

**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 December 31, 2023

OR

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

For the transition period from to

Commission File Number: 001-41558

Permex Petroleum Corporation

(Exact name of registrant as specified in its charter)

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

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

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

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

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 18, 2024, there were 551,503 common shares of the registrant issued and outstanding.

PERMEX PETROLEUM CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2023

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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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	December 31, 2023	September 30, 2023
ASSETS		
Current assets		
Cash	\$ 32,000	\$ 82,736
Trade and other receivables (net of allowance: December 31, 2023 - \$nil; September 30, 2023 - \$nil)	49,460	78,441
Prepaid expenses and deposits	108,253	127,239
Total current assets	189,713	288,416
Non-current assets		
Reclamation deposits	75,000	145,000
Property and equipment, net of accumulated depletion and depreciation	10,339,441	10,361,419
Right of use asset, net	129,961	146,912
Total assets	\$ 10,734,115	\$ 10,941,747
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade and other payables	\$ 3,744,023	\$ 3,228,327
Loan payable	115,936	125,936
Loan payable – related party	45,000	-
Lease liability – current portion	77,648	77,069
Total current liabilities	3,982,607	3,431,332
Non-current liabilities		
Asset retirement obligations	269,365	260,167
Lease liability, less current portion	65,232	81,456
Warrant liability	-	-
Total liabilities	4,317,204	3,772,955
Stockholders' Equity		
Common stock, no par value per share; unlimited shares authorized, 551,503 shares* issued and outstanding as of December 31, 2023 and September 30, 2023.	14,947,150	14,947,150
Additional paid-in capital	4,549,431	4,549,431
Accumulated other comprehensive loss	(127,413)	(127,413)
Accumulated deficit	(12,952,257)	(12,200,376)
Total stockholders' equity	6,416,911	7,168,792
Total liabilities and stockholders' equity	\$ 10,734,115	\$ 10,941,747

*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
THREE MONTHS ENDED DECEMBER 31
(UNAUDITED)

	<u>2023</u>	<u>2022</u>
Revenues		
Oil and gas sales	\$ 47,651	\$ 213,754
Royalty income	5,464	8,188
Total revenues	<u>53,115</u>	<u>221,942</u>
Operating expenses		
Lease operating expense	91,435	292,679
General and administrative	683,683	1,215,106
Depletion and depreciation	21,978	40,196
Accretion on asset retirement obligations	9,198	7,994
Total operating expenses	<u>(806,294)</u>	<u>(1,555,975)</u>
Loss from operations	<u>(753,179)</u>	<u>(1,334,033)</u>
Other income (expense)		
Foreign exchange loss	(3,676)	(3,310)
Other income	6,000	6,000
Finance expense	(1,026)	(1,182)
Change in fair value of warrant liability	-	23,334
Total other income (expense)	<u>1,298</u>	<u>24,842</u>
Net loss and comprehensive loss	<u>\$ (751,881)</u>	<u>\$ (1,309,191)</u>
Basic and diluted loss per common share	<u>\$ (1.36)</u>	<u>\$ (2.71)</u>
Weighted average number of common shares outstanding*	<u>551,503</u>	<u>483,150</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 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

Three months ended December 31

	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
Net loss	-	-	-	-	(751,881)	(751,881)
Balance, December 31, 2023	<u>551,503</u>	<u>\$ 14,947,150</u>	<u>\$ 4,549,431</u>	<u>\$ (127,413)</u>	<u>\$ (12,952,257)</u>	<u>\$ 6,416,911</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
Share-based payments	-	-	175	-	-	175
Net loss	-	-	-	-	(1,309,191)	(1,309,191)
Balance, December 31, 2022	<u>483,150</u>	<u>\$ 14,337,739</u>	<u>\$ 4,513,369</u>	<u>\$ (127,413)</u>	<u>\$ (9,569,606)</u>	<u>\$ 9,154,089</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
THREE MONTHS ENDED DECEMBER 31
(UNAUDITED)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (751,881)	\$ (1,309,191)
Adjustments to reconcile net loss to net cash from operating activities:		
Accretion on asset retirement obligations	9,198	7,994
Depletion and depreciation	21,978	40,196
Foreign exchange loss (gain)	3,676	-
Change in fair value of warrant liability	-	(23,334)
Share-based payments	-	175
Changes in operating assets and liabilities:		
Trade and other receivables	28,981	(48,252)
Prepaid expenses and deposits	18,986	112,319
Trade and other payables	512,020	514,733
Right of use asset and lease liability	1,306	1,868
Net cash used in operating activities	<u>(155,736)</u>	<u>(703,492)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures on property and equipment	-	(865,048)
Reclamation deposit redemption	70,000	-
Net cash provided by (used in) investing activities	<u>70,000</u>	<u>(865,048)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan payable proceeds from related party	45,000	-
Loan payable repayment	(10,000)	-
Convertible debenture repayment	-	(38,291)
Net cash provided by (used in) financing activities	<u>35,000</u>	<u>(38,291)</u>
Change in cash during the period	(50,736)	(1,606,831)
Cash, beginning of the period	82,736	3,300,495
Cash, end of the period	<u>\$ 32,000</u>	<u>\$ 1,693,664</u>
Supplemental cash flow disclosures:		
Interest paid	\$ 1,026	\$ 1,182
Taxes paid	\$ -	\$ -
Supplemental disclosures of non-cash investing and financing activities:		
Trade and other payables related to property and equipment	\$ -	\$ 1,270,400

