PERMEX PETROLEUM
CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AMENDED AND RESTATED

Three and Nine Months Ended June 30, 2024

(EXPRESSED IN UNITED STATES DOLLARS)

(UNAUDITED)

NOTICE TO READER

The attached amended and restated condensed interim consolidated financial statements of Permex Petroleum Corporation (the "Company") replace the version originally filed on August 29, 2024 which had not been reviewed by the Company's independent registered accounting firm. Readers should not rely on the financial statements and Management's Discussion and Analysis ("MD&A") filed on August 29, 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 Form10-Q and the Canadian Securities Exchange for the quarter ended June 30, 2024 on October 23, 2024 (the "Revised Filing").

The changes to the financial statements for the three and nine months ended June 30, 2024 are related to the issuance of warrants with the Company's convertible debentures. The restatement includes the recognition of a $495,051 loss on debt extinguishment and a reduction in interest expense of $596,253 for recognition of a debt discount applied to the face amount of the convertible debentures for the relative fair value of the warrants granted offset by debt discount amortization. These adjustments are non-cash in nature and do not impact the Company's ongoing cash position. The corresponding note disclosures have been updated to reflect these revisions. The Revised Filing also includes updated information on subsequent events in the financial statements up to the date of issuance of the Form10-Q on October 23, 2024 and changes to MD&A disclosures to comply with financial reporting requirements.

These amended and restated condensed interim consolidated financial statements and the related amended and restated MD&A for the three and nine months ended June 30, 2024 replace and supersede the respective original financial statements and related MD&A previously filed on August 29, 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 these amended and restated financial statements on December 20, 2024.

PERMEX PETROLEUM CORPORATION
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

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

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

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

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

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

Three months ended June 30

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, March 31, 2024	551,503	$ 14,947,150	$ 4,549,431	$ (127,413)	$ (13,367,612)	$ 6,001,556
Warrants issued in private placement	-	-	431,666	-	-	431,666
Warrants issued for debt amendment	-	-	494,219	-	-	494,219
Net loss	-	-	-	-	(1,248,755)	(1,248,755)
Balance, June 30, 2024	551,503	$ 14,947,150	$ 5,475,316	$ (127,413)	$ (14,616,367)	$ 5,678,686

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, March 31, 2023	483,150	$ 14,337,739	$ 4,513,512	$ (127,413)	$ (10,680,929)	$ 8,042,909
Exercise of warrants	68,353	781,953	-	-	-	781,953
Share issuance costs	-	(129,780)	35,919	-	-	(93,861)
Deemed dividend arising from warrant modification	-	-	543,234	-	-	543,234
Warrant modification	-	-	(543,234)	-	-	(543,234)
Net loss	-	-	-	-	(909,593)	(909,593)
Balance, June 30, 2023	551,503	$ 14,989,912	$ 4,549,431	$ (127,413)	$ (11,590,522)	$ 7,821,408

Nine months ended June 30

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, September 30, 2023	551,503	$ 14,947,150	$ 4,549,431	$ (127,413)	$ (12,200,376)	$ 7,168,792
Warrants issued in private placement	-	-	431,666	-	-	431,666
Warrants issued for debt amendment	-	-	494,219	-	-	494,219
Net loss	-	-	-	-	(2,415,991)	(2,415,991)
Balance, June 30, 2024	551,503	$ 14,947,150	$ 5,475,316	$ (127,413)	$ (14,616,367)	$ 5,678,686

	Number of Shares*	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, September 30, 2022	483,150	$14,337,739	$4,513,194	$ (127,413)	$ (8,260,415)	$10,463,105
Exercise of warrants	68,353	781,953	-	-	-	781,953
Share issuance costs	-	(129,780)	35,919	-	-	(93,861)
Deemed dividend arising from warrant modification	-	-	543,234	-	-	543,234
Warrant modification	-	-	(543,234)	-	-	(543,234)
Share-based payments	-	-	318	-	-	318
Net loss	-	-	-	-	(3,330,107)	(3,330,107)
Balance, June 30, 2023	551,503	$14,989,912	$4,549,431	$ (127,413)	$(11,590,522)	$ 7,821,408

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

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

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

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

Share purchase warrants issued in connection with debt issuance	$	431,666	$	-
Trade and other payables related to property and equipment	$	-	$	1,459,667

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

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 June 30, 2024, the Company brought all filings required by the BCSC up to date. On September 6, 2024, the FFCTO was revoked by the BCSC, and the Company's common shares were reinstated for trading on the CSE effective September 9, 2024.

