PERMEX PETROLEUM CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended June 30, 2025

(EXPRESSED IN UNITED STATES DOLLARS)

(UNAUDITED)

PERMEX PETROLEUM CORPORATION
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

		June 30, 2025		September 30, 2024
ASSETS				
Current assets				
Cash	$	2,088,429	$	1,513,591
Trade and other receivables (net of allowance: June 30, 2025 - $nil; September 30, 2024 - $nil)		189,843		44,932
Prepaid expenses and deposits		113,999		146,452
Total current assets		2,392,271		1,704,975
Non-current assets				
Reclamation deposits		75,000		75,000
Property and equipment, net of accumulated depletion and depreciation		10,447,371		10,281,248
Total assets	$	12,914,642	$	12,061,223
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Trade and other payables	$	4,791,847	$	3,786,909
Loans payable		160,936		160,936
Convertible debentures		3,594,362		1,365,000
Debt subscription proceeds		2,000,000		2,250,000
Total current liabilities		10,547,145		7,562,845
Non-current liabilities				
Asset retirement obligations		437,891		392,977
Total liabilities		10,985,036		7,955,822
Stockholders' Equity				
Common stock, no par value per share; unlimited shares authorized, 551,503 shares issued and outstanding as of June 30, 2025 and September 30, 2024.		14,947,150		14,947,150
Additional paid-in capital		7,402,555		5,475,316
Accumulated other comprehensive loss		(127,413)		(127,413)
Accumulated deficit		(20,292,686)		(16,189,652)
Total stockholders' equity		1,929,606		4,105,401
Total liabilities and stockholders' equity	$	12,914,642	$	12,061,223

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, 2025	Three Months Ended June 30, 2024	Nine Months Ended June 30, 2025	Nine Months Ended June 30, 2024
Revenues				
Oil sales	$ 56,862	$ -	$ 302,904	$ 75,466
Royalty income	3,302	2,671	9,947	11,190
Other operating income	49,767	-	219,767	-
Total revenues	109,931	2,671	532,618	86,656
Operating expenses				
Lease operating expense	100,135	10,421	620,899	165,305
General and administrative	373,069	629,836	2,612,020	1,674,738
Depletion and depreciation	29,085	14,875	134,961	54,829
Accretion on asset retirement obligations	14,972	9,198	44,914	27,594
Gain on settlement of trade payables	-	-	(184,089)	-
Total operating expenses	(517,261)	(664,330)	(3,228,705)	(1,922,466)
Loss from operations	(407,330)	(661,659)	(2,696,087)	(1,835,810)
Other income (expense)				
Foreign exchange gain (loss)	(18,282)	5,146	3,603	5,087
Other income	-	-	-	8,000
Interest expense	(535,564)	(97,191)	(1,305,201)	(98,217)
Loss on debt extinguishment	-	(495,051)	(105,349)	(495,051)
Total other income (expense)	(553,846)	(587,096)	(1,406,947)	(580,181)
Net loss and comprehensive loss	$ (961,176)	$ (1,248,755)	$ (4,103,034)	$ (2,415,991)
Basic and diluted loss per common share	$ (1.74)	$ (2.26)	$ (7.44)	$ (4.38)
Weighted average number of common shares outstanding – basic and diluted	551,503	551,503	551,503	551,503

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, 2025	551,503	$14,947,150	$7,402,555	$ (127,413)	$(19,331,510)	$2,890,782
Net loss	-	-	-	-	(961,176)	(961,176)
Balance, June 30, 2025	551,503	$14,947,150	$7,402,555	$ (127,413)	$(20,292,686)	$1,929,606

	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

Nine months ended June 30

	Number of Shares	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total equity
Balance, September 30, 2024	551,503	$14,947,150	$5,475,316	$ (127,413)	$(16,189,652)	$ 4,105,401
Warrants issued in private placement	-	-	1,792,002	-	-	1,792,002
Stock-based compensation	-	-	135,237	-	-	135,237
Net loss	-	-	-	-	(4,103,034)	(4,103,034)
Balance, June 30, 2025	551,503	$14,947,150	$7,402,555	$ (127,413)	$(20,292,686)	$ 1,929,606