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 MONTHS ENDED DECEMBER 31, 2023
(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 10th floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5. The Company is primarily engaged in the acquisition, development and production of oil and gas properties in the United States. The Company’s oil and gas interests are located in Texas and New Mexico, USA. The Company is listed on the Canadian Securities Exchange (the “CSE”) under the symbol “OIL”. 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 December 31, 2023, 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 MONTHS ENDED DECEMBER 31, 2023
(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 \$12,952,257, has a working capital deficiency of \$3,792,894 as of December 31, 2023 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 also expects to raise additional funds through equity and debt financings. There is no assurance that such financing will be available in the future. Subsequent to December 31, 2023, the Company has 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. Additionally, the Company has received subscription proceeds totaling \$2,350,000. 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 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 MONTHS ENDED DECEMBER 31, 2023
(UNAUDITED)

3. REVENUE

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

As of December 31, 2023 and September 30, 2023, receivable from contracts with customers, included in trade and other receivables, were \$21,116 and \$48,165, respectively.

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

Three months ended December 31, 2023	Texas	New Mexico	Total
Crude oil	\$ 29,624	\$ 18,027	\$ 47,651
Natural gas	-	-	-
Revenue from contracts with customers	<u>\$ 29,624</u>	<u>\$ 18,027</u>	<u>\$ 47,651</u>

Three months ended December 31, 2022	Texas	New Mexico	Total
Crude oil	\$ 173,961	\$ 39,512	\$ 213,473
Natural gas	281	-	281
Revenue from contracts with customers	<u>\$ 174,242</u>	<u>\$ 39,512</u>	<u>\$ 213,754</u>

4. CONCENTRATION OF CREDIT RISK

The Company’s financial instruments that are exposed to concentrations of credit risk consist primarily of its cash equivalents and trade receivables. The Company’s cash balances sometimes exceed the United States’ Federal Deposit Insurance Corporation insurance limits. The Company mitigates this risk by placing its cash and cash equivalents with high credit quality financial institutions and attempts to limit the amount of credit exposure with any one institution. To date, the Company has not recognized any losses caused by uninsured balances.

The majority of the Company’s receivable balance is concentrated in trade receivables, with a balance of \$43,696 as of December 31, 2023 (September 30, 2023 - \$73,021). For the three months ended December 31, 2023 and 2022, the Company had two significant customers that accounted for approximately 100% and 95%, respectively, of our total oil, and natural gas revenues. Two customers represented \$16,949 (39%) of the trade receivable balance. The Company routinely assesses the financial strength of its customers. The non-trade receivable balance consists of goods and services tax (“GST”) recoverable of \$5,764. GST recoverable is due from the Canadian Government. Management believes that the Company is not exposed to significant credit risk. During the three months ended December 31, 2023, the Company recognized \$9,587 (2022 - \$nil) in credit losses on its receivables.

PERMEX PETROLEUM CORPORATION
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5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31, 2023	September 30, 2023
Oil and natural gas properties, at cost	\$ 10,501,244	\$ 10,501,244
Less: accumulated depletion	(298,574)	(289,456)
Oil and natural gas properties, net	<u>10,202,670</u>	<u>10,211,788</u>
Other property and equipment, at cost	205,315	205,315
Less: accumulated depreciation	(68,544)	(55,684)
Other property and equipment, net	<u>136,771</u>	<u>149,631</u>
Property and equipment, net	<u>\$ 10,339,441</u>	<u>\$ 10,361,419</u>

Depletion and depreciation expense was \$21,978 and \$40,196 for the three month periods ended December 31, 2023 and December 31, 2022, respectively.

