



FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
AMENDED AND RESTATED

For the Three Months Ended December 31, 2023

NOTICE TO READER

Permex Petroleum Corporation (the “Company”) has amended and restated its condensed interim consolidated financial statements and Management’s Discussion and Analysis (“MD&A”) to replace the version originally filed on August 7, 2024 which had not been reviewed by the Company’s independent registered accounting firm. Readers should not rely on the financial statements and MD&A filed on August 7, 2024. This restatement follows completion of the review conducted by an independent registered public accounting firm in accordance with Public Company Accounting Oversight Board Auditing Standard 4105, Reviews of Interim Financial Information, and was filed with the Securities Exchange Commission on Form 10-Q and the Canadian Securities Exchange for the quarter ended December 31, 2023 on October 23, 2024 (the “Revised Filing”).

The Revised Filing includes a reclassification on the statement of cash flows of \$34,374 from investing activities to operating activities. It also incorporates additional note disclosures and updates on subsequent events up to the date of issuance of the Form 10-Q on October 23, 2024. Other than the reclassification on the statement of cash flows, there are no changes to the financial statement amounts for the three months ended December 31, 2023. The revisions are limited to changes to note disclosures and updated information on subsequent events in the financial statements and changes to MD&A disclosures to comply with financial reporting requirements.

This MD&A replaces and supersedes the original MD&A previously filed on August 7, 2024. There are no changes in this restatement from the Form 10-Q filed on October 23, 2024 other than this Notice to Reader. The Board of Directors has approved this amended and restated MD&A on December 20, 2024.

Introduction

This Management’s Discussion and Analysis (“MD&A”) has been prepared by the management of Permex Petroleum Corporation (“Permex” or the “Company”) as of December 20, 2024, and should be read in conjunction with the unaudited interim consolidated financial statements and related notes of the Company for the three month period ended December 31, 2023, and the audited consolidated financial statements of the Company together with the related notes thereto for the year ended September 30, 2023. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). All amounts are stated in United States dollars unless otherwise indicated.

Additional information related to the Company and its operations is available on SEDAR at www.sedarplus.ca and on the Company web site at www.permexpetroleum.com.

Forward-Looking Statements

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 recompletable candidate for the Company, pending successful capital raising efforts. The Company is currently evaluating a number of re-entry opportunities across this asset including production optimization of the producing wells as well as the 9 currently shut-in wells. As of September 2024, the Company has resumed production of these assets including limited recompletable 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.

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	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Fiscal Year Ended September 30, 2023

	2023	2022	
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.

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.

Summary Of Quarterly Results

The following table sets forth selected unaudited financial information for the Company's eight most recent quarters ending with the last quarter for the three month period ended December 31, 2023.

	For the Three Months Ended							
	Fiscal 2024	Fiscal 2023				Fiscal 2022		
	Dec. 31, 2023	Sept. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	Jun. 30, 2022	Mar. 31, 2022
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total revenues	53,115	129,228	157,019	180,638	221,942	253,402	276,722	241,886
Net income (loss)	(751,881)	(609,854)	(1,452,827)	(1,111,323)	(1,309,191)	(916,831)	(888,669)	(157,928)
Earnings (loss) per share - basic and diluted	(1.36)	(1.11)	(2.96)	(2.30)	(2.71)	(1.90)	(1.84)	(0.52)

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

Net losses for the quarters were mainly attributable to operating expenses, partially offset by revenue from oil and gas sales and royalty income. The operating expenses remained generally consistent from fiscal 2022 Q3 to fiscal 2023 Q2 following the Company's completion of \$8 million in private placement financings on March 30, 2022. The Company has scaled back activities in the last three quarters due to financial constraints. Oil and gas sales revenue was generally consistent for fiscal 2022 and the first three quarters of fiscal 2023 but has decreased in the last two quarters due to financial constraints.

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) than Mr. Ehsan is entitled to a severance payment equal to three years of base salary and a bonus equal to 20% of his annual base salary. Mr. Ehsan resigned as President and CEO of the Company on April 29, 2024. On May 15, 2024, the Company amended the employment agreement to change his role to Vice President of Business Development. All other terms and conditions of the employment agreement remained the same. On August 30, 2024, the Company signed a separation agreement to terminate Mr. Ehsan's employment. The settlement includes: i) a lump sum payment of \$100,000 payable upon the Company's receipt of capital investment of no less than \$1,000,000 or by October 31, 2024, whichever occurs first; ii) six equal monthly payments of \$7,500 starting October 1, 2024 (with the first payment already made); and iii) the transfer of ownership of a Company vehicle with a fair value of \$35,155.
- (c) On May 1, 2022, the Company entered into an employment agreement with the CFO of the Company for an annual base salary of \$50,000, with no specified term. The CFO is also eligible on an annual basis for a cash

bonus of up to 100% of annual salary, subject to the discretion of the board of directors. The employment agreement may be terminated with a termination payment equal to two months of base salary. During the 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.

Outstanding Share Data

The Company had the following common shares, stock options and warrants outstanding as at the date of this report:

Issued and Outstanding Common shares	551,503
Stock options	69,167
Warrants	2,511,904
	<hr/>
	3,132,574

As of the date of this report, the Company also has convertible debentures of \$4,276,389 convertible into 2,238,947 common shares.

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.

Changes In Accounting Policies Including Initial Adoption

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.

Disclosure Controls

In connection with Exemption Orders issued by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificates under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

Approval

The Board of Directors of Permex Petroleum Corporation has approved the contents of this management discussion and analysis on December 20, 2024.