterpart of this Security Agreement to be duly executed and delivered as of the date first above written.

**BORROWER:**

**PERMEX PETROLEUM CORPORATION,**  
a corporation formed under the laws of the British Columbia

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Security Agreement (Permex)]

---

\_\_\_\_\_,  
as Collateral Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[Signature Page to Security Agreement (Permex)]

---

**SCHEDULE 4(a)**

**NAME CHANGES/CHANGES IN  
CORPORATE STRUCTURE**

None.

---

**SCHEDULE 4(h)**  
**INTELLECTUAL PROPERTY**

(A) Copyrights

None.

(B) Copyright Licenses

None.

(C) Patents

None.

(D) Patent Licenses

None.

(E) Trademarks

None.

(F) Trademark Licenses

None.

---

**EXHIBIT A**  
[FORM OF]  
NOTICE  
OF  
GRANT OF SECURITY INTEREST  
IN  
COPYRIGHTS

Pursuant to the Security Agreement dated as of [●], 2024 (as amended, modified, extended, restated, replaced, or supplemented from time to time, the “Security Agreement”), by and among the Obligors party thereto (each an “Obligor” and collectively, the “Obligors”) and [ ], as Collateral Agent (the “Collateral Agent”) for the secured parties referenced therein (the “Secured Parties”), the undersigned Obligor has granted a continuing security interest in the copyrights and copyright applications shown on Schedule 1 attached hereto (the “Copyrights”) to the Collateral Agent for the ratable benefit of the Secured Parties and the undersigned hereby grants to the Collateral Agent, for the ratable benefit of the Secured Parties, a continuing security interest in, any and all right, title and interest of such Obligor in and to the Copyrights.

The Obligors and the Collateral Agent, on behalf of the Secured Parties, hereby acknowledge and agree that the security interest in the Copyrights (i) may only be terminated in accordance with the terms of the Security Agreement and (ii) is not to be construed as an assignment of any Copyright. In the event of a conflict between this Notice (defined below) and the Security Agreement, the Security Agreement shall control.

THIS NOTICE OF GRANT OF SECURITY INTEREST IN COPYRIGHTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER (this “Notice”) SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

---

[OBLIGOR]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Acknowledged and Accepted:

[ ],  
as Collateral Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

---

**Schedule 1**  
**Registered Copyrights**

---

**EXHIBIT B**  
[FORM OF]  
NOTICE  
OF  
GRANT OF SECURITY INTEREST  
IN  
PATENTS

Pursuant to the Security Agreement dated as of [●], 2024 (as amended, modified, extended, restated, replaced, or supplemented from time to time, the “Security Agreement”), by and among the Obligors party thereto (each an “Obligor” and collectively, the “Obligors”) and [ ], as Collateral Agent (the “Collateral Agent”) for the secured parties referenced therein (the “Secured Parties”), the undersigned Obligor has granted a continuing security interest in the patents, and patent applications shown on Schedule 1 attached hereto (the “Patents”) to the Collateral Agent for the ratable benefit of the Secured Parties and the undersigned hereby grants to the Collateral Agent, for the ratable benefit of the Secured Parties, a continuing security interest in, any and all right, title and interest of such Obligor in and to the Patents.

The Obligors and the Collateral Agent, on behalf of the Secured Parties, hereby acknowledge and agree that the security interest in the Patents (i) may only be terminated in accordance with the terms of the Security Agreement and (ii) is not to be construed as an assignment of any Patent. In the event of a conflict between this Notice (defined below) and the Security Agreement, the Security Agreement shall control.

THIS NOTICE OF GRANT OF SECURITY INTEREST IN PATENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER (this “Notice”) SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

---



[OBLIGOR]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Acknowledged and Accepted:

[ ],  
as Collateral Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

---

**Schedule 1**  
**Patents**

---

**EXHIBIT C**  
[FORM OF]  
NOTICE  
OF  
GRANT OF SECURITY INTEREST  
IN  
TRADEMARKS

Pursuant to the Security Agreement dated as of [●], 2024 (as amended, modified, extended, restated, replaced, or supplemented from time to time, the “Security Agreement”), by and among the Obligors party thereto (each an “Obligor” and collectively, the “Obligors”) and [ ], as Collateral Agent (the “Collateral Agent”) for the secured parties referenced therein (the “Secured Parties”), the undersigned Obligor has granted a continuing security interest in the trademarks and trademark applications shown on Schedule 1 attached hereto (the “Trademarks”) to the Collateral Agent for the ratable benefit of the Secured Parties and the undersigned hereby grants to the Collateral Agent, for the ratable benefit of the Secured Parties, a continuing security interest in, any and all right, title and interest of such Obligor in and to the Trademarks; provided that, in no event shall Trademarks include any “intent-to-use” trademark applications prior to the filing of a “Statement of Use” or “Amendment to Allege Use” with respect thereto, to the extent, if any, that, and solely during the period, if any, in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark application under applicable federal law.

The Obligors and the Collateral Agent, on behalf of the Secured Parties, hereby acknowledge and agree that the security interest in the Trademarks (i) may only be terminated in accordance with the terms of the Security Agreement and (ii) is not to be construed as an assignment of any Trademark. In the event of a conflict between this Notice (defined below) and the Security Agreement, the Security Agreement shall control.

THIS NOTICE OF GRANT OF SECURITY INTEREST IN TRADEMARKS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER (this “Notice”) SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

---

[OBLIGOR]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Acknowledged and Accepted:

[ ],  
as Collateral Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

---

**Schedule 1**  
**Registered Trademarks**

---

**EXHIBIT D**

[FORM OF]

MORTGAGE

---

**EXHIBIT E**  
[FORM OF]  
DEED OF TRUST

---

## EXHIBIT 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER OF PERMEX PETROLEUM CORPORATION  
PURSUANT TO RULES 13(a)-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Bradley Taillon, certify that:

1. I have reviewed this report on Form 10-Q 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 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 and I have disclosed, based on my 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: October 22, 2024

/s/ Bradley Taillon

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



## EXHIBIT 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER OF PERMEX PETROLEUM CORPORATION  
PURSUANT TO RULES 13(a)-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Gregory Montgomery, certify that:

1. I have reviewed this report on Form 10-Q 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 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 and I have disclosed, based on my 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: October 22, 2024

/s/ Gregory Montgomery

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

**EXHIBIT 32.1**

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

In connection with the Quarterly Report of Permex Petroleum Corporation (the "Company") on Form 10-Q for the fiscal quarter ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Bradley Taillon, Chief Executive Officer of the Company, hereby certify that, to my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934); and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 22, 2024

*/s/ Bradley Taillon*

\_\_\_\_\_  
Bradley Taillon  
Chief Executive Officer  
(Principal Executive Officer)

---

**EXHIBIT 32.2**

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

In connection with the Quarterly Report of Permex Petroleum Corporation (the "Company") on Form 10-Q for the fiscal quarter ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Gregory Montgomery, Chief Financial Officer of the Company, hereby certify that, to my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 22, 2024

*/s/ Gregory Montgomery*

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

---