6. LEASES

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

	December 31, 2023	September 30, 2023
Right-of-use assets	<u>\$ 129,961</u>	<u>\$ 146,912</u>
Lease liabilities		
Balance, beginning of the year	\$ 158,525	\$ 244,906
Addition	-	-
Liability accretion	4,602	24,221
Lease payments	(20,247)	(110,602)
Balance, end of the year	<u>\$ 142,880</u>	<u>\$ 158,525</u>
Current lease liabilities	<u>\$ 77,648</u>	<u>\$ 77,069</u>
Long-term lease liabilities	<u>\$ 65,232</u>	<u>\$ 81,456</u>
Weighted-average remaining lease term (in years)	1.92	2.17
Weighted-average discount rate	12%	12%

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

	Three months ended December 31, 2023	Three months ended December 31, 2022
Operating lease cost	\$ 21,554	\$ 35,398
Variable lease expense	14,947	7,175
Sublease income	-	(10,004)
Net lease cost	<u>\$ 36,501</u>	<u>\$ 32,569</u>

As of December 31, 2023, the Company has one office lease agreement for its office premises for terms ending in November 2025. The maturities of the Company's operating lease liabilities are as follows:

Year	
2024	\$ 61,943
2025	84,664
2026	<u>14,180</u>
Total lease payments	160,787
Less: imputed interest	<u>(17,907)</u>
Total lease liabilities	<u>\$ 142,880</u>

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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:

	December 31, 2023	September 30, 2023
Asset retirement obligations, beginning of the year	\$ 260,167	\$ 236,412
Obligations derecognized	-	(287)
Revisions of estimates	-	(7,934)
Accretion expense	9,198	31,976
	<u>\$ 269,365</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 December 31, 2023, 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 three months ended December 31, 2023, the Company redeemed \$70,000 in reclamation deposits.

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8. DEBT

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.

Loan payable – Related party

During the three months ended December 31, 2023, the Company received a \$45,000 loan from a former director of the Company. The loan is unsecured, non-interest bearing, and has no specific repayment terms.

Loan payable

On April 28, 2023, the Company issued a promissory note with a principal amount of \$209,497 to a supplier to settle an outstanding trade payable. The promissory note is unsecured and bears interest at 6% per annum, payable on September 30, 2023. At December 31, 2023, the Company has an outstanding unpaid principal amount of \$115,936 (September 30, 2023 - \$125,936).

9. RELATED PARTY TRANSACTIONS

- i) The convertible debenture loan from the CEO of the Company mentioned in Note 8 was paid off during the three months ended December 31, 2022.
- 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 three months ended December 31, 2023, the Company incurred management salary of \$62,500 (2022 - \$62,500), for Mr. Ehsan, with no bonuses incurred in either quarter. 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.
- 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 three months ended December 31, 2023, the Company incurred management salary of \$12,500 (2022 - \$12,500), to the CFO of the Company, with no bonuses incurred in either year.

10. LOSS PER SHARE

The calculation of basic and diluted loss per share for the three month periods ended December 31, 2023 and 2022 was based on the net losses attributable to common shareholders. The following table sets forth the computation of basic and diluted loss per share:

	Three months ended December 31, 2023	Three months ended December 31, 2022
Net loss	\$ (751,881)	\$ (1,309,191)
Weighted average common shares outstanding	551,503	483,150
Basic and diluted loss per share	\$ (1.36)	\$ (2.71)

As of December 31, 2023, 16,980 (2022 - 21,146) stock options and 275,353 (2022 - 274,276) warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

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11. EQUITY

Common stock

The Company has authorized an unlimited number of common shares with no par value. At December 31, 2023 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 months ended December 31, 2023.

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.

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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, December 31, 2023	16,980	\$ 53.83
Exercisable at December 31, 2023	16,980	\$ 53.83

The aggregate intrinsic value of options outstanding and exercisable as at December 31, 2023 was \$nil (September 30, 2023 - \$nil).

The options outstanding as of December 31, 2023 have exercise prices in the range of \$9.00 to \$90.00 and a weighted average remaining contractual life of 6.43 years.

