A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of British Columbia, Alberta, Saskatchewan and Ontario but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States and, accordingly, may not be offered, sold or delivered, directly or indirectly, in the United States (as such term is defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in the United States.

PRELIMINARY PROSPECTUS

Initial Public Offering — December 22, 2017

PERMEX PETROLEUM CORPORATION

PERMEX PETROLEUM CORPORATION

Minimum: 5,000,000 Shares ($2,500,000)
Maximum: 20,000,000 Shares ($10,000,000)

This offering (the "**Offering**") of common shares ("**Shares**") of Permex Petroleum Corporation (the "**Company**" or "**Permex**") consists of an initial public offering by the Company at a price of $0.50 per Share (the "**Offering Price**") of a minimum of 5,000,000 Shares for minimum total gross proceeds of $2,500,000 (the "**Minimum Offering**") and a maximum of 20,000,000 Shares for maximum total gross proceeds of $10,000,000 (the "**Maximum Offering**"). The Shares offered hereby are being offered for sale by Canaccord Genuity Corp., as lead agent (the "**Lead Agent**") and Gravitas Securities Inc. (collectively, the "**Agents**"). The Offering Price was determined by negotiation between the Company and the Lead Agent.

Price: $0.50 per Share

	Price to Public	Agents' Fees(1) (2)	Net Proceeds to the Company(3) (4)
Per Share…………………………………………..	$0.50	$0.04	$0.46
Minimum Offering………………………………	$2,500,000	$200,000	$2,300,000
Maximum Offering………………………………	$10,000,000	$800,000	$9,200,000

Notes:

(1) Assumes payment of the Agents' fees in cash. The Agents will receive a fee of 8% of the gross proceeds from the sale of the Shares offered hereby, payable in cash or Shares issued at the Offering Price, or any combination of cash or Shares issued at the Offering Price, at the option of the Agents. Shares issuable at the option of the Agents representing Agents' fees are referred

to herein as the "**Agents' Fee Shares**" and the option granted to the Agents to receive Agents' Fee Shares is referred to herein as the "**Agents' Fee Option**". This Prospectus may qualify a portion of the Agents' Fee Option and the Agents' Fee Shares. See Note 5 below and "*Plan of Distribution*".

(2) In addition to the Agents' fees, the Agents will receive warrants (the "**Agents' Warrants**") entitling the Agents to subscribe for that number of Shares as is equal to 8**%** of the aggregate number of Shares sold pursuant to the Offering. Each Agents' Warrant is exercisable to purchase one Share (each an "**Agents' Warrant Share**") at the Offering Price for a period of 36 months following the Closing. This Prospectus qualifies the distribution of the Agents' Warrants and the Agents' Warrant Shares issuable upon the exercise thereof. The Agents will also receive a corporate finance fee (the "**Corporate Finance Fee**") equal to 2.5% of the gross proceeds from the sale of the Shares offered hereby up to and including $5,000,000 plus 5.0% of the gross proceeds from the sale of Shares offered hereby that exceed $5,000,000, payable in Shares issued at the Offering Price (the "**Agents' Corporate Finance Fee Shares**"). This Prospectus may qualify a portion of the Agents' Corporate Finance Fee Shares. The Company will also pay the Agents' reasonable expenses, including legal fees and disbursements, subject to pre-approval by the Company. See "*Plan of Distribution*".

(3) After deducting the Agents' fees (assuming cash payment thereof) but before deducting the expenses of the Offering, estimated at $330,000 in the event of the Minimum Offering and $600,000 in the event of the Maximum Offering, payable by the Company. These expenses will be paid from the proceeds of this Offering. See "*Plan of Distribution*".

(4) The Company has granted to the Agents an option (the "**Over-Allotment Option**"), exercisable at the sole discretion of the Agents, in whole or in part, at any time and from time to time, until and including the date that is 60 days from the Closing, to purchase, on the same terms as the Offering, up to an aggregate number of additional Shares as is equal to 15% of the aggregate number of Shares issued pursuant to the Offering to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full by the Agents, the total "Price to Public", "Agents' Fees" (assuming cash payment thereof) and "Net Proceeds to the Company" (before deducting estimated expenses of the Offering) will be $2,875,000, $230,000 and $2,645,000, respectively, in the case of the Minimum Offering and $11,500,000, $920,000 and $10,580,000, respectively, in the case of the Maximum Offering. This table excludes any additional Shares issuable upon the exercise of the Over-Allotment Option. This Prospectus also qualifies the distribution of the Over-Allotment Option and the distribution of the additional Shares to be issued by the Company upon exercise of the Over-Allotment Option. See "*Plan of Distribution*".

(5) Applicable securities rules provide that Permex may only qualify securities issued or paid as compensation to the Agents for acting as agents in respect of the Offering in an amount up to 10% of the Offering (on an as-if-converted basis and excluding the Over-Allotment Option). As per Note 2 above, Agents' Warrants (and the Agents' Warrant Shares issuable upon the exercise thereof) in an amount of 8% are qualified by this Prospectus. Accordingly, other securities issued to the Agents that comprise the remaining 2% of the Offering are permitted to be qualified by this Prospectus. Permex and the Agents have not determined whether such 2% balance will be comprised of a portion of the Agents' Fee Option (and underlying Agents' Fee Shares) or the Agents' Corporate Finance Fee Shares as such determination will be made at Closing, but in no event will more than 10% of securities issued or paid as compensation to the Agents pursuant to the Offering be qualified. See "*Plan of Distribution*".

References to "Shares" within this Prospectus include the additional Shares issuable upon exercise of the Over-Allotment Option, unless the context otherwise requires.

A purchaser who acquires Shares forming part of the Agents' over-allocation position acquires such Shares under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The following table sets out the number of securities issuable pursuant to the Agents' position:

Agents' Position	Maximum Size or Number of Securities Available	Exercise Period or Acquisition Date	Exercise Price or Average Acquisition Price
Securities Under Option			
Over-Allotment Option	3,000,000 Shares	On or before 60 days following Closing	$0.50 per Share
Agents' Fee Option(1)	1,600,000 Shares(2)	On Closing	$0.50 per Agents' Fee Share
Agents' Warrants(3)	1,600,000 Shares(4)	36 months following the Closing	$0.50 per Agents' Warrant Share
Total	**6,200,000 Shares**		
Other Compensation Securities			
Corporate Finance Fee Shares	750,000 Shares(5)	On Closing	$0.50 per Agents' Corporate Finance Fee Share

Notes:

(1) This Prospectus may qualify a portion of the Agents' Fee Option. See "*Plan of Distribution*".

(2) Represents the Agents' Fee Shares. Assumes payment of the Agents' fees in Agents' Fee Shares. The Agents will receive a fee of eight percent 8% of the gross proceeds from the sale of the Shares offered hereby, payable in cash or Agents' Fee Shares

issued at the Offering Price, or any combination of cash or Agents' Fee Shares issued at the Offering Price, at the option of the Agents. This Prospectus may qualify a portion of the Agents' Fee Shares. See "*Plan of Distribution*".

(3) Each Agents' Warrant is exercisable to acquire one Agents' Warrant Share at the Offering Price for a period of 36 months following the Closing. This Prospectus qualifies the distribution of the Agents' Warrants and the Agents' Warrant Shares issuable upon the exercise thereof. See "*Plan of Distribution*".

(4) Represents the Agents' Warrant Shares.

(5) Represents the Agents' Corporate Finance Fee Shares. This Prospectus may qualify a portion of the Agents' Corporate Finance Fee Shares.

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation.

An investment in the Shares is speculative and involves a high degree of risk. The Company's business is subject to the risks normally encountered in the oil and gas industry and the Company's early stage of development. An investment in the Shares is suitable only for those purchasers who are willing to risk a loss of some or all of their investment and who can afford to lose some or all of their investment. In reviewing this Prospectus, you should carefully consider the matters described under the heading "*Risk Factors*".

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

The Company has applied to list on the Canadian Securities Exchange (the "**CSE**") the Shares, the Agents' Warrant Shares, the Agents' Fee Shares and the Agents Corporate Finance Fee Shares. Listing will be subject to the Company fulfilling all of the listing requirements of the CSE, including without limitation, the distribution of the Shares to a minimum number of public shareholders and the Company meeting certain financial and other requirements.

The Offering is not underwritten or guaranteed by any person or agent. The Agents have agreed to conditionally offer the Shares offered under this Prospectus for sale on a "commercially reasonable efforts basis", if, as and when issued, sold and delivered by the Company in accordance with the conditions contained in the Agency Agreement (as hereinafter defined and referred to under "*Plan of Distribution*"), subject to approval of certain legal matters relating to the Offering, on behalf of the Company by DuMoulin Black LLP and, as to tax matters, by Thorsteinssons LLP, and on behalf of the Agents by DLA Piper (Canada) LLP. In connection with the Offering, the Agents may effect transactions which stabilize or maintain the market price of the Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution – Price Stabilization, Short Positions and Passive Market Making*".

The Offering is subject to the receipt by the Agents of subscriptions for the Minimum Offering in the amount of $2,500,000. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. If the Minimum Offering is not completed within 90 days of the issuance of a receipt for the final prospectus, or if a receipt has been issued for an amendment to the final prospectus, within 90 days of the issuance of such receipt and in any event not later than 180 days from the date of receipt for the final prospectus, the distribution will cease, and all subscription monies will be returned to the purchasers without interest or deduction, unless the purchasers have otherwise instructed the Lead Agent.

Provided that the Minimum Offering is achieved, except for Shares issued to persons in the United States, which shall be issued in certificate form, or as otherwise required by law or in accordance with certain regulatory requirements, it is anticipated that the Shares offered hereby will be issued under the book-based system. At the Closing, certificates representing all the Shares issued to persons outside of the United States pursuant to the Offering will be issued in registered form to the applicable participants (the "**CDS Participants**") in The Canadian Depository for Securities Limited ("**CDS**") depository service, which includes securities brokers and dealers, banks and trust companies. It is anticipated that the CDS Participants will deposit such certificates with CDS in connection with the book-based system and global certificates representing such Shares will be issued in the name of CDS or its nominee for the Shares held through the book-based system. Subscribers outside of the United States will therefore not be entitled to a certificate or other instrument from the Company or the Company's transfer agent evidencing that person's interest in or ownership of Shares offered hereby, nor, to the extent applicable, will such holder be shown on the records maintained by CDS, except through an agent who is a CDS Participant. However, subscribers participating in the book-based system may, through the applicable CDS Participant, request that such Shares be issued to such holder as soon as reasonably practicable. See "*Plan of Distribution*".

MKM Engineering Inc., the Company's independent reserves evaluator, is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction, and it has appointed DuMoulin Black LLP**,** at 10th Floor, 595 Howe Street, Vancouver, British Columbia V6C 2T5 for service of process. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

The Company's head office is located at 1290 – 625 Howe Street, Vancouver, British Columbia V6C 2T6 and its registered and records office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

Lead Agent:

Canaccord Genuity Corp.
520 – 3rd Avenue SW, Calgary, AB T2P 0R3
Phone: (403) 508-3841 Fax: (403) 508-3866

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Certificate of the Company
Certificate of the Promoters
Certificate of the Agents

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Prospectus. Terms and abbreviations used in the Financial Statements and Acquisition Statements and also appearing in the other documents attached as schedules to the Prospectus may be defined separately and the terms and abbreviations defined below may not be used therein, except where otherwise indicated. See also "*Oil and Gas Information – Definitions*" for additional terms used in the Prospectus describing reserves and other oil and natural gas information. Words below importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

Acquired Assets	means the former business, assets and liabilities of the Partnership that were transferred to the Company in exchange for common shares of the Company prior to the closing of the Arrangement, which include the Pittcock North Property, the Pittcock South Property, the McMurtry and Loving Properties, the Peavy Property and the Windy Jones Property.
Acquisition Statements	means, collectively, the Annual Acquisition Statements and the Interim Acquisition Statements.
Acquisition MD&A	means the management's discussion and analysis of the financial condition and results of operations in respect of the Acquired Assets for the eight months ended August 31, 2017 and the financial year ended December 31, 2016, attached to this Prospectus as Schedule E.
Agency Agreement	means the agency agreement dated ● , 2017 between the Company and the Agents.
Agents	means, collectively, Canaccord Genuity Corp. and Gravitas Securities Inc.
Agents' Corporate Finance Fee Shares	has the meaning ascribed to it on the cover page of this Prospectus.
Agents' Fee Option	has the meaning ascribed to it on the cover page of this Prospectus.
Agents' Fee Shares	has the meaning ascribed to it on the cover page of this Prospectus.
Agents' Warrants	means the common share purchase warrants to be issued to the Agents as partial consideration for acting as agents in the Offering. Each Agents' Warrant will entitle the holder to purchase one Share at a price of $0.50 at any time prior to 4:30 p.m. (Vancouver time) on the date that is 36 months following the Closing.
Agents' Warrant Shares	means the Shares issuable upon exercise of the Agents' Warrants.
Annual Acquisition Statements	means the audited financial statements in respect of the Acquired Assets for the financial years ended December 31, 2016 and 2015, together with the notes thereto, attached to this Prospectus as Schedule C.
Arrangement Agreement	means the arrangement agreement dated June 12, 2017, between Permex and N.A. Investment.
Arrangement	means the statutory plan of arrangement attached to the Arrangement Agreement.
BCBCA	means the *Business Corporations Act,* S.B.C. 2002, c. 57 including the regulations thereunder, as amended.

Board	means the board of directors of the Company.
CDS	has the meaning ascribed to it on the cover page of this Prospectus.
CDS Participants	has the meaning ascribed to it on the cover page of this Prospectus.
CEO	means Chief Executive Officer of the Company.
CFO	means Chief Financial Officer of the Company.
COO	means Chief Operating Officer of the Company.
Closing	means the closing of the Offering.
Closing Date	means the date of closing of the Offering.
COGE Handbook	means the *Canadian Oil and Gas Evaluation Handbook* prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum, as amended from time to time.
Corporate Finance Fee	means the corporate finance fee payable to the Agents pursuant to the Agency Agreement equal to 2.5% of the gross proceeds from the sale of the Shares offered by this Prospectus up to $5,000,000 plus 5.0% of the gross proceeds from the sale of Shares offered by this Prospectus that exceed $5,000,000, payable in Agents' Corporate Finance Fee Shares.
CSA 51-324	means Staff Notice 51-324 – *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators.
Exchange or **CSE**	means the Canadian Securities Exchange.
Financial Statements	means the audited financial statements of the Company for the period from incorporation on April 24, 2017 and ended September 30, 2017, together with the notes thereto, attached to this Prospectus as Schedule A.
Gravitas	means Gravitas Securities Inc.
Gravitas Advisory Agreement	means the financial advisory services agreement between the Company and Gravitas dated August 22, 2017.
Howard Group	means The Howard Group Inc.
Interim Acquisition Statements	means the unaudited carve-out, condensed interim financial statements in respect of the Acquired Assets for the eight months ended August 31, 2017, together with the notes thereto, attached to this Prospectus as Schedule D.
Investor Relations Agreement	means the investor relations agreement between the Company and Howard Group to be dated effective the Listing Date, whereby the Company will retain Howard Group to provide investor relations services.
Lead Agent	means Canaccord Genuity Corp.
Limited Partnership or **Partnership**	means the Permex Petroleum Limited Partnership, a limited partnership formed pursuant to the laws of the Province of British Columbia.

Listing	means the listing of the Shares on the Exchange.
Listing Date	means the date on which the Shares are listed for trading on the Exchange.
Mary Bullard Property	means the properties located in Stonewall County, Texas, in which the Company holds a Working Interest and which are further described under "*Description of the Business – General Description of the Business – Properties*".
McMurtry and Loving Properties	means the properties located in Young and Jack Counties, Texas, in which the Company holds a Working Interest and which are further described under "*Description of the Business – General Description of the Business – Properties*".
MD&A	means the management's discussion and analysis of the financial condition and results of operations of the Company for the period ended September 30, 2017, attached to this Prospectus as Schedule B.
Mineral Interest	means an ownership interest granting the owner the right to exploit, mine or produce all minerals (including all hydrocarbons) lying beneath the surface of a property. Mineral interests include: (a) the right to use as much of the surface as is reasonably necessary to access the minerals; (b) the right to execute any conveyances of mineral rights; (c) the right to receive bonus consideration; (d) the right to receive delay rentals; and (e) the right to receive royalties.
MKM Engineering	means MKM Engineering Inc., Oil and Gas Consulting Services, located at 3905 Sagamore Hill Court, Plano Texas 75025, the Company's independent qualified reserves evaluator.
N.A. Investment	means N.A. Energy Resources Investment Corporation, a British Columbia company incorporated under the BCBCA.
N.A. Management	means N.A. Energy Resources Corporation, a privately held oil and gas operator that is a British Columbia company incorporated under the BCBCA. Mehran Ehsan, the President, CEO and a director of the Company, controls N.A. Management and is its president, chief executive officer and a director. Barry Whelan, the Chief Operating Officer of the Company, is the chief operating officer and a director of N.A. Management.
Named Executive Officer or **NEO**	means (a) the CEO, including individuals performing functions similar to a CEO; (b) the CFO, including individuals performing functions similar to a CFO; and (c) the three most highly compensated executive officers other than the individuals identified in (a) and (b), at the end of the most recently completed financial year whose total compensation was more than $150,000 for that financial year.
Net Revenue Interest	means the percentage interest held in the net revenue from an oil and/or natural gas or mineral lease.

New Mexico Operator	means Permex Petroleum Company, LLC, a limited liability company organized under the laws of the State of New Mexico, U.S.A., of which 100% of the voting interests are owned by Kit Maddox (advisory board member of the Company). Kit Maddox and Mehran Ehsan (President, CEO and a Director of Permex) manage the New Mexico Operator and have authority to act, sign on behalf of and bind the New Mexico Operator. See "*Interests of Management and Others in Material Transactions*", "*Description of the Business – History*", and "*Description of the Business – General Description of the Business – Operators*".
NI 51-101	means National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities.*
NP 46-201	means National Policy 46-201 *Escrow for Initial Public Offerings*.
NP 51-201	means National Policy 51-201 *Disclosure Standards.*
Offering	means the Company's initial public offering of Shares at a price of $0.50 per Share for gross proceeds of a minimum of $2,500,000 and a maximum of $10,000,000 to be conducted by the Agents concurrently with the Listing.
Oil and Gas Properties	means any oil and gas lease or claim located in North America, including a Working Interest, a Mineral Interest, a Royalty Interest or an Overriding Royalty Interest in any such oil and gas lease or claim.
Over-Allotment Option	has the meaning ascribed to it on the cover page of this Prospectus.
Overriding Royalty Interest	means an ownership in a percentage of production or production revenues derived from an Oil and Gas Property, free of the cost of production, created by the lessee, company and/or Working Interest owner and paid by the lessee, company and/or Working Interest owner out of revenue from an oil and gas well.
Oxy Yates Property	means the properties located in Eddy County, New Mexico, in which the Company holds a Working Interest and which are further described under "*Description of the Business – General Description of the Business – Properties*".
Peavy Property	means the properties located in Young County, Texas, in which the Company holds a Working Interest and which are further described under "*Description of the Business – General Description of the Business – Properties*".
Permex or the **Company**	means Permex Petroleum Corporation, a British Columbia company incorporated under the BCBCA.
Pittcock North Property	means the properties located in Stonewall County, Texas, in which the Company holds a Working Interest and which are further described under "*Description of the Business – General Description of the Business – Properties*".
Permex U.S.	means Permex Petroleum US Corporation, a corporation incorporated under the laws of the State of New Mexico, U.S.A.
Pittcock South Property	means the properties located in Stonewall County, Texas, in which the Company holds a Working Interest and which are further described under "*Description of the Business – General Description of the Business – Properties*".
Prospectus	means this prospectus dated as of the date on the cover page.

Reserves Report	means the report titled "Appraisal of Certain Oil and Gas Interests Owned By Permex Petroleum Corporation Located in New Mexico and Texas" effective as of September 30, 2017 and prepared by MKM Engineering.
Royalty Interest	means ownership of a percentage of production or production revenues, produced from an oil and gas lease or claim. The owner of this share of production does not bear any of the cost of exploration, drilling, producing, operating, marketing or any other expense associated with drilling and producing an oil and gas well.
Shares	means the common shares without par value of the Company.
Trustco	means Computershare Investor Services Inc.
Tax Act	means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1, as amended, together with all regulations made pursuant thereto.
United States or U.S.A.	means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia.
U.S. Securities Act	has the meaning ascribed to it on the cover page of this Prospectus.
West Henshaw Property	means the properties located in the West Henshaw Unit in Eddy County, New Mexico, in which the Company holds a Working Interest and which are further described under "*Description of the Business – General Description of the Business – Properties*".
Windy Jones Property	means the lease in which the Company holds a Working Interest located in Stonewall County, Texas, covering forty acres, of which the Company is using to create waterflood secondary recovery on its adjacent Pittcock leases and which are further described under "*Description of the Business – General Description of the Business – Properties*".
Working Interest	means the percentage of undivided interest held in the oil and/or natural gas or mineral lease granted by the mineral owner, Crown or freehold, which interest gives the issuer the right to "work" the property (lease) to explore for, develop, produce and market the leased substances.

GENERAL ADVISORY

An investor should read this entire Prospectus and consult their own professional advisors to assess the income tax matters, legal requirements, risk factors and other aspects of their investment in the Shares.

An investor should rely only on the information contained in this **Prospectus*****. The Company has not, and the Agents have not, authorized anyone to provide investors with additional or different information. If anyone provides an investor with additional or different or inconsistent information, including statements in media articles about the Company, the investor should not rely on it.***

The Company is not, and the Agents are not, offering to sell the Shares in any jurisdictions where the offer or sale is not permitted. The information contained in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or any sale of the Shares. The Company's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus.

For investors outside Canada, neither the Company nor any of the Agents have done anything that would permit the Offering, or possession or distribution of this Prospectus, in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about and to observe any restrictions relating to the Offering and the distribution of this Prospectus.

Investors are urged to read the information under the headings "*Risk Factors*" and "*Caution Regarding Forward-Looking Statements*" appearing elsewhere in this Prospectus.

No person is authorized to provide any information or make any representations other than as contained in this Prospectus in connection with the Offering.

CURRENCY AND EXCHANGE RATE INFORMATION

The Company's business is conducted principally in the United States and the Company's revenue and expenses are principally denominated, earned and incurred in United States dollars. In this Prospectus, unless otherwise indicated, all "dollar" amounts or references to "US$" refer to United States dollars. References to "$" or "CDN$" are to Canadian dollars.

The following table sets forth, for each period as indicated, the high, low, average and end of period exchange rates for United States dollars expressed in Canadian dollars. These rates are based on the inverse noon nominal rate of exchange published by the Bank of Canada.

	High	**Low**	**Average**	**End of Period**
Year ended December 31, 2016……………	$1.4589	$1.2544	$1.3428	$1.3427
Year ended December 31, 2015……………	$1.3990	$1.1728	$1.2787	$1.3840

On December 21, 2017, the daily exchange rate posted by the Bank of Canada for conversion of one United States dollar into Canadian dollars was US$1.00 equals CDN$1.2734.

OIL & GAS INFORMATION

Caution Respecting Reserves Information

The determination of oil and natural gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved and probable reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

Definitions

Certain terms used in this Prospectus in describing reserves and other oil and natural gas information are defined below. Certain other terms and abbreviations used in this Prospectus, but not defined or described, are defined in NI 51-101 or the COGE Handbook and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 or the COGE Handbook.

Reserves

"**Reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: (a) analysis of drilling, geological, geophysical and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates as follows:

"**Proved Reserves**" are those Reserves that can be estimated with a high degree of certainty to be recoverable. It is 90% likely that the actual remaining quantities recovered will exceed the estimated Proved Reserves.

"**Probable Reserves**" are those additional Reserves that are less certain to be recovered than Proved Reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved plus Probable Reserves.

Each of the Reserves categories above may be divided into developed and undeveloped categories, as follows:

"**Developed Producing Reserves**" are those Reserves that are expected to be recovered from completion intervals open at the time of the estimate. These Reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"**Developed Non-Producing Reserves**" are those Reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

"**Undeveloped Reserves**" are those Reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the Reserves classification (Proved, Probable, Possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool Reserves between the developed and undeveloped categories or to sub-divide the Developed Reserves for the pool between Developed Producing Reserves and Developed Non-Producing Reserves. This allocation should be based on the estimator's assessment as to the Reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

ABBREVIATIONS

In this Prospectus, unless otherwise indicated or the context otherwise requires, the following abbreviations shall have the meaning set forth below:

bbl	barrel
bbls	barrels
bbl/d	barrels per day
Bcf	billion cubic feet
boe	barrel or barrels of oil equivalent
Mbbls	thousand barrels
NGLs	natural gas liquids
Mboe	thousand barrels of oil equivalent
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMbtu	million British Thermal Units
MMcf	million cubic feet

CONVERSION

To Convert From	**To**	**Multiply By**
Mcf	Cubic metres	28.317
Cubic metres	Cubic feet	35.314
Bbls	Cubic metres	0.159
Cubic metres	bbls	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621

To Convert From	To	Multiply By
Acres	Hectares	0.405
Hectares	Acres	2.471

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are forward-looking statements or information (collectively "**forward-looking statements**"). All statements other than statements of historical facts contained in this Prospectus, including statements regarding the timing, availability and amount of financings; expected use of proceeds; the estimated portion of the proceeds of this Offering which will be invested in Oil and Gas Properties acquired or identified for acquisition; indications as to the expected future performance of the Company, including the potential future net revenue of Oil and Gas Properties; management's view regarding the oil and gas market, in particular, the expectations regarding prices and trends; the availability of Oil and Gas Properties for purchase that are consistent with management's investment objectives and criteria; the intention or the ability of management to identify and complete the acquisition of Oil and Gas Properties; the revenue expectations regarding income producing Oil and Gas Properties that the Company has invested or may invest in; the prospects for development of certain Oil and Gas Properties the Company has invested or may invest in; the prospects for the future sale, lease or refinancing of Oil and Gas Properties; the Company's future results of operations, financial position and business strategy; timing and likelihood of success; tax horizon; anticipated operating costs, capital expenditures and general and administrative costs; and plans and objectives of management for future operations are forward-looking statements. Please also refer to "*Oil & Gas Information – Caution Respecting Reserves Information*".

The Company is providing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in these forward-looking statements. Any statements that express or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases including, but not limited to, and including grammatical tense variations of such words as: "may", "anticipates", "is expected to", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

The Company has based the forward-looking statements largely on the Company's current expectations, estimates, assumptions, and projections about future events and financial and other trends that the Company believes, as of the date of such statements, may affect its business, financial condition and results of operations. Such expectations, estimates, assumptions, and projections, many of which are beyond the Company's control, include, but are not limited to: the assumption that this Offering will be completed and that any additional financing needed will be available on reasonable terms; the ability of the Company to successfully acquire Oil and Gas Properties; the ability of the Company to obtain equipment, services and supplies in a timely manner to carry out its activities; the ability of the Company to successfully market oil and natural gas to customers; the timing and costs of pipeline and storage facility construction and expansion and the ability to secure adequate product transportation; the timely receipt of required regulatory approvals; the ability of the Company to raise sufficient proceeds in the Offering to pursue its stated objectives or to obtain alternative financing on terms acceptable to the Company, or at all; currency, exchange and interest rates; future oil and natural gas prices; the effectiveness and efficiency of advertising and promotional activities; the Company's intention not to pay dividends; claims, lawsuits and other legal proceedings and challenges; and competitive conditions in the oil and gas industry.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as of the date they are made and are based on information currently available and on the Company's then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and assumptions described under the headings in this Prospectus entitled "Risk Factors" and "Management's Discussion and Analysis" and elsewhere in this Prospectus. Factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, include, but are not limited to, risks and uncertainties related to:

- risks related to the completion of financings and the use of proceeds;
- expectations regarding revenue, expenses and operations;
- anticipated cash needs and the need for additional financing;
- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest;
- the speculative and competitive nature of the oil and gas industry;
- the risks of the oil and gas industry, both domestically and internationally, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand;
- the risks and uncertainties involving geology of oil and natural gas deposits;
- the risks inherent in the Company's marketing operations, including credit risk;
- the uncertainty of reserves estimates and reserves life;
- the uncertainty of estimates and projections relating to production, costs and expenses;
- potential delays or changes in plans with respect to production or development projects or capital expenditures;
- the Company's ability to enter into or renew leases;
- fluctuations in oil and natural gas prices, foreign currency exchange rates and interest rates;
- health, safety and environmental risks;
- the ability of the Company to add production and reserves through development activities;
- general economic and market factors, including commodity rates, interest rates, business competition and changes in government regulations or in tax laws;
- the inability to receive regulatory approvals required to achieve the Company's business objectives;
- the Company's ability to compete with more established oil and gas companies;
- volatility of the Company's share price following a listing on a public exchange;
- ability to attract and retain personnel;
- lawsuits and other legal proceedings and challenges;
- conflict of interests with directors and other management;
- regulatory developments and the regulatory environments in which the Company operates;
- unanticipated trends and challenges in the Company's business and the markets in which it operates;
- other risks described in this Prospectus and described from time to time in the Company's documents filed with Canadian securities regulatory authorities; and
- other factors beyond the Company's control.

Further, any forward-looking statement speaks only as of the date on which such statement is made and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Please also refer to "*Risk Factors*" and "*Management's Discussion and Analysis*" in this Prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of Thorsteinssons LLP, special Canadian tax counsel to the Company, based on the provisions of the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations to the Tax Act in force on the date hereof, provided the Shares are listed on a "designated stock exchange" (as such term is defined in the Tax Act and which currently includes the CSE) or the Company is otherwise a "public corporation" (as such term is defined in the Tax Act) at the particular time, the Shares will at that time be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), deferred profit sharing plans, registered education savings plans("**RESPs**"), registered disability savings plans ("**RDSPs**") or tax-free savings accounts ("**TFSAs**" and collectively the "**Tax Deferred Plans**"). **Holders who intend to hold Shares in a Tax Deferred Plan should consult their own tax advisors regarding whether such securities are a "qualified investment" at the relevant time for such Tax Deferred Plan.**

The Shares are not currently listed on a designated stock exchange. It is counsel's understanding that the Company has applied to list the Shares on the CSE as of the day before the Closing, followed by an immediate halt in trading of the Shares in order to allow the Company to satisfy the conditions of the CSE and to have the Shares listed and posted for trading prior to the issuance of the Shares on the Closing. The Company must rely on the CSE to list the Shares on the CSE and have them posted for trading prior to the issuance of the Shares on the Closing and to otherwise proceed in such manner as may be required to result in the Shares being listed on the CSE at the time of their issuance on Closing. If the Shares are not listed on a designated stock exchange (which currently includes the CSE) at the time of their issuance on the Closing and the Company is not otherwise a "public corporation" at that time, the Shares will not be "qualified investments" under the Tax Act for the Tax Deferred Plans at that time.