On September 12, 2023, the Company's board of directors approved a reverse stock split of the Company's issued and outstanding common stock at a 1 for 4 ratio, which was effective October 23, 2023. All issued and outstanding common stock, options, and warrants to purchase common stock and per share amounts contained in the financial statements have been retroactively adjusted to reflect the reverse stock splits for all periods presented.

These amended condensed interim consolidated financial statements of the Company for the three and nine months ended June 30, 2024 were approved and authorized for issue by the Board of Directors on December 20, 2024.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Going concern of operations

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has incurred losses since inception in the amount of $14,616,367, has a working capital deficiency of $4,480,663 as of June 30, 2024 and has not yet achieved profitable operations. The Company requires equity or debt financings to fund its operation, which it has been unable to secure in sufficient amounts to date, and there can be no assurances that it will be able to do so in the future. The aforementioned factors raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued.

The Company expects to raise additional funds through equity and debt financings. There is no assurance that such financing will be available in the future. During the quarter ended June 30, 2024, the Company raised $1,365,000 through the issuance of convertible debentures. These debentures had a maturity date of September 12, 2024 but are currently in default due to the Company's failure to repay the principal and accrued interest on the maturity date. The Company is currently negotiating a debt restructuring plan with the debenture holders. Subsequent to June 30, 2024, the Company received $2,400,000 in subscription proceeds through additional debt financing. Management believes that this plan provides an opportunity for the Company to continue as a going concern subject to its continued ability to raise funds to maintain its operations and manage its working capital deficiency.

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

Use of Estimates

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

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

New accounting standards

On October 1, 2023, the Company adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as issued by the FASB, the modified retrospective approach. This update replaces the incurred loss methodology with a forwardlooking current expected credit loss (CECL) model for most financial assets measured at amortized cost. The CECL model requires the recognition of credit losses for financial assets based on expected losses rather than incurred losses. Adoption of this standard is on a modified retrospective basis and had no impact on the Company's financial position, results of operations, cash flows or net loss per share.

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

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

3. REVENUE

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

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

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

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

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

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

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

4. CONCENTRATION OF CREDIT RISK

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

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

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

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

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

6. LEASES

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

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

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

	Three Months Ended	Three Months Ended	Nine Months Ended	Nine Months Ended

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

As of June 30, 2024, the Company has one office lease agreement for its office premises for terms ending in November 2025. The maturities of the Company's operating lease liabilities are as follows:

Year	
2024	$ 20,648
2025	84,664
2026	14,180
Total lease payments	119,492
Less: imputed interest	(10,163)
Total lease liabilities	$ 109,329

7. ASSET RETIREMENT OBLIGATIONS

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

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

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

Reclamation deposits

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

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8. DEBT

Convertible debentures

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

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

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

The Convertible Debentures will mature on the earlier of: (i) one-year from the date of issuance or (ii) three-months from the date of issuance if the Company does not enter into a securities exchange, unit purchase or merger agreement with a third party to the reasonable satisfaction of a majority of the holders of Debentures. The Convertible Debentures are secured by the Company's assets, bear simple interest at a rate of 10% per annum, payable on the maturity date or the date on which all or any portion of the Convertible Debenture is repaid, and are convertible into common shares of the Company at a conversion price of $3.40 per share. Interest will be paid in cash or Shares based on a conversion price of $3.40.