	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

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)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (4,103,034)	$ (2,415,991)
Adjustments to reconcile net loss to net cash from operating activities:		
Accretion on asset retirement obligations	44,914	27,594
Depletion and depreciation	134,961	54,829
Foreign exchange (gain) loss	(3,603)	(5,087)
Gain on settlement of trade payables	(184,089)	-
Amortization of debt discount	1,004,626	82,278
Loss on debt extinguishment	105,349	495,051
Stock-based compensation	135,237	-
Changes in operating assets and liabilities:		
Trade and other receivables	(144,911)	58,315
Prepaid expenses and deposits	32,453	25,850
Trade and other payables	1,137,021	551,152
Right of use asset and lease liability	-	1,658
Net cash used in operating activities	(1,841,076)	(1,124,351)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures on property	(185,687)	-
Reclamation deposit redemption	-	70,000
Net cash (used in) provided by investing activities	(185,687)	70,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debenture financing	601,601	1,365,000
Proceeds from debt financing subscriptions received	2,000,000	-
Loan payable proceeds	-	45,000
Loan repayment	-	(10,000)
Net cash provided by financing activities	2,601,601	1,400,000
Change in cash during the period	574,838	345,649)
Cash, beginning of the period	1,513,591	82,736
Cash, end of the period	$ 2,088,429	$ 428,385
Supplemental cash flow disclosures:		
Interest paid	$ 63,111	$ 1,026
Taxes paid	$ -	$ -
Supplemental disclosures of non-cash investing and financing activities:		
Trade and other payables related to property and equipment	$ 115,397	$ -
Accrued debt interest settled through debt issuance	$ 59,788	$ -
Debt subscription proceeds transferred to convertible debentures	$ 2,250,000	$ -
Share purchase warrants issued in connection with debt issuance	$ 1,792,002	$ 431,666

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 2950 North Loop West, Suite 500, Houston Texas, 77092. Its registered office is located at 15th floor, 1111 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2J3. 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's common shares are listed on the Canadian Securities Exchange (the "CSE") under the symbol "OIL".

These condensed interim consolidated financial statements of the Company for the three and nine months ended June 30, 2025 were approved and authorized for issue by the Board of Directors on August 13, 2025.

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, 2025 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, 2024.

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 $20,292,686, has a working capital deficiency of $8,154,874 as of June 30, 2025 and has not yet achieved profitable operations. The Company requires equity or debt financings to fund its continuing operations, 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. In November 2024, the Company received additional debt subscription proceeds of $601,601 to complete a convertible debenture financing with total gross proceeds of $4,276,389. The $1,365,000 convertible debentures that matured on September 12, 2024 and accrued interest of $59,788 were retired in exchange for the new convertible debenture units. In June 2025, the Company received $2,000,000 in proceeds from an additional debt financing subscription. The financing was closed after June 30, 2025. Management believes that these actions provide a path 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting standards

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.

In November 2024, the FASB issued ASU 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses," which requires additional disclosure about specified categories of expenses included in relevant expense captions presented on the income statement. The amendments are effective for annual periods beginning after December 15, 2026, and for interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The amendments may be applied either prospectively or retrospectively. 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 May 2025, the FASB issued ASU 2024-04, Compensation - Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Scope Application of Profits Interest and Other Share-Based Payment Awards to a Customer, which clarifies the guidance for determining whether a share-based payment award granted to a customer should be accounted for under ASC 718 or as consideration payable to a customer under ASC 606. The amendments are effective for annual periods beginning after December 15, 2026, including interim reporting periods within annual reporting periods. Early adoption is permitted. The amendments may be applied either prospectively or retrospectively. The Company is currently evaluating the impact of this standard on its consolidated financial statements. To date, the Company has not granted share-based payments to customers, but it will monitor future arrangements to determine applicability.