Notwithstanding that the Shares may be qualified investments for a TFSA, RRSP or RRIF (a "**Registered Plan**"), the holder or annuitant of the Registered Plan, as the case may be, will be subject to a penalty tax if such Shares are a "prohibited investment" for the purposes of the Tax Act. The Shares will generally be a "prohibited investment" for a Registered Plan if the holder or annuitant, as the case may be, (a) does not deal at arm's length with the Company for the purposes of the Tax Act, or (b) has a "significant interest" (as defined in the Tax Act) in the Company. Proposed legislation introduced on behalf of the Minister of Finance (Canada) on October 27, 2017, included proposals to amend the Tax Act to extend the application of the "prohibited investment" rules to investments held by RDSPs and RESPs, applicable to investments acquired, and transactions occurring, after March 22, 2017. Assuming these proposals are enacted as proposed, notwithstanding the Shares may be qualified investments for a trust governed by an RDSP or an RESP, the holder of an RDSP or the subscriber of an RESP will be subject to a penalty tax if the Shares are a "prohibited investment" for the RDSP or RESP. There can be no assurance that these proposals will be enacted or that they will be enacted as proposed. **Holders and annuitants should consult their own tax advisors with respect to whether the Shares would be a "prohibited investment" as defined in the Tax Act.**

MARKET AND INDUSTRY DATA

This Prospectus includes market and industry data that has been obtained from third party sources, including industry publications, and the estimates of management. The Company believes that these third party sources are accurate and that its estimates and assumptions are reasonable. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable. Although the data are believed to be reliable, the Company has not independently verified any of the data from third party sources referred to in this Prospectus or ascertained the underlying economic assumptions relied upon by such sources. While the Company is not aware of any misstatements regarding the market and industry data presented in this Prospectus, such data involves risks and uncertainties and are subject to change based on various factors, including those factors discussed under "*Caution Regarding Forward-Looking Statements*" and "*Risk Factors*".

SUMMARY OF PROSPECTUS

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Purchasers should carefully consider, among other things, the matters discussed under "Risk Factors".

The Company

The Company was incorporated on April 24, 2017 in the province of British Columbia under the name "Permex Petroleum Corporation". The Company's head office and registered and records office are located in Vancouver, British Columbia.

See "*Corporate Structure*".

The Company acquired the Acquired Assets from the Partnership pursuant to the Asset Purchase Agreement (as defined herein), which enabled the Company to seek a listing on the Exchange. The purchase price for the Acquired Assets was $9,526,000, which was paid by the Company to the Partnership through the issuance of 23,815,000 Shares at a deemed price of $0.40 per Share (on a post-consolidated basis).

Thereafter, 23,815,000 Shares held by the Partnership were transferred to the unitholders of the Partnership, including N.A. Investment and N.A. Management, in connection with the windup and dissolution of the Partnership prior to the closing of the Arrangement.

Pursuant to the Arrangement Agreement, N.A. Investment agreed to transfer the 15,007,361 Shares (after certain cancellations due to rounding) held by it to its Class C shareholders and such transfer was effected on September 19, 2017.

The Company has applied, concurrent with the filing of this Prospectus, to list its Shares on the Exchange. Listing will be subject to the Company fulfilling all of the listing requirements of the Exchange.

See "*Description of the Business*".

Principal Business

The Company's primary business is to directly or indirectly acquire, hold, manage, operate and sell Oil and Gas Properties, or any direct or indirect interests therein, conducting other business which is ancillary or incidental thereto, and deriving income therefrom with a view to making a profit. More specifically, the Company seeks to acquire, enhance and, if warranted, develop Working Interests in producing crude oil and natural gas properties and developmental drilling locations in existing wells with Proved Reserves that need to be refurbished or re-drilled in order to be returned to production. The Oil and Gas Properties will be located exclusively in North America.

See "*Description of the Business*".

Currently, Permex owns and operates Oil and Gas Properties located in Texas and New Mexico.

See "*Description of the Business – General Description of the Business – Properties*".

The Offering

Issue:	This Prospectus qualifies the distribution of a minimum of 5,000,000 Shares and a maximum of 20,000,000 Shares.
Offering Price:	$0.50 per Share.
Amount:	Minimum of $2,500,000 and maximum of $10,000,000.

See "*The Offering*".

Over-Allotment

The Company has granted to the Agents the Over-Allotment Option, exercisable at the sole discretion of the Agents, in whole or in part, at any time and from time to time, until and including the date that is 60 days from the Closing, to purchase, on the same terms as the Offering, up to an aggregate number of additional Shares as is equal to 15% of the aggregate number of Shares issued pursuant to the Offering to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full by the Agents, the total gross proceeds of the Offering, Agents' Fees (assuming cash payment thereof) and net proceeds of the Offering (before deducting estimated expenses of the Offering) will be $2,875,000, $230,000 and $2,645,000, respectively, in the case of the Minimum Offering and $11,500,000, $920,000 and $10,580,000, respectively, in the case of the Maximum Offering.

See "*Plan of Distribution*".

Risk Factors

An investment in the Shares should be considered speculative due to the nature of the Company's involvement in the exploration for, and the acquisition, development and production of, crude oil and natural gas. The activities of the Company are subject to risks inherent in the oil and gas industry as well as the risks normally encountered in a newly established business, including but not limited to: negative cash flow; lack of adequate capital; title to property; reliance on operators; liquidity concerns and future financing requirements to sustain operations; dilution; limited history of operations and revenues and no history of earnings or dividends; competition; economic changes; and uninsured risks.

There is currently no public market for the Shares and there can be no assurance that an active market for the Shares will develop or be sustained after the Listing. The value of the Shares is subject to volatility in market trends and conditions generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

See "*Risk Factors*".

Summary of Reserves

The following table summarizes the Company's Proved Developed Producing Reserves, Proved Developed Non-Producing Reserves, Proved Undeveloped Reserves and Probable Reserves as of September 30, 2017 using forecast prices and costs, not including the impact of any price risk management activities.

Summary of Oil and Gas Reserves
As of September 30, 2017
Forecast Prices and Costs

United States	Light and Medium Oil		Natural Gas		Natural Gas Liquids	
Reserves Category	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
Proved						
Developed Producing	246	190	98	71	0	0
Developed Non-Producing	291	219	69	53	0	0
Undeveloped	2,765	2,041	166	128	0	0
Total Proved	**3,302**	**2,450**	**333**	**252**	**0**	**0**
Probable	4,737	3,426	10,352	7,457	0	0
Total Proved Plus Probable	**8,039**	**5,876**	**10,685**	**7,709**	**0**	**0**

See "*Statement of Reserves Data and Other Oil and Gas Information*".

Summary of Selected Financial Information

The table below summarizes selected financial data for the Company for the period indicated and should be read in conjunction with the Financial Statements and MD&A. See "*Financial Statement Disclosure*".

The Company	For period ended September 30, 2017 (audited) $
Total earnings	46,779
Direct costs	(35,632)
G&A expenses	(172,568)
Other expenses	397
Loss from continuing operations	(161,024)
Loss from discontinued operations	-
Comprehensive (loss) for the period	(161,024)
Loss per share, basic and diluted	(0.04)
Loss per share, discontinued operations	-
Weighted average shares outstanding	4,493,396
Total Assets	4,950,675
Total Liabilities	869,907

The table below summarizes selected financial data for the Acquired Assets for the period indicated and should be read in conjunction with the Annual Acquisition Statements, the Interim Acquisition Statements and the Acquisition MD&A. See "*Financial Statement Disclosure*".

Acquired Assets	For eight months ended August 31, 2017 (unaudited) $	For the year ended December 31, 2016 (audited) $
Total earnings	249,363	305,053
Direct costs	(250,683)	(333,510)
G&A expenses	(1,776,275)	(324,547)
Other expenses	(37,937)	(83,877)
Impairment of goodwill	-	-
Loss from continuing operations	(1,815,532)	(436,881)
Loss from discontinued operations	-	-
Comprehensive (loss) for the period	(1,815,532)	(436,881)
Total Assets	4,020,711	2,623,741
Total Liabilities	782,078	1,440,567

Use of Proceeds and Available Funds

The Company's estimated working capital as at November 30, 2017 is $407,621. The Company estimates that the net proceeds from the Offering will be approximately $1,970,000 in the event of the Minimum Offering and $8,600,000 in the event of the Maximum Offering, after deducting the Agents' commission (assuming payment thereof in cash) and estimated expenses. The funds expected to be available to the Company upon completion of the Offering and the expected principal purposes for which such funds will be used are described below:

Funds Available	Minimum Offering	Maximum Offering
Estimated working capital as of November 30, 2017	$407,621	$407,621
Net proceeds of the Offering[(1)]	$1,970,000	$8,600,000
Net Funds Available (unaudited)	$2,377,621.00	$9,007,621.00

Note:

(1) After deducting the Agents' commission in the amount of $200,000 in the event of the Minimum Offering and $800,000 in the event of the Maximum Offering, as well as estimated expenses of approximately $330,000 in the event of the Minimum Offering and $600,000 in the event of the Maximum Offering.

The net proceeds of the Offering, together with the Company's estimated working capital as at November 30, 2017, is intended to be used as follows:

Principal Purpose	Minimum Offering	Maximum Offering
Purchase of additional Oil and Gas Properties[(1)]	$Nil	$2,500,000
Enhancement and development of existing Oil and Gas Properties[(2)]	$1,739,200	$4,743,000
Estimated expenses of application for Exchange listing	$30,000	$30,000
Annual estimated general and administrative costs	$300,000	$570,000
Working Capital[(3)]	$308,421	$1,164,621
Total	**$2,377,621**	**$9,007,621**

Notes:

(1) Includes costs associated with acquiring additional Oil and Gas Properties in accordance with the Company's investment strategy and business objectives. See "*General Development of the Business*" and "*Business Objectives and Milestones*".
(2) Includes operating costs for Oil and Gas Properties, including where applicable costs associated with leasing, drilling, producing and operating wells or units. See "*General Development of the Business*" and "*Business Objectives and Milestones*".
(3) The estimated general and administrative costs for the next 12 months are as follows:

	Minimum Offering	Maximum Offering
Office & Administration	$30,000	$70,000
Salaries & Consultants	$150,000	$200,000
Professional Fees (legal & accounting)	$40,000	$100,000
Regulatory Fees and Transfer Agent Fees	$20,000	$20,000
Technical Reports	$20,000	$30,000
Investor Relations and Communications	$20,000	$100,000
Insurance	$20,000	$50,000
Total G&A	**$300,000**	**$570,000**

See "*Use of Proceeds and Available Funds*".

The tables above exclude any proceeds from additional Shares issuable upon exercise of the Over-Allotment Option. See "*Plan of Distribution*". Any additional proceeds from the exercise of the Over-Allotment Option will be added to the working capital of the Company.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated pursuant to the BCBCA on April 24, 2017. The Company's head office is located at 1290 – 625 Howe Street Vancouver, BC V6C 2T6 and its registered and records office is located at Suite 1000 – 595 Howe Street, Vancouver, BC V6C 2T5.

Intercorporate Relationships

Permex U.S. is 100% owned and controlled by Permex. Permex U.S. is incorporated under the laws of the State of New Mexico, U.S.A. Permex U.S. was incorporated on November 30, 2017.

Permex owns and operates its Oil and Gas Properties located in Texas, being the Pittcock North Property, the Pittcock South Property, the McMurtry and Loving Properties, the Peavy Property and the Mary Bullard Property.

Permex U.S. is the owner of the Company's Oil and Gas Properties in New Mexico, being the West Henshaw Property and the Oxy Yates Property.

DESCRIPTION OF THE BUSINESS

History

The Company acquired the Acquired Assets from the Partnership pursuant to an asset purchase agreement dated August 31, 2017 (the "**Asset Purchase Agreement**"), which enabled the Company to seek a listing on the Exchange. The purchase price for the Acquired Assets was $9,526,000, which was paid by the Company to the Partnership through the issuance of 23,815,000 Shares at a deemed price of $0.40 per Share (on a post-consolidated basis). See "*Prior Sales*".

N.A. Management, a company that is controlled by Mehran Ehsan and of which both he and Barry Whelan are directors and senior officers, had an approximately 10.5% interest in the Partnership as of the date of the Asset Purchase Agreement. See "*Interests of Management and Others in Material Transactions*".

Thereafter, 23,815,000 Shares held by the Partnership were transferred to the unitholders of the Partnership, including N.A. Investment and N.A. Management, in connection with the windup and dissolution of the Partnership prior to the closing of the Arrangement. See "*Prior Sales*".

Pursuant to the Arrangement Agreement, N.A. Investment agreed to transfer the 15,007,361 Shares (after certain cancellations due to rounding) held by it to its Class C shareholders and such transfer was effected on September 19, 2017.

In addition to the closing of the transfer of the Acquired Assets to the Company on August 31, 2017 and the subsequent closing of the Arrangement on September 19, 2017, the Company completed the following acquisitions and financings:

- The Company acquired the Mary Bullard Property from Clear Fork, Incorporated and certain other vendors for aggregate cash consideration of approximately US$50,000, with an effective date of August 1, 2017 and a closing date of August 25, 2017;

- Effective December 1, 2017, Permex U.S., a wholly-owned subsidiary of Permex, acquired the West Henshaw Property and the Oxy Yates Property from the New Mexico Operator for US$170,000. The aggregate purchase price for such properties paid by the New Mexico Operator was US$170,000**,** which was transferred by the Company to the New Mexico Operator in September, 2017 in order for the New Mexico Operator to purchase the assets from Nordstrand Engineering Inc. with an effective date of September 1, 2017 and a closing date of October 31, 2017. An additional US$95,000 was transferred by Permex to the New Mexico Operator to purchase reclamation bonds in connection with the future operation of the properties. These assets were purchased by the New Mexico Operator at the request of Permex (for subsequent transfer to

Permex), as Permex was not eligible, as a Canadian company, to purchase federal leases in New Mexico at the time of purchase by the New Mexico Operator from Nordstrand Engineering Inc. Permex recorded the transfer of such funds to the New Mexico Operator for the purchase of such properties as deferred property acquisition costs in the Financial Statements. There is no written agreement between Permex and the New Mexico Operator related to the initial transfer of such funds or the anticipated return to Permex of the funds used by the New Mexico Operator to initially purchase the reclamation bonds; however, Permex has a verbal agreement with the New Mexico Operator to, and Permex fully expects that the New Mexico Operator will, transfer such funds as directed by Permex upon Permex US becoming operator of the subject properties, in order for Permex US to purchase the required reclamation bonds. See "*Description of the Business – General Description of the Business – Operators*", "*Interests of Management and Others in Material Transactions*" and "*Indebtedness of Directors and Executive Officers*";

- On October 30, 2017, the Company issued 2,000,000 Shares at a price of $0.20 per Share for total gross proceeds of $400,000. The Shares were issued on a private placement basis and pursuant to a 12-month contractual hold period from the date of issuance. See "*Prior Sales*"; and

- On November 24, 2017, the Company issued 1,507,500 Shares at a price of $0.40 per Share for total gross proceeds of $603,000. The Shares were issued on a private placement basis and pursuant to a 12-month contractual hold period from the date of issuance. See "*Prior Sales*".

See "*Statement of Reserves Data and Other Oil and Gas Information*" for reserves data and other oil and gas information related to the Acquired Assets (comprised of the Pittcock North Property, the Pittcock South Property, the McMurtry and Loving Properties and the Peavy Property), the Mary Bullard Property, the West Henshaw Property and the Oxy Yates Property.

The Company has applied, concurrent with the filing of this Prospectus, to list its Shares on the Exchange. Listing will be subject to the Company fulfilling all of the listing requirements of the Exchange.

General Description of the Business

The Company's principal business is to acquire, hold, manage, operate and sell Oil and Gas Properties, or any direct or indirect interests therein, conducting other business which is ancillary or incidental thereto, and deriving income therefrom with a view to making a profit. More specifically, the Company seeks to acquire, enhance and, if warranted, develop Working Interests in producing crude oil and natural gas properties and developmental drilling locations in existing wells with Proved Reserves that need to be refurbished or re-drilled in order to be returned to production. The Oil and Gas Properties will be located exclusively in North America.

The business strategy of the Company is to create a revenue stream primarily through the acquisition of Working Interests in producing Oil and Gas Properties located in North America but the Company may also acquire development stage Oil and Gas Properties in North America. A Working Interest is a percentage of ownership in an oil and gas lease granting its owner the right to explore, drill and produce oil and gas from a particular property. Working Interest owners are obligated to pay a corresponding percentage of the cost of leasing, drilling, producing and operating an oil and gas well. After royalties are paid, a Working Interest also entitles its owner to share in production revenues with other Working Interest owners, based on the ownership percentage of the Working Interest.

<u>Investment Strategy</u>

The strategy of the Company is to combine the secure and reliable revenue source of Working Interests in producing Oil and Gas Properties with the high yield potential of interests in development stage Oil and Gas Properties. To that end, the Company will seek to acquire, enhance and, if warranted, develop Oil and Gas Properties that are projected to have long production lives, and will seek to acquire those Oil and Gas Properties at prices which are projected to produce investment returns that would be competitive with those expected by companies with similar capitalization operating in the oil and gas industry.

The Company's primary focus is to identify, evaluate and acquire Oil and Gas Properties, or interests therein that can reliably generate income to service the obligations of the Company, provide a reasonable and market-competitive return to the Company and which has the potential to provide capital appreciation in the long term. The Company will also incorporate its development plan on current assets owned for utilization of increased production.

The Company uses a discounted cash flow ("**DCF**") analysis to value any Oil and Gas Properties that the Company may consider acquiring. DCF is a valuation method used to estimate the attractiveness of an investment opportunity. DCF analysis uses future cash flow projections and discounts them (most often using the weighted average cost of capital) to arrive at a present value, which is used to evaluate the potential of an investment. If the value arrived at through analysis (known as the "internal rate of return") is higher than the current cost of the investment, the opportunity may be a good one. However, there is no guarantee that a DCF analysis will be able to accurately identify a profitable investment. Oil and Gas Properties with atypically high internal rates of return generally involve a high degree of risk, uncertainty and rate of failure.

The Company may not focus on acquiring Oil and Gas Properties with the highest internal rates of return, as the Company believes that to focus strictly on internal rates of return would result in a bias towards high risk investments. As a result, the Company will seek to acquire, enhance, and, if warranted, develop both Oil and Gas Properties with high internal rates of return and Oil and Gas Properties with lower internal rates of return that have longer anticipated production lives. In this manner, the Company will seek to develop a risk-balanced portfolio of Oil and Gas Properties. Under normal market conditions, the Company expects to invest 50% of its available capital in producing Oil and Gas Properties and midstream assets such as pipelines and 50% of its available capital in development stage Oil and Gas Properties.

Buying and Selling Oil and Gas Properties

The Company is a buy-and-hold investor, investing for the purpose of maximizing cash flow. The Company may acquire Oil and Gas Properties to hold for the long term in order to generate current income for the Company. The Company anticipates that most of the Oil and Gas Properties it will acquire will be fully valued at the time they are purchased, and expects to achieve a rate of return on its investment in Oil and Gas Properties that is competitive with prevailing rates of return in the oil and gas industry. The Company is not in the business of trading Oil and Gas Properties.

However, the Company may sell any Oil and Gas Properties it acquires. For example, if an Oil and Gas Property has high operating expenses or requires significant capital investment, the Company may sell the property to avoid paying the operating expenses or capital investment and incurring the risk associated with participating in a major development project. Similarly, if the Company receives an offer for a property that materially exceeds the Company's internal evaluation of that property, the Company may sell that property. In either case, any and all profits from the sale of the Oil and Gas Property will belong to the Company.

Hedging

The Company may enter into hedging transactions to fix the price or to set "floors" and "ceilings" on the oil and gas sold from any Oil and Gas Properties subject to the hedge for various periods of time. A hedge is a position established in one market in an attempt to offset exposure to the price risk of an equal but opposite obligation or position in another market. The Company anticipates that any hedge periods will generally be between twelve (12) months and sixty (60) months in length. However, hedge periods may be shorter or longer depending on the circumstances. A hedge will permit the Company to sell any oil and gas at a stable price. It will protect against significant drops in prices but also prevent the Company from realizing on any increase in prices. The Company does not have a formal hedging policy in place and it may hedge oil and gas production from any Oil and Gas Properties it has or intends to acquire from time to time as authorized by the Board.

Borrowing

The Company may:

- borrow funds from commercial lenders to finance the acquisition of any Oil and Gas Properties or to finance exploitation activities on any Oil and Gas Properties;

- borrow funds pledging any Oil and Gas Properties as collateral to acquire any additional Oil and Gas Properties;

- distribute loan proceeds to sellers, lease holders, owners or other parties in consideration of the acquisition, maintenance or operation of Oil and Gas Properties and related activities; and

- refinance existing loans secured by any Oil and Gas Properties.

The Company intends to use debt conservatively and aims to structure any borrowing on a long-term basis. The Company may fully amortize mortgages when acquiring Oil and Gas Properties. The Company intends to use no more than 50% debt in its capital structure, even though more leverage could increase the Company's expected rate of return on a *pro forma* basis.

On a *pro forma* basis, leverage increases the internal rate of return on an investment in an Oil and Gas Property. The primary reason the Company may use leverage in its capital structure is to attempt to increase the total return from its investments in Oil and Gas Properties. However, there can be no assurance that any borrowing strategy employed by the Company will enhance returns or will yield any specific rate of return. However, increased leverage does also increase the risk; while leverage magnifies profits when the returns from the asset more than offset the costs of borrowing, losses are magnified when the opposite is true. A corporation that borrows too much money might face bankruptcy or default during a business downturn, while a less-leveraged corporation might survive. Other risks are as follows but not limited to: call options that might not be able to be met, cash-flow that is not adequate to service interest on the leveraged amount and loss of secured collateral due to a default on borrowed funds. See "*Risk Factors*".

It is anticipated that any loans obtained by the Company will be non-recourse and secured by the Oil and Gas Properties acquired by the Company.

The Company may in the future borrow additional funds to finance activities in respect of Oil and Gas Properties.

Availability of Oil and Gas Properties for Investment

The Company believes that current industry conditions provide an excellent opportunity to purchase interests in producing Oil and Gas Properties at prices that can generate attractive rates of return. In reaching this conclusion, the Company's management has examined the following factors:

- Since the late 1980s, the major oil companies have been consolidating and restructuring their operations in the United States and reducing the size of their operational staffs. As this occurs, these companies' ability to manage or oversee the same number of property interests decreases. In an effort to improve efficiency, companies have been selling Oil and Gas Properties in which they own minor interests, or divesting all properties in specific geographic areas.

- Beginning in the early 1980s, the number of entities operating properties in the United States and Canada began decreasing. This trend continued for two decades, but may have reversed in the past several years. While lower commodity prices have spawned the formation of new operating companies and have encouraged new investment, some larger companies have chosen to sell their assets or to merge with other companies. This often creates buying opportunities for smaller companies who are willing to purchase non-strategic or less desirable Oil and Gas Properties. In addition, the Company's management believes that the oil and gas industry is aging and is facing a shortage of qualified professional personnel to replace existing management teams as they begin to retire. As such, individual operators and companies may also choose to sell their properties.

- Some companies owning "legacy properties" (i.e. those Oil and Gas Properties with very long remaining lives and low production decline rates) may elect to sell their anticipated production at current relatively-low discount rates, with the expectation of redeploying the resulting capital in projects with higher projected rates of return. Such "legacy assets" will typically fit the Company's evaluation criteria and economic models.

- Companies and institutional investors may purchase groups of Oil and Gas Properties from major companies, retain only those meeting specific criteria, and place the remaining properties back on the market. Individual interests may be too small to warrant management's attention, may be located outside of targeted acquisition areas, or may be proportionally too small for the institution to be able to select an operator. Often, such properties offered for resale meet the Company's evaluation criteria.

Oil and Gas Property Evaluation Procedures

The Company may conduct initial screenings to determine if Oil and Gas Properties being considered for purchase meet certain criteria. The primary evaluation standards applied during the screening of an Oil and Gas Property may consist of one or more of the following indicators:

- One or more fields in production with stable current production rates;

- Moderate-to-long remaining production life (ten (10) to thirty (30) years or more);

- Targeted operating costs of US$8 - US$15 per barrel of oil or equivalent;

- Relatively fully developed (i.e. at least 50% of the value assigned to an acquisition will be based on the valuation of Proved Developed Producing Reserves). Oil and Gas Properties with exploitation potential are valued on a risk-adjusted basis, and may constitute up to 50% of the valuation of an acquisition;

- Operated by a competent operator;

- Situated onshore and in North America; and

- Includes wells that have been in production for a sufficiently long period to establish production characteristics.

The Company will use various assumptions regarding oil and gas prices and production rates. Generally, assumed prices for future production will be based on the prices which futures contracts for those commodities are currently trading on public exchanges. Production rates will be projected to an economic limit based on an engineering evaluation.

The Company plans to pursue acquisitions of producing Oil and Gas Properties that have exploitation potential. The decrease in oil and gas prices over the past three years has provided a cyclical opportunity to target acquisitions at a discount. Further, enhancements can be done at lower prices during down cycles as opposed to when the oil and gas prices are higher. These enhancements may include workovers, recompletions, stimulation projects and the drilling of additional wells on acreage "held by production". The Company anticipates that the valuation of new acquisitions may attribute as much as 10% to 20% of the purchase price to Proved Developed Non-producing Reserves.

Operators

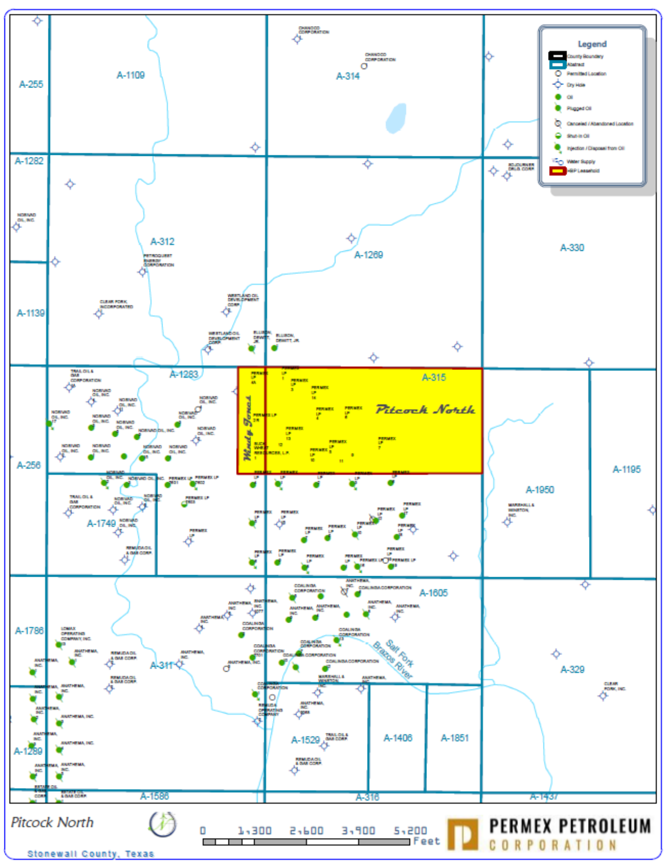
In general, operators of Oil and Gas Properties provide title reports, logs and other information regarding any wells on the properties to the Working Interest owners. Operators also drill and complete wells, operate them on a day-to-day basis and arrange for the sale of any oil and gas produced on the properties. Operators are compensated in the form of monthly management fees paid by Working Interest owners, which are included in the operating costs of the properties.

In many cases, including the Company's anticipated projects, an operator is granted a percentage of net proceeds whereby it earns a percentage of net revenues derived from an Oil and Gas Property, this creates a vested interest for the operator to perform its duties as efficient as possible which in turn would benefit the Company.

The Company's Oil and Gas Properties located in New Mexico are currently operated by the New Mexico Operator on a temporary basis until the applicable regulatory bodies in New Mexico can effect the transfer of operating rights and licenses from the New Mexico Operator to Permex U.S. The Company expects the transfer process to take approximately two months. No written operating agreement has been entered into between the New Mexico Operator and Permex and no fees are or will be charged by the New Mexico Operator to Permex, as the New Mexico Operator only acquired the assets and related rights and licenses on a temporary basis at the request of Permex (for subsequent transfer to Permex). See "*Description of the Business – History*" and "*Interests of Management and Others in Material Transactions*".

<u>Properties</u>

Pittcock North Property (Gloria Gay Field): The Pittcock North Property is situated in Stonewall County. Stonewall County is in Northwest Texas, in the central part of the North Central Plains. 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 county seat is approximately 60 miles north-northwest of Abilene. Stonewall County covers 926 square miles.

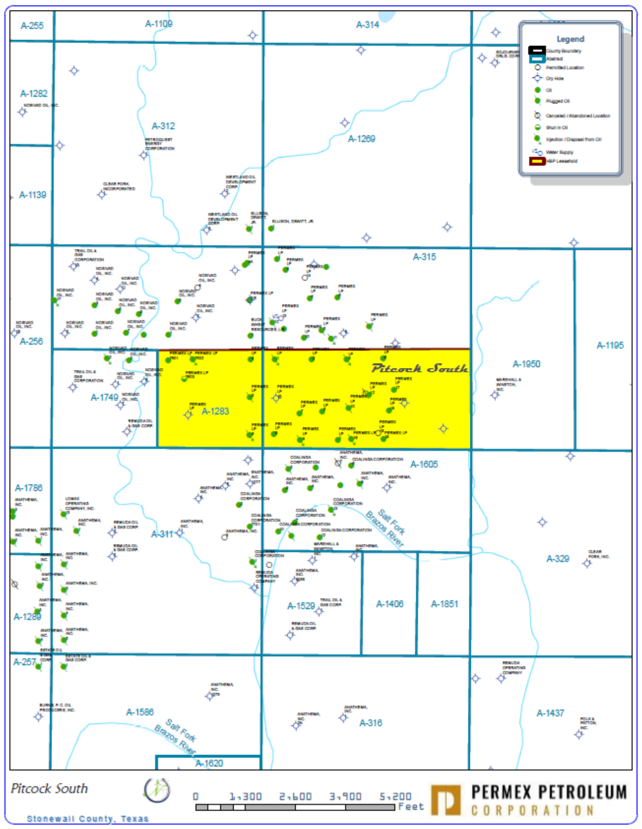


Permex holds a 100% Working Interest and an 81.25% Net Revenue Interest in the Pittcock North Property.

The Pittcock North Property covers 320 acres held by production and is productive in the Clearfork formation at a depth of approximately 2,900 feet. The productive Clearfork horizons are the Upper and Lower Tannehill. The Pittcock lease was drilled in 1982. There are currently six producing wells, four shut-in wells, two saltwater disposal wells, and a water injection well.

The asset is situated on the Eastern Shelf of the Midland Basin. A waterflood enhanced oil recovery was initiated as of February 2016. The waterflood was designed to move water across the lease west to east towards a shale pinch-out in the Northeast part of the lease. The Company plans to increase the daily water injection to a total of 1,000 bbls of water per day and re-enter four Proved Developed Non-Producing shut-in wells in 2018 through the use of proceeds from this Offering. In addition, the Company has identified the opportunity to drill eight Proved Undeveloped wells, which it continues to evaluate.

Pittcock South Property (Geneview Field): The Pittcock South Property is in Stonewall County, Texas. Stonewall County is in Northwest Texas, in the central part of the North Central Plains. 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 county seat is approximately 60 miles north-northwest of Abilene. Stonewall County covers 926 square miles.



Permex holds a 100% Working Interest and a 71.90% Net Revenue Interest in the Pittcock South Property.

The asset is situated on the Eastern Shelf of the Midland Basin. The Pittcock South Property was drilled in 1996. There are currently eight producing wells, eleven shut-in wells and two saltwater disposal wells. Production has benefited from water injection into the reservoir.