During the three months ended December 31, 2023 and 2022, the Company recognized share-based payment expense of \$nil and \$175, respectively, for the portion of stock options that vested during the period.

As December 31, 2023, the following stock options were outstanding:

Number of Options	Exercise Price	Issuance Date	Expiry Date
4,480	\$ 90.00	December 4, 2017	December 4, 2027
1,250	\$ 54.00	November 1, 2018	November 1, 2028
1,250	\$ 9.00	March 16, 2020	March 16, 2030
10,000	\$ 43.20	October 6, 2021	October 6, 2031
16,980			

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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
Expired	(4,393)		95.90
Balance, December 31, 2023	275,353	\$	38.99

As December 31, 2023, 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
52,083	\$	36.00		September 30, 2021		September 30, 2031
275,353						

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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 December 31, 2023. The Company plans to continue engaging with these claimants faithfully and is working on potential settlements for all outstanding claims.

14. SUBSEQUENT EVENTS

- a) On February 28, 2024, the Company announced a private placement of convertible debenture units of the Company (the “Units”) for gross proceeds of up to \$20,000,000. Each Unit will consist of one convertible debenture (a “Debenture”) in the principal amount of \$1,000 and one common share purchase warrant (a “Warrant”). Each Warrant will be exercisable for a period of five years from the date of issuance for one common share of the Company (a “Share”) at an exercise price of \$4.08. On May 29, 2024, the Company amended the terms of the Units. Each Unit will now consist of one convertible debenture (a “Debenture”) in the principal amount of \$1,000 and 294 common share purchase warrants (each a “Warrant”). Each Warrant will be exercisable for a period of five years from the date of issuance for one common share of the Company (a “Share”) at an exercise price of \$4.08 per share. The Debentures will mature (the “Maturity Date”) on the earlier of: (i) one-year from the date of issuance or (ii) three-months from the date of issuance if the Company does not enter into a securities exchange, unit purchase or merger agreement with a third party to the reasonable satisfaction of a majority of the holders of Debentures. The Debentures will bear simple interest at a rate of 10% per annum, payable on the Maturity Date or the date on which all or any portion of the Debenture is repaid, and have a conversion price of \$3.40 per share. Interest will be paid in cash or Shares based on a conversion price of \$3.40.
- b) On April 16, 2024, the Company closed the first tranche of the private placement announced on February 28, 2024, consisting of 500 Units for gross proceeds of \$500,000. As a result, the Company issued a Debenture with a principal amount of \$500,000 and 147,000 Warrants.
- c) On April 16, 2024, the Company received a cease trade order due to failing to file its annual financial statements for fiscal 2023 (the “FFCTO”) from the British Columbia Securities Commission (the “BCSC”) and the trading was halted from the CSE effective April 17, 2024.
- d) On June 5, 2024, the Company was granted a partial revocation of the FFCTO by the BCSC to permit the Company to complete an additional private placement of convertible debenture units for gross proceeds of \$865,000.
- e) On June 16, 2024, the Company closed the second tranche of the private placement of convertible debenture units announced on February 28, 2024, consisting of 865 Units for gross proceeds of \$865,000. As a result, the Company issued a Debenture with a principal amount of \$865,000 and 254,310 Warrants.
- f) The Company entered into an employment agreement with Bradley Taillon, the Company’s CEO, on April 29, 2024. Pursuant to this employment agreement, the Company employs Mr. Taillon to serve as CEO of the Company and to perform such duties and have such authority as may from time to time be assigned by the Company’s Board of Directors. As compensation for the performance of such duties, the Company paid Mr. Taillon a base salary of \$250,000, which shall be reviewed by the Company annually. The terms of this employment agreement as amended also provide that Mr. Taillon is eligible for an annual cash bonus of up to 100% of his annual salary. In addition to any annual bonus, Mr. Taillon received a one-time sign-on bonus of \$50,000 and is eligible for additional performance bonuses ranging from \$50,000 to \$750,000 upon the closing of a qualified financing with proceeds to the Company of \$1 million or greater. Further, the terms of this employment agreement provide that if Mr. Taillon’s employment with the Company is terminated without “cause” (as defined in the agreement) than Mr. Taillon is entitled to a severance payment equal to two years of base salary and a bonus equal to 50% of his annual base salary.
- g) On September 18, 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 \$2,350,000.

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 salt water disposal wells allowing for waterflood secondary recovery.

The Company's common shares are listed on the Canadian Securities Exchange under the symbol "OIL", 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.
- 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 \$2,350,000.