3. REVENUE

Revenue from contracts with customers is presented in "Oil sales", "Royalty income" and "Other operating income" on the Consolidated Statements of Operations. Other operating income consists of fees earned for providing operator services on a customer's oil and gas assets. In January 2025, the Company entered into an agreement to operate certain oil and gas wells in the Permian Basin for a 12-month term in exchange for a monthly operating fee of up to $75,000 per month based on production revenue generated from these wells. The fee is calculated each month and deducted from the revenue received in the following month.

As of June 30, 2025 and September 30, 2024, receivables from contracts with customers, included in trade and other receivables, were $174,470 and $26,873, respectively.

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

Three months ended June 30, 2025	Texas	New Mexico	Total
Crude oil sales	$ 56,862	$ -	$ 56,862
Royalty income	3,302	-	3,302
Other operating income	49,767	-	49,767
Revenue from contracts with customers	$ 109,931	$ -	$ 109,931

Three months ended June 30, 2024	Texas	New Mexico	Total
Crude oil sales	$ -	$ -	$ -
Royalty income	2,671	-	2,671
Other operating income	-	-	-
Revenue from contracts with customers	$ 2,671	$ -	$ 2,671

Nine months ended June 30, 2025	Texas	New Mexico	Total
Crude oil sales	$ 302,904	$ -	$ 302,904
Royalty income	9,947	-	9,947
Other operating income	219,767	-	219,767
Revenue from contracts with customers	$ 532,618	$ -	$ 532,618

Nine months ended June 30, 2024	Texas	New Mexico	Total
Crude oil sales	$ 39,857	$ 35,609	$ 75,466
Royalty income	11,190	-	11,190
Other operating income	-	-	-
Revenue from contracts with customers	$ 51,047	$ 35,609	$ 86,656

4. CONCENTRATION OF CREDIT RISK

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash 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 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 were $174,470 as of June 30, 2025 (September 30, 2024 - $26,873). For the three months ended June 30, 2025 and 2024, two purchasers accounted for approximately 97% and 100% of the Company's revenue, respectively. For the nine months ended June 30, 2025 and 2024, two purchasers accounted for approximately 87% and 100% of the Company's revenue, respectively. The Company routinely assesses the financial strength of its purchasers. The non-trade receivable balance as of June 30, 2025 consists of goods and services tax ("GST") recoverable of $15,373 (September 30, 2024 - $18,060). GST recoverable is due from the Canadian Government. It is management's opinion that the Company is not exposed to significant credit risk. During the three months ended June 30, 2025, the Company recognized $nil (2024 - $nil) in credit losses on its receivables. During the nine months ended June 30, 2025, the Company recognized $nil (2024 - $9,587) in credit losses on its receivables.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30, 2025	September 30, 2024
Oil and natural gas properties, at cost	$10,901,573	$10,600,489
Less: accumulated depletion	(462,221)	(330,036)
Oil and natural gas properties, net	10,439,352	10,270,453
Other property and equipment, at cost	18,505	18,505
Less: accumulated depreciation	(10,486)	(7,710)
Other property and equipment, net	8,019	10,795
Property and equipment, net	$10,447,371	$10,281,248

Depletion and depreciation expense was $29,085 and $14,875 for the three-month periods ended June 30, 2025 and 2024, respectively. Depletion and depreciation expense was $134,961 and $54,829 for the nine month periods ended June 30, 2025 and 2024, respectively.

6. LEASES

The Company had an office lease agreement for its Dallas premises with a term ending in November 2025. During the year ended September 30, 2024, the Company entered into a settlement agreement to terminate this lease. The termination resulted in a loss of $38,825 recognized in the three months ended September 30, 2024, consisting of the settlement payment and the write-off of the remaining right-of-use asset and lease liability associated with the terminated lease.