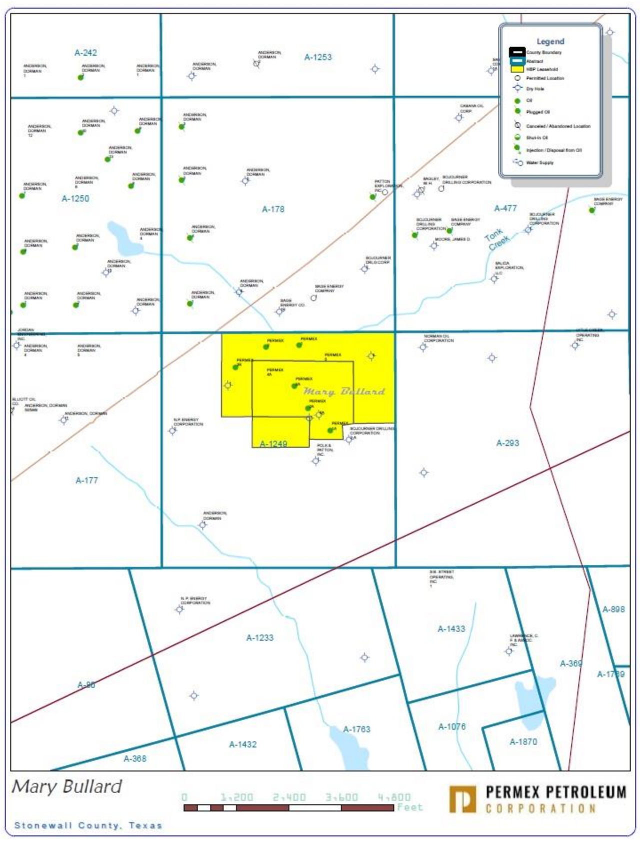
The Pittcock South Property covers 498 acres in four tracts and is productive in the Clearfork formation at a depth of approximately 2,900 feet. The productive Clearfork horizons are the Upper and Lower Tannehill which consist of dolomites, anhydrites and silts.

From a detailed reservoir study of the Pittcock lands, with specific focus on the Pittcock North Property, Permex has concluded that areas within the reservoir are underperforming and have the potential to be optimized through modification of the water injection scheme. Successful waterflood has been applied to the Pittcock North Property and Permex intends to duplicate this operation on the Pittcock South Property, as the Company believes that the reservoirs are similar and the acreage the Company holds amongst the Pittcock North Property and the Pittcock South Property are considered contagious.

Permex also plans to re-enter eleven Proved Developed Non-Producing wells. All wells will be completed in the Upper and Lower Tannehill. The Company anticipates to start this program, including the waterflood discussed above, in 2018 through the use of proceeds from this Offering. In addition, the Company has identified the opportunity to drill twelve Proved Undeveloped wells, which it continues to evaluate.

Mary Bullard Property

The Mary Bullard Property is located in Stonewall County, about 5 ½ miles south west of Aspermont, Texas. The asset is situated on the Eastern Shelf of the Midland Basin. Stonewall County is in Northwest Texas, in the central part of the North Central Plains. 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 county seat is approximately 60 miles north-northwest of Abilene. Stonewall County covers 926 square miles.



Permex holds a 100% Working Interest and a 78.625% Net Revenue Interest in the Mary Bullard Property.

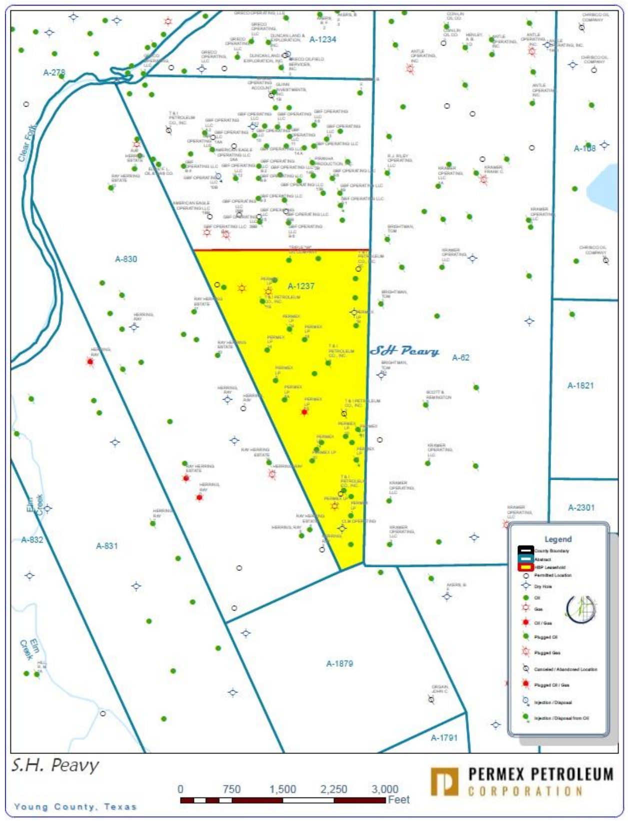
The Mary Bullard Property covers 241 acres held by production and is productive in the Clearfork formation at a depth of approximately 3,200 feet. The productive Clearfork horizons are the Upper and Lower Tannehill. The Tannehill sands, Upper and Lower, are channel deposits trending from east to west. Typical characteristics are high permeability and high porosity medium to coarse grained sands with minimal amounts of calcite cementation. They are water drive reservoirs with excellent waterflood potential.

The Mary Bullard Property was drilled in 1980. There is currently one producing well, four shut-in wells, and two water injection wells.

Permex plans to return the four shut-in Proved Developed Non-Producing wells to production and initiate a waterflood project on the lease. The Company anticipates to start this program in 2018 through the use of proceeds from this Offering. In addition, the Company has identified the opportunity to drill three Proved Undeveloped wells, which it continues to evaluate.

Peavy Property

The Peavy Property is located in Young County, Texas in the Permian basin. Young County is in North Central Texas. It is bounded by Archer County to the north, Jack County to the east, Stephens County to the south, and Throckmorton County to the west. Young County covers 931 square miles. The county seat is approximately 55 miles south of Wichita Falls and 65 miles northwest of Fort Worth.



Permex holds a 100% Working Interest and a 70.48% Net Revenue Interest in the Peavy Property.

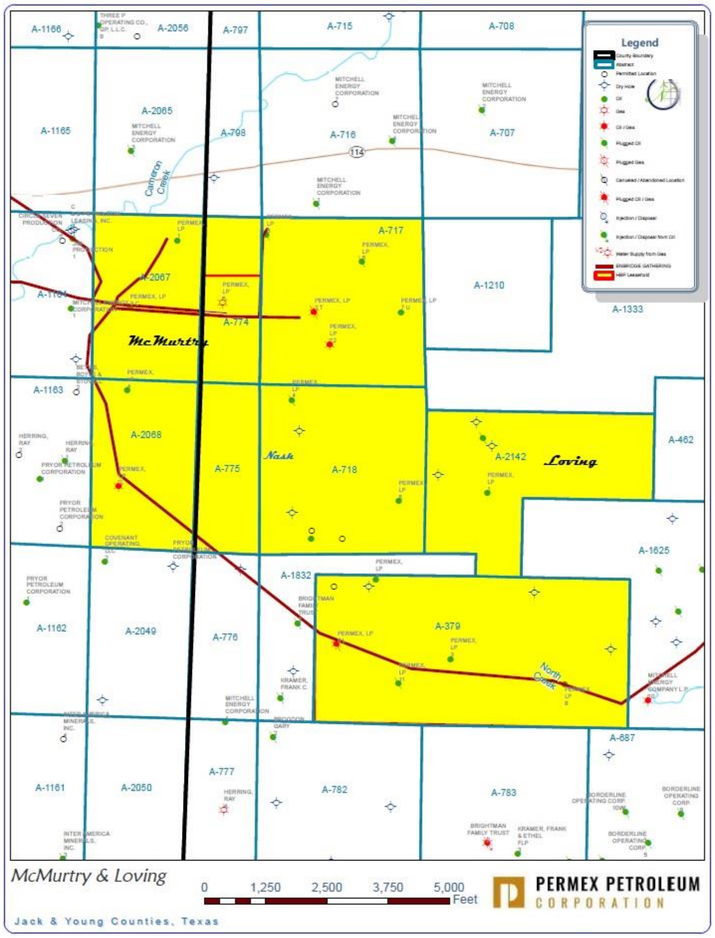
The Peavy Property covers 160 acres held by production and is productive in the Marble Falls, Conglomerate, Caddo Limestone, and other members within the Pennsylvanian Strawn formation. The formations are at depths from 2,000 feet to 4,200 feet.

The Peavy Property was drilled in 1988. There are currently nine producing wells, four shut-in wells, and one saltwater disposal well.

Permex plans to develop the Strawn sands that are up-hole across the entire lease. Initially, three Proved Developed Non-Producing shut-in wells will be recompleted to the Strawn and one well will be converted to a salt water disposal well. A waterflood enhanced oil recovery is also planned for the Strawn. The Company anticipates to start this program in 2018 through the use of proceeds from this Offering. In addition, the Company has identified the opportunity to drill five Proved Undeveloped wells, which it continues to evaluate.

McMurtry and Loving Properties

The McMurtry and Loving Properties are located on the boundary between Jack and Young Counties in Texas. The asset is situated on the north end of the Fort Worth Basin, on the east flank of the Bend Arch. Young County is bounded by Archer County to the north, Jack County to the east, Stephens County to the south and Throckmorton County to the west. Young County covers 931 square miles. Jack County is bounded by Archer, Clay, and Montague Counties to North, Young County to the west, Palo Pinto and Parker Counties to the south, and Wise County to the east. Jack County covers 920 square miles.



Permex holds a 100% Working Interest and a 75.00% Net Revenue Interest in the McMurty and Loving Properties.

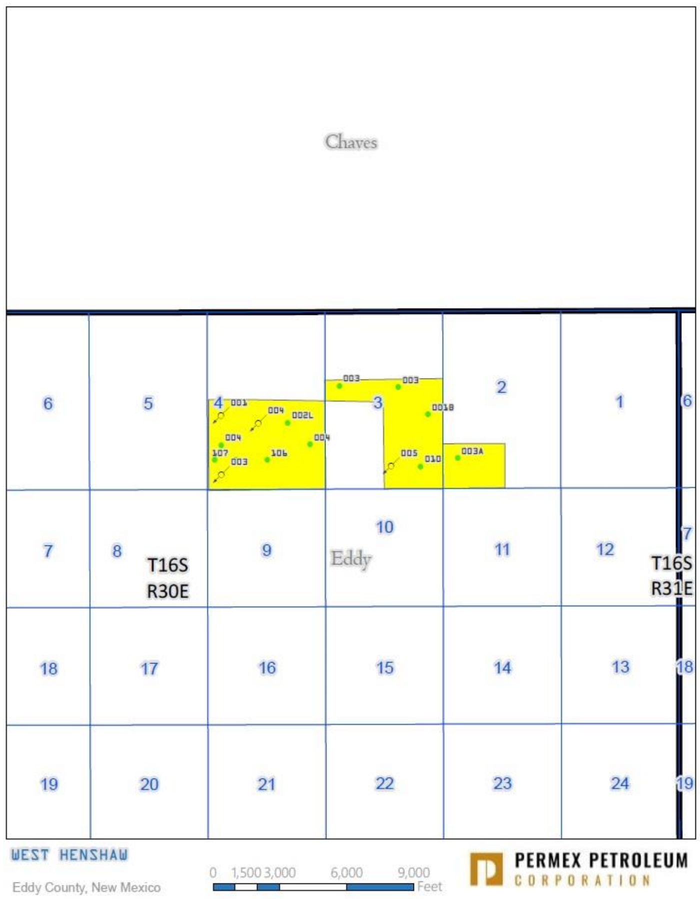
The McMurtry lease covers 530 net acres in Young County and has three producing wells and two shut-in wells. The Loving Estate lease, located in Jack County, contains 980 net acres. There are two producing wells, six shut-in wells, and a water disposal well. The wells produce from the Marble Falls and Conglomerate zones. The formations are at depths of 4,000 feet.

Permex believes the McMurtry and Loving Properties have excellent secondary recovery potential and would benefit from a water injection scheme. Permex plans to exploit the large acreage position by in-fill drilling. All of the shut-in wells will be returned to production, perforate and open the Caddo formation in anticipation of the initiation of a full-scale waterflood enhanced oil recovery on the property. The Caddo formation in this area is a good waterflood zone. The Company also plans to convert one additional well into a salt water disposal well. The Company anticipates to start this program in 2018 through the use of proceeds from this Offering. In addition, the Company has identified the opportunity to drill five Proved Undeveloped wells, which it continues to evaluate.

West Henshaw Property

The New Mexico Operator is currently the operator of the West Henshaw Property on a temporary basis prior to the transfer to Permex U.S. as operator becoming effective. See "*Description of the Business – General Description of the Business – Operators*".

The West Henshaw Property is located in Eddy County, New Mexico in the Delaware basin. Eddy County is in Southeast New Mexico. It is bounded by Chaves County to the north, Otero County to the west, Loving County, Texas to the south, and Lea County to the east. Eddy County covers 4,198 square miles. The West Henshaw Property is 12 miles northeast of Loco Hills, New Mexico.



Permex holds a 100% Working Interest and a 72% Net Revenue Interest in the West Henshaw Property. Permex holds its interest in the West Henshaw Property through its wholly-owned subsidiary, Permex U.S.

The West Henshaw Property covers 1,880 acres held by production. Current production is from the Premier or basal Grayburg sand of Permian age. It is located at an average depth of 2,850 feet. The producing reservoir is a stratigraphic trap. The initial spacing was 40 acres, however Permex now can use 10-acre spacing on this unit.

The West Henshaw Property is in the Delaware Basin where deeper potential in the Bone Springs and Wolfcamp zones are exploited. Several of the better target zones occur in the Northern Delaware Basin, e.g., Wolfcamp A-X, Y and Z sand intervals. The Bone Springs are also best developed in the Northern Delaware Basin.

The West Henshaw Property was formed in January 1, 1966, with Mobil Oil Corporation as the operator. Currently, there are nine producing wells and four saltwater disposal wells.

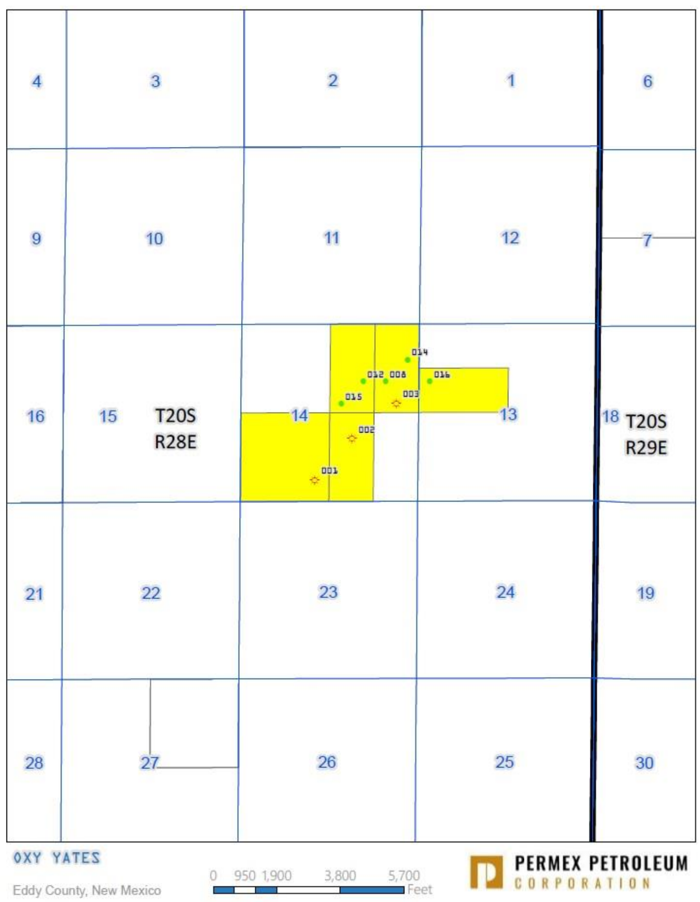
Permex plans to restore production from the current producing wells, while stimulating the wells with acid treatments. The Company anticipates to start this program in 2018 through the use of proceeds from this Offering.

Permex also plans to explore and develop the Bone Springs and lower Wolfcamp potential on the West Henshaw Property and has identified the opportunity to drill ten wells on the acreage in addition to the opportunity to drill six additional Proved Undeveloped wells in the Premier Sand. The Company continues to evaluate these opportunities.

Oxy Yates Property

The New Mexico Operator is currently the operator of the Oxy Yates Property on a temporary basis prior to the transfer to Permex U.S. as operator becoming effective. See "*Description of the Business – General Description of the Business – Operators*".

The Oxy Yates Property is located in Eddy County, approximately eight miles north of Carlsbad, New Mexico. Eddy County is in Southeast New Mexico. It is bounded by Chaves County to the north, Otero County to the west, Loving County, Texas to the south, and Lea County to the east. Eddy County covers 4,198 square miles. The asset is located in the Delaware Basin.



Permex holds a 100% Working Interest and a 77% Net Revenue Interest in the Oxy Yates Property. Permex holds its interest in the Oxy Yates Property through its wholly-owned subsidiary, Permex U.S.

The Oxy Yates Property covers 680 acres held by production. Current production is from the Yates sand of Permian age and is 50 to 60 feet thick.

The Oxy Yates Property wells were drilled in the late 1990s and early 2000s. Currently, there are eight producing wells and two 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.

Permex plans to optimize production from the lease through acid treatments, clean-out of the wellbores and downhole pump replacements. The Company anticipates to start this program in 2018 through the use of proceeds from this Offering.

In addition, Permex will be evaluating the results of ten acre downspacing in the Yates formation on the lands one mile to the east in order to identify opportunities to start a drill program on the field within the Yates sands. The Company has identified the opportunity to drill ten Proved Undeveloped wells, which it continues to evaluate. With the use of proceeds from the Offering, the Company anticipates initially drilling one Proved Undeveloped well in the first quarter of 2018 in the Yates formation and additional wells, if warranted, following the results of initial drilling activities.

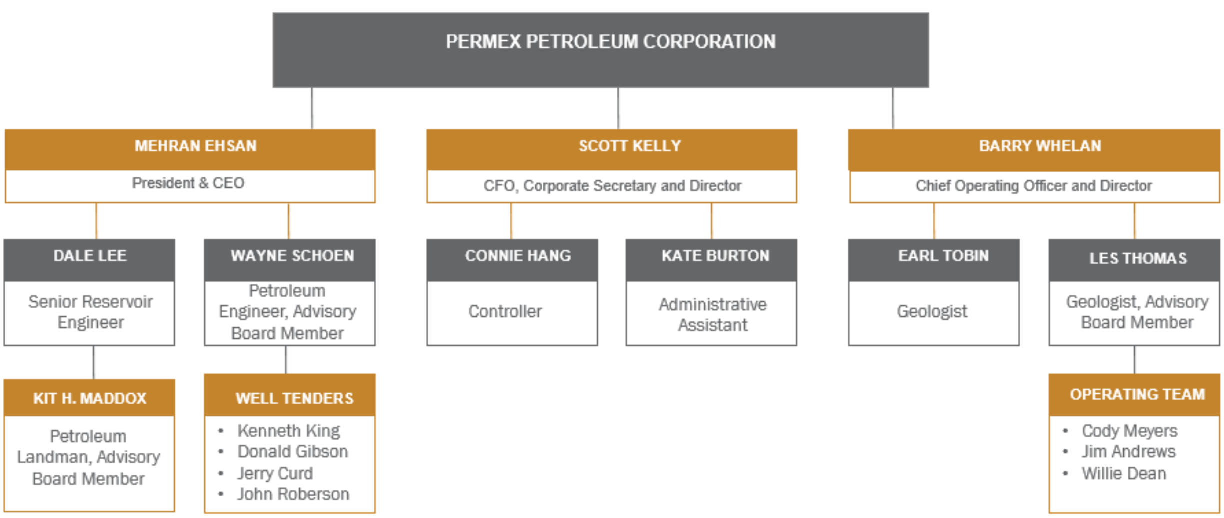
Windy Jones Property

Permex holds a 100% Working Interest and a 78.9% Net Revenue Interest in the Windy Jones Property.

The Windy Jones Property consists of forty acres and includes two injection wells and two suspended oil wells which will be converted into injections wells. The sole purpose of the Windy Jones Property is to provide waterflood to the offset wells being the Pittcock wells located on the east boundary of the Windy Jones Property. Currently the Windy Jones #4 well is being used as an injection well for the Company's waterflood on the Pittcock North Property and the Pittcock South Property. The Pittcock North Property generated successful results by showing an increase in the reservoir pressure. As such the Company plans to begin injection in the remaining Windy Jones wells to increase waterflood sweep into the Pittcock North Property and Pittcock South Property wellbores. The Company anticipates starting this program in 2018 through the use of proceeds from this Offering. No Reserves have been attributed to this lease.

Employees

The following diagram illustrates the offices, positions (not including independent directors), and departments of the Company, which currently has approximately 16 employees as well as a number of consultants:



Specialized Skill and Knowledge

The Company believes that it has sufficient personnel with the specialized skills and knowledge to successfully carry out the present level of its business and operations. The Company employs or retains personnel with many of these skills, as appropriate. In addition, the Company procures the services of consultants and contractors to complement the skills of its employees wherever necessary. Specialized skills and knowledge relevant to the Company's business and operations include strong technical skills, expertise in planning and financial controls, ability to execute on business development opportunities, capital markets expertise, and entrepreneurial experience which will allow the Company to effectively identify, evaluate and execute on value added initiatives.

Foreign Operations

The Company's properties are located in the United States. As such, the Company's business is exposed to various degrees of political, economic and other risks and uncertainties. See "*Risk Factors*".

Environmental Protection

The Company is committed to high environmental standards and carries out its activities and operations in compliance with all relevant and applicable environmental regulations and best industry practices. Costs of environmental protection requirements are not expected to be significant relative to the costs associated with of acquisitions, and leasing, drilling, producing and operating costs.

Competitive Conditions

The oil and natural gas industry is highly competitive. The Company encounters competition from other independent operators and from major oil companies in: acquiring oil and natural gas properties suitable for its stated business objectives; contracting services to advance and develop Oil and Gas Properties; securing trained personnel; obtaining transportation access to storage, refining and production infrastructure; and for capital to finance such activities.

Many of these competitors have financial and personnel resources available to them that are substantially larger than that of the Company. See "*Risk Factors*".

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The statement of reserves data and other oil and gas information set forth below is dated and prepared as of December 11, 2017, with the effective date thereof being September 30, 2017.

The report on reserves data in Form 51-101F2 is included in Schedule F attached to this Prospectus. The report of management and directors on reserves data and other information in Form 51-101F3 is attached as Schedule G.

The reserves data set forth below is based upon evaluations by MKM Engineering with an effective date of September 30, 2017 as contained in the Reserves Report. The reserves data summarizes the crude oil, natural gas and natural gas liquids reserves of Permex and the net present values of future net revenue for these reserves as of September 30, 2017 using forecast prices and costs, not including the impact of any price risk management activities. The Reserves Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101 and CSA 51-324. Permex engaged MKM Engineering to provide an evaluation of its Proved and Proved plus Probable Reserves and no attempt was made to evaluate possible (as defined in NI 51-101) Reserves.

All evaluations of future net revenue are after the deduction of royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. The undiscounted or discounted net present value of future net revenue attributable to reserves estimated by MKM Engineering do not represent the fair market value of those reserves. There is no assurance that the forecast price and cost assumptions contained in the Reserves Report will be attained and variations could be material. Other assumptions and qualifications relating to costs and other matters are summarized herein. Readers should review the definitions and information contained in "*Oil and Gas Information*" in conjunction with the following tables and notes. The recovery and reserve estimates described herein are estimates only. The actual reserves associated with the Company's properties may be greater or less than those calculated. See "*Risk Factors*".

Disclosure provided herein in respect of BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of crude oil reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. **Actual reserves may be greater than or less than the estimates provided herein.**

The estimates of reserves and future net revenue for the individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all Permex properties, due to the effects of aggregation.

All dollar values are expressed in U.S. dollars, unless otherwise indicated. See "*Currency and Exchange Rate Information*".

Disclosure of Reserves Data

Summary of Oil and Gas Reserves
As of September 30, 2017
Forecast Prices and Costs

United States	Light and Medium Oil		Natural Gas		Natural Gas Liquids	
Reserves Category	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
Proved						
Developed Producing	246	190	98	71	0	0
Developed Non-Producing	291	219	69	53	0	0
Undeveloped	2,765	2,041	166	128	0	0
Total Proved	**3,302**	**2,450**	**333**	**252**	**0**	**0**
Probable	4,737	3,426	10,352	7,457	0	0
Total Proved Plus Probable	**8,039**	**5,876**	**10,685**	**7,709**	**0**	**0**

Net Present Value of Future Net Revenue
As of September 30, 2017
Forecast Prices & Costs

	Before Future Income Tax Expense Discounted At (%/year):					After Future Income Tax Expense Discounted At (%/year):				
United States	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
Reserves Category	(US$ thousands)					(US$ thousands)				
Proved										
Developed Producing	7,478	5,300	3,941	3,074	2,493	6,730	4,783	3,566	2,789	2,267
Developed Non-Producing	9,978	7,261	5,542	4,400	3,600	8,980	6,553	5,016	3,992	3,275
Undeveloped	81,942	52,333	34,418	23,245	15,944	73,748	47,226	31,134	21,073	14,481
Total Proved	**99,398**	**64,894**	**43,901**	**30,719**	**22,037**	**89,458**	**58,562**	**39,716**	**27,854**	**20,023**
Probable	160,128	101,982	71,307	52,563	39,928	144,098	91,993	64,449	47,583	36,188
Total Proved Plus Probable	**259,526**	**166,876**	**115,208**	**83,282**	**61,965**	**233,556**	**150,555**	**104,165**	**75,437**	**56,211**

Total Future Net Revenue (Undiscounted)
As of September 30, 2017
Forecast Prices & Costs
(US$ thousands)

United States

Reserves Category	Revenue	Royalties	Operating Costs	Development Costs	Abandonment & Reclamation Costs	Future Net Revenue Before Tax	Income Tax	Future Net Revenue After Tax
Total Proved	241,465	62,299	43,488	30,615	5,666	99,398	9,940	88,458
Total Proved Plus Probable	638,980	172,310	117,836	82,660	6,648	259,526	25,970	233,556

Total Future Net Revenue
(NPV discounted 10% before deducting Future Income Tax Expenses, by Production Group)
As of September 30, 2017
Forecast Prices & Costs

United States

	Light and Medium Oil		Natural Gas	
Reserves Category	US$ thousands	Unit Value (US$/bbl)	US$ thousands	Unit Value (US$/Mcf)
Proved				
Developed Producing	3,877	20.40	64	0.90
Developed Non-Producing	5,474	24.94	84	1.58
Proved Undeveloped	34,305	16.81	113	0.99
Total Proved	**43,669**	**17.82**	**233**	**0.92**
Total Probable	64,397	18.79	6,910	0.93
Total Proved Plus Probable	**108,096**	**18.39**	**7,113**	**0.92**

Pricing Assumptions

The following tables detail the benchmark reference prices reflected in the reserves data disclosed above. These pricing assumptions were provided by MKM Engineering.

Summary of Pricing and Inflation Rate Assumptions
As of September 30, 2017
Forecast Prices & Costs

Year	WTI Cushing (US$/bbl)	Natural Gas U.S. Henry Hub (US$/MMBtu)	Inflation Rate %/Year
Forecast:			
2017	52.50	3.00	2.0
2018	55.00	3.00	2.0
2019	58.70	3.15	2.0
2020	62.40	3.30	2.0
2021	69.00	3.65	2.0
2022	73.10	3.85	2.0
2023	74.50	3.90	2.0
2024	76.00	4.00	2.0
2025	77.50	4.10	2.0
2026	79.10	4.15	2.0
2027	80.70	4.25	2.0
Thereafter	2%/year	2%/year	2.0

The Company's weighted average prices received were US$45.52 for oil and US$2.95 for natural gas as of September 30, 2017.

Reconciliation of Changes in Reserves

No reserve reconciliation has been completed on the Company's properties at this time. The Company was incorporated after December 31, 2016 and no evaluation report in respect of its reserves as at such date is available to the Company.

Additional Information Relating to Reserves Data

Undeveloped Reserves

Proved Undeveloped Reserves are generally those Reserves related to wells that have been tested and not yet tied-in, wells drilled near the end of the fiscal year or wells further away from gathering systems. In addition, such Reserves may relate to planned infill drilling locations. Probable Undeveloped Reserves are generally those Reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production. The Reserves Report contains Proved and Probable Undeveloped Reserves that have been estimated in accordance with the procedures and standards contained in the COGE Handbook.

With the drilling of infill wells, workovers and re-completions of the existing wells planned during the next two years, the Company will have the opportunity to evaluate additional Reserves and other potential productive zones. The Company's plans for the next two years in respect of its Undeveloped Reserves are set forth under "*Description of the Business – General Description of the Business - Properties*".

The following tables set forth the Company's gross Proved Undeveloped Reserves and the gross Probable Undeveloped Reserves, each by product type, for the period from incorporation of the Company to September 30, 2017, based on forecast prices and costs.

Proved Undeveloped Reserves				
Period	**Light and Medium Oil (Mbbl)**		**Natural Gas (MMcf)**	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
Period ended Sept. 30, 2017	2,765	2,041	166	128

Probable Undeveloped Reserves				
Period	**Light and Medium Oil (Mbbl)**		**Natural Gas (MMcf)**	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
Period ended Sept. 30, 2017	4,737	3,426	10,352	7,457

Significant Factors or Uncertainties

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, commodity prices and economic conditions. The properties and reserves are evaluated by MKM Engineering, an independent engineering firm.

Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, commodity prices, economic conditions and governmental restrictions. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. The Company's actual production, revenues, taxes, development and operating expenditures with respect to its reserves may vary from such estimates, and such variances could be material. The Company does not anticipate that any important economic factors or significant uncertainties would affect particular components of the reserves data. Notwithstanding that, a number of factors which are beyond the Company's control can significantly affect the reserves, including product pricing, royalty and tax regimes, changing operating and capital costs, surface access issues, availability of services and processing facilities and technical issues affecting well performance. See "*Risk Factors*".

Future Development Costs

The following tables sets forth the estimated development costs deducted in the estimation of future net revenue attributable to Proved Reserves and Proved plus Probable Reserves, both in total (undiscounted) and by year for each of the first five years estimated, based on forecast prices and costs.

Summary of Estimated Future Development Costs Attributed to Reserves
Forecast Prices & Costs

United States	Proved Reserves	Proved Plus Probable Reserves
	US$	US$
2017	1,065,110	1,055,070
2018	10,730,340	31,326,690
2019	7,410,320	28,370,840
2020	5,781,050	16,279,510
2021	5,628,080	5,628,080
Total	30,614,900	82,660,190

The Company expects to fund its estimated future development costs through a combination of internally generated cash flow and debt or equity financing. There can be no guarantee that funds will be available when required to proceed with the development of the Company's Reserves as contemplated herein or that the Board will allocate funding to develop all of the Reserves requiring development. Failure to develop such Reserves could negatively impact future net revenue.