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 of which 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 recomplete 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 south west of Aspermont, Texas. It is bounded on the north by King County, on the east by Haskell County, on the south by Fisher and Jones Counties, and on the west by Kent County. The asset is situated on the Eastern Shelf of the Midland Basin in the central part of the North Central Plains. The Mary Bullard Property covers 241 acres held by production and is productive in the Clearfork formation at a depth of approximately 3,200 feet. There is currently one producing well, four shut-in wells, and two water injection wells. The Company holds a 100% working interest in the Mary Bullard Property and a 78.625% net revenue interest. 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.

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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:

Property	Gross Developed Acreage	Net Developed Acreage	Gross Productive Wells	Net Productive Wells
Pittcock	818	664.63	1	0.81
Henshaw	1,880	1,353.60	8	5.76
Oxy Yates	680	489.60	5	3.60
Bullard	241	187.98	1	0.78
Breedlove	1,558	1,246.40	15	12.00
Royalty Interest Properties	—	—	73	0.01

The Company has 6,000 gross undeveloped acres and 4,800 net undeveloped acres. All of the Company's undeveloped acreage is on the Company's Breedlove property.

The Company's leases are nearly entirely held by production in perpetuity. If a field/lease is undeveloped it typically has a 2, 3 or 5 year term of expiry. The Company has over 340 leases covering undeveloped acreage and less than 5% of these leases have an active expiry date that is less than two years from the date of this Report.

Results of Operations

Sales and Production

The average sales prices of the Company's oil and gas products sold in the three months ended December 31, 2023 and 2022, and the fiscal year ended September 30, 2023 was \$71.82/Boe, \$80.48/Boe, and \$71.45/Boe, respectively.

The Company's net production quantities by final product sold in the three months ended December 31, 2023 and 2022, and the fiscal year ended September 30, 2023 was 919.94 Boe, 3,622.90 Boe, and 12,979.36 Boe, respectively.

The Company's average production costs per unit for the three months ended December 31, 2023 and 2022, and the fiscal year ended September 30, 2023, was \$99.39/Boe, \$80.79/Boe, and \$67.76/Boe, respectively.

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

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Fiscal Year Ended September 30, 2023
Net Production Volumes			
Oil/Condensate (Bbl)	920	3,542	11,729
Natural Gas (Mcf)	-	487	7,500
Average Sales Price			
Oil/Condensate (\$/Bbl)	71.82	81.50	76.17
Natural Gas (\$/Mcf)	-	5.98	4.53

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

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Fiscal Year Ended September 30, 2023
Net Production Volumes			
Oil/Condensate (Bbl)	541	2,611	7,628
Natural Gas (Mcf)	-	487	6,362

Henshaw

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Fiscal Year Ended September 30, 2023
Net Production Volumes			
Oil/Condensate (Bbl)	379	765	3,098
Natural Gas (Mcf)	-	-	1,138

Pittcock & Mary Bullard

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Fiscal Year Ended September 30, 2023
Net Production Volumes			
Oil/Condensate (Bbl)	-	167	1,003
Natural Gas (Mcf)	-	-	-

Operating Results

During the three months ended December 31, 2023, the Company reported a net loss of \$751,881 as compared to a net loss of \$1,309,191 for the three months ended December 31, 2022. The net loss for the first quarter of current fiscal year was mainly attributable to operating expenses of \$806,294 compared to operating expenses of \$1,559,285 in the same quarter in the previous fiscal year, being partially offset by revenue from oil and gas sales and royalty income of \$53,115 compared to \$221,942 in the fiscal 2023 quarter.

The Company reported oil and gas sales revenue of \$47,651 in the first quarter of the current fiscal year compared with revenue of \$213,754 in the same quarter during the last fiscal year. The decrease is due to reduced oil and gas production across all fields, attributed to financial constraints affecting field operations. Net oil-equivalent production by final product sold in the current quarter averaged 10 barrels per day in the current quarter, compared to 39.38 barrels per day in the same quarter of the previous fiscal year.

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The lease operating expense for the quarter ended December 31, 2023 were \$91,435 compared with \$292,679 in the quarter ended December 31, 2022. The decrease in lease operating expense is attributed to reduced production in the current quarter compared to the same quarter 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.