During the year ended September 30, 2024, the Company paid $113,638 in lease payments and recognized $12,346 in accretion expense. For the three months ended June 30, 2024, the Company incurred $20,573 in operating lease expenses and $15,469 in variable lease expenses. For the nine months ended June 30, 2024, the Company incurred $63,200 in operating lease expenses and $45,905 in variable lease expenses.

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, 2025	September 30, 2024
Asset retirement obligations, beginning of the year	$ 392,977	$ 260,167
Obligations recognized	-	27,859
Obligations derecognized	-	-
Revisions of estimates	-	68,159
Accretion expense	44,914	36,792
	$ 437,891	$ 392,977

During the year ended September 30, 2024, the Company had a revision of estimates totaling $68,159 primarily due to changes in the timing of expected cash flows.

Reclamation deposits

As of June 30, 2025, the Company held reclamation deposits of $75,000 (September 30, 2024 - $75,000), which are expected to be released after all reclamation work has been completed with regard to its oil and natural gas interests.

8. DEBT

Convertible debentures

During the year ended September 30, 2024, the Company completed private placement financings of 1,365 convertible debenture units 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.

The Convertible Debentures were secured by the Company's assets, bore simple interest at a rate of 10% per annum, and matured on September 12, 2024. These Convertible Debentures were convertible into common shares of the Company at a conversion price of $3.40 per share. Interest was payable on the maturity date or upon the repayment of all or a portion of the Convertible Debenture and could be settled in cash or shares at the same conversion price. As of September 30, 2024, the Company had recorded $50,008 in accrued interest on the Convertible Debentures.

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 being amortized over the term of the debt. As of September 30, 2024, the debt discount was fully amortized.

In October 2024, the Company retired the outstanding debentures of $1,365,000 along with accrued interest of $59,788 in exchange for the new debenture units issued on November 1, 2024. The debenture holders also agreed to cancel a total of 401,310 warrants issued in connection with the debentures. This exchange was assessed as a debt extinguishment and a loss of $105,349 was recognized during the nine months ended June 30, 2025.

8. DEBT (cont'd…)

On November 1, 2024, the Company completed a non-brokered private placement of convertible debenture units for gross proceeds of $4,276,389, of which $2,250,000 was received as subscriptions as of September 30, 2024, and $1,424,788 was issued in exchange for the outstanding debentures in the principal amount of $1,365,000 and accrued interest of $59,788. Each debenture unit consists of one convertible debenture in the principal amount of $1,000 and 523 common share purchase warrants. 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 $1.91 per share. As a result, the Company issued convertible debentures with an aggregate principal amount of $4,276,389 and 2,236,551 Warrants. The Debentures are secured by the Company's assets, mature one-year from the date of issuance, and bear simple interest at a rate of 10% per annum, payable on the maturity date or upon repayment of all or any portion of the Debenture. The Debentures are convertible into common shares of the Company at a conversion price of $1.91 per share. Interest is payable in cash or shares based on the same conversion price.

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 3.06%, an expected life of 5 years, annualized volatility of 125.14% and a dividend rate of 0%). $1,792,002 of the proceeds allocated to the warrants was recorded as additional paid-in capital with a corresponding debt discount being amortized over the term of the debt. As of June 30, 2025, the unamortized debt discount was $682,027.

The table below summarizes the outstanding principal of the Company's senior, secured convertible debentures.

	June 30, 2025	September 30, 2024
10% debentures due September 12, 2024	$ -	$ 1,365,000
10% debentures due November 1, 2025	4,276,389	-
Total	4,276,389	1,365,000
Unamortized discount	(682,027)	-
Convertible debentures	$ 3,594,362	$ 1,365,000

Loans payable

During the year ended September 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. As of June 30, 2025, the full amount remained outstanding.

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, originally payable on September 30, 2023. The promissory note was in default due to the Company's failure to repay the principal amount by its maturity date. At June 30, 2025, the Company had an outstanding unpaid principal amount of $115,936 (September 30, 2024 - $115,936).