<u>Other Oil and Gas Information</u>

Oil and Gas Wells

The following table sets forth the number and status of wells in which the Company has a working interest as at September 30, 2017:

	Oil Wells				Natural Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Texas	21	21	44	44	8	8	4	4
New Mexico	9	9	-	-	8	8	2	2

Properties with No Attributed Reserves

The following table sets out the Company's land holdings that have no attributed Reserves as at September 30, 2017:

	Gross Acres	Net Acres
Stonewall County, U.S.A. (Windy Jones #1, #2R, #3, #4 wells)	40	40

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

No Reserves have been attributed to the above property and wells, as this property is only utilized for the injection of water to facilitate waterflooding on the Pittcock North Property and Pittcock South Property.

Costs to plug wells are not material at this time. The average cost to date for the Company has been US$20 per foot.

Forward Contracts

The Company is not bound by an agreement directly or through an aggregator, under which it may be precluded from fully realizing, or may be protected from the full effect of, future market prices for oil and gas.

Tax Horizon

The Company is not required to pay income taxes at this time. The Company expects to pay income taxes in 2018.

Costs Incurred

The following table summarizes certain capital expenditures related to the Company's activities for the period ended September 30, 2017:

	Costs Incurred for period ended September 30, 2017
	United States
Property Acquisition Costs Proved Properties Unproved Properties	 CDN$3,168,309 NIL
Exploration Costs	NIL
Development Costs	CDN$11,744

Exploration and Development Activities

For the period ending September 30, 2017, the Company did not complete any exploratory wells or development wells.

The Company's primary focus is to bring online most of its shut-in wells, re-enter its low producing wells, create waterflood secondary recovery on properties identified for that purpose and infill drill its properties as described under "*Description of the Business – General Description of the Business – Properties*".

Production Estimates

The following table sets out the volume of the Company's production estimated for the year ended December 31, 2017, which is reflected in the estimate of gross Proved Reserves and gross Probable

Reserves disclosed in the tables above under "*Statement of Reserves Data and Other Oil and Gas Information*":

Estimated Production for 2017 Forecast Prices & Costs (Undiscounted)		
	Proved Reserves	Proved Plus Probable Reserves
2017 Production (Gross)		
Light and Medium Oil (Mbbl)	7	7
Gas (MMcf)	4	4
NGL (Mbbl)	0	0
Mboe	7	7
2017 Production (Net)		
Light and Medium Oil (Mbbl)	5	5
Gas (MMcf)	3	3
NGL (Mbbl)	0	0
Mboe	6	6

Production History

The following table summarizes certain information in respect of sales volumes, product prices received and operating expenses made by the Company for the month of September 30, 2017. The Company had no production prior to the transfer of the Acquired Assets from the Partnership to the Company on August 31, 2017.

Summary of 2017 Company Share of Production & Netbacks	
September Total (no production prior to August 31, 2017)	United States
	Month ended September 30, 2017
Company share of gross daily production before deduction of royalties	
Natural Gas (Mcf/d)	65.3
Price received (US$/boe)	3.48
Royalties paid (US$/boe)	1.03
Production costs (US$/boe)	0.21
Netback (US$/boe)	2.24
Light and Medium Oil (bbl/d)	49.5
Price received (US$/boe)	46.04
Royalties paid (US$/boe)	9.38
Production costs (US$/boe)	11.66
Netback (US$/boe)	25.00
NGLs (bbl/d)	NIL
Total Production	
Natural Gas (Mcf)	1,959
Light and Medium Oil (Mbbl)	1.48
NGLs (Mbbl)	Nil

USE OF PROCEEDS AND AVAILABLE FUNDS

Funds Available

The Company's estimated working capital as at November 30, 2017 is $407,621. The Company estimates that the net proceeds from the Offering will be approximately $1,970,000 in the event of the Minimum Offering and $8,600,000 in the event of the Maximum Offering, after deducting the Agents' commission (assuming payment thereof in cash) and estimated expenses. The funds expected to be available to the Company upon completion of the Offering and the expected principal purposes for which such funds will be used are described below:

Funds Available	**Minimum Offering**	**Maximum Offering**
Estimated working capital as of November 30, 2017	$407,621	$407,621
Net proceeds of the Offering(1)	$1,970,000	$8,600,000
Net Funds Available (unaudited)	$2,377,621	$9,007,621

Note:

(1) After deducting the Agents' commission in the amount of $200,000 in the event of the Minimum Offering and $800,000 in the event of the Maximum Offering, as well as estimated expenses of approximately $330,000 in the event of the Minimum Offering and $600,000 in the event of the Maximum Offering.

Use of Proceeds

The net proceeds of the Offering, together with the Company's estimated working capital as at November 30, 2017, is intended to be used as follows:

Principal Purpose	**Minimum Offering**	**Maximum Offering**
Purchase of additional Oil and Gas Properties(1)	$Nil	$2,500,000
Enhancement and development of existing Oil and Gas Properties(2)	$1,739,200	$4,743,000
Estimated expenses of application for Exchange listing……………..	$30,000	$30,000
Annual estimated general and administrative costs(3)………………..	$300,000	$570,000
Working Capital	$308,421	$1,164,621
Total	**$2,377,621.00**	**$9,007,621.00**

Notes:

(1) Includes costs associated with acquiring additional Oil and Gas Properties in accordance with the Company's investment strategy and business objectives. See "*General Development of the Business*" and "*Business Objectives and Milestones*".

(2) Includes operating costs for Oil and Gas Properties, including where applicable costs associated with leasing, drilling, producing and operating wells or units. In the event of either the Minimum Offering or the Maximum Offering, the Company plans to use these proceeds to return all of its shut-in wells to production, initiate its planned waterflood activities on each of its properties (beginning with the Pittcock South Property) and re-enter and stimulate the well candidates that indicate the most potential for production. See "*General Development of the Business*" and "*Business Objectives and Milestones*". The Company also plans to drill one well in the first quarter of 2018 with these proceeds in the event of the Minimum Offering. In the event of the Maximum Offering, the Company plans to use the additional proceeds allocated to this category to drill additional wells that have been identified as opportunities on the Company's properties, which the Company continues to evaluate. See "*General Development of the Business*" and "*Business Objectives and Milestones*". The specifics of any additional wells drilled in the event of the Maximum Offering will be dependent on the results of the Company's initial drilling in the first quarter of 2018, the results of its re-entry and waterflood program and potential acquisitions that may arise.

(3) The estimated general and administrative costs for the next 12 months are as follows:

	Minimum Offering	Maximum Offering
Office & Administration	$30,000	$70,000
Salaries & Consultants	$150,000	$200,000
Professional Fees (legal & accounting)	$40,000	$100,000
Regulatory Fees and Transfer Agent Fees	$20,000	$20,000
Technical Reports	$20,000	$30,000
Investor Relations and Communications	$20,000	$100,000
Insurance	$20,000	$50,000
Total G&A	**$300,000**	**$570,000**

The tables above, under "*Funds Available*" and "*Use of Proceeds*" exclude any proceeds from additional Shares issuable upon exercise of the Over-Allotment Option. See "*Plan of Distribution*". Any additional proceeds from the exercise of the Over-Allotment Option will be added to the working capital of the Company.

The Company estimates that proceeds from the Offering will fund operations for at least 12 months assuming completion of the Minimum Offering and 18 months assuming completion of the Maximum Offering. The estimated total operating costs necessary for the Company to achieve its business objectives for the next 12 months are $7,843,000 in the event of the Maximum Offering and $2,069,200 in the event of the Minimum Offering (these amounts include an estimated $5,691,600 in material capital expenditures in the event of the Maximum Offering and $1,969,200 in material capital expenditures in the event of the Minimum Offering during the next 12 months).

Business Objectives and Milestones

The principal purposes for the net proceeds from the Offering and the Company's estimated working capital as at November 30, 2017, as described above, are consistent with the Company's business objectives and strategic goals relating to the acquisition, enhancement and, if warranted, development of Working Interests in Oil & Gas Properties. See "*General Development of the Business*". In particular, the Company's objectives in using the net proceeds from the Offering and the Company's estimated working capital as at November 30, 2017 are to grow its reserve base and expand production on its current properties, as well as to seek opportunities to acquire new properties that may increase shareholder value.

The success of the Company in meeting its objectives will depend on the success of its drilling program and the availability of accretive opportunities, which cannot be determined in advance. The Company anticipates beginning its program to bring all shut in wells to production and its planned waterflood activities, as well as initially drilling one Proved Undeveloped well in the Yates formation on the Oxy Yates Property in the first quarter of 2018 with the use of proceeds from the Offering. The Company's business objectives of growing its reserve base and expanding production on its current properties will be dependent on the results of such activities, which are unknown at this time. The anticipated cost of drilling the initial well in the Yates formation is approximately US$45,000 - US$75,000. After the initial results of these activities are known by the Company in the first quarter of 2018, the Company plans to evaluate other similar cost drilling opportunities that it has identified on the Oxy Yates Property with any additional available funds from the Minimum Offering and the Company's working capital. This is expected to occur in the second quarter of 2018, following which the Company will consider further drilling opportunities that it is currently evaluating on its properties in order to allocate additional available funds from the net proceeds raised in the event of the Maximum Offering and its working capital. See "*Description of the Business – General Description of the Business – Properties*".

By its nature, the oil and natural gas business is dynamic and requires constant review, analysis and determination of prudent allocations of capital spending. Depending on the degree of success achieved from the Company's planned activities, management will assess and may establish additional objectives and milestones for the Company to meet.

While the Company intends to spend its current working capital and the net proceeds of the Offering as stated above, there may be circumstances where, for sound business reasons, a re-allocation of funds may be necessary or advisable.

The actual amount that the Company spends in connection with each of the intended uses of proceeds may vary significantly from the amounts specified above, and will depend on a number of factors, including those listed under the heading "Risk Factors".

The Company has not yet achieved positive operating cash flow, and there are no assurances that the Company will not experience negative cash flow from operations in the future.

Other Sources of Funding

While there can be no assurance that any outstanding options or warrants will be exercised, any exercise of such convertible securities would also be a source of funding for the Company.

DIVIDENDS OR DISTRIBUTIONS

The Company has not paid dividends since its incorporation. While there are no restrictions in the Company's articles or pursuant to any agreement or understanding which could prevent the Company from paying dividends or distributions, the Company has limited cash flow and anticipates using all available cash resources to fund working capital and grow its business. As such, there are no plans to pay dividends in the foreseeable future. Any decisions to pay dividends in cash or otherwise in the future will be made by the Board on the basis of the Company's earnings, financial requirements and other conditions existing at the time a determination is made.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following financial statements and management's discussion and analysis are included as schedules to this Prospectus as follows:

- **Schedule A:** the audited financial statements of the Company for the period ended September 30, 2017, together with the notes thereto;
- **Schedule B:** the management's discussion and analysis of the financial condition and results of operations of the Company for the period ended September 30, 2017;
- **Schedule C:** the audited carve-out financial statements in respect of the Acquired Assets for the financial years ended December 31, 2016 and 2015, together with the notes thereto;
- **Schedule D:** the unaudited carve-out, condensed interim financial statements in respect of the Acquired Assets for the eight months ended August 31, 2017, together with the notes thereto; and
- **Schedule E:** the management's discussion and analysis of the financial condition and results of operations in respect of the Acquired Assets for the eight months ended August 31, 2017 and the financial year ended December 31, 2016.

The Financial Statements, the Acquisition Statements and the financial data derived therefrom and included in this Prospectus have been prepared in accordance with International Financial Reporting Standards representing generally acceptable accounting principles for publicly accountable enterprises in Canada.

The MD&A and the Acquisition MD&A included herein should be read in conjunction with the Financial Statements and the Acquisition Statements, respectively, as well as the disclosure contained in this Prospectus. The discussions of results are as of the dates stated in the applicable management's discussion and analysis.

See also "*Financial Statement Disclosure*".

DESCRIPTION OF THE SECURITIES DISTRIBUTED

Shares

The Shares offered hereby are common shares of the Company. The Company's authorized capital consists of an unlimited number of Shares, of which 27,322,361 Shares are issued and outstanding as at the date of this Prospectus. Holders of the Shares are entitled to one vote per share at all meetings of the holders of common shares of the Company and, subject to the rights of holders of any shares ranking in priority to or on a parity with the Shares, to participate rateably in any distribution of the Company's property or assets upon liquidation or wind-up.

Warrants

The Company has not issued any warrants and there are no warrants outstanding as at the date of this Prospectus. The Company intends to issue the Agents' Warrants to the Agents at Closing. See "*Plan of Distribution*".

Options

As of the date of this Prospectus, there are outstanding options exercisable to purchase up to an aggregate of 2,975,573 Shares, of which: (i) 700,573 options (the "**Gravitas Options**") are outstanding with an exercise price of $0.40 per share, which options are exercisable for a period of 5 years from the date of the successful completion of an initial public offering of the Company led by Gravitas Securities Inc. (a "**Gravitas Liquidity Event**"); and (ii) 2,275,000 options are outstanding with an exercise price of $0.50 per share, which options are exercisable until December 4, 2027.

In addition, an aggregate of 1,600,000 Agents' Fee Shares may be issued to the Agents on Closing in the event of the exercise of the Agents' Fee Option by the Agents. See "*Plan of Distribution*", "*Material Contracts*" and "*Consolidated Capitalization*".

Further, Howard Group is entitled to receive options equal to 1% of the issued and outstanding Shares on the Listing Date, pursuant to the terms of the letter agreement dated July 31, 2017 and the corresponding Investor Relations Agreement to be entered into effective as of the Listing Date. See "*Plan of Distribution*", "*Material Contracts*" and "*Consolidated Capitalization*".

CONSOLIDATED CAPITALIZATION

The following table provides information about capitalization as of the date of this Prospectus:

Description of security	Number authorized to be issued	Amount outstanding as of the date hereof	Amount outstanding in the event of the Minimum Offering	Amount outstanding in the event of the Maximum Offering
Shares(1)	No maximum	27,322,361(2)	32,447,361	48,072,361(3)
Warrants	n/a	Nil	400,000(4)	1,600,000(4)
Options(5)	n/a	2,975,573(6)	3,300,046(6) (7)	3,456,296(6) (7)

Notes:

(1) In addition to the Shares outstanding as of the date of this Prospectus, pursuant to the Gravitas Advisory Agreement, the Company will pay $12,500 per month for services provided by Gravitas for a period of twelve months (unless the Gravitas Advisory Agreement is terminated earlier in accordance with its terms), which fee is payable in Shares (at a deemed price of $0.40 per Share) on a quarterly basis. Share totals do not include any Shares issuable to Gravitas pursuant to the Gravitas Advisory Agreement or Shares issuable on the exercise of options or warrants (including Agents' Fee Shares and Agents' Warrant Shares). See "*Options to Purchase Securities*" and "*Material Contracts*".

(2) Issued pursuant to private placements and the acquisition of the Acquired Assets. See "*Prior Sales*".

(3) Does not include Shares issuable on the exercise of the Over-Allotment Option. Assuming the Maximum Offering and the exercise of the Over-Allotment Option in full, 51,072,361 Shares would be outstanding on Closing.

(4) Represents the Agents' Warrants.

(5) Granted pursuant to the Company's Stock Option Plan. See "*Options to Purchase Securities*" and "*Prior Sales*". Does not include the Agents' Option.

(6) Includes the 700,573 Gravitas Options, which were granted to Gravitas pursuant to the Gravitas Advisory Agreement. See "*Material Contracts*".

(7) In addition to the options outstanding as of the date of this Prospectus, Howard Group will be entitled to receive options equal to 1% of the issued and outstanding Shares on the Listing Date, pursuant to the terms of the Investor Relations Agreement to be entered into effective as of the Listing Date. See "*Material Contracts*". In the event of the Minimum Offering, Howard Group would be entitled to receive options to purchase an aggregate of approximately 324,473 Shares and, in the event of the Maximum Offering, Howard Group would be entitled to receive options to purchase an aggregate of approximately 480,723 Shares.

Also see "*Plan of Distribution*" in respect of the securities offered hereby.

OPTIONS TO PURCHASE SECURITIES

The Board has adopted a stock option plan (the "**Stock Option Plan**") whereby a maximum of 10% of the issued and outstanding Shares, from time to time, may be reserved for issuance pursuant to the exercise of options in the event the Shares are listed on the CSE or any other stock exchange. Pursuant to the Stock Option Plan, the Board may from time to time authorize the issue of options to directors, officers, employees and consultants of the Company and its subsidiaries or employees of companies providing management or consulting services to the Company or its subsidiaries.

Under the Stock Option Plan, options will be exercisable over periods of up to 10 years as determined by the Board. The exercise price of any option may not be less than the greater of the closing market price of the Shares on: (i) the trading day prior to the date of grant of the option; and (ii) the grant date of the option, less any applicable discount allowed by the Exchange or any other stock exchange on which the Shares are listed for trading (the "**Minimum Exercise Price**").

The maximum number of Shares which may be issued pursuant to options previously granted and those granted under the Stock Option Plan or any other stock option plan of the Company will be 10% of the issued and outstanding Shares at the time of the grant, provided that the Shares are listed on the CSE or any other stock exchange at the time of grant. In addition, the number of Shares which may be reserved for issuance to any one individual may not exceed (without the requisite disinterested shareholder approval) 5% of the issued Shares on a yearly basis or 1% if the optionee is engaged in investor relations activities. The Stock Option Plan permits the Board to specify a vesting schedule in its discretion, subject to minimum vesting requirements imposed by the applicable stock exchange. Unless otherwise specified by the Board at the time of granting an option, and subject to the other limits on option grants set out in the Stock Option Plan, all options granted under the Stock Option Plan shall vest and become exercisable in full upon grant, except options granted to consultants performing investor relations activities, which options must vest in stages over twelve months with no more than one-quarter of the options vesting in any three month period.

The Stock Option Plan provides that if a change of control (as defined in the Stock Option Plan) occurs, or if the Company is subject to a take-over bid, all Shares subject to options shall immediately become vested and may thereupon be exercised in whole or in part by the option holder. The Board may also accelerate the expiry date of outstanding options in connection with a take-over bid.

The Stock Option Plan contains adjustment provisions with respect to outstanding options in cases of share reorganizations, special distributions and other corporation reorganizations including an arrangement or other transaction under which the business or assets of the Company become, collectively, the business and assets of two or more companies with the same shareholder group upon the distribution to the Company's shareholders, or the exchange with the Company's shareholders, of securities of the Company or securities of another company.

The Stock Option Plan provides that on the death or disability of an option holder, all vested options will expire at the earlier of 365 days after the date of death or disability and the expiry date of such options. Where an optionee is terminated for cause, any outstanding options (whether vested or unvested) are cancelled as of the date of termination. If an optionee retires or voluntarily resigns or is otherwise terminated by the Company other than for cause, then all vested options held by such optionee will expire at the earlier of (i) the expiry date of such options and (ii) the date which is 90 days (30 days if the optionee was engaged in investor relations activities) after the optionee ceases its office, employment or engagement with the Company.

The Stock Option Plan contains a provision that if pursuant to the operation of an adjustment provision of the Stock Option Plan, an optionee receives options (the "**New Options**") to purchase securities of another company (the "**New Company**") in respect of the optionee's options under the Stock Option Plan (the "**Subject Options**"), the New Options shall expire on the earlier of: (i) the expiry date of the Subject Options; (ii) if the optionee does not become an eligible person in respect of the New Company, the date that the Subject Options expire pursuant to the applicable provisions of the Stock Option Plan relating to expiration of options in cases of death, disability or termination of employment discussed in the preceding paragraph above (the "**Termination Provisions**"); (iii) if the optionee becomes an eligible person in respect of the New Company, the date that the New Options expire pursuant to the terms of the New Company's stock option plan that correspond to the Termination Provisions; and (iv) the date that is one (1) year after the optionee ceases to be an eligible person in respect of the New Company or such shorter period as determined by the Board.

In accordance with good corporate governance practices and as recommended by National Policy 51-201 – Disclosure Standards, the Company imposes black-out periods restricting the trading of its securities by directors, officers, employees and consultants during periods surrounding the release of annual and interim financial statements and at other times when deemed necessary by management and the Board. In order to ensure that holders of outstanding options are not prejudiced by the imposition of such black-out periods, the Stock Option Plan contains a provision to the effect that any outstanding options with an expiry date occurring during a management imposed black-out period or within five trading days thereafter will be automatically extended to a date that is 10 trading days following the end of the black-out period.

The options granted under the Stock Option Plan are non-assignable and non-transferable. Subject to required shareholder approval and the approval of the Exchange, or any other stock exchange on which the Shares are listed, if applicable, the Board may from time to time amend or revise the terms of the Stock Option Plan or may terminate the Stock Option Plan at any time.

The following table summarizes the allocation of the options granted by the Company from the date of adoption of Stock Option Plan up to the date of this Prospectus, as well as the options to be granted to Howard Group and issued as of the Listing Date:

Optionee	Number of Options(3)	Exercise Price (CDN$)	Expiry Date
Director & Officer (3 persons)	1,275,000	$0.50	December 4, 2027
Director only (2 persons)	600,000	$0.50	December 4, 2027
Officers only (nil)	Nil	N/A	N/A
Employees	300,000	$0.50	December 4, 2027
Consultants	700,573(1) 100,000	$0.40 $0.50	5 years from Gravitas Liquidity Event December 4, 2027
Howard Group	480,723(2)	$0.50	3 years following the Listing Date
Total:	**3,456,296**		

Notes:

(1) Represents the 700,573 Gravitas Options, which were granted to Gravitas pursuant to the Gravitas Advisory Agreement. The Gravitas Options vest quarterly in an equal basis over a period of twelve months following a Gravitas Liquidity Event. See "*Material Contracts*".

(2) In addition to the options outstanding as of the date of this Prospectus, Howard Group will be entitled to receive options equal to 1% of the issued and outstanding Shares on the Listing Date, pursuant to the terms of the Investor Relations Agreement to be entered into effective as of the Listing Date. In the event of the Minimum Offering, Howard Group would be entitled to receive options to purchase an aggregate of approximately 324,473 Shares and, in the event of the Maximum Offering, Howard Group would be entitled to receive options to purchase an aggregate of approximately 480,723 Shares. See "*Material Contracts*".

(3) This table does not include the Agents' Fee Option. See "*Plan of Distribution*".

PRIOR SALES

On August 31, 2017, the Company issued an aggregate of 95,260,000 Shares to the Partnership in exchange for the Acquired Assets. On August 31, 2017, subsequent to the foregoing share issuance to the Partnership, all outstanding Shares were consolidated on a four to one basis, resulting in 23,815,000 outstanding Shares at such date. The 23,815,000 Shares held by the Partnership were later transferred to the unitholders of the Partnership, including N.A. Investment and N.A. Management, in connection with the windup and dissolution of the Partnership prior to the closing of the Arrangement.

At the closing of the Arrangement, on September 19, 2017, an aggregate of 15,007,361 Shares (after certain cancellations due to rounding) held by N.A. Investment were transferred to the Class C shareholders of N.A. Investment. After giving effect to the closing of the Arrangement on September 19, 2017, the Company had 23,814,861 Shares issued and outstanding.

The table below sets out the prior sales of common shares in the authorized capital of the Company from the date of incorporation to the date of this Prospectus, including the Shares issued in exchanged for the Acquired Assets on August 31, 2017:

Date of issuance	Type of security	Number of securities	Issue or Exercise Price per security ($)	Value received	Reason for Issue
August 31, 2017	Shares	23,814,861(1)	$0.40(5)	Acquired Assets	Acquisition of Acquired Assets
October 30, 2017	Shares	2,000,000(2)	$0.20	Cash	Private Placement
November 24, 2017	Shares	1,507,500(3)	$0.40	Cash	Private Placement
November 27, 2017	Options	700,573(4)	$0.40	Services	Stock Option Compensation
December 4, 2017	Options	2,275,000	$0.50	Services	Stock Option Compensation

Notes:

(1) On a post-consolidation and post-cancellation basis. 95,260,000 Shares issued in exchange for the Acquired Assets were consolidated on a four to one basis on August 31, 2017 and 139 Shares were cancelled due to rounding and returned to treasury in connection with the transfer of the Shares held by N.A. Investment to its Class C shareholders pursuant to the Arrangement.

(2) The Company issued 2,000,000 Shares at a price of $0.20 per Share for total gross proceeds of $400,000. The Shares were issued on a private placement basis and pursuant to a 12-month contractual hold period from the date of issuance.

(3) The Company issued 1,507,500 Shares at a price of $0.40 per Share for total gross proceeds of $603,000. The Shares were issued on a private placement basis and pursuant to a 12-month contractual hold period from the date of issuance.

(4) Represents the Gravitas Options, which were granted to Gravitas Securities Inc. pursuant to the terms of a financial advisory services agreement between the Company and Gravitas Securities Inc. dated August 22, 2017.

(5) The purchase price for the Acquired Assets was $9,526,000, which was paid by the Company to the Partnership through the issuance of 23,815,000 Shares at a deemed price of $0.40 per Share (on a post-consolidated basis). 139 Shares were cancelled due to rounding and returned to treasury in connection with the transfer of the Shares held by N.A. Investment to its Class C shareholders pursuant to the Arrangement. Notwithstanding the foregoing, the Shares issued in exchange for the Acquired Assets were recorded at the carrying value of the net assets transferred to the Company, which was $3,238,632. See "*Schedule A - Audited Consolidated Financial Statements of the Company for the Period Ended September 30, 2017*".

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

NP 46-201 Escrow

In the event that the Company's Shares become listed on the Exchange, the Company anticipates that it will be classified as an "emerging issuer", as defined under NP 46-201 upon such listing. Each of: Mehran Ehsan and his spouse, Mina Ehsan; Barry Whelan and his spouse, Bonnie Whelan; Scott Kelly; Edward Odishaw; and Justin Kates (collectively, the "**Principal Escrow Holders**"), would fall within the definition of "principal" of an emerging issuer under NP 46-201.

Policy 2 – *Qualifications for Listing* of the CSE (the "**CSE Policy**") requires that securities issued to Related Persons (as defined in the CSE Policy) be subject to an escrow agreement pursuant to NP 46-201. In addition to the Principal Escrow Holders, the Related Persons definition under the CSE Policy also includes Howard Group, as a person who performs investor relations activities for the Company. Furthermore, the CSE Policy requires that options issued less than 18 months before Listing and exercisable into Shares at a price that is less than the Offering Price be subject to the escrow release schedule specified under NP 46-201. As a result, the Shares held by Howard Group and the Gravitas Options held by Gravitas are subject to the escrow release schedule set forth in NP 46-201. Howard Group and Gravitas are collectively referred to in this section as the "**Non-Principal Escrow Holders**".

In accordance with applicable securities rules, the Principal Escrow Holders and the Non-Principal Escrow Holders, and their respective affiliates, as applicable, have executed an escrow agreement with the Company and Trustco made as of ● , 2017 substantially in the form attached as an Appendix to NP 46-201 (Form 46-201F1) (the "**Escrow Agreement**") in respect of an aggregate of 3,250,000 Shares and Gravitas Options to purchase 700,753 Shares. The Escrow Agreement will be filed under the Company's profile at www.sedar.com upon listing.

The Principal Escrow Holders have agreed to include a more restrictive escrow release schedule than that required by NP 46-201. The difference between the escrow release schedule agreed to by the Principal Escrow Holders (the "**Additional Release Schedule**"), as set forth below, and that required by NP 46-201 (the "**Standard Release Schedule**") is that, in the case of the Additional Release Schedule, (i) no release of Principal Escrow Holders' Shares will occur on the Listing Date, and (ii) six months after listing, one-quarter of the Principal Escrow Holders' Shares will be released, rather than one-sixth of such Shares. No Shares held by Principal Escrow Holders will be released prior to the later of the dates on which they would be released pursuant to the Standard Release Schedule and the Additional Release Schedule.

Pursuant to the terms of the Additional Release Schedule included in the Escrow Agreement, for a period of three years from the date on which the Shares are listed for trading on the Exchange, a Principal Escrow Holder will not transfer or otherwise dispose of securities of the Company that are subject to the Escrow Agreement unless expressly permitted by the Escrow Agreement, except that, the following automatic timed releases will apply to such securities:

Date of Automatic Timed Release	Amount of Escrowed Securities Released
On the Listing Date	No release
6 months after the Listing Date	1/4 of the escrowed securities
12 months after the Listing Date	1/5 of the remaining escrowed securities
18 months after the Listing Date	1/4 of the remaining escrowed securities
24 months after the Listing Date	1/3 of the remaining escrowed securities
30 months after the Listing Date	1/2 of the remaining escrowed securities
36 months after the Listing Date	The remaining escrowed securities

The Shares purchased by the Principal Escrow Holders pursuant to the October 30, 2017 and November 24, 2017 private placements of the Company are also subject to contractual hold periods. See "*Other Contractual Restrictions*" below.

Any options held by Principal Escrow Holders are exercisable at the Offering Price and are not subject to the terms of the Escrow Agreement.

Pursuant to the terms of the Standard Release Schedule included in the Escrow Agreement, for a period of three years from the date on which the Shares are listed for trading on the Exchange, a Non-Principal Escrow Holder will not transfer or otherwise dispose of securities of the Company that are subject to the Escrow Agreement unless expressly permitted by the Escrow Agreement, except that, the following automatic timed releases will apply to such securities:

Date of Automatic Timed Release	Amount of Escrowed Securities Released
On the Listing Date	1/10 of the escrowed securities
6 months after the Listing Date	1/6 of the escrowed securities
12 months after the Listing Date	1/5 of the remaining escrowed securities
18 months after the Listing Date	1/4 of the remaining escrowed securities
24 months after the Listing Date	1/3 of the remaining escrowed securities
30 months after the Listing Date	1/2 of the remaining escrowed securities
36 months after the Listing Date	The remaining escrowed securities

The 100,000 Shares purchased by Howard Group, a Non-Principal Escrow Holder, pursuant to the October 30, 2017 private placement of the Company are also subject to contractual hold periods. See "*Other Contractual Restrictions*" below.

The following table sets out information on the number of securities subject to the terms of the Escrow Agreement among the Company, Trustco, the Principal Escrow Holders and the Non-Principal Escrow Holders:

Name and Position of Escrow Holder	Number of Escrowed Securities	Percentage of Class(1)
Mehran Ehsan President, CEO & Director	2,525,000 Shares(2)	9.2%
Scott Kelly CFO, Corporate Secretary & Director	250,000 Shares(3)	0.9%
Barry Whelan COO & Director	375,000 Shares(4)	1.4%
Edward Odishaw Director	Nil Shares	0%
Justin Kates Director	Nil Shares	0%
Gravitas	700,573 Options	2.3%(5)
Howard Group	100,000 Shares	0.4%
Total	**3,250,000 Shares** **700,573 Options**	**11.5%** **2.3%**(5)

Notes:

(1) Based on 27,322,361 issued and outstanding Shares, other than in respect of options (see Note 5).
(2) 2,500,000 Shares are held by N.A. Management, a company controlled by Mr. Ehsan, and 25,000 Shares are held by Mr. Ehsan's spouse.
(3) 250,000 Shares are held by Tuareg Consulting Inc., a company controlled by Mr. Kelly.
(4) 350,000 Shares are held directly by Mr. Whelan and 25,000 Shares are held by Mr. Whelan's spouse.
(5) Based on 30,297,934 issued and outstanding Shares, assuming exercise of all outstanding options. See "*Options to Purchase Securities*".