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

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

These Convertible Debentures are currently in default due to the Company's failure to repay the principal and accrued interest on the maturity date. As of the date of this report, the aggregate amount due under these Convertible

Debentures, including accrued interest is $1,421,829. The Company is currently negotiating a debt restructuring plan with the debenture holders.

Loans payable

During the nine months ended June 30, 2024, the Company received a $45,000 loan from a former director of the Company. The loan is unsecured, non-interest bearing, and has no specific repayment terms.

On April 28, 2023, the Company issued a promissory note with a principal amount of $209,497 to a supplier to settle an outstanding trade payable. The promissory note is unsecured and bears interest at 6% per annum, payable on September 30. 2023. At June 30, 2024, the Company has an outstanding unpaid principal amount of $115,936 (September 30, 2023 - $125,936).

Debenture loan – Related party

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

9. RELATED PARTY TRANSACTIONS

i) The Company entered into an employment agreement with Bradley Taillon, the Company's CEO, on April 29, 2024, for an annual base salary of base salary of $250,000, which shall be reviewed by the Company annually. Subject to the discretion of the board of directors, Mr. Taillon is also eligible on an annual basis for a cash bonus of up to 100% of annual salary and additional performance bonuses ranging from $50,000 to $750,000 upon the closing of a qualified financing with proceeds to the Company of $1 million or greater. Further, the terms of this employment agreement provide that if Mr. Taillon's employment with the Company is terminated without "cause" (as defined in the agreement) than Mr. Taillon is entitled to a severance payment equal to two years of base salary and a bonus equal to 50% of his annual base salary. During the three and nine months ended June 30, 2024, the Company incurred management salary of $59,812 and a one-time sign-on bonus of $50,000 for Mr. Taillon.

ii) The Company had an employment agreement with Mehran Ehsan, the former CEO of the Company, for an annual base salary of $250,000, with no specified term. Mr. Ehsan is also eligible on an annual basis for a cash bonus of up to 100% of annual salary, subject to the discretion of the board of directors. During the nine months ended June 30, 2024, the Company incurred management salary of $187,500 (2023 - $187,500), for Mr. Ehsan, with no bonuses incurred in either period. During the three months ended June 30, 2024, the Company incurred management salary of $62,500 (2023 - $62,500), for Mr. Ehsan. Further, the terms of this employment agreement provide that if Mr. Ehsan's employment with the Company is terminated without "cause" (as defined in the agreement) than Mr. Ehsan is entitled to a severance payment equal to three years of base salary and a bonus equal to 20% of his annual base salary. Mr. Ehsan resigned as President and CEO of the Company on April 29, 2024. On May 15, 2024, the Company amended the employment agreement to change his role to Vice President of Business Development. All other terms and conditions of the employment agreement remained the same. Subsequent to June 30, 2024, the Company signed a separation agreement to terminate Mr. Ehsan's employment. The settlement includes: i) a lump sum payment of $100,000 payable upon the Company's receipt of capital investment of no less than $1,000,000 or by October 31, 2024, whichever occurs first; ii) six equal monthly payments of $7,500 starting October 1, 2024 (with the first payment already made); and iii) the transfer of ownership of a Company vehicle with a fair value of $35,155.

iii) On May 1, 2022, the Company entered into an employment agreement with the CFO of the Company for an annual base salary of $50,000, with no specified term. The CFO is also eligible on an annual basis for a cash bonus of up to 100% of annual salary, subject to the discretion of the board of directors. The employment agreement may be terminated with a termination payment equal to two months of base salary. During the nine months ended June 30, 2024, the Company incurred management salary of $37,500 (2023 - $37,500), to the CFO of the Company, with no bonuses incurred in either period. During the three months ended June 30, 2024, the Company incurred management salary of $12,500 (2023 - $12,500).

iv) The convertible debenture loan from the former CEO of the Company mentioned in Note 8 was paid off during the nine months ended June 30, 2023.