9. LOSS PER SHARE

The calculation of basic and diluted loss per share for the three and nine-month periods ended June 30, 2025 and 2024 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, 2025	Three Months Ended June 30, 2024	Nine Months Ended June 30, 2025	Nine Months Ended June 30, 2024
Net loss	$ (961,176)	$ (1,248,755)	$ (4,103,034)	$ (2,415,991)
Weighted average common shares outstanding	551,503	551,503	551,503	551,503
Basic and diluted loss per share	$ (1.74)	$ (2.26)	$ (7.44)	$ (4.38)

For the three and nine months ended June 30, 2025, 69,167 stock options and 2,511,904 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, 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.

10. EQUITY

Common stock

The Company has authorized an unlimited number of common shares with no par value. At June 30, 2025 and September 30, 2024, the Company had 551,503 common shares issued and outstanding.

There were no share issuance transactions during the three and nine months ended June 30, 2025 and 2024.

Share-based payments

Stock options

The Company has a long-term incentive plan (the “Plan”) in place under which it is authorized to grant share-based awards to directors, officers, employees and consultants. Pursuant to the Plan, the Company may issue aggregate stock options totaling up to 20% of the issued and outstanding common stock of the Company.

10. 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, 2023	20,313	$ 54.23
Cancelled	(10,208)	55.24
Balance, September 30, 2024	10,105	$ 53.21
Granted	65,000	2.44
Cancelled	(5,938)	61.88
Balance, June 30, 2025	69,167	$ 4.50
Exercisable at June 30, 2025	69,167	$ 4.50

The aggregate intrinsic value of options outstanding and exercisable as at June 30, 2025 was $nil (September 30, 2024 - $nil).

The options outstanding as of June 30, 2025 have exercise prices in the range of $2.44 to $87.60 and a weighted average remaining contractual life of 9.03 years.

During the three and nine months ended June 30, 2025, the Company recognized share-based payment expense of $nil and $135,237, respectively, for the portion of stock options that vested during the period. The fair value of the options issued was determined using the Black-Scholes option pricing model (assuming a risk-free interest rate of 2.80%, an expected life of 5 years, annualized volatility of 126.02% and a dividend rate of 0%). During the three and nine months ended June 30, 2024, the Company recognized $nil share-based payment expense.

As June 30, 2025, the following stock options were outstanding:

Number of Options	Exercise Price	Issuance Date	Expiry Date
417	$ 84.00	December 4, 2017	December 4, 2027
1,250	$ 9.00	March 16, 2020	March 16, 2030
2,500	$ 40.32	October 6, 2021	October 6, 2031
65,000	$ 2.44	October 2, 2024	October 2, 2034
69,167			

10. EQUITY (cont'd…)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, September 30, 2023	279,746	$	39.79
Granted	401,810		4.08
Cancelled	(500)		4.08
Expired	(4,393)		95.90
Balance, September 30, 2024	676,663	$	18.25
Granted	2,236,551		1.91
Cancelled	(401,310)		4.08
Balance, June 30, 2025	2,511,904	$	5.95

As June 30, 2025, 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	$	33.60	September 30, 2021	September 30, 2031
2,236,551	$	1.91	November 1, 2024	November 1, 2034
2,511,904				

11. 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.

12. 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 $811,318 in claims from certain trade vendors for non-payment, of which $753,430 have been accrued as of June 30, 2025. The Company plans to continue engaging with these claimants faithfully and is working on potential settlements for all outstanding claims.

13. SUBSEQUENT EVENTS

On July 11, 2025, the Company closed a private placement of convertible debenture units for gross proceeds of $2,000,000. The subscription proceeds for the debenture units were received in June 2025. Under the terms of the private placement, each unit consisted of one convertible debenture in the principal amount of $1,000 and 393 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 $2.54. The debentures will mature one-year from the date of issuance. Upon issuance, the debentures 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. They 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. As a result, the Company issued debentures with an aggregate principal amount of $2,000,000 and 786,000 share purchase warrants. The Debentures are convertible into common shares of the Company at a conversion price of $2.54 per share. Interest is payable in cash or shares based on the same conversion price.