Other Contractual Restrictions

The following table sets out information on the number of Shares subject to contractual restrictions on transfer in addition to the restrictions imposed by the Escrow Agreement:

Number of Shares Subject to Other Contractual Restrictions on Transfer	Percentage of Class(1)
2,000,000(2) (3)	7.32%
1,507,500 Shares(4) (5)	5.52%
3,507,500 Shares	**12.84%**

Notes:

(1) Based on 27,322,361 issued and outstanding Shares; all percentages are rounded to the nearest tenth of a percentage and are calculated on a non-diluted basis.

(2) The 2,000,000 Shares issued at a price of $0.20 per Share pursuant to the October 30, 2017 private placement are subject to a 12-month contractual hold period from the date of issuance. Such Shares may not be traded, except in limited circumstances in the event of a take-over bid or similar transaction, before October 31, 2018. Furthermore, certain holders of an aggregate of 1,150,000 Shares purchased at $0.20 per Share pursuant to the October 30, 2017 private placement have delivered to the Company a lock-up agreement dated November 23, 2017, whereby each holder has agreed not to directly or indirectly sell or agree to sell any of such Shares without the prior written consent of the Company, such consent not to be unreasonably withheld, on or before the date such Shares are released in accordance with the following schedule (subject to certain limited exceptions, including transfers to affiliates and transfers pursuant to a take-over bid or similar transaction):

Release Schedule	Release Date
1/5 of Shares purchased at $0.20	12 months after Listing Date
1/4 of remaining Shares purchased at $0.20	18 months after Listing Date
1/3 of remaining Shares purchased at $0.20	24 months after Listing Date
1/2 of remaining Shares purchased at $0.20	30 months after Listing Date
All remaining Shares purchased at $0.20	36 months after Listing Date

(3) 625,000 of such Shares are also subject to the terms of the Escrow Agreement. See "*NP 46-201 Escrow*" above.

(4) The 1,507,500 Shares issued at a price of $0.40 per Share pursuant to the November 24, 2017 private placement are subject to a 12-month contractual hold period from the date of issuance. Such Shares may not be traded, except in limited circumstances in the event of a take-over bid or similar transaction, before November 25, 2018.

(5) 125,000 of such shares are also subject to the terms of the Escrow Agreement. See "*NP 46-201 Escrow*" above.

Statutory Hold Periods

In addition to the foregoing escrow provisions, securities legislation imposes certain resale restrictions on Shares issued within four months prior to an initial public offering. The legislation which imposes and governs these hold periods is National Instrument 45-102 – *Resale of Securities*.

PRINCIPAL SHAREHOLDERS

To the knowledge of the Company's directors and officers, the only person who beneficially owns, or controls or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any the Shares is as follows:

Name	Position or Office held with the Company	Shares Beneficially Owned or Controlled	Number of Convertible or Exchangeable Securities Outstanding	Percentage of Ownership on an Undiluted Basis(3)	Percentage of Ownership on a Fully-diluted Basis(4)
Mehran Ehsan British Columbia, Canada	President, CEO, Director	2,525,000	675,000(2)	9.2%	10.56%

Notes:

(1) 2,500,000 Shares are held by N.A. Management, a company controlled by Mr. Ehsan, and 25,000 Shares are held by Mr. Ehsan's spouse.
(2) Represents options to purchase Shares at an exercise price of $0.50, expiring on December 4, 2027.
(3) Based on 27,322,361 issued and outstanding Shares.
(4) Based on 30,297,934 issued and outstanding Shares, assuming exercise of all outstanding options. See "*Options to Purchase Securities*".

DIRECTORS AND EXECUTIVE OFFICERS

Name, Occupation, and Security Holdings

The following table sets out the name; province and country of residence; position or offices held with the Company; date appointed; and number and percentage of voting securities of the Company that each of the directors and executive officers beneficially owns directly or indirectly, or exercises control over as at the date of this Prospectus:

Name, Current Position, and Province and Country of Residence	Position Held Since	Shares Beneficially Owned or Controlled	Number of Convertible or Exchangeable Securities Outstanding(6)	Total Ownership on an Undiluted Basis(7)	Total Ownership on a Fully-diluted Basis(8)
Mehran Ehsan(1) President, CEO, Chairman British Columbia, Canada	April 24, 2017	2,525,000 (3)	675,000	9.2%	10.56%
Scott Kelly CFO, Corporate Secretary, Director British Columbia, Canada	December 4, 2017(2)	250,000 (4)	300,000	0.9%	1.8%
Barry Whelan COO, Director British Columbia, Canada	April 24, 2017	375,000(5)	300,000	1.4%	2.2%
Justin Kates(1) Director British Columbia, Canada	December 4, 2017	Nil	300,000	0%	1.0%

Name, Current Position, and Province and Country of Residence	Position Held Since	Shares Beneficially Owned or Controlled	Number of Convertible or Exchangeable Securities Outstanding(6)	Total Ownership on an Undiluted Basis(7)	Total Ownership on a Fully-diluted Basis(8)
Edward Odishaw(1) Director British Columbia, Canada	December 4, 2017	Nil	300,000	0%	1.0%

Notes:

(1) Member of the audit committee.
(2) Mr. Kelly has acted as an officer of the Company since April 24, 2017 and was appointed as a director of the Company on December 4, 2017.
(3) 2,500,000 Shares are held by N.A. Management, a company controlled by Mr. Ehsan, and 25,000 Shares are held by Mr. Ehsan's spouse.
(4) 250,000 Shares are held by Tuareg Consulting Inc., a company controlled by Mr. Kelly.
(5) 350,000 Shares are held directly by Mr. Whelan and 25,000 Shares are held by Mr. Whelan's spouse.
(6) Represent options to purchase Shares at an exercise price of $0.50 per Share for a period of 10 years pursuant to the Stock Option Plan.
(7) Based on 27,322,361 issued and outstanding Shares.
(8) Based on 30,297,934 issued and outstanding Shares, assuming exercise of all outstanding options. See "*Options to Purchase Securities*".

Management – Directors and Officers of the Company

Below is a brief description of each of the directors and executive officers of the Company including: names; ages; positions and responsibilities; relevant educational background; principal occupations or employment during the five years preceding the date of this Prospectus; and relevant experience in the oil and gas industry.

Mehran Ehsan – President, CEO, Chairman

Mehran Ehsan, age 36, has over 12 years of experience in the oil and gas industry. He has led teams in the creation of many upstream oil and gas companies with a focus on acquisitions and divestitures. Over the last 12 years Mr. Ehsan has been involved as owner of O&G direct participation programs, and as a manager in mergers, acquisitions & divestitures, financing arrangements and investment with a specialty in oil and gas opportunities. Mr. Ehsan has been, during the past 5 years, and currently is, the president and chief executive officer of N.A. Management, a privately held oil and gas operator. Mr. Ehsan does not currently devote a significant amount of time to N.A. Management. He has been directly involved and facilitated over $87 million in capital syndication and injection. His academic background ranges from a spectrum of marketing management, business management, wealth management and petroleum based curriculums and programs such as engineering and geology, he is also an MBA candidate with specialty in Finance. Mr. Ehsan has authored various articles in the oil and gas industry, with presence as a guest speaker and judge in both this industry and academia.

Mr. Ehsan is an employee of the Company and intends to dedicate 100% of his professional time to the affairs of the Company. In addition to his roles as President, CEO and a director, Mr. Ehsan is also a member of the Company's audit committee.

Scott Kelly – CFO, Corporate Secretary, Director

Scott Kelly, age 42, has 15 years of experience acting as a senior officer and/or director of various private and public companies with large scale resource assets throughout North and South America. Mr. Kelly obtained his Bachelor of Commerce degree from Royal Roads University in 2001 and has since helped manage companies through all stages of their life cycle; from initial public offerings through to being successfully acquired by major multi-national corporations.

During the past 5 years, Mr. Kelly has been a self-employed business consultant who has held the office of Chief Financial Officer for Ely Gold Royalties Inc., Marlin Gold Mining Ltd., Sonoro Metals Corp. and Ethos Gold Corp.

Mr. Kelly is a consultant of the Company and intends to dedicate 50% of his professional time to the affairs of the Company.

Barry Whelan – COO, Director

Barry Whelan, age 77, has more than 50 years' experience as a geologist, initially with Gulf Oil in International Operations. Mr. Whelan has been, during the past 5 years, and currently is, the chief operating officer and a director of N.A. Management, a privately held oil and gas operator. Mr. Whelan does not currently devote a significant amount of time to N.A. Management. Prior to working with N.A. Management, Mr. Whelan worked with such companies as KOS Energy Ltd., Next Millennium Commercial Corp., Opal Energy Ltd., Copper Creek Ventures Ltd., Avro Energy, Polar Resources Ltd., ProAm Exploration Corporation, Voyageur Oil and Gas Corp. and Bighorn Petroleum, among others. Mr. Whelan has represented a diverse array of energy market participants including oil, gas and other resources based companies with clients ranging from global energy concerns to start-up companies. As a geological consultant, Mr. Whelan has been active in natural resource and industrial development companies with natural resource holdings in oil, gas and minerals, worldwide. Mr. Whelan received his Bachelor of Arts, Geology, from University of Western Ontario in 1961 and Bachelors of Science, Honours Geology, McMaster University, 1965. He is or has been also a member of Geological Association of Canada, Association of Professional Engineers and Geoscientists BC, Association of Professional Engineers, Geologists and Geophysicists of Alberta, Canadian Society of Petroleum Geologists and Institute of Petroleum, London.

Mr. Whelan is an employee of the Company and intends to dedicate 100% of his professional time to the affairs of the Company.

Justin Kates – Independent Director

Justin Kates, age 35, is a partner of DuMoulin Black LLP (where he has worked for the past 6 years), practicing primarily in the areas of securities, corporate finance, mergers and acquisitions, and corporate and commercial law. Mr. Kates works with clients in a wide range of industries including oil and gas, technology, life sciences, food & beverage, and natural resources. He advises clients from all stages of development ranging from early stage to large public companies. His practice includes advising these clients on a range of matters, including equity and debt financings, stock exchange listings, mergers and acquisitions, reorganizations, and general corporate/commercial matters. He received his J.D. from the University of Western Ontario and his Bachelor of Business Administration from Western Michigan University.

Mr. Kates is also a member of the Company's audit committee.

Mr. Kates intends to dedicate 10% of his professional time to the affairs of the Company.

Edward Odishaw – Independent Director

Edward Odishaw, age 81, currently serves as the President and Chairman of Austpro Energy Corporation ("**Austpro**") and has been a Director of Austpro since December 1995. Mr. Odishaw served as Barrister and Solicitor with the law firm of Swinton & Company, Vancouver, Canada, from 1972 to 1992 and the law firm of Boughton Peterson Yang Anderson, Vancouver, Canada, from 1992 to 1999. He practiced law in Saskatchewan and British Columbia, Canada, with emphasis on commercial law, corporate mergers, acquisitions and finance from 1964 to 1999.

Mr. Odishaw served as Chairman of the board of directors of United States Lime & Minerals, Inc. from July 1993 to May 2005. He has been Vice Chairman of United States Lime & Minerals, Inc. since May 2005 and has been a Director since July 1993. He has served as a Director of Valterra Resource Corporation since June 01, 2006 and, prior thereto, as a Director of such company from November 10, 2003 to June 17, 2005. Mr. Odishaw holds Directorships in numerous companies in Canada and U.S.A. See "*Corporate Governance Disclosure – Directorships*".

Mr. Odishaw is also a member of the Company's audit committee.

Mr. Odishaw intends to dedicate 10% of his professional time to the affairs of the Company.

Term of Office of Directors

The term of office of the directors expires annually at the time of the Company's annual general meeting. The term of office of the executive officers expires at the discretion of the Board.

Aggregate Ownership of Securities

As at the date of this Prospectus, the directors and executive officers of the Company as a group beneficially own, directly or indirectly, or exercise control 3,150,000 Shares collectively representing 11.5% of the 27,322,361 issued and outstanding Shares.

Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests which they may have in any project or opportunity of the Company. If a conflict of interest arises, any director in a conflict will disclose his interest and abstain from voting on such matter at a meeting of the Board.

To the best of the Company's knowledge, and other than as disclosed in this Prospectus, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or any proposed promoter, director, officer or other member of management as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies. See "*Principal Shareholders*", "*Description of the Business – History and Recent Transactions*", "*Interests of Management and Others in Material Transactions*", and "*Promoters*".

Justin Kates, a director of the Company, is a partner of DuMoulin Black LLP, which provides legal services to the Company on a fee for services basis.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

<u>Cease Trade Orders</u>

To the Company's knowledge, other than as set forth below, no existing or proposed director or executive officer of the Company is, as at the date of this Prospectus, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company, including the Company, that:

(i) was subject to an order that was issued while the director or executive officer was acting in the capacity of a director, the chief executive officer or the chief financial officer thereof; or

(ii) was subject to an order that was issued after the director or executive officer ceased to be a director, the chief executive officer or the chief financial officer thereof and which resulted from an event that occurred while that person was acting in such capacity.

Edward Odishaw is a director and officer of Austpro Energy Corporation. Austpro Energy Corporation was the subject of cease trade orders issued by the British Columbia Securities Commission on November 25, 2003 and by the Alberta Securities Commission on December 5, 2003 and December 19, 2003 for failure to file certain financial information. The British Columbia Securities Commission granted a partial revocation of the cease trade order on January 21, 2008 and the Alberta Securities Commission granted a variation of the cease trade order on January 28, 2008. These cease trade orders were revoked on September 25, 2008 and September 26, 2008, respectively.

Bankruptcies

To the Company's knowledge, no existing or proposed director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(i) is, as at the date of this Prospectus, or has been within the 10 years before the date hereof, a director or executive officer of any company, including the Company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets except Marilyn Wong as detailed below; or

(ii) has, within the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the Company's knowledge, other than as described below, no existing or proposed director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

(i) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a provincial and territorial securities regulatory authority or has entered into a settlement with a provincial and territorial securities regulatory authority; or

(ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

On December 24, 2004, Barry Whelan entered into a settlement agreement with the British Columbia Securities Commission ("**BCSC**") for failure to fulfill the duties and responsibilities of a director. At the time of the settlement, Mr. Whelan was the Chief Operating Officer and a Director of Hard Creek Nickel Corp. ("**Hard Creek**"), a mineral resource exploration company listed on the TSX Venture Exchange. Pursuant to the settlement agreement, Mr. Whelan agreed not to prepare or disseminate mining disclosure required under securities laws for two years without supervision and not to act as a director of a public company until he successfully completes a course on the duties and responsibilities of directors and officers. Mr. Whelan also agreed to pay a fine of $5,000 to the BCSC. The settlement with Mr. Whelan followed an earlier settlement with the BCSC by Hard Creek (then named Canadian Metals Exploration Ltd.) for failure to file a technical report, improper disclosure of its exploration target, making misleading statements relating to its exploration properties on its website and in press releases, and distribution of securities without the correct hold period legend. Hard Creek was ordered to comply with securities legislation, pay a fine of $20,000 and undertake that Mr. Whelan will not serve as a director of Hard Creek or prepare or disseminate its disclosure required under securities laws. In the settlement with Mr. Whelan, the BCSC noted that Mr. Whelan is primarily an expert in oil and gas (not mineral resources), did not draft Hard Creek's mining technical disclosure, and that he was not involved in postings on its website or in preparing any of its private placements. The BCSC also noted that Mr. Whelan relied significantly on another director of Hard Creek who was also sanctioned by the BCSC.

Enforcement of Judgments against Foreign Persons or Companies

None of the directors and officers of the Company reside outside of Canada.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Company's Named Executive Officers for the purposes of this section are Mehran Ehsan (President and CEO) and Scott Kelly (CFO and Corporate Secretary).

The Company was not a reporting issuer at any time during the most recently completed financial period. Future compensation to be awarded or paid to the Company's directors and/or executive officers, including NEOs, once the Company becomes a reporting issuer, is expected to consist primarily of management fees, stock options and bonuses. Payments may be made from time to time to executive officers, including NEOs, or companies they control for the provision of consulting or management services. Such services are paid for by the Company at competitive industry rates for work of a similar nature done by reputable arm's length services providers.

Following the Listing Date, the Company expects to pay fees at competitive industry rates for management services pursuant to the terms of management consulting agreements that the Company plans to enter into with its executive officers, including NEOs; and to grant incentive stock options to all of the Company's directors and management, including NEOs, pursuant to the Stock Option Plan. The Board will from time to time determine the stock option grants to be made pursuant to the Stock Option Plan. See "*Stock Option Plan*" below and "*Options to Purchase Securities*". It is also anticipated that the Board may award bonuses, in its sole discretion, to executive officers (including NEOs) from time to time.

Notwithstanding the above, the Company is in the development stage and has an informal compensation program and strategy. The management team is committed to developing the operations of the Company and will establish a formal compensation program for directors and executive officers once it begins generating revenues sufficient to sustain operations. The Board is responsible for determining, by way of discussions at Board meetings, the ultimate compensation to be paid to the executive officers of the Company. The Company does not have a formal compensation program with set benchmarks; however, the performance of each executive will be considered along with the Company's ability to pay compensation and its results of operation for the period.

The Company relies solely on its Board to determine the executive compensation that is to be paid to NEOs and directors without any formal objectives, criteria, or analysis.

Management fee payments made to NEOs for management services provided to the Company in connection with their executive officer duties, as well as stock option grants under the Stock Option Plan, are the only form of compensation awarded to, earned by, paid or payable to the NEOs from incorporation to the date of this Prospectus. Other than compensation paid to the NEOs, as well as stock option grants under the Stock Option Plan to independent directors, no compensation was paid to the Company's directors in their capacity as directors of the Company or in their capacity as members of a committee of the Board during the Company's most recently completed financial year.

Stock Option Plan

The Company currently has the Stock Option Plan in place for the purposes of attracting and motivating directors, officers, employees, and consultants of the Company and advancing the interests of the Company by affording such persons with the opportunity to acquire an equity interest in the Company through rights granted under the Stock Option Plan. Any grant of options under the Stock Option Plan is within the discretion of the Board, subject to the condition that the maximum number of Shares which may be reserved for issuance under the Stock Option Plan may not exceed 10% of the Company's issued and outstanding Shares (provided that the Shares are listed on the CSE or any other stock exchange at the time of grant), as well as other limitations set forth in the Stock Option Plan.

In determining the number of options to be granted to directors or executive officers, including the Named Executive Officers, the Board will take into account, among other things:

- the number of options, if any, previously granted to each director or executive officer; and

- the exercise price of any outstanding options to ensure that such grants are in accordance with the policies of the Exchange and closely align the interests of the directors and executive officers with the interests of shareholders.

The Board has the responsibility of administering the compensation policies related to the directors and executive management of the Company, including option-based awards.

The Stock Option Plan has not been approved by the shareholders of the Company. After the Listing Date, the Company will seek shareholder approval of its Stock Option Plan at its next annual general meeting of shareholders.

See "*Options to Purchase Securities*" for the material terms of the Stock Option Plan.

Employment, Consulting and Management Agreements

Other than the executive employment agreement between the Company and Mehran Ehsan, the material terms of which are set forth below, the Company does not have any compensation agreements or arrangements that the Company or any of its subsidiaries have entered into with respect to services provided by a NEO, a director or any other party in the event such services provided are typically provided by a director or NEO (collectively, "**Compensation Arrangements**").

The Compensation Arrangements for Mehran Ehsan are set forth in an employment agreement dated August 1, 2017 between the Company and Mr. Ehsan (the "**CEO Employment Agreement**"). Pursuant to the CEO Employment Agreement, the Company employs Mr. Ehsan to serve as CEO of the Company and to perform such duties and have such authority as may from time to time be assigned by the Board. As compensation for the performance of such duties, the Company pays Mr. Ehsan a base salary of $150,000 per year, which shall be reviewed by the Company annually. Mr. Ehsan is also eligible for discretionary cash bonuses and grants of stock options under the Stock Option Plan, in the sole discretion of the Board, as well as group health, medical and disability insurance benefits and any other fringe benefit programs that the Company maintains from time to time for the benefit of its employees.

The Company may immediately terminate Mr. Ehsan's employment at any time for cause, by written notice. The Company may terminate the Mr. Ehsan's employment at any time without cause by providing him with notice in writing and compensation in lieu of notice as follows:

- payment of all outstanding and accrued base salary and vacation pay, earned and owing up to the last day of the active employment, and reimbursement for all proper expenses incurred by him in connection with the Company's business prior to the last day of active employment;

- payment of an amount equal to 12 months base salary;

- payment of an amount in lieu of his performance bonus equal to 20% of base salary; and

- continuation of his benefit coverage for a period of 6 months, or alternatively, if it is unable to continue Mr. Ehsan's participation in one or more of the Company's benefit plans, the Company shall pay him an amount equal to the premium cost or contributions the Company would otherwise have made in respect of his participation in the relevant plan(s) for 6 months.

Mr. Ehsan is required to give the Company not less than two weeks' notice in the event of his resignation. Upon receipt of his notice of resignation, or at any time thereafter, the Company has the right to elect to pay, in lieu of such notice period, Mr Ehsan's salary for the remainder of the notice period and a reasonable amount in lieu of the his benefits for that period. If the Company elects for payment in lieu of notice, the Mr. Ehsan's employment shall terminate immediately upon such payment.

If the Company determines that Mr. Ehsan has suffered a Disability (as defied below) that cannot be accommodated, the Company may terminate his employment by notice. In such case, Mr. Ehsan is entitled to receive, in lieu of all amounts otherwise payable under the CEO Employment Agreement (except for amounts earned but not yet paid to Mr. Ehsan through the date of such Disability), compensation at Mr. Ehsan's base salary rate for a period of six months following the date of Disability or such greater amount as is required by applicable law. In the Employment Agreement, "Disability" means a physical or mental incapacity of Mr. Ehsan that has prevented him from performing the duties customarily assigned to him for 180 days, whether or not consecutive, out of any 12 consecutive months and that in the opinion of the Company, acting on the basis of advice from a duly qualified medical practitioner, is likely to continue to a similar degree.

In the event of death, Mr. Ehsan's employment shall be deemed to have terminated on the date thereof and the Company shall pay his estate the amounts specified above in respect of termination without cause.

Termination and Change of Control Benefits

Other than pursuant to the CEO Employment Agreement, the Company has not granted any termination or change of control benefits with respect to any Compensation Arrangement and there are no compensatory plans or arrangements with respect to any NEO or director resulting from the resignation, retirement or any other termination of any NEO or director or from a change of any NEO's or director's responsibilities following a change of control. In case of termination of NEOs, other than the CEO, common law and statutory law applies.

See "*Employment, Consulting and Management Agreements*" above for the material terms of the CEO Employment Agreement with respect to termination and otherwise.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than as set forth below, the Company is not aware of any individuals who are either current or former executive officers, directors or employees of the Company or any of its subsidiaries and who have indebtedness outstanding as at the date hereof (whether entered into in connection with the purchase of securities of the Company or otherwise) that is owing to: (i) the Company or any of its subsidiaries, or (ii) another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

Except for: (i) indebtedness that has been entirely repaid on or before the date of this Prospectus, and (ii) "routine indebtedness" (as defined in Form 51-102F5 of the Canadian Securities Administrators), the Company is not aware of any individuals who are, or who at any time since inception were, a director or executive officer of the Company, a proposed nominee for election as a director or an associate of any of those directors, executive officers or proposed nominees who are, or have been at any time since incorporation, indebted to the Company or any of its subsidiaries, or whose indebtedness to another entity is, or at any time since incorporation of the Company has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

In September, 2017, US$95,000 was transferred by Permex to the New Mexico Operator to purchase reclamation bonds in connection with the future operation of the West Henshaw Property and the Oxy Yates Property. Kit Maddox, an advisory board member of Permex, owns 100% of the voting interests of the New Mexico Operator and he and Mehran Ehsan (President, CEO and a Director of Permex) manage the New Mexico Operator and have authority to act, sign on behalf of and bind the New Mexico Operator. Permex fully expects that the New Mexico Operator will transfer such funds to Permex US upon Permex US becoming operator of both the West Henshaw Property and the Oxy Yates Property, in order for Permex US to purchase the required reclamation bonds in its own name. There is no written agreement between Permex and the New Mexico Operator related to the initial transfer of such funds or the anticipated return to Permex of the funds used by the New Mexico Operator to purchase the reclamation bonds, however, there is a verbal agreement. See "*Interests of Management and Others in Material Transactions*", "*Description of the Business – History*", and "*Description of the Business – General Description of the Business – Operators*".

CORPORATE GOVERNANCE

Audit Committee

The members of the Company's audit committee are Edward Odishaw (Chair), Mehran Ehsan and Justin Kates. The audit committee is responsible for overseeing the Company's financial reporting process on behalf of the Board, including overseeing the work of the independent auditors who report directly to the audit committee.

The specific responsibilities of the audit committee, among others, include:

(i) evaluating the performance and assessing the qualifications of the independent directors and recommending to the Board and the shareholders the appointment of the Company's external auditor;

(ii) determining and approving the engagement of and compensation for audit and non-audit services of the Company's external auditor;

(iii) reviewing the Company's financial statements and management's discussion and analysis of financial condition and results of operations and recommending to the Board whether or not such financial statements and management's discussion and analysis of financial condition and results of operations should be approved by the Board;

(iv) conferring with the Company's external auditor and with management regarding the scope, adequacy and effectiveness of internal financial reporting controls;

(v) establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding its accounting controls, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting and auditing matters; and

(vi) reviewing and discussing with management and the independent auditor, as appropriate, the Company's guidelines and policies with respect to risk assessment and risk management, including major financial risk exposure and investment and hedging policies and the steps taken by management to monitor and control the Company's exposure to such risks.

Audit Committee Charter

The Audit Committee Charter is attached to this Prospectus as Schedule H.

Composition of Audit Committee and Independence

The following are the members of the audit committee:

Edward Odishaw (Chair)	Independent(1)	Financially literate(1)
Mehran Ehsan	Non-Independent(2)	Financially literate(1)
Justin Kates	Non-Independent(3)	Financially literate(1)

Notes:

(1) As defined under National Instrument 52-110 *Audit Committees* ("**NI 52-110**").
(2) Mr. Ehsan is not independent (as defined under NI 52-110) as he is the President and CEO of the Company.
(3) Mr. Kates is deemed to not be independent (as defined under NI 52-110) in his capacity as a member of the audit committee as he is a partner of DuMoulin Black LLP, which acts as legal counsel to the Company.

Relevant Education and Experience

Edward Odishaw

Mr. Odishaw has significant experience acting as a director and audit committee member for other reporting issuers, including Valterra Resource Corporation and United States Lime & Minerals, Inc. See "*Corporate Governance Disclosure – Directorships*". Mr. Odishaw practiced law in Saskatchewan and British Columbia, Canada, with emphasis on commercial law, corporate mergers, acquisitions and finance from 1964 to 1999.

Mehran Ehsan

Mr. Ehsan has been a manager in mergers, acquisitions & divestitures, financing arrangements and investment with a specialty in oil and gas opportunities. He has been directly involved and facilitated over $87 million in capital syndication and injection. Mr. Ehsan's academic background includes, among other studies, business management and wealth management, and he is also an MBA candidate with specialty in Finance.

Justin Kates

Mr. Kates is a partner of DuMoulin Black, practicing primarily in the areas of securities, corporate finance, mergers and acquisitions, and corporate and commercial law. He advises both public and private companies and has acted as a public company director. See "*Corporate Governance Disclosure – Directorships*". His practice includes advising clients on a range of matters, including equity and debt financings, stock exchange listings, mergers and acquisitions, reorganizations, and general corporate/commercial matters. Mr. Kates received his J.D. from the University of Western Ontario and his Bachelor of Business Administration from Western Michigan University.

Audit Committee Oversight

The audit committee was first appointed by the Board on December 4, 2017. The Board as a whole carried out the responsibilities of the audit committee prior to December 4, 2017. The audit committee has not yet made any recommendations concerning the nomination or compensation of the Company's external auditor, as such auditor was appointed by the Board.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company has not relied on:

(a) the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110; or

(b) the exemption in subsection 6.1.1(4) (*Circumstance Affecting the Business or Operations of the Venture Issuer*) of NI 52-110; or

(c) the exemption in subsection 6.1.1(5) (*Events Outside Control of Member*) of NI 52-110; or

(d) the exemption in subsection 6.1.1(6) (*Death, Incapacity or Resignation*) of NI 52-110; or

(e) an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

Pre-Approval Policies and Procedures

The audit committee has not adopted any specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees

The following table sets out the audit fees billed to the Company by its external auditor from April 24, 2017 (date of incorporation) to the date of this Prospectus:

Audit Service Fees	Amount (CDN$)
Audit Fees	Nil
Audit Related Fees	Nil
Tax Fees	Nil
All other Fees	Nil
Total	**Nil**

It is expected that all audit fees will be billed to the Company by its external auditor after the filing of this Prospectus.

Exemption

The Company is relying on the exemption in section 6.1 of NI 52-110 from the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*).

Corporate Governance Disclosure

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with day-to-day management of the Company.

Pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), the Company is required to disclose its corporate governance practices, as summarized below. The Board will monitor such practices on an ongoing basis and when necessary implement such additional practices as it deems appropriate.

National Policy 58-201 *Corporate Governance Guidelines* establishes corporate governance guidelines to be used by issuers in developing their own corporate governance practices. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making. The Board has adopted a Code of Business Conduct and Ethics, which addresses, but is not limited to, the following issues:

(i) conflicts of interest;

(ii) compliance with laws, rules, and regulations;

(iii) protection and proper use of corporate opportunities;

(iv) protection and proper use of corporate assets;

(v) confidentiality of corporate information;

(vi) fair dealing with securityholders, customers, competitors, and employees; and

(vii) accuracy of business records.

The Board is of the view that the Board functions independently of management and that the Board is organized properly, functions effectively and meets its obligations and responsibilities.

At the end of or during each meeting of the Board, the members of management of the Company and the management directors of the Company who are present at such meeting leave the meeting in order for the independent directors to meet separately. In addition, other meetings of the independent directors may be held from time to time if required. The independent directors each take leadership roles on various issues as the need arises. Further, as with all directors, the independent directors may engage external advisors at the expense of the Company in appropriate circumstances, subject to the approval of the Board, and have complete access to appropriate personnel of the Company in order to secure all information necessary to fulfill their duties

Board of Directors

As of the date of this Prospectus, the Board consists of five directors: Mehran Ehsan, Scott Kelly, Barry Whelan, Edward Odishaw and Justin Kates.

At this time Edward Odishaw and Justin Kates are considered to be "independent" within the meaning of NI 58-101 (by way of section 1.4 of NI 52-110). Mehran Ehsan is not independent since he is the President and CEO of the Company; Scott Kelly is not independent since he is the CFO and Corporate Secretary of the Company; Barry Whelan is not independent since he is the COO of the Company.

Directorships

The following directors of the Company also serve as directors of other reporting issuers:

Name of Director	Other Reporting Issuer	Name of Exchange or Market
Edward Odishaw	Austpro Energy Corporation United States Lime & Minerals, Inc. Valterra Resource Corporation	NEX NASDAQ TSXV
Justin Kates	Global Gardens Group Inc.	TSXV
Scott Kelly	Sonoro Metals Corp.	TSXV

Orientation and Continuing Education

Each new director of the Company is briefed about the nature of the Company's business, its corporate strategy and current issues within the Company. New directors will be encouraged to review the Company's public disclosure records as filed on under its profile at www.sedar.com after the Company becomes a reporting issuer. Directors are also provided with access to management to better understand the operations of the Company, and to the Company's legal counsel to discuss their legal obligations as directors of the Company.