10. LOSS PER SHARE

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

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

For the three and nine months ended June 30, 2024, 16,980 stock options and 676,663 warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive. For the three and nine months ended June 30, 2023, 20,313 stock options and 279,746 warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

11. EQUITY

Common stock

The Company has authorized an unlimited number of common shares with no par value. At June 30, 2024 and September 30, 2023, the Company had 551,503 common shares issued and outstanding after giving effect to the 4:1 reverse stock split effective October 23, 2023. All issued and outstanding common stock, options, and warrants to purchase common stock and per share amounts contained in the financial statements have been retroactively adjusted to reflect the reverse stock split.

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

During the year ended September 30, 2023, the Company announced a warrant exercise incentive program (the "Program") whereby the Company amended the exercise prices of 253,966 warrants (the "Eligible Warrants") from $50.40 per share to $11.44 per share if the holders of the Eligible Warrants exercised the Eligible Warrants before June 30, 2023 (the "Program Period"). In addition to the repricing, the Company offered, to each warrant holder who exercised the Eligible Warrants during the Program Period, the issuance of one additional common share purchase warrant for each warrant exercised during the Program Period (each, an "Incentive Warrant"). Each Incentive Warrant entitles the warrant holder to purchase one common share of the Company for a period of 5 years from the date of issuance, at a price of $18.00 per Share.

On June 30, 2023, the Company issued 68,353 common shares at a price of $11.44 per share from the exercise of the Eligible Warrants pursuant to the Program for gross proceeds of $781,953 (net proceeds of $645,330). In connection with the Program, the Company issued 68,353 Incentive Warrants. The Company also incurred $62,556 and issued 5,470 warrants as a finders' fee to its investment bank. The finder's warrants are on the same terms as the Incentive Warrants. The Incentive Warrants and finder's warrants were valued at $449,005 and $35,919, respectively, using the Black-Scholes option pricing model (assuming a risk-free interest rate of 3.68%, an expected life of 5 years, annualized volatility of 128.81% and a dividend rate of 0%). The repricing of the Eligible Warrants is accounted for as a modification under ASC 815-40-35-14 through 18. The effect of the modification is $544,164, measured as the excess of the fair value of the repriced warrants over the fair value of the original warrants immediately before it was modified and the fair value of the incentive warrants issued as an additional inducement to exercise the warrants. The fair values were measured using the Black-Scholes option pricing model (assuming a risk-free interest rate of 4.21%, an expected life of 3.75 years, annualized volatility of 137.62% and a dividend rate of 0%). The Company recognized a deemed dividend of $543,234 for the fair value of the Incentive Warrants and the portion of inducement related to the equity-classified warrants. The effect of the repricing of the liability-classified warrants was $930 and was recorded in the statement of operations and comprehensive loss. The Company also incurred legal and other expenses of $74,066 in connection with the Program.

Share-based payments

Stock options

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

11. EQUITY (cont'd…)

Share-based payments (cont'd…)

Stock option transactions are summarized as follows:

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

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

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

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

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

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

11. EQUITY (cont'd…)

Warrants

Warrant transactions are summarized as follows:

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

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

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

12. SEGMENT INFORMATION

Operating segments

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

13. CONTINGENCIES

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

14. SUBSEQUENT EVENT

Subsequent to June 30, 2024, the Company announced a non-brokered private placement of up to 18,635 convertible debenture units of the Company (each, a "Unit"). Each Unit consists of one convertible debenture (a "Debenture") in the principal amount of $1,000 and 523 common share purchase warrants (each, a "Warrant"). Each Warrant is exercisable for a period of five years from the date of issuance for one common share of the Company (a "Share") at an exercise price of $1.91 per share. The Debentures will mature one-year from the date of issuance. The Debentures will bear simple interest at a rate of 10% per annum, payable on the Maturity Date or the date on which all or any portion of the Debenture is repaid. Interest will be paid in cash or Shares based on a conversion price of $1.91 (the "Conversion Price"). As of the date of this quarterly report, the Company has received subscription proceeds totaling $2,400,000.