The general and administrative expenses for the three months ended December 31, 2023 were \$683,683, a significant decrease from \$1,215,106 in the three months ended December 31, 2022. The reduction is mainly due to the decreased property development and corporate activities during the current quarter. Specifically, the variance in the current quarter from the same quarter in the previous fiscal year was mainly attributable to:

- Accounting and audit fees of \$122,746, which decreased from \$319,621 in the first quarter of the previous fiscal year. The decrease was largely due to the delayed start of audit work. 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.
- Consulting fees of \$33,207 in the current quarter compared to \$136,825 in the first quarter of the previous fiscal year. This decrease was primarily attributed to fewer fees paid to contract consultants for geological, project management, and general regulatory and corporate consulting work. The variance was largely due to reduced property development and corporate activities in the current quarter.
- Legal fees of \$188,730 in the current quarter, down from \$275,194 in the same quarter of the previous fiscal year. The fees were 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 and promotion expenses of \$23,170 in the current quarter compared to \$121,502 in the same quarter of the previous fiscal year. The reduction was due to the Company scaling back the marketing activities.

Liquidity and Capital Resources

As at December 31, 2023, the Company had a cash balance of \$32,000, a decrease of \$50,736 from the cash balance of \$82,736 on September 30, 2023. During the three months ended December 31, 2023, cash used in operating activities was \$155,736, primarily consisting of accounting, insurance, salary and general office expenses. The Company received \$70,000 from reclamation deposit redemption and \$45,000 from a related party loan and repaid \$10,000 on a third-party loan.

The Company had a working capital deficiency of \$3,792,894 as at December 31, 2023 compared to a working capital deficiency of \$3,142,916 as at September 30, 2023. This raises substantial doubt about the Company's ability to continue as a going concern.

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 financings and/or a line of credit. 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 three months ended December 31, 2023, the Company does not have sufficient working capital to meet its anticipated operating and capital requirements over the next 12 months. Subsequent to December 31, 2023, the Company received \$3.715 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 first quarter of fiscal 2024 would have increased by approximately \$1,000.

Impairment

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

Asset retirement obligations

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

A sensitivity analysis of the ARO impact on earnings 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 convertible debenture loan from the CEO of the Company mentioned in Note 8 was paid off during the three months ended December 31, 2022.
- (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 three months ended December 31, 2023, the Company incurred management salary of \$62,500 (2022 - \$62,500), for Mr. Ehsan, with no bonuses incurred in either quarter. Further, the terms of this employment agreement provide that if Mr. Ehsan's employment with the Company is terminated without "cause" (as defined in the agreement) then Mr. Ehsan is entitled to a severance payment equal to three years of base salary and a bonus equal to 20% of his annual base salary. Mr. Ehsan resigned as President and CEO of the Company on April 29, 2024. On May 15, 2024, the Company amended the employment agreement to change his role to Vice President of Business Development. All other terms and conditions of the employment agreement 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 three months ended December 31, 2023, the Company incurred management salary of \$12,500 (2022 - \$12,500), to the CFO of the Company, with no bonuses incurred in either year.

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 December 31, 2023.

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 three months ended December 31, 2023 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 at December 31, 2023. The Company made a payment of \$100,000 to Atlas Tubular in June 2024 towards this alleged debt.

2. *Foundation Energy Services, LLC* filed a suit against the Company in the 160th Judicial District Court, Dallas County, Texas, seeking damages of at least \$66,074. This amount is included in the Company's trade payables as at December 31, 2023. Foundation Energy Services, LLC was awarded a judgment for the amount owed, plus attorney's fees of \$11,055, court costs of \$485, 5% interest, and \$10,000 in post judgment attorney's fees for collection efforts.

3. *Panther Fluids Management, LLC* filed a suit against the Company in the County Court at Law No. 3, Harris County, Texas, alleging a breach of contract and seeking payment for an outstanding balance of \$81,788. This amount is included in the Company's trade payables as at December 31, 2023. 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 at December 31, 2023. 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.

ITEM 5 OTHER INFORMATION

During the three months ended December 31, 2023, 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

<u>Exhibit No.</u>	<u>Description</u>
3.1	Articles of Permex Petroleum Corporation (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 29, 2022)
31.1*	Certification of Principal Executive Officer, pursuant to Rules 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer, pursuant to Rules 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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
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
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 December 31, 2023 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 18, 2024

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

PERMEX PETROLEUM CORPORATION

Date: October 18, 2024

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

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 18, 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 18, 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 December 31, 2023 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 18, 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 December 31, 2023 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 18, 2024

/s/ Gregory Montgomery

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