Ethical Business Conduct

The Board has adopted a Code of Business Conduct and Ethics that is posted under the Company's profile at www.sedar.com.

The Board is also required to comply with the conflict of interest provisions of the BCBCA and relevant securities regulation in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director is required to declare the nature and extent of his interest and is not entitled to vote on any matter that is the subject of the conflict of interest. See "*Directors and Executive Officers - Conflicts of Interest*" and "*Risk Factors*".

Nomination of Directors

The Company's management is in contact with individuals involved in the oil and gas and other relevant sectors. From these sources management has made a number of contacts and in the event that the Company requires any new directors, such individuals will be brought to the attention of the Board. The Company will conduct reference and background checks on suitable candidates. New nominees generally must have a track record in business management, areas of strategic interest to the Company, the ability to devote the time required to carry out the obligations and responsibilities of a director and a willingness to serve in that capacity.

Compensation

At present, the Board as a whole determines the compensation of the Company's CEO and CFO and does so with reference to industry standards and the financial situation of the Company. The Board has the sole responsibility for determining the compensation of the directors of the Company. See "*Director Compensation*" above.

Given the Company's size, limited operating history and lack of revenues, the Board does not plan to form a compensation committee to monitor and review the salary and benefits of the executive officers of the Company at the present time. The Board will carry out these functions until such time as it considers the formation of a compensation committee to be warranted.

Other Board Committees

As the directors are actively involved in the operations of the Company and the size of the Company's operations does not warrant a larger board of directors, the Board has determined that additional committees are not necessary at this stage of the Company's development.

Assessments

Neither the Company nor the Board has developed a formal review system to assess the performance of the directors or the Board as a whole. The contributions of individual directors are monitored by other members of the Board on an informal basis through observation.

THE OFFERING

The Offering consists of a minimum of 5,000,000 Shares and a maximum of 20,000,000 Shares.

Common Shares

For a description of the attributes of the Shares, see "*Description of Securities Distributed – Common Shares*".

PLAN OF DISTRIBUTION

This Prospectus qualifies the distribution of the Shares offered hereby at the Offering Price for minimum gross proceeds to the Company of $2,500,000 in the event the Minimum Offering is completed and maximum gross proceeds to the Company of $10,000,000 in the event the Maximum Offering is completed. In this regard, the Company and the Agents will enter into the Agency Agreement wherein the Agents will agree to obtain subscriptions for the Shares offered hereby on a "commercially reasonable efforts" basis at the Offering Price, subject to the conditions described in the Agency Agreement. The Agents have no obligation to purchase any of the Shares offered hereby. The final Offering Price was determined based upon arm's length negotiations between the Company and the Lead Agent.

The Company has agreed, pursuant to the Agent's Fee Option, to pay to the Agents a fee of eight percent (8%) of the gross proceeds raised from the sale of the Shares offered hereby, payable in cash or Agents' Fee Shares issued at the Offering Price, or any combination of cash or Agents' Fee Shares issued at the Offering Price, at the option of the Agents. The Agents may exercise the Agents' Fee Option to receive Agents' Fee Shares up to the time of Closing. This Prospectus may qualify a portion of the Agents' Fee Option or the Agents' Fee Shares issuable on the exercise thereof.

In addition to the Agents' fee, the Agents will receive Agents' Warrants entitling them to purchase that number of Agents' Warrant Shares as is equal to eight percent (8%) of the aggregate number of Shares sold pursuant to the Offering. Each Agents' Warrant is exercisable to purchase one Agent's Warrant Share at the Offering Price for a period of 36 months following the Closing Date. This Prospectus qualifies the distribution of the Agents' Warrants and the Agents' Warrant Shares issuable upon the exercise thereof.

The Company will also pay the Corporate Finance Fee equal to 2.5% of the gross proceeds from the sale of the Shares offered hereby up to and including $5,000,000 plus 5.0% of the gross proceeds from the sale of Shares offered hereby that exceed $5,000,000. The Corporate Finance Fee is payable by the issuance of the Agents' Corporate Finance Fee Shares at the Offering Price. This Prospectus may qualify a portion of the distribution of the Agents' Corporate Finance Fee Shares.

Applicable securities rules provide that Permex may only qualify securities issued or paid as compensation to the Agents for acting as agents in respect of the Offering in an amount up to 10% of the Offering (on an as-if-converted basis and excluding the Over-Allotment Option). As discussed above, Agents' Warrants (and the Agents' Warrant Shares issuable upon the exercise thereof) in an amount of 8% are qualified by this Prospectus. Accordingly, other securities issued to the Agents that comprise the remaining 2% of the Offering are permitted to be qualified by this Prospectus. Permex and the Agents have not determined whether such 2% balance will be comprised of a portion of the Agents' Fee Option (and underlying Agents' Fee Shares) or the Agents' Corporate Finance Fee Shares as such determination will be made at Closing, but in no event will more than 10% of securities issued or paid as compensation to the Agents pursuant to the Offering be qualified.

The obligations of the Agents are several and not joint or joint and several under the Agency Agreement. The Agents are not obligated, directly or indirectly, to advance their own funds to purchase any of the Shares offered hereby. The obligations of the Agents under the Agency Agreement may be terminated at its discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events.

Subscriptions will be received for the Shares offered hereby subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Upon rejection of a subscription, the subscription price and the subscription will be returned to the subscriber forthwith without interest thereon or deduction therefrom.

The Company has agreed to indemnify the Agents and their respective affiliates, directors, officers, employees and partners (the "**Indemnified Parties**") against certain claims with which the Indemnified Parties may become involved in any capacity in so far as the claims relate to performance of the professional services of the Agents pursuant to the Agency Agreement.

The Offering will not continue for a period of more than 90 days after the date of the receipt for the final prospectus if subscriptions representing the Minimum Offering are not obtained within that period, unless each of the persons or companies who subscribed within that period has consented to the continuation of the Offering. During the 90 day period, all subscription funds received by the Agents will be held by the Agents pursuant to the provisions of the Agency Agreement. If the Minimum Offering is not completed, the Agents will return any funds received from subscribers without interest thereon or deduction therefrom.

Except for Shares issued to persons in the United States, which shall be issued in certificate form, or as otherwise required by law or in accordance with certain regulatory requirements, it is anticipated that the Shares offered hereby will be issued under the book-based system. At the Closing, certificates representing all the Shares issued to persons outside of the United States pursuant to the Offering will be issued in registered form to the CDS Participants in the CDS depository service, which includes securities brokers and dealers, banks and trust companies. It is anticipated that such CDS Participants will deposit such certificates with CDS in connection with the book-based system and global certificates representing such Shares will be issued in the name of CDS or its nominee for the Shares held through the book-based system. Subscribers outside of the United States will therefore not be entitled to a certificate or other instrument from the Company or the Company's transfer agent evidencing that person's interest in or ownership of Shares offered hereby, nor, to the extent applicable, will such holder be shown on the records maintained by CDS, except through an agent who is a CDS Participant. However, subscribers participating in the book-based system may, through the applicable CDS Participant, request that such Shares be issued to such holder as soon as reasonably practicable.

The Offering is being made in each of the provinces of British Columbia, Alberta, Saskatchewan and Ontario, through those Agents or their affiliates who are registered to offer the Shares for sale in such provinces and such other registered dealers as may be designated by the Agents. Subject to applicable law, the Agents may offer Shares under the Offering outside of Canada.

The Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold in the United States, except in transactions exempt from registration under the U.S. Securities Act and under the securities laws of any applicable state. The Agency Agreement permits the Agents to offer the Shares for sale by the Company in the United States to "accredited investors" (as defined in Rule 501(a) under the U.S. Securities Act), provided such sales are made in accordance with Rule 506(b) under the U.S. Securities Act and applicable U.S. state securities laws. Moreover, the Agency Agreement provides that the Agents will sell Shares outside the United States only in accordance with Regulation S under the U.S. Securities Act. This Prospectus does not constitute an offer to sell or a solicitation or an offer to buy any Shares in the United States.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirement of the U.S. Securities Act. Certificates representing Shares sold under the Offering in the United States may bear a legend to the effect that the Shares they represent are not registered within the meaning of the U.S. Securities Act or any applicable state securities laws in the United States and may not be offered or sold except under certain exemptions from the registration requirements of the U.S. Securities Act.

Prior to the Offering, there has been no public market for the Shares. The sale of a substantial number of the Shares in the public market after the Offering, or the perception that such sales may occur, could adversely affect the prevailing market price of the Shares.

All of the Shares sold in the Offering will be freely tradable in Canada without restriction or further registration under applicable Canadian securities laws.

The Company has applied to list the Shares, the Agents' Warrant Shares, the Agents' Fee Shares and the Agents Corporate Finance Fee Shares distributed under this Prospectus on the CSE. Listing will be subject to the Company fulfilling the listing and admission requirements of the CSE.

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

Over-Allotment Option

The Company has granted to the Agents the Over-Allotment Option, which is exercisable at the sole discretion of the Agents, in whole or in part, at any time and from time to time, until and including the date that is 60 days from the Closing, to purchase, on the same terms as the Offering, up to an aggregate number of additional Shares as is equal to 15% of the aggregate number of Shares issued pursuant to the Offering to cover over-allotments, if any, and for market stabilization purposes. This Prospectus also qualifies the distribution of the Over-Allotment Option and the distribution of the additional Shares to be issued by the Company upon exercise of the Over-Allotment Option.

A purchaser who acquires Shares forming part of the Agents' over-allocation position acquires such Shares under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Agents may over–allocate or effect transactions which stabilize or maintain the market price of the Shares at levels other than those which otherwise might prevail on the open market, including:

- stabilizing transactions;
- short sales;
- purchases to cover positions created by short sales;
- imposition of penalty bids; and
- syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing a decline in the market price of the Shares while the Offering is in progress. These transactions may also include making short sales of the Shares, which involve the sale by the Agents of a greater number of Shares than they are required to purchase in the Offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount. The Agents may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Shares in the open market. In making this determination, the Agents will consider, among other things, the price of Shares available for purchase in the open market compared with the price at which they may purchase Shares through the Over-Allotment Option. The Agents must close out any naked short position by purchasing Shares in the open market. A naked short position is more likely to be created if the Agents are concerned that there may be downward pressure on the price of the Shares in the open market that could adversely affect purchasers who purchase in the Offering.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Agents may not, at any time during the period of distribution, bid for or purchase Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the applicable stock exchange, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Agents at any time. The Agents may carry out these transactions on any stock exchange on which the Shares are listed, in the over-the-counter market, or otherwise.

Pricing of the Offering

Prior to the Offering, there was no public market for the Shares. The Offering Price has been determined based on arm's-length negotiation between the Company and the Lead Agent.

Expenses Related to the Offering

The Company will pay the Agents' reasonable expenses, including legal fees and disbursements, in connection with the Offering, subject to pre-approval by the Company. It is estimated that the total expenses of the Offering, not including the Agents' fees, will be approximately $330,000 in the event of the Minimum Offering and $600,000 in the event of the Maximum Offering.

RISK FACTORS

An investment in the Shares should be considered highly speculative due to the nature of the Company's business and the present stage of development. An investment in the Shares should only be made by knowledgeable and sophisticated investors who are willing to risk and can afford the loss of their entire investment. Potential investors should consult with their professional advisors to assess an investment in the Company. In evaluating the Company and its business, investors should carefully consider, in addition to other information contained in this Prospectus, the risk factors below. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with its operations.

The following are certain factors relating to the Company's business, which prospective investors should carefully consider before deciding whether to purchase Shares. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information set out elsewhere in this Prospectus. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair operations. If any such risks actually occur, the business, financial condition, liquidity and results of operations could be materially adversely affected.

Forward-Looking Information

Certain information set out in this Prospectus includes or is based upon expectations, estimates, projections or other "*forward looking information*". Such forward looking information includes projections or estimates made by the Company about the Company's future business operations. While such forward looking statements and the assumptions underlying them are made in good faith and reflect the Company's management's current judgment regarding the direction of business, actual results will almost certainly vary (sometimes materially) from any estimates, predictions, projections, assumptions or other type of performance suggested here.

Market Risk for Securities

There can be no assurance that an active trading market for the Shares will be established and sustained. Upon Listing, the market price for the Shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company's securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Speculative Nature of Investment Risk

An investment in the Shares carries a high degree of risk and should be considered as a speculative investment. The Company has no history of earnings, cash flow or profitability and has limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. Operations are not yet sufficiently established such that the Company can mitigate risks associated with planned activities. The Company has had negative operating cash flow since the Company's inception, and the Company may continue to have negative operating cash flow for the foreseeable future. No assurance can be given that the Company will attain positive cash flow or profitability.

Liquidity and Future Financing Risk

The Company is in the early stages of business and has not generated revenue in excess of its expenses. The Company will likely operate at a loss until its business becomes established and the Company may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain operations will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by issuance of additional Shares, control may change and shareholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its current business plan or cease operating.

Going-Concern Risk

The Company's Financial Statements have been prepared on a going-concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability. The Financial Statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Global Economy Risk

Economic slowdowns and volatility of global capital markets may from time to time make the raising of capital by equity or debt financing more difficult. The Company may be dependent upon capital markets to raise additional financing in the future while concurrently establishing a wider customer base. Access to financing may be negatively impacted by global economic downturns. As such, the Company is subject to liquidity risks in meeting its operating expenditure requirements and future development cost requirements in instances where adequate cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company and its management. If levels of volatility and slow market conditions persist, the Company's operations, the Company's ability to raise capital and the trading price of the Shares could be adversely impacted.

Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain earnings to finance further growth and, when appropriate, retire debt.

Share Price Volatility Risk

It is anticipated that the Shares will be listed for trading on the Exchange. As such, external factors outside of the Company's control, such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward oil and gas stocks, may have a significant impact on the market price of the Shares. Global stock markets, including the Exchange, have, from time-to-time, experienced extreme price and volume fluctuations. The same applies to companies in the oil and gas. There can be no assurance that an active or liquid market will develop or be sustained for the Shares.

Increased Costs of Being a Publicly Traded Company

As the Company will have publicly-traded securities, significant legal, accounting and filing fees will be incurred that are not presently being incurred. Securities legislation and the rules and policies of the Exchange require publicly listed companies to, among other things, adopt corporate governance policies and related practices and to continuously prepare and disclose material information, all of which will significantly increase legal, financial and securities regulatory compliance costs.

Limited Prior Operating History

The Company has limited operating history, business operations and assets. There is no assurance that it will be profitable or that its investment strategy will be successful. The Company's operations are subject to all of the risks inherent in the creation of new investment activity, including a limited prior operating history.

Dilution

Any sale of Shares will result in dilution to existing holders of Shares. The Company may issue additional Shares without the consent from the shareholders of the Company.

Loan Facilities

The interest expense and banking fees incurred in respect of any loan facility that may be secured by the Company may exceed the incremental capital gains and tax benefits generated by the incremental investment of the Company in any Oil and Gas Properties. There can be no assurance that the borrowing strategy employed by the Company will enhance returns.

Use of Proceeds

The Company intends to use the proceeds from the Offering as set out under "*Use of Proceeds*" in this Prospectus, which is based on the current expectations of the Company's management. There may be circumstances where, for business reasons, a reallocation of funds may be necessary as may be determined at the Company's discretion and there can be no assurance as of the date of this Prospectus as to how those funds may be reallocated.

Risks Related to the Company's Business

Operators

Other companies may operate certain of the assets in which the Company has ownership interests. The Company will have limited ability to exercise influence over operations of these assets or their associated costs. The Company's dependence on the operator for these properties and assets, and its limited ability to influence operations and associated costs, could materially adversely affect the Company’s financial performance. The success and timing of the Company's activities on assets operated by others therefore will depend upon a number of factors that are outside of the Company’s control, including timing and amount of capital expenditures, timing and amount of operating and maintenance expenditures, the operator’s expertise and financial resources, approval of other participants, selection of technology and risk management practices.

The Company's Oil and Gas Properties located in New Mexico are currently operated by the New Mexico Operator on a temporary basis until the applicable regulatory bodies in New Mexico can effect the transfer of operating rights and licenses from the New Mexico Operator to Permex U.S. No written operating agreement has been entered into between the New Mexico Operator and Permex, given the temporary nature of such arrangement. As a result, the Company may have limited ability to exercise influence over operations of these assets or their associated costs, without the ability to enforce the terms of a written agreement. The Company's dependence on the New Mexico Operator for these properties and assets, and its limited ability to influence operations and associated costs as a result of no written agreement in place, could materially adversely affect the Company’s financial performance. Also see "*No Assurance of Title or Boundaries, or of Access*" below.

Reliance on Estimates

The information used by the Company to evaluate Oil and Gas Properties is based on estimates that involve a great deal of uncertainty. The process of estimating oil and gas reserves is complex and requires significant decisions and assumptions to be made in evaluating the reliability of available geological, geophysical, engineering and economic data for each property. Different engineers may make different estimates of reserves, cash flows or other variables based on the same available data.

Geologic and engineering data is used to determine the probability that a reservoir of oil and gas exists at a particular location, and whether or not oil and gas may be recoverable from it. Recoverability is ultimately subject to the accuracy of such data including, but not limited to, the geological characteristics of the reservoir; its structure, pressure and fluid properties; the size and boundaries of the drainage area; and the anticipated rate of pressure depletion. The evaluation of these and other factors is based upon available seismic data, computer modeling, well tests and information obtained from the production of oil and gas on adjacent or similar properties. Still, actual recovery from a reservoir may differ from estimated recovery.

Estimates also include numerous assumptions relating to operating conditions and economic factors, including the price at which recovered oil and gas can be sold; the costs of recovery; future operating costs; development costs; workover and remedial costs, which are costs associated with operations on a producing well to restore or increase production; prevailing environmental conditions associated with drilling and production sites; the availability of enhanced recovery techniques; the ability to transport oil and gas to markets; and governmental and other regulatory factors such as taxes and environmental laws. Economic factors beyond the control of the Company, such as interest rates and exchange rates, will also impact the value of such estimates. Some of these assumptions are inherently subjective, and the accuracy of estimates relies in part on the ability of the management team, engineers and other advisors of the Company to make accurate assumptions. As a result, there is no guarantee that any investment made by the Company in an Oil and Gas Property will be successful since the associated estimates will be inherently imprecise.

No Assurance of Title or Boundaries, or of Access

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Company's claim. The Company's actual interest in properties may, therefore, vary from its records. If a title defect does exist, it is possible that the Company may lose all or a portion of the properties to which the title defect relates, which may have a material adverse effect on its business, financial condition, results of operations and prospects. There may be valid challenges to title, or proposed legislative changes which affect title, to the oil and natural gas properties the Company controls that, if successful or made into law, could impair the Company's activities on them and result in a reduction of the revenue received by the Company.

The Company's Oil and Gas Properties located in New Mexico are currently operated by the New Mexico Operator on a temporary basis until the applicable regulatory bodies in New Mexico can effect the transfer of all operating rights and licenses from the New Mexico Operator to Permex U.S. The Company expects the transfer process to take approximately two months and, though it does not expect any difficulties in obtaining the required approvals from the applicable regulatory authorities, there is no certainty that such approvals will be obtained. Failure to receive the required approvals in a timely manner, or at all, could impair the Company's activities on its New Mexico properties and result in a reduction of the revenue received by the Company.

While an operator of an Oil and Gas Property may have registered its oil and gas interests with the appropriate authorities and filed all pertinent information according to industry standards, this cannot be construed as a guarantee of title. In addition, an operator's Oil and Gas Properties may consist of recorded oil and gas leases or licenses which have not been legally surveyed, and therefore, the precise boundaries and locations of such claims or leases may be doubtful or challengeable. Oil and Gas Properties may also be subject to prior unregistered agreements or transfers or native land claims, and an operator's title may be affected by these and other undetected defects. Consequently, any interest of the Company in such Oil and Gas Properties may be similarly affected.

Volatility of Oil and Gas Prices

The Company anticipates its business will be primarily determined by oil and gas prices in North America and abroad. Prices for crude oil and natural gas fluctuate in response to changes in the supply of, and demand for, crude oil and natural gas, market uncertainty and a variety of factors beyond the Company's control. Factors that affect oil prices include the actions of the Organization of Petroleum Exporting Countries, world economic conditions, government regulation, political stability in the Middle East and elsewhere, the global and regional supply of oil, the price of foreign imports, the availability of alternate fuel sources, transportation and infrastructure constraints and weather conditions. Volatility or weakness in oil and gas prices (or the perception that oil and gas prices will decrease) may result in the drilling of fewer new wells or lower production spending on existing wells. Significant declines in prices for oil and gas could harm the financial condition of the Company, its results of operations and the quantities of reserves recoverable on an economic basis. A decline in oil and gas prices or a reduction in drilling activities could materially and adversely affect the business of the Company and could seriously decrease its revenues or prevent it from generating any revenues.

Federal Regulations

The Company's Oil and Gas Properties located in New Mexico are located on federal land and may be subject to a higher standard of regulatory compliance than the Company's other properties. The costs of compliance with federal government regulations may reduce the profitability of an operator's operations and, consequently, reduce the profitability of the interests of the Company.

Premiums for Interests in Oil and Gas Properties

Interests in Oil and Gas Properties may be sold to the Company at prices that exceed the market prices of similar interests. Competition for interests in Oil and Gas Properties may increase the premium at which such interests are available for purchase by the Company.

Limited Availability of Interests in Oil and Gas Properties

There can be no assurance that the Company will be able to identify a sufficient number of owners or operators of Oil and Gas Properties willing to sell interests to the Company to invest any net proceeds raised by this Offering or other funds available to the Company from time to time.

Portfolio Volatility Due to Investment Concentration

The Company intends to invest the net proceeds of this Offering partially to acquire interests in producing Oil and Gas Properties in the United States. Such interests may include Working Interests, Mineral Interests, Royalty Interests or Overriding Royalty Interests. However, such interests may also include interests in non-producing development stage Oil and Gas Properties. A concentrated investment by the Company in any one of these types of investments may result in the value of the Shares fluctuating to a greater degree than if the Company invested in a broader spectrum of Oil and Gas Properties. While an investment strategy with less emphasis on mineral development might reduce the potential for or the extent of fluctuations in the value of the Shares, such an investment strategy would not provide the potential tax benefits to Investors.

The value of each Share will vary in accordance with the value of the interests in Oil and Gas Properties acquired by the Company, and may be affected by such factors as investor demand, resale restrictions, general market trends, regulatory restrictions and commodity prices. Fluctuations in the market values of such interests and in the returns provided by them may occur for a number of reasons beyond the control of the Company, and there is no assurance that an adequate market will exist for any interests acquired by the Company or that those interests will generate any returns. The investment involves a high degree of risk and should only be considered by persons who can afford the loss of their investment.

Illiquidity of Oil and Gas Property Investments

Many of the Oil and Gas Properties acquired by the Company may be relatively illiquid and may decline in value, depending on general market trends.

Operational Risks

The business of exploring for oil and gas involves a high degree of risk. Few Oil and Gas Properties that are explored are ultimately developed into producing properties. Also, oil and gas wells on producing properties are at risk of disruption or exhaustion. When investing in any Oil and Gas Property, the Company may not know if the property contains commercial quantities of oil or gas or if its production will be sustainable.

Unusual or unexpected formations, formation pressures, fires, explosions, power outages, labour disruptions, flooding, cave-ins, landslides and the inability of an Oil and Gas Property operator to obtain suitable machinery, equipment or labour are all risks which may occur during the development of oil and gas reserves. Substantial expenditures are required in order to establish such reserves through drilling, and to develop production, gathering or processing facilities and infrastructure at any site chosen for oil or gas production. Although substantial benefits may be derived from the discovery of major oil or gas reserves, no assurance can be given that oil or gas will be discovered in sufficient quantities by the operator of any Oil and Gas Property in which the Company may invest to justify commercial operations or that such operators will be able to obtain the funds required to develop the property on a timely basis or at all.

The economics of developing and operating Oil and Gas Properties is affected by many factors, including the cost of operations, variations in the grade of oil or gas obtained, fluctuations in the prices and demand for oil and gas, costs of processing equipment and such other factors as aboriginal land claims and government regulations, including regulations relating to royalties, allowable production, importing and exporting and environmental protection. There is no certainty that any development expenditures made by an operator of any Oil and Gas Property will result in discoveries of commercial quantities of oil and gas.

Key Personnel

The Company relies on certain key personnel for the development of its business. The experience, knowledge and contributions of the Company’s existing management team and directors to the immediate and near-term operations and direction of the Company are likely to continue to be of central importance for the foreseeable future. As such, the unexpected loss of services from or retirement of such key personnel could have a material adverse effect on the Company. In addition, the competition for qualified personnel in the oil and gas industry means there can be no assurance that the Company will be able to continue to attract and retain such personnel with the required specialized skills necessary for its business.

Conflicts of Interest

Certain of the Company's directors and officers are, and may continue to be, involved in the oil and natural gas industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers may conflict with the Company's interests. Directors and officers of the Company with conflicts of interest will be subject to and must follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies. Notwithstanding this, there may be corporate opportunities which the Company is not able to procure due to a conflict of interest of one or more of the Company's directors or officers. See "*Directors and Officers – Conflicts of Interest*".

Limited Geographic Area

As at the date hereof, the Company’s Oil and Gas Properties are located in the Midland, Permian, and Fort Worth basins in Texas, and the Delaware Basin in New Mexico. Although these areas are established oilfields, the Company may be disproportionately exposed to the impact of delays or interruptions of production caused by transportation capacity constraints, curtailment of production, availability of equipment, facilities, personnel or services, significant governmental regulation, natural disasters, adverse weather conditions, and plant closures. Due to the geographic concentration of the Oil and Gas Properties, a number of the Oil and Gas Properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on operations than might be experienced by other companies operating in a less limited geographic area. Such delays or interruptions could have a material adverse effect on the financial condition of the Company and results of operations.

Market Risks

The marketability of any oil and gas that may be produced on an Oil and Gas Property in which the Company has invested will be affected by numerous factors beyond the control of the Company or any operator operating on its behalf. These factors include market fluctuations in the price of oil and gas, the proximity and capacity of oil and gas markets and processing equipment, the availability of labour and related infrastructures, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, the importing and exporting of materials and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one or a combination of these factors could result in the Company not receiving an adequate return on their investment, if any.

Additional Funding Requirements

The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times and from time to time, the Company may require additional financing in order to carry out its oil and natural gas acquisition, exploration and development activities. Failure to obtain financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. Due to the conditions in the oil and gas industry and/or global economic volatility, the Company may from time to time have restricted access to capital and increased borrowing costs. The current conditions in the oil and gas industry have negatively impacted the ability of oil and gas companies to access additional financing. As a result of global economic and political volatility, continued depressed oil and natural gas prices have caused decreases, and may cause further decreases, in the Company's revenues from its reserves, which may affect its ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Company's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing shareholders. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay in development or production on its properties.

Uninsurable Risks

Oil and gas operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations, rock bursts, cave-ins, fires, explosions, blow-outs, formations of abnormal pressure, flooding, labour disputes or other conditions may occur from time to time. An operator of an Oil and Gas Property may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material adverse effect on such operator's financial position and, consequentially, on the financial position of the Company.

The Company may elect not to obtain insurance to deal with specific risks to which the Company is subject, whether as an operator or otherwise, due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Issuance of Debt

From time to time, the Company may enter into transactions that may be financed in whole or in part with debt, which may increase the Company's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Company may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's articles nor its by-laws limit the amount of indebtedness that it may incur. The level of the Company's indebtedness from time to time, could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Government Regulations

The operations of an Oil and Gas Property operator are subject to government legislation, policies and controls relating to prospecting, land use, trade, environmental protection, taxation, rates of exchange, returns of capital and labour relations.

An operator's Oil and Gas Property interests may be affected to varying degrees by the extent of political and economic stability in the jurisdiction of such properties and by changes in regulations or shifts in political or economic conditions beyond the control of the operator. Such factors may adversely affect the operator's business and/or its Oil and Gas Property holdings.

Although an operator's development activities may be carried out in accordance with all applicable rules and regulations at any point in time, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail the production or development of the operator's operations. Amendments to current laws and regulations governing the operations of an Oil and Gas Property operator or the more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the operator, and therefore the Company as well.

Environmental Regulation

The operations of an Oil and Gas Property operator may be subject to environmental regulations enacted by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain oil and gas operations that could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties on the operator. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which has led to stricter standards, enforcement and greater fines and penalties for non-compliance. The costs of compliance with government regulations may reduce the profitability of an operator's operations and, consequently, reduce the profitability of the interests of the Company. In addition, under various environmental legislation, the Company could become liable for the costs of removal or remediation of certain hazardous or toxic substances that may be released on or in one or more of the Oil and Gas Properties.

Climate Change

The Federal Government of the United Sates and certain state governments have announced intentions to regulate greenhouse gases and certain air pollutants. These governments are currently developing regulatory and policy frameworks to deliver on their announcements. The United States Environmental Protection Agency has outlined a series of steps to address methane and volatile organic compound emissions from the oil and gas industry, including a new goal to reduce oil and gas methane emissions by 40 percent to 45 percent from 2012 levels by 2025. The reductions will be achieved through regulatory and voluntary measures currently under development. The Company’s cost of complying with emerging climate and carbon regulations is not currently forecast to be material to the Company, however as these government initiatives are in their early implementation stage or under development, the Company is unable to predict the total future impact of the potential regulations upon its business. It is possible that the Company could face future increases in operating costs in order to comply with legislation governing emissions.

Seismic Activity

Some areas of North America are experiencing increasing localized frequency of seismic activity which has been associated with oil and gas operations. Although the occurrence of seismicity in relation to oil and gas operations is generally very low, it has been linked to deep disposal of wastewater in the United States which has prompted legislative and regulatory initiatives intended to address these concerns. These initiatives have the potential to require additional monitoring and restrict the injection of produced water in certain disposal wells which could lead to operational delays, increase compliance costs or otherwise adversely impact the Company’s operations.

Competition from Larger Oil and Gas Companies

The development and production of oil and gas is a highly competitive business. Other oil and gas companies will compete with the Company by bidding for Oil and Gas Properties and services that it will need to operate successfully. As prices of oil and gas on the commodities markets rise, it is expected that this competition will become increasingly intense. Additionally, other companies engaged the exploration and production of oil and gas may compete with the Company from time to time in obtaining capital from investors and lenders.

Oil and Gas Properties have limited lives and, as a result, the Company may seek to alter and expand its operations through the acquisition of new interests. However, the available supply of desirable Oil and Gas Properties is limited in North America. The major oil and gas companies are often better positioned to obtain the rights for any Oil and Gas Properties for which the Company may compete.

Competitors of the Company include large, foreign-owned companies, which, in particular, may have a competitive advantage because of their access to greater resources and the fact that they conduct their own oil and gas refining and marketing operations. Oil and natural gas development activities are dependent on the availability of drilling and related equipment, transportation, power and technical support in particular areas and operators of any Oil and Gas Properties in which we invest may have limited access to these facilities. Shortages and/or the unavailability of necessary equipment or other facilities will impair the activities of such operators, increase their costs and reduce the value of any investment by the Company.

If the Company is unable to adequately address its competition, including, but not limited to, finding ways to secure profitable producing Oil and Gas Properties on terms that it considers acceptable, the ability of the Company to earn revenues could suffer.

Failure to Viably Develop Oil and Gas Properties

On a long-term basis, the Company must acquire interests in producing Oil and Gas Properties in order to become profitable. The Company's success depends on its ability to locate, identify and acquire productive property interests, find markets for any oil and natural gas developed on such properties, and effectively distribute the oil and gas into those markets.

Any oil and gas development activities of the Company may not be economically viable because of both unproductive Oil and Gas Properties and properties that are productive but do not generate sufficient revenues to return a profit. Investing in an Oil and Gas Property does not ensure that the investment will be profitable or that the Company will recover its investment because the costs of drilling and operating any wells on the property may exceed the amount of oil and gas extracted from such wells. In addition, drilling hazards or environmental damage could greatly increase the cost of operating on any property, and various field conditions could adversely affect the production from successful wells. If developmental costs exceed the Company's estimates or if the development efforts of the Company do not produce results which meet its expectations, such efforts may not be commercially successful.

Risk of Litigation

Although the Company is not currently involved in any litigation, the nature of its operations exposes the Company to possible future litigation claims. There is risk that any claim could be adversely decided against the Company, and this could harm its financial condition. Similarly, the costs associated with defending against any claim could dramatically increase the expenses of an investment in any Oil and Gas Property, as litigation is often very expensive. Possible litigation matters may include, but are not limited to, environmental damage and remediation, workers' compensation, insurance coverage, property rights and easements and the maintenance of oil and gas leases. Should the Company become involved in any litigation, it will be forced to direct its limited resources to defend against or prosecute the claim, which could impact the profitability of the Company and lower the value of any investment in the Shares.

Barriers to Marketing Oil and Gas

Crude oil, natural gas, condensate and other oil and gas products are generally sold to other oil and gas companies, government agencies or companies in other industries. If the Company is unable to sell any oil and gas produced on any Oil and Gas Properties in which it acquires an interest to these entities, it may experience difficulty generating revenues. In addition, demand or transportation limitations, such as the absence of pipeline facilities, often affect the marketability of oil and gas, and sales of any oil and gas could therefore be delayed for extended periods until such limitations are corrected or until suitable transportation facilities are constructed.

Currency Risk

Certain of the payments owing pursuant to agreements entered into by the Company for Oil and Gas Properties will be made in U.S. dollars. Accordingly, the Company may be exposed to exchange rate risk based on the fluctuation in the exchange rate between U.S. dollars and Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar could impact the Company's revenue and expenses and have an adverse effect on the Company's financial performance and condition.

Enforcement of Judgments

The Company has assets in the United States, namely Texas and New Mexico, and may have assets throughout North America if further acquisitions are successfully completed. As a result, it may be difficult for investors or creditors to enforce judgments obtained in Canadian courts against the Company. It is not certain whether courts in Texas and New Mexico will enforce judgments obtained in other jurisdictions, including Canada, against Permex U.S., for the specific case of New Mexico, the Company or its promoters, directors or officers under the securities laws of those jurisdictions or entertain actions against the Company in Texas, or against Permex U.S. for the specific case of New Mexico.

PROMOTERS

Each of Mehran Ehsan, and Barry Whelan took the initiative in founding the Company and, accordingly, may be considered promoters of the Company within the meaning of applicable securities legislation in British Columbia.

Mr. Ehsan beneficially owns or controls, directly or indirectly, an aggregate of 2,525,000 Shares and has been granted incentive stock options to purchase 675,000 Shares at an exercise price of $0.50 per Share until December 4, 2027, pursuant to the Company's Stock Option Plan.

Mr. Whelan beneficially owns or controls, directly or indirectly, an aggregate of 375,000 Shares and has been granted incentive stock options to purchase 300,000 Shares at an exercise price of $0.50 per Share until December 4, 2027, pursuant to the Company's Stock Option Plan.

See "*Options to Purchase Securities*", "*Directors and Executive Officers*" and "*Interests of Management and Others in Material Transactions*" for disclosure regarding the foregoing promoters' security holdings in the Company.

See "*Description of the Business – History*", "*Description of the Business – General Description of the Business – Operators*" and "*Interests of Management and Others in Material Transactions*" for disclosure regarding the acquisition and operation of the Company's New Mexico properties.

See "*Executive Compensation*" for disclosure regarding the compensation paid by the Company to Mehran Ehsan, in his capacity as the President and CEO of the Company. To date, Barry Whelan has not received any compensation from the Company in exchange for services provided to the Company in his capacity as COO.

Other than as disclosed herein, neither Mehran Ehsan or Barry Whelan have received anything of value from the Company nor have there been any assets, services or other consideration received or expected to be received by the Company in return.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

There are no legal proceedings outstanding, threatened or pending as of the date of this Prospectus by or against the Company or to which it is a party or its business or any of its assets is the subject of, nor to the knowledge of the directors and officers of the Company are any such legal proceedings contemplated which could become material to a purchaser of the Company's securities.

Regulatory Actions

There have not been any penalties or sanctions imposed against the Company by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed below and elsewhere in this Prospectus, no director, executive officer or principal shareholder of the Company, or associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction within the preceding three years or in any proposed transaction that has materially affected or will materially affect the Company.

N.A. Management, a company controlled by Mehran Ehsan, in its capacity as a former unitholder of the Partnership, received 2,500,000 Shares in connection with the transfer of the Acquired Assets from the Partnership to the Company. Such Shares were initially issued by the Company to the Partnership in exchange for the Acquired Assets and subsequently distributed by the Partnership to N.A. Management in an amount equal to its former pro-rata ownership (approximately 10.5%) of the Partnership. Mr. Whelan also acts as the chief operating officer and a director of N.A. Management.

See "*Prior Sales*", "*Escrowed Securities and Securities Subject to Contractual Res*triction on Transfer", "*Principal Shareholders*", "*Directors and Executive Officers*", "*Material Contracts*" and "*Promoters*".

Kit Maddox, an advisory board member of Permex, owns 100% of the voting interests of the New Mexico Operator and he and Mehran Ehsan (President, CEO and a Director of Permex) manage the New Mexico Operator and have authority to act, sign on behalf of and bind the New Mexico Operator in accordance with the Limited Liability Company Act of New Mexico and the constating documents of the New Mexico Operator. Effective December 1, 2017, Permex U.S., a wholly-owned subsidiary of Permex, acquired the West Henshaw Property and the Oxy Yates Property from the New Mexico Operator for US$170,000. The aggregate purchase price for such properties paid by the New Mexico Operator was US$170,000, which was transferred by the Company to the New Mexico Operator in September, 2017 in order for the New Mexico Operator to purchase the assets, for subsequent transfer to Permex, from Nordstrand Engineering Inc. with an effective date of September 1, 2017 and a closing date of October 31, 2017. An additional US$95,000 was transferred by Permex to the New Mexico Operator to purchase reclamation bonds in connection with the future operation of the properties. These assets were purchased by the New Mexico Operator at the request of Permex (for subsequent transfer to Permex), as Permex was not eligible, as a Canadian company, to purchase federal leases in New Mexico at the time of purchase by the New Mexico Operator from Nordstrand Engineering Inc. Permex recorded the transfer of such funds to the New Mexico Operator for the purchase of such properties as deferred property acquisition costs in the Financial Statements. There is no written agreement between Permex and the New Mexico Operator related to the initial transfer of such funds or the anticipated return to Permex of the funds used by the New Mexico Operator to purchase the reclamation bonds; however, Permex has a verbal agreement with the New Mexico Operator to, and Permex fully expects that the New Mexico Operator will, transfer such funds as directed by Permex upon Permex US becoming operator of the subject properties, in order for Permex US to purchase the required reclamation bonds. See "*Description of the Business – History*", "*Description of the Business – General Description of the Business – Operators*" and "*Indebtedness of Directors and Officers*".

AUDITORS, TRANSFER AGENT AND REGISTRARS

The Company's auditor is Davidson & Company LLP, of 1200 – 609 Granville Street, Vancouver, BC, V7Y 1G6. See "*Financial Statement Disclosure*".

Smythe LLP is the Company's auditor in respect of the Acquired Assets for the financial year ended December 31, 2015. See "*Financial Statement Disclosure*".

The transfer agent appointed by the Company to maintain the securities register and register of transfers for the Shares is TSX Trust Company, of 650 West Georgia Street, Suite 2700, Vancouver, BC V6B 4N9.

MATERIAL CONTRACTS

The material contracts of the Company, excluding those made in the ordinary course of its business, are as follows:

Name of Contract	Parties	Date	Nature of Contract and Consideration
Escrow Agreement	Principal Escrow Holders, Non-Principal Escrow Holders, Trustco, and the Company (see "*Escrowed Securities and Securities Subject to Contractual Restriction on Transfer*")	●, 2017	Sets out the release schedule for certain escrowed Shares of the Company (see "*Escrowed Securities*")
Agency Agreement	The Company and the Agents	●, 2017	Sets out the terms under which the Agents agreed to sell on an agency basis the Shares offered hereby (see "*Plan of Distribution*")
Gravitas Advisory Agreement	The Company and Gravitas	August 22, 2017	Sets out the terms under which Gravitas agreed to provide financial advisory services to the Company (see below)
Investor Relations Agreement	The Company and Howard Group	Listing Date	Sets out the terms under which Howard Group agreed to provide investor relations services to the Company (see below)

Copies of the material contracts will be available under the Company's profile at www.sedar.com upon the issuance of the final receipt for this Prospectus or, with respect to the Investor Relations Agreement, on the Listing Date.

On August 22, 2017, the Company entered into the Gravitas Advisory Agreement, pursuant to which Gravitas shall provide to the Company certain strategic advisory services in assessing future business opportunities and capital markets strategies. In consideration for the services provided by Gravitas under the Gravitas Advisory Agreement, the Company shall pay to Gravitas a monthly advisory retainer fee of $12,500, which accrues monthly and is payable on a quarterly basis by the issuance of Shares (at a deemed price of $0.40 per Share) for a period of 12 months following the date of the Advisory Agreement. The foregoing monthly fee is in addition to the 700,753 Gravitas Options that are issued and outstanding as of the date of this Prospectus.

Gravitas' mandate under the Gravitas Advisory Agreement is to improve shareholder value for the Company by providing the Company with the following services: financial and operational analysis; review of strategic opportunities and synergies; capital markets guidance; examination of funding sources; and recommendation of future capital requirements. The Company is entitled, in its sole discretion, to terminate the Gravitas Advisory Agreement after February 22, 2018 (the date that is six months following the date of the Gravitas Advisory Agreement), by providing Gravitas 30 days' notice in writing.

Pursuant to a letter agreement dated July 31, 2017 between the Company and Howard Group, Howard Group provides investor relations and related consulting services to the Company for a monthly fee of $3,750 (plus GST). The terms of the letter agreement continue to the time of Listing, at which time the Company and Howard Group are to enter into the Investor Relations Agreement. Pursuant to the terms of the Investor Relations Agreement, Howard Group will be retained by the Company for a period of 12 months from the Listing Date to continue to provide investor relations and related consulting services. Howard Group will be responsible for preparing materials required for investor related presentations; assisting the Company with the planning and organizing of related road show meetings; providing introductions to potential investors; and maintaining contact with the retail investment community and investment firms.

The compensation payable to Howard Group under the Investor Relations Agreement will consist of a monthly fee of $7,500, plus GST. The Company has also agreed to grant the Howard Group stock options to purchase that number of Shares as is equal to 1% of the number of issued and outstanding Shares at the time of Listing, at a price equal to the Offering Price, exercisable for a period of three years following the Listing Date. The stock options to be issued to Howard Group shall vest over a twelve month period in equal quarterly intervals every three months following the Listing Date.

EXPERTS

The following persons are named as having prepared or certified a report, valuation, statement or opinion in this Prospectus:

1. MKM Engineering, the Company's independent reserve evaluators in connection with the Reserves Report;

2. Davidson & Company LLP, the Company's independent auditor and the Company's auditor in respect of the Acquired Assets for the financial year ended December 31, 2016;

3. Smythe LLP, the Company's independent auditor in respect of the Acquired Assets for the financial year ended December 31, 2015; and

4. Thorsteinssons LLP, whose opinion has been relied upon by the Company in connection with the inclusion of the information under the heading "*Eligibility for Investment*" in this Prospectus.

Based on information provided by the relevant persons above, none of such persons or companies have received or will receive direct or indirect interests in the property of the Company or have any beneficial ownership, direct or indirect, of securities of the Company.

In addition, none of the aforementioned persons nor any director, officer or employee of any of the aforementioned persons, is or is expected to be elected, appointed or employed as, a director, senior officer or employee of the Company or of an associate or affiliate of the Company, or as a promoter of the Company or an associate or affiliate of the Company.

Davidson & Company LLP are the auditors of the Company and the Company's auditor in respect of the Acquired Assets for the financial year ended December 31, 2016 and have confirmed that they are independent with respect to the Company within the meaning of the Code of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

Smythe LLP, the Company's auditors in respect of the Acquired Assets for the financial year ended December 31, 2015, have confirmed that they are independent with respect to the Company within the meaning of the Code of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

FINANCIAL STATEMENT DISCLOSURE

The following financial statements and management's discussion and analysis are included as schedules to this Prospectus as follows:

- **Schedule A:** the audited financial statements of the Company for the period ended September 30, 2017, together with the notes thereto, which financial statements are audited by Davidson & Company LLP;
- **Schedule B:** the management's discussion and analysis of the financial condition and results of operations of the Company for the period ended September 30, 2017;
- **Schedule C:** the audited carve-out financial statements in respect of the Acquired Assets for the financial years ended December 31, 2016 and 2015, together with the notes thereto, which financial statements are audited by Davidson & Company LLP in respect of the financial year ended December 31, 2016 and Smythe LLP in respect of the financial year ended December 31, 2015;
- **Schedule D:** the unaudited carve-out, condensed interim financial statements in respect of the Acquired Assets for the eight months ended August 31, 2017, together with the notes thereto; and
- **Schedule E:** the management's discussion and analysis of the financial condition and results of operations in respect of the Acquired Assets for the eight months August 31, 2017 and the financial year ended December 31, 2016.

See also "*Management's Discussion and Analysis*".

RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

SCHEDULE A

Audited Financial Statements of the Company for the Period Ended September 30, 2017

PERMEX PETROLEUM CORPORATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

DRAFT INDEPENDENT AUDITORS' REPORT

To the Directors of
Permex Petroleum Corporation

We have audited the accompanying financial statements of Permex Petroleum Corporation, which comprise the statement of financial position as at September 30, 2017, and the statements of loss and comprehensive loss, changes in equity, and cash flows for the period from incorporation on April 24, 2017 to September 30, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Permex Petroleum Corporation as at September 30, 2017 and its financial performance and its cash flows for the period from incorporation on April 24, 2017 to September 30, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Permex Petroleum Corporation's ability to continue as a going concern.

Vancouver, Canada | Chartered Professional Accountants

January XX, 2018

PERMEX PETROLEUM CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2017

	Note		
ASSETS			
Current assets			
Cash		$	552,169
Trade and other receivables	5		154,664
Prepaid expenses and deposits			21,266
			728,099
Non-current assets			
Restricted cash	6		25,000
Reclamation deposits	7		156,250
Prepaid expenses and deposits – non-current	7		112,348
Deferred property acquisition costs	8		329,083
Property and equipment	7		3,599,895
			4,222,576
Total assets		$	4,950,675
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	9, 11	$	172,230
Non-current liabilities			
Decommissioning liabilities	10		697,677
Total liabilities			869,907
Equity			
Share capital	12		3,238,632
Reserves	12		270,660
Share subscription proceeds	12		720,000
Commitment to issue shares	12		12,500
Deficit			(161,024)
Total equity			4,080,768
Total liabilities and equity		$	4,950,675

Nature of business (Note 1)
Commitments (Note 19)
Events after the reporting period (Note 20)

The financial statements were authorized for issue by the board of directors on January XX, 2018 and were signed on its behalf by:

____________________ Director ____________________ Director

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

PERMEX PETROLEUM CORPORATION
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
PERIOD FROM INCORPORATION ON APRIL 24, 2017 TO SEPTEMBER 30, 2017

	Note		
Revenue			
Oil and gas sales		$	46,779
Direct operating expenses			
Producing and operating			(35,632)
			11,147
Expenses			
Accounting and audit			20,250
Bank charges and interest			2,858
Consulting	11		49,831
Depletion and depreciation	7		5,223
Legal fees			16,608
Management fees	11		25,000
Marketing and promotion			27,953
Office and miscellaneous			7,158
Rent			4,020
Travel			13,667
			(172,568)
Other items			
Foreign exchange gain			397
Loss and comprehensive loss for the period		$	(161,024)
Basic and diluted loss per common share	12	$	(0.04)

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

PERMEX PETROLEUM CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Note	Number of Shares		Share capital		Reserve		Share subscription proceeds		Commitment to issue shares		Deficit		Total equity
Balance, April 24, 2017 (date of incorporation)		1	$	1	$	-	$	-	$	-	$	-	$	1
Cancellation of incorporation share	1	(1)		(1)		-		-		-		-		(1)
Acquisition of Permex LP net assets	1	23,815,000		3,238,632		270,660		-		-		-		3,509,292
Private placements	12	-		-		-		720,000		-		-		720,000
Commitment to issue shares	12	-		-		-		-		12.500		-		12.500
Loss for the period		-		-		-		-		-		(161,024)		(161,024)
Balance, September 30, 2017		23,815,000	$	3,238,632	$	270,660	$	720,000	$	12,500	$	(161,024)	$	4,080,768

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

PERMEX PETROLEUM CORPORATION
STATEMENT OF CASH FLOWS
PERIOD FROM INCORPORATION ON APRIL 24, 2017 TO SEPTEMBER 30, 2017

	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		$	(161,024)
Items not affecting cash:			
Depletion and depreciation			5,223
Commitment to issue shares			12,500
Changes in non-cash working capital items:			
Trade and other receivables			(11,627)
Prepaid expenses and deposits			2,384
Trade and other payables			88,488
Net cash used in operating activities			(64,056)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures on property and equipment			(56,224)
Deferred property acquisition costs			(210,333)
Restricted cash			(25,000)
Net cash used in investing activities			(291,557)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from issuance of shares in exchange of assets			187,782
Proceeds from share subscriptions			720,000
Net cash provided by financing activities			907,782
Change in cash during the period			552,169
Cash, beginning of the period			-
Cash, end of the period		$	552,169

Supplemental cash flow information (Note 14)

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

1. NATURE OF BUSINESS

Permex Petroleum Corporation (the "Company") was incorporated on April 24, 2017 under the laws of British Columbia, Canada and maintains its head office at Suite 1290, 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6. 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 North America. The Company's oil and gas interests are located in Texas and New Mexico, USA. The Company is seeking to list on the Canadian Stock Exchange ("CSE") through an Initial Public Offering ("IPO") (Note 20).

On August 31, 2017, the Company entered into an Asset Purchase Agreement ("APA") with Permex Petroleum Limited Partnership ("Permex LP"), whereby the Company would purchase the majority of Permex LP's assets and liabilities as at August 31, 2017 in exchange for the issuance of 23,815,000 common shares of the Company. Permex LP subsequently distributed the common shares received to its partnership unitholders and dissolved the partnership.

The transfer of assets between entities under common control is excluded from the scope of IFRS 3 – Business Combinations. The Company has accounted for the acquisition using the predecessor accounting method with assets transferred and liabilities assumed based on the carrying amounts recorded by Permex LP as at August 31, 2017. The carrying value of the net assets of Permex LP transferred is as follows.

Cash	$	187,782
Trade and other receivables		131,263
Amount due from related party		11,774
Prepaid expenses and deposits – current		23,649
Prepaid expenses and deposits – non-current		112,349
Property and equipment		3,460,143
Reclamation deposits		93,750
Trade and other payables		(155,131)
Decommissioning liabilities		(626,947)
	$	3,238,632

Permex LP also forgave an amount owing totalling $270,660 pertaining to amounts paid directly on the Company's behalf. The forgiveness was pursuant to the terms of the APA, and has been accounted for as a contribution and recorded to reserves.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values. In addition these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PREPARATION (cont'd…)

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Going concern of operations

These 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 and not yet achieved profitable operations. The Company's ability to continue as a going concern is dependent on its ability to obtain adequate financing on reasonable terms from lenders, shareholders and other investors and/or to commence profitable operations in the future. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

These financial statements do not include adjustments that would be required if the going concern assumption is not an appropriate basis for preparation of the financial statements. These adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to the period presented in these financial statements, unless otherwise indicated.

Cash

Cash consists of cash on hand and at banks and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

Exploration and evaluation assets

Pre-license costs are recognized in profit or loss as incurred. All exploratory costs incurred subsequent to acquiring the right to explore for oil and natural gas and before technical feasibility and commercial viability of the area have been established are capitalized. Such costs can typically include costs to acquire land rights, geological and geophysical costs, decommissioning costs and exploration well costs.

Exploration and evaluation costs are not depreciated and are accumulated in cost centers by well, field or exploration area and carried forward pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting oil and gas from exploration and evaluation assets is considered to be generally determinable when proved and probable reserves are determined to exist. Upon determination of proved and probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property and equipment, net of any impairment loss.

Management reviews and assesses exploration and evaluation assets to determine if technical feasibility and commercial viability exist. If management decides not to continue the exploration and evaluation activity, the unrecoverable costs are charged to profit or loss in the period in which the determination occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Property and equipment

Property and equipment are stated at cost, less accumulated depletion and depreciation and accumulated impairment losses. All costs directly associated with the development of oil and natural gas reserves are capitalized on an area by area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure, decommissioning costs and transfers of exploration and evaluation assets.

Costs incurred subsequent to development and production that are significant are recognized as oil and gas properties only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of oil and gas properties are recognized in profit or loss.

Costs accumulated within each area are depleted using the unit-of-production method based on proved and probable reserves using estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved and probable reserves. Proved reserves are estimated using reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids, which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 percent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and probable and a 50 percent probability that it will be less.

Such reserves may be considered commercially producible if management has the intention of developing and producing them. Such intention is based on:

- A reasonable assessment of the future economics of such production;
- A reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- Evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proved if supported by either actual production or conclusive formation tests. The area of reservoir considered proved includes (a) that portion delineated by drilling and defined by as-oil and/or oil-water contracts, if any, or both, and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information of fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

Reserves that can be produced economically through application of improved recovery techniques such as fluid injection are only included in the proved classification when successful testing by a pilot project, the operation of such an installed program in the reservoir or other reasonable evidence (such as, experience of the same techniques on similar reservoirs or reservoir simulation studies) provides support for the engineering analysis on which the project or program was based.

Corporate assets consist primarily of leasehold improvements and are stated at cost less accumulated depreciation. Depreciation of leasehold improvements is provided for on a 5 year straight-line basis. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

For property dispositions, measurement is at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in net income. Any deferred consideration recorded on property dispositions are recognized as revenue in the statement of loss and comprehensive loss over the reserve life.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of long-lived assets

Cash-generating units ("CGUs")

Oil and gas properties are grouped into CGUs for purposes of impairment testing. Management has evaluated the oil and gas properties of the Company, and grouped the properties into CGUs on the basis of their ability to generate independent cash flows, similar reserve characteristics, geographical location and shared infrastructure.

Financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If a financial asset is impaired, the amount of the loss is measured as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The loss is recognized in profit or loss in the period incurred.

Non-financial assets

Exploration and evaluation assets are assessed for impairment when they are reclassified to developing and producing assets and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

An impairment loss would be recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

When management judges that circumstances indicate potential impairment, property and equipment are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of CGUs are determined based on the higher of value in use calculations and fair value less costs to sell. Fair value less costs to sell can be determined by using an observable market or by using discounted future net cash flows of proved and probable reserves using forecasted prices and costs. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

These calculations require the use of estimates and assumptions that are subject to change as new information becomes available, including information on future commodity prices, expected production volumes, quantities of reserves, discount rates, future development costs and operating costs.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

Exploration and evaluation assets are grouped together with the Company's CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances, as well as upon their eventual reclassification to developing and producing assets (oil and natural gas properties).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Decommissioning liabilities

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning liabilities are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Changes in the present value of the estimated expenditure are reflected as an adjustment to the provision and the relevant asset. The unwinding of the discount on the decommissioning provision is recognized as an accretion expense. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision to the extent the provision was recognized.

Financial instruments

(i) Financial assets

The Company classifies its financial assets into one of the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. None of the Company's financial assets are classified as fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and subsequently carried at amortized cost less any impairment. The Company's loans and receivables comprise cash, trade and other receivables, restricted cash and reclamation deposits.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost at the settlement date using the effective interest method of amortization. None of the Company's financial assets are classified as held-to-maturity assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Subsequent to initial recognition, changes in the fair value of available-for-sale financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity. When available-for-sale financial assets are sold, the accumulated fair value adjustments recognized in other comprehensive income are transferred to profit and loss. None of the Company's financial assets are classified as available-for-sale assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

(ii) Financial liabilities

The Company classifies its financial liabilities as other financial liabilities which include trade and other payables. Other financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired.

Loans and receivables

For loans and receivables, a provision for impairment is made and an impairment loss is recognized in profit or loss when there is objective evidence (such as default or delinquency by a debtor, the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the agreement. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Available-for-sale financial assets

For equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. The Company will measure impairment on the basis of an instrument's fair value using an observable market price. An amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Impairment losses recognised on equity instruments are not reversed through profit or loss if the unrealized fair value of the impaired equity instruments increases.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Revenue

Revenue from the sale of petroleum and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer, revenue can be measured reliably, and collectability is reasonably assured. Risks and rewards of ownership transfer when legal title passes to the external party. For natural gas, this is generally at the time product enters the pipeline. For crude oil, this is generally at the time the product reaches a trucking terminal. For natural gas liquids, this is generally at the time the product reaches a gas plant. Revenue is measured net of discounts, customs duties, royalties and withholding tax.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currencies

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Share capital

The Company records proceeds from the issuance of its common shares as equity. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that the shares are issued.

Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the EPS attributable to common shareholders by the weighted average number of common shares outstanding in the period. The diluted EPS reflects all dilutive potential common shares equivalents, in the weighted average number of common shares outstanding during the period, if dilutive. There were no stock options and share purchase warrants outstanding at any point during the period ended September 30, 2017.

Income taxes

Current taxes receivable or payable are estimated on taxable income or loss for the current year at the statutory tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which they can be utilized.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting policies

There were no new standards effective for periods beginning on or after January 1, 2017 that had an impact on the Company's financial statements. A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2018, or later periods. The Company has not applied these new standards in preparing these financial statements. The following pronouncements are considered by the Company to be the most significant of several pronouncements that may affect the financial statements in future periods.

- New standard IFRS 9 *Financial Instruments* ("IFRS 9") has been issued by the IASB to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") has been issued by IASB to replace IAS 18 *Revenue* and IAS 11 *Construction Contracts*. This new standard sets out the requirements for recognizing and disclosing revenues that apply to all contracts with customers. The effective date of IFRS 15 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 16 *Leases* ("IFRS 16") has been issued by the IASB to replace IAS 17 Leases. This new standard sets out the requirements for recognizing and disclosing leases. The objective is to ensure that lessees and lessors provide relevant information that faithfully represents the transactions. The effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019.

The Company is currently assessing the impact that these new standards will have on its financial statements and whether to early adopt any of the new standards.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future years.

Critical accounting judgments

Identification of CGUs

The Company's assets are aggregated into CGUs for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs is based on management's judgment with regard to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

Recoverability of asset carrying values

At each reporting date, the Company assesses its petroleum and natural gas properties and exploration and evaluation assets for possible impairment, to determine if there is any indication that the carrying amounts of the assets may not be recoverable.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont'd…)

Critical accounting judgments (cont'd…)

The determination of the functional currency

The functional currency of the Company is the currency of the Company's economic environment and the Company reconsiders the functional currency if there is a change in events and conditions, which determines the primary economic environment.

Critical accounting estimates and assumptions

Decommissioning obligations

Decommissioning obligations require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates.

Depreciation

Equipment is amortized over the estimated useful life of the assets. Changes in the estimated useful lives or depreciation rate used could significantly increase or decrease the amount of depreciation recorded during the period and the carrying value of equipment.

Petroleum and natural gas interests

Reserves resources are used in the unit-of-production calculation for depreciation and depletion and the impairment analysis, which affects net loss. There are numerous uncertainties inherent in estimating petroleum and natural gas ("P&NG") reserves. Estimating reserves is complex, requiring many judgments based on geological, geophysical, engineering and economic data. Changes in these judgments could have a material impact on the estimated reserves. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available and as the economic environment changes.

Going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

5. TRADE AND OTHER RECEIVABLES

Trade receivables	$	70,031
GST recoverable		81,337
Other receivables		3,296
	$	154,664

The Company anticipates full recovery of its receivables and therefore no allowance has been recorded against these amounts as at September 30, 2017.

6. RESTRICTED CASH

The Company has provided a corporate credit card to its Chief Executive Officer ("CEO") with a credit limit totalling $25,000 for the Company's expenses. As collateral for the credit cards, the Company has a one-year term deposit of $25,000 earning annual interest of 0.5%.

7. PROPERTY AND EQUIPMENT

		Oil and natural gas properties		Corporate		Total
Cost						
Balance at April 24, 2017	$	-	$	-	$	-
Acquisition of Permex LP		3,430,315		29,828		3,460,143
Additions		74,245		-		74,243
Change in decommissioning provisions		70,730		-		70,730
Balance at September 30, 2017	$	3,575,290	$	29,828	$	3,605,118
Accumulated depletion and depreciation						
Balance at April 24, 2017	$	-	$	-	$	-
Depletion and depreciation		4,042		1,181		5,223
Balance at September 30, 2017	$	4,042	$	1,181	$	5,223
Net amount						
Balance at September 30, 2017	$	3,571,248	$	28,647	$	3,599,895

The Company is engaged in the exploration for, and the development of, petroleum and natural gas projects in the United States ("US"). The Company holds 81.25% to 100% working interests in the various oil and gas properties located in Texas, US. The Company operates a total of 74 wells on these properties.

As of September 30, 2017, the Company held reclamation bonds of $156,250 (US$125,000), which are expected to be released after all reclamation work has been completed with regard to its oil and natural gas interests in Texas. Further, as at September 30, 2017, the Company has $112,349 in prepayments outstanding for property and equipment expenditures.

8. DEFERRED PROPERTY ACQUISITION COSTS

In September 2017, the Company paid $329,083 to a related party of which $210,333 (US$170,000) was to acquire a 100% working interest in certain oil and gas leases located in New Mexico, US, known as the West Henshaw and Oxy Yates projects. The additional $118,750 (US$95,000) was paid to purchase reclamation bonds in connection with the future operation of the projects. As at September 30, 2017, the title and working interest had not yet been transferred to the Company and was contingent on the Company incorporating a new U.S. subsidiary. Subsequent to September 30, 2017, the Company incorporated a wholly-owned US subsidiary, Permex Petroleum U.S. Corporation, and completed the acquisition of the West Henshaw and Oxy Yates projects (Note 20).

9. TRADE AND OTHER PAYABLES

Trade payables	$	99,525
Accrued liabilities		27,500
Other payables		45,205
	$	172,230

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to oil and gas and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

10. DECOMMISSIONING LIABILITIES

The total future decommissioning obligations are based on the Company's net ownership in wells and facilities, estimated costs to reclaim and abandon the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of estimated cash flows required to settle the Company's liabilities is approximately $1,455,000 as at September 30, 2017 and expected to be incurred on average in 20 years. The estimated net present value of the decommissioning liabilities was calculated using an inflation factor of 2.0% and discounted using a risk-free rate of 2.63% based on expected settlement date.

Changes to the decommissioning liabilities are as follows:

Decommissioning liabilities, beginning of the period	$	-
Acquisition of Permex LP		626,947
New liabilities recognized		70,730
	$	697,677

11. RELATED PARTY TRANSACTIONS

Key management personnel include directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management personnel during the period from April 24, 2017 to September 30, 2017 is as follows:

Consulting fees	$	7,500
Management fees	$	25,000

On August 1, 2017, the Company entered into a management services agreement with the CEO of the Company for monthly fee of $12,500, with no specified term. The management services agreement may be terminated with twelve months' notice or a termination payment equal to twelve months of accrued fees and a bonus equal to 20% of the annual fees.

As at September 30, 2017, a total of $7,500 is owing to the Company's Chief Financial Officer ("CFO") for consulting services provided and has been included in trade and other payables. The amount is unsecured, non-interest bearing, and repayable on demand.

12. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares with no par value.

Issued share capital

At September 30, 2017, the Company had 23,815,000 common shares outstanding.

Share issuance

a) On April 24, 2017, the Company issued 1 incorporation share on incorporation. The Company subsequently cancelled the incorporation share.

b) On August 31, 2017, the Company issued 23,815,000 common shares to unitholders of Permex LP pursuant to the APA to acquire certain assets and liabilities of Permex LP. The shares were recorded at the carrying value of the net assets transferred from Permex LP (Note 1).

Share subscription proceeds

On August 2, 2017, the Company announced a private placement of 2,000,000 common shares at a price of $0.20 per share for gross proceeds of $400,000. As at September 30, 2017, the Company received $380,000 of proceeds from the private placement subscriptions (Note 20).

On August 8, 2017, the Company announced a private placement of issuing up to 5,000,000 common shares at a price of $0.40 per share for gross proceeds of up to $2,000,000. As at September 30, 2017, the Company received $340,000 of proceeds from the private placement subscriptions.

12. SHARE CAPITAL (cont'd…)

Commitment to issue shares

As at September 30, 2017, the Company is committed to issue $12,500 worth of common shares to Gravitas Securities Inc. pursuant to the terms of a financial advisory services agreement (Note 19).

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period from April 24, 2017 to September 30, 2017 was based on the loss attributable to common shareholders of $161,024 and a weighted average number of common shares outstanding of 4,493,396.

Stock option plan

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.

13. SEGMENTED INFORMATION

Operating segments

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

Geographic segments

The Company's non-current assets are located in Canada and the US as follows:

At September 30, 2017:

	Canada	USA	Total
Property and equipment	$ 28,647	$ 3,571,248	$ 3,599,895

14. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions during the period from April 24, 2017 to September 30, 2017 included:

a) Included in trade and other payables are $18,021 related to property and equipment.

b) Issued 23,815,000 common shares to unitholders of Permex LP pursuant to the APA (Note 1).

c) Net changes in respect to non-cash adjustments to the Company's decommissioning liabilities totalled $70,730.

15. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

Loss before income taxes	$	(161,024)
Statutory tax rate		26%
Expected income tax recovery at statutory rates	$	(42,000)
Permanent differences		1,000
Unrecognized temporary differences		41,000
Deferred income tax expense (recovery)	$	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

Non-capital losses available for future periods	$	40,000
Unrecognized deferred income tax assets	$	40,000

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		2017	Expiry Date Range
Temporary differences:			
Property and equipment	$	1,000	No expiry date
Non-capital losses available for future periods	$	153,000	2037

16. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows: cash, trade and other receivables, restricted cash and reclamation deposits as loans and receivables and measured at amortized cost; and trade and other payables as other financial liabilities and measured at amortized cost. Information on certain types of financial instruments is included elsewhere in these financial statements as follows: trade and other receivables (Note 5), restricted cash (Note 6), reclamation deposits (Note 7) and trade and other payables (Note 9).

The carrying amount of cash, trade and other receivables, restricted cash, reclamation deposits, trade and other payables carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash, trade and other receivables, restricted cash and reclamation deposits. The credit risk with respect to its cash, restricted cash and reclamation deposits is minimal as they are held with high-credit quality financial institutions. The Company's GST recoverable is due from the Canadian Governments. Management does not expect these counterparties to fail to meet their obligations. The Company does not anticipate any default of its trade receivables, as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. The Company performs cash flow forecasting to ensure sufficient cash is available to fund its projects and operations. As at September 30, 2017, the Company has a cash balance of $552,169 to settle current liabilities of $172,230. The Company's financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand.

At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements and revenue from oil and gas production. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and administrative expenditures are transacted in Canadian dollars. The Company funds its oil and gas operations in the United States by using US dollars converted from its Canadian bank accounts. At September 30, 2017, the Company had financial assets of $241,728 and financial liabilities of $67,131 denominated in United States dollars. A 10% strengthening of the US dollar would affect net loss by approximately $15,000. The Company does not hedge its foreign exchange risk.

16. FINANCIAL INSTRUMENTS (cont'd…)

Financial risk management (cont'd…)

Interest rate risk

The Company is exposed to interest rate risk arising from cash held in Canadian financial institutions. The interest rate risk on cash is not considered significant due to its short-term nature and maturity. The exposure to interest rates for the Company is considered minimal. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in the price of oil and natural gas. Commodity prices are impacted by world economic events that affect supply and demand, which are generally beyond the Company's control. Changes in crude oil prices may significantly affect the Company's results of operations, cash generated from operating activities, capital spending and the Company's ability to meet its obligations. The Company manages this risk by constantly monitoring commodity prices and factoring them into operational decisions, such as contracting or expanding its capital expenditures program.

17. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

As at September 30, 2017, the Company has no financial assets or financial liabilities measured at fair value. There have been no changes in these levels and no changes in classifications during the period from April 24, 2017 to September 30, 2017.

18. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and development of its oil and gas properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company considers shareholders' equity as the component of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue additional shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is not subject to externally imposed capital requirements.

19. COMMITMENTS

Office lease

The Company has entered into an office lease agreement for its office premises for a term ending August 31, 2018. The minimum lease commitments under the lease for the next two fiscal years are as follows:

2017	$ 7,044
2018	18,784
	$ 25,828

Advisory Agreement

On August 22, 2017, the Company entered into an Advisory Agreement with Gravitas Securities Inc. ("Gravitas") whereby the Company will accrue $12,500 per month for services over a term of one year, subject to earlier termination. The fee will be payable in 31,250 common shares of the Company per month, which will be issued on a quarterly basis. As at September 30, 2017, a total of $12,500 has been accrued as a commitment to issue shares.

The Advisory Agreement also stipulates the granting of incentive stock options equal to 2.5% of the number of fully diluted, pre-IPO common shares of the Company, with an exercise price of $0.40 per share and which will vest quarterly in an equal basis over a period of twelve months from the closing of the successful completion of an IPO of the Company led by Gravitas. Subsequent to year end, the board of directors approved the stock option grant (Note 20).

20. EVENTS AFTER THE REPORTING PERIOD

Subsequent to September 30, 2017, the Company:

i) Completed the private placement of 2,000,000 common shares announced on August 2, 2017 at a price of $0.20 per share for gross proceeds of $400,000 (Note 12).

ii) Completed the private placement of 1,507,500 common shares announced on August 8, 2017 at a price of $0.40 per share for gross proceeds of $603,000 (Note 12)

iii) Repurchased 139 common shares for gross proceeds of $56 for cancellation.

iv) Granted a total of 2,975,573 stock options as follows:

- 700,573 stock options were granted to an advisor of the Company pursuant to an advisory agreement (Note 19). The stock options are exercisable at a price of $0.40 per option for a period of five years and vest 25% every three months commencing three months after the grant date; and

- 2,275,000 stock options were granted to various directors, officers, employees and consultants of the Company. The options are exercisable at a price of $0.50 per option for a period of five years and vest 100% on grant.

20. EVENTS AFTER THE REPORTING PERIOD (cont'd…)

v) On November 30, 2017, the Company incorporated a new subsidiary, Permex Petroleum US Corporation. On the incorporation of the subsidiary, the Company and Permex Petroleum LLC, a related party, completed the property transfer agreement, whereby the Company earned the rights and title to the West Henshaw and Oxy Yates properties outlined in Note 8.

vi) The Company has signed an engagement letter dated November 13, 2017 with Canaccord Genuity Corp. and Gravitas (collectively, the "Agents") to act as Agents in connection with the proposed IPO of securities of the Company and concurrent listing of the common shares of the Company on the CSE. It is anticipated that the IPO will seek aggregate gross proceeds of a minimum of $2,500,000 through the sale of 5,000,000 common shares at $0.50 per share, and up to a maximum of $10,000,000 through the sale of 20,000,000 common shares at $0.50 per share. The IPO includes the provision of an over-allotment option of up to 15% of the shares sold under the offering.

The definitive size of the IPO will be decided based on negotiations between the Agents and the Company prior to the filing of the final Prospectus. The Company estimates the cash costs of the IPO will be between $592,500 and $1,775,000, excluding the over-allotment option. This includes a cash commission of 8% of the gross proceeds to be paid to the Agents, a corporate finance fee between $62,500 and $375,000, and other costs estimated between $330,000 and $600,000.

In addition to the cash costs, the Company will issue to the Agent, warrants equal to 8% of the aggregate number of shares sold. The warrants will allow the Agent to purchase one common share in the Company at an exercise price of $0.50 for a period of 36 months.

On the successful completion of the IPO, the Company will enter into an investor relations agreement with the Howard Group, whereby the Company will pay $7,500 per month for a 12 month period and will issue stock options equivalent to 1% of the issued stock outstanding on the commencement of trading.

SCHEDULE B

Management's Discussion and Analysis for the Period Ended September 30, 2017

PERMEX PETROLEUM CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIOD FROM INCORPORATION ON APRIL 24, 2017 TO SEPTEMBER 30, 2017

1.1 INTRODUCTION

Set out below is a review of the activities, financial performance and financial position of Permex Petroleum Corporation ("Permex", or the "Company"), for the period from incorporation on April 24, 2017 to September 30, 2017. The discussion below should be read in conjunction with the Company's September 30, 2017 audited financial statements and related notes thereto. The Company reports its financial performance and financial position in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated. All dollar figures included in the following Management's Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated.

This MD&A has been prepared as at January XX, 2017.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls to ensure that information used internally or disclosed externally, including the MD&A, is complete and reliable.

The Company is seeking to list on the Canadian Stock Exchange ("CSE") through an Initial Public Offering ("IPO"). Until a receipt is issued for a final prospectus in connection with the proposed IPO, the Company is not a reporting issuer.

Additional information related to the Company is available on SEDAR at www.sedar.com.

1.2 FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking statements" that reflect the Company's current expectations and projections about its future results. Forward-looking statements are statements that are not historical facts, and include, but are not limited to: estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, capital raising initiatives, the impact of industry and macroeconomic factors on the Company's operations, and market opportunities; and statements regarding future performance.

Forward-looking statements used in this MD&A are subject to various risks, uncertainties and other factors, most of which are difficult to predict and are generally beyond the control of the Company. These risks, uncertainties and other factors may include, but are not limited to, those set forth under "*Risks and Uncertainties*" below, and those contained in the Company's Preliminary Prospectus dated December 22, 2017 (the "Prospectus") that is available under the Company's profile on SEDAR at www.sedar.com.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks, uncertainties and other factors, including the risks, uncertainties and other factors identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities law.

1.3 DESCRIPTION OF BUSINESS

The Company's head office is Suite 1290, 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6. 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 North America. The Company's oil and gas interests are located in Texas and New Mexico, USA.

1.4 HIGHLIGHTS

- The Company commenced a private placement offering of 2,000,000 common shares at a price of $0.20 per share for gross proceeds of $400,000. Subsequent to September 30, 2017, the Company closed the private placement for total gross proceeds of $400,000.

- The Company commenced a private placement offering of up to 5,000,000 common shares at a price of $0.40 per share for gross proceeds of up to $2,000,000. Subsequent to September 30, 2017, the Company closed the private placement and issued 1,507,500 common shares for gross proceeds of $603,000.

- On August 31, 2017, the Company entered into an Asset Purchase Agreement ("APA") with Permex Petroleum Limited Partnership ("Permex LP"), whereby the Company purchased specific assets and liabilities of Permex LP in exchange for the issuance of 23,815,000 common shares of the Company.

- As of September 30, 2017, the Company had cash and cash equivalents of $552,169 and working capital of $555,869.

- For the month of September, the Company's operations generated 1,128 barrels of oil equivalent.

1.5 PROJECT UPDATES AND ACQUISITION

Assets Acquired Pursuant to the APA

Pittcock North Property

The Pittcock North Property is situated in Stonewall County. Stonewall County is in Northwest Texas, in the central part of the North Central Plains. 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 county seat is approximately 60 miles north-northwest of Abilene. Stonewall County covers 926 square miles.

Permex holds a 100% working interest in the Pittcock North Property, and an 81.25% net revenue interest.

The Pittcock North Property covers 320 acres held by production. There are currently six producing wells, four shut-in wells, two saltwater disposal wells, and a water injection well.

Pittcock South Property

The Pittcock South Property is also in Stonewall County, Texas. Permex holds a 100% working interest in the lease, and a 71.90% net revenue interest.

The Pittcock South Property covers 498 acres in four tracts. There are currently eight producing wells, eleven shut-in wells and two saltwater disposal wells.

Peavy Property

The Peavy Property is located in Young County, Texas in the Permian basin. Young County is in North Central Texas. It is bounded by Archer County to the north, Jack County to the east, Stephens County to the south, and Throckmorton County to the west. Young County covers 931 square miles. The county seat is approximately 55 miles south of Wichita Falls and 65 miles northwest of Fort Worth.

Permex holds a 100% working interest in the Peavy Property, and a 70.48% net revenue interest.

The Peavy Property covers 160 acres held by production. There are currently nine producing wells, four shut-in wells, and one saltwater disposal well.

McMurtry and Loving Properties

The McMurtry and Loving Properties are located on the boundary between Jack and Young Counties in Texas. The asset is situated on the north end of the Fort Worth Basin, on the east flank of the Bend Arch. Young County is bounded by Archer County to the north, Jack County to the east, Stephens County to the south and Throckmorton County to the west. Young County covers 931 square miles. Jack County is bounded by Archer, Clay, and Montague Counties to North, Young County to the west, Palo Pinto and Parker Counties to the south, and Wise County to the east. Jack County covers 920 square miles.

Permex holds 100% working interest in the McMurty and Loving Properties, and a 75.00% net revenue interest.

The McMurtry lease covers 530 net acres in Young County and has three producing wells and two shut-in wells. The Loving Estate lease, located in Jack County, contains 980 net acres and has two producing wells, six shut-in wells, and a water disposal well.

Windy Jones Property

The Windy Jones Property consists of forty acres and includes two injection wells and two suspended oil wells. The sole purpose of the Windy Jones Property is to provide waterflood to the offset wells being the Pittcock wells located east boundary of the Windy Jones Property.

Permex holds a 100% working interest in the Windy Jones Property, and a 78.9% net revenue interest.

New and Deferred Acquisitions

Mary Bullard Property

On August 25, 2017 the Company closed the acquisition of the Mary Bullard Property.

The Mary Bullard Property is located in Stonewall County, about 5 ½ miles south west of Aspermont, Texas. The asset is situated on the Eastern Shelf of the Midland Basin. Stonewall County is in Northwest Texas, in the central part of the North Central Plains. 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 county seat is approximately 60 miles north-northwest of Abilene. Stonewall County covers 926 square miles.

Permex holds a 100% working interest in the Mary Bullard Property, and a 78.625% net revenue interest.

The Mary Bullard Property covers 241 acres held by production. There is currently one producing well, four shut-in wells, and two water injection wells.

West Henshaw Property and Oxy Yates Property

In September 2017, the Company transferred $329,083 to Permex Petroleum Company, LLC, a related party, of which $210,333 (US$170,000) was to acquire a 100% working interest in certain oil and gas leases located in New Mexico, US, known as the West Henshaw Property and the Oxy Yates Property. The additional $118,750 (US$95,000) was paid to purchase reclamation bonds in connection with the future operation of the properties. As at September 30, 2017, the title and working interest had not yet been transferred to the Company and was contingent on the Company incorporating a new US subsidiary. Subsequent to September 30, 2017, the Company incorporated a wholly-owned US subsidiary, Permex Petroleum US Corporation, and completed the acquisition of the West Henshaw Property and the Oxy Yates Property effective December 1, 2017.

The West Henshaw Property is located in Eddy County, New Mexico 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. Eddy County covers 4,198 square miles. The West Henshaw Property is 12 miles northeast of Loco Hills, New Mexico.

As at the date of this MD&A, Permex holds a 100% working interest in the West Henshaw Property, and a 72% net revenue interest.

The West Henshaw Property covers 1,880 acres held by production. There are nine producing wells and four saltwater disposal wells.

The Oxy Yates Property is located in Eddy County, approximately eight miles north of Carlsbad, New Mexico. 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. Eddy County covers 4,198 square miles. The asset is located in the Delaware Basin.

As at the date of this MD&A, Permex holds a 100% working interest in the Oxy Yates Property, and a 77% net revenue interest.

The Oxy Yates Property covers 680 acres held by production. There are eight producing wells and two shut-in wells.

Acquisition and Development Costs

A breakdown of capital expenditures incurred during the period from incorporation on April 24, 2017 to September 30, 2017 on each property is as follows:

- On August 31, 2017, the Company recorded acquisition costs of $3,430,315 in connection with the assets acquired pursuant to the APA.

- Subsequent to the completion of the transactions under the APA, the Company incurred the following additional expenditures up to September 30, 2017:

	Acquisition costs	Development costs	Total
Pittcock North	$ -	$ 10,776	$ 10,776
Pittcock South	-	659	659
Peavy	-	-	-
McMurtry & Loving	-	310	310
Mary Bullard	62,500	-	62,500
Windy Jones	-	-	-
Total	$ 62,500	$ 11,745	$ 74,245

1.6 RESULTS OF OPERATIONS

For the period from incorporation on April 24, 2017 to September 30, 2017.

The Company recorded net loss of $161,024 ($0.04 loss per common share) for the period ended September 30, 2017 as explained in the following paragraphs.

- The Company had oil and gas revenues of $46,779 (for one month of operations) and direct operating expenditures of $35,632 for a gross margin of $11,147, or 24%.

- Expenses of $172,568 in total, including (among other items):

- Accounting and audit fees of $20,250.
- Consulting fees of $49,831 and management fees of $25,000.
- Marketing and promotion expenses of $27,953.

1.7 SUMMARY OF QUARTERLY RESULTS

Quarterly information for periods prior to September 30, 2017 have not been presented as there is no requirement to present financial information for interim periods prior to the Company becoming a reporting issuer if the Company has not previously prepared financial statements for those periods. As a non-reporting issuer, the Company has not prepared any interim or quarterly financial statements since its inception on April 24, 2017.

1.8 LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2017, the Company had cash of $552,169 and working capital of $555,869.

Subsequent to September 30, 2017, the Company closed private placements for total gross proceeds of $1,003,000. See "*Highlights*" above.

The Company entered into an engagement letter dated November 13, 2017 with Canaccord Genuity Corp. and Gravitas Securities Inc. (collectively, the "Agents"), whereby the Agents agreed to act as agents in connection with the proposed IPO of common shares of the Company and concurrent listing of the common shares of the Company on the CSE. The IPO will seek aggregate gross proceeds of a minimum of $2,500,000 through the sale of 5,000,000 common shares at $0.50 per share, and up to a maximum of $10,000,000 through the sale of 20,000,000 common shares at $0.50 per share.

The IPO includes the provision of an over-allotment option exercisable at the sole discretion of the Agents, in whole or in part, at any time and from time to time, until and including the date that is 60 days from the closing of the IPO, to purchase, on the same terms as the IPO, up to an aggregate number of additional common shares as is equal to 15% of the aggregate number of common shares issued pursuant to the IPO. The exercise of the over-allotment option in full would result in additional gross proceeds of $1,500,000 to the Company.

The Agents will receive a fee of eight percent 8% of the gross proceeds from the sale of the common shares offered by the IPO, payable in cash or common shares issued at $0.50 per share, or any combination of cash or common shares issued at $0.50 per share, at the option of the Agents. The Agents will also receive a corporate finance fee equal to 2.5% of the gross proceeds from the sale of the common shares offered by the IPO up to and including $5,000,000 plus 5.0% of the gross proceeds from the sale of common shares offered by the IPO that exceed $5,000,000, payable in common shares issued at $0.50 per share.

The Company will pay the Agents' reasonable expenses, including legal fees and disbursements, in connection with the IPO, subject to pre-approval by the Company. It is estimated that the total expenses of the IPO, not including the Agents' fees, will be approximately $330,000 in the event of the minimum IPO and $600,000 in the event of the maximum IPO.

In addition to the Agents' fees, the Agents will receive warrants (the "Agents' Warrants") entitling the Agents to subscribe for that number of common shares as is equal to 8% of the aggregate number of common shares sold pursuant to the IPO. Each Agents' Warrant is exercisable to purchase one common share at $0.50 for a period of 36 months following the closing of the IPO. The Agents' Warrants could generate additional cash for the Company if exercised.

Subsequent to the period ended September 30, 2017, the Company granted 700,573 stock options to Gravitas Securities Inc. ("Gravitas") pursuant to an advisory agreement, which options are exercisable at a price of $0.40 per share for a period of five years and vest 25% every three months commencing on the date of the successful completion of an initial public offering led by Gravitas. In addition, the Company granted 2,275,000 stock options to various directors, officers, employees and consultants of the Company, which are exercisable at a price of $0.50 per share for a period of ten years and vest 100% on grant. On the successful completion of the IPO, the Company will enter into an investor relations agreement with The Howard Group Inc., whereby the Company will pay $7,500 per month for a 12 month period and will issue stock options equivalent to 1% of the common shares outstanding on the commencement of trading, exercisable at $0.50 per share. The foregoing stock options could generate additional cash for the Company if exercised.

See "Risks and Uncertainties" in this MD&A for risks related to the Company's ability to obtain sources of funding. The Company has no fixed cash payment obligations on any of it projects.

There has been no change in approach to managing capital since incorporation. Including the funds expected from the pending IPO and the Company's working capital, the Company believes it has sufficient capital to fund its administrative and exploration expenditures for the next twelve months.

1.9 TRANSACTIONS WITH RELATED PARTIES

Key management personnel include directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management personnel during the period from April 24, 2017 to September 30, 2017 is as follows:

Consulting fees – Scott Kelly, CFO	$	7,500
Management fees – Mehran Ehsan, CEO	$	25,000

On August 1, 2017, the Company entered into an employment agreement with the CEO of the Company for a base salary of $150,000 per year, which shall be reviewed by the Company annually. The employment agreement may be terminated with twelve months' notice or a termination payment equal to twelve months of base salary and an amount in lieu of his performance bonus equal to 20% of base salary.

As at September 30, 2017, a total of $7,500 is owing to the Company's Chief Financial Officer ("CFO") for consulting services provided and has been included in trade and other payables. The amount is unsecured, non-interest bearing, and repayable on demand.

In September 2017, the Company paid $329,083 to a related party for the purchase of two oil and gas projects in New Mexico. As at September 30, 2017, the transaction was still pending as the transfer was contingent on the Company incorporating a new U.S. subsidiary. As a result, the amount was recorded as deferred property acquisition costs. Subsequent to period end, the Company incorporated a wholly-owned U.S. subsidiary, Permex Petroleum U.S. Corporation and completed the acquisition of the West Henshaw and Oxy Yates projects. Refer to discussions in section 1.5 for further information.

1.10 SHARE CAPITAL AND DISCLOSURE OF OUTSTANDING SHARE DATA

As at the date of this MD&A the Company had 27,322,361 common shares issued and outstanding.

Outstanding share data

As at the date of this MD&A, the Company's fully diluted common shares outstanding is as follows:

Common shares	27,322,361
Options	2,975,573
Warrants	-
Fully diluted shares outstanding	30,297,934

1.10 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.11 PROPOSED TRANSACTIONS

Other than previously disclosed, the Company has no proposed transactions.

1.12 COMMITMENTS

Office lease

The Company has entered into an office lease agreement for its office premises for a term ending August 31, 2018. The minimum lease commitments under the lease for the next two fiscal years are as follows:

2017	$	7,044
2018		18,784
	$	25,828

Advisory Agreement

On August 22, 2017, the Company entered into an advisory agreement with Gravitas, whereby the Company will accrue $12,500 per month for services over a term of one year. The fee will be payable in common shares of the Company on a quarterly basis and as at September 30, 2017, a total of $12,500 has been accrued as a commitment to issue shares.

The advisory agreement also stipulates the granting of incentive stock options equal to 2.5% of the number of fully diluted, pre-IPO common shares of the Company, with an exercise price of $0.40 per share and which vest 25% every three months commencing on the date of the successful completion of an initial public offering led by Gravitas. Subsequent to the period ended September 30, 2017, the Company granted 700,573 stock options to Gravitas in satisfaction of the foregoing commitment.

1.13 RISKS AND UNCERTAINTIES

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information set out elsewhere in this MD&A and in the Prospectus that is available under the Company's profile on SEDAR at www.sedar.com. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair operations. If any such risks actually occur, the business, financial condition, liquidity and results of operations could be materially adversely affected.

In addition to the risks and uncertainties set out below, readers should refer to those risks and uncertainties related to the Company's business that are set forth under the heading "Risk Factors" in the Prospectus that is available under the Company's profile on SEDAR at www.sedar.com.

Forward-Looking Information

Certain information set out in this MD&A includes or is based upon expectations, estimates, projections or other "forward looking information". Such forward looking information includes projections or estimates made by the Company about the Company's future business operations. While such forward looking statements and the assumptions underlying them are made in good faith and reflect the Company's management's current judgment regarding the direction of business, actual results will almost certainly vary (sometimes materially) from any estimates, predictions, projections, assumptions or other type of performance suggested here.

Market Risk for Securities

There can be no assurance that an active trading market for the Company's shares will be established and sustained. Upon listing of the Company's shares, the market price for the shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company's securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Speculative Nature of Investment Risk

An investment in the Company's securities carries a high degree of risk and should be considered as a speculative investment. The Company has no history of earnings, cash flow or profitability and has limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. Operations are not yet sufficiently established such that the Company can mitigate risks associated with planned activities. The Company has had negative operating cash flow since the Company's inception, and the Company may continue to have negative operating cash flow for the foreseeable future. No assurance can be given that the Company will attain positive cash flow or profitability.

Liquidity and Future Financing Risk

The Company is in the early stages of business and has not generated revenue in excess of its expenses. The Company will likely operate at a loss until its business becomes established and the Company may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain operations will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by issuance of additional shares, control may change and shareholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its current business plan or cease operating.

Going-Concern Risk

The Company's financial statements have been prepared on a going-concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Global Economy Risk

Economic slowdowns and volatility of global capital markets may from time to time make the raising of capital by equity or debt financing more difficult. The Company may be dependent upon capital markets to raise additional financing in the future while concurrently establishing a wider customer base. Access to financing may be negatively impacted by global economic downturns. As such, the Company is subject to liquidity risks in meeting its operating expenditure requirements and future development cost requirements in instances where adequate cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company and its management. If levels of volatility and slow market conditions persist, the Company's operations, the Company's ability to raise capital and the trading price of the Company's shares could be adversely impacted.

Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain earnings to finance further growth and, when appropriate, retire debt.

Share Price Volatility Risk

It is anticipated that the common shares of the Company will be listed for trading on the CSE. As such, external factors outside of the Company's control, such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward oil and gas stocks, may have a significant impact on the market price of the Company's common shares. Global stock markets, including the CSE, have, from time-to-time, experienced extreme price and volume fluctuations. The same applies to companies in the oil and gas. There can be no assurance that an active or liquid market will develop or be sustained for the Company's common shares.

Increased Costs of Being a Publicly Traded Company

As the Company will have publicly-traded securities, significant legal, accounting and filing fees will be incurred that are not presently being incurred. Securities legislation and the rules and policies of the CSE require publicly listed companies to, among other things, adopt corporate governance policies and related practices and to continuously prepare and disclose material information, all of which will significantly increase legal, financial and securities regulatory compliance costs.

Limited Prior Operating History

The Company has limited operating history, business operations and assets. There is no assurance that it will be profitable or that its investment strategy will be successful. The Company's operations are subject to all of the risks inherent in the creation of new investment activity, including a limited prior operating history.

Dilution

Any sale of the Company's shares will result in dilution to existing holders of shares. The Company may issue additional shares without the consent from the shareholders of the Company.

Loan Facilities

The interest expense and banking fees incurred in respect of any loan facility that may be secured by the Company may exceed the incremental capital gains and tax benefits generated by the incremental investment of the Company in any oil and gas properties. There can be no assurance that the borrowing strategy employed by the Company will enhance returns.

1.14 CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING STANDARDS

New accounting policies

There were no new standards effective for periods beginning on or after January 1, 2017 that had an impact on the Company’s financial statements. A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2018, or later periods. The Company has not applied these new standards in preparing these financial statements. The following pronouncements are considered by the Company to be the most significant of several pronouncements that may affect the financial statements in future periods.

- New standard IFRS 9 *Financial Instruments* (“IFRS 9”) has been issued by the IASB to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 15 Revenue from Contracts with Customers ("IFRS 15") has been issued by IASB to replace IAS 18 Revenue and IAS 11 Construction Contracts. This new standard sets out the requirements for recognizing and disclosing revenues that apply to all contracts with customers. The effective date of IFRS 15 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 16 Leases ("IFRS 16") has been issued by the IASB to replace IAS 17 Leases. This new standard sets out the requirements for recognizing and disclosing leases. The objective is to ensure that lessees and lessors provide relevant information that faithfully represents the transactions. The effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019.

The Company is currently assessing the impact that these new standards will have on its financial statements and whether to early adopt any of the new standards.

1.15 FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows: cash, trade and other receivables, restricted cash and reclamation deposits as loans and receivables and measured at amortized cost; and trade and other payables as other financial liabilities and measured at amortized cost.

The carrying amount of cash, trade and other receivables, restricted cash, reclamation deposits, and trade and other payables carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash, trade and other receivables, restricted cash and reclamation deposits. The credit risk with respect to its cash, restricted cash and reclamation deposits is minimal as they are held with high-credit quality financial institutions. The Company's GST recoverable is due from the Canadian Government. Management does not expect these counterparties to fail to meet their obligations. The Company does not anticipate any default of its trade receivables, as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. The Company performs cash flow forecasting to ensure sufficient cash is available to fund its projects and operations. As at September 30, 2017, the Company has a cash balance of $552,169 to settle current liabilities of $172,230. The Company's financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand.

At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements and revenue from oil and gas production. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and administrative expenditures are transacted in Canadian dollars. The Company funds its oil and gas operations in the United States by using US dollars converted from its Canadian bank accounts. At September 30, 2017, the Company had financial assets of $241,728 and financial liabilities of $67,131 denominated in United States dollars. A 10% strengthening of the US dollar would affect net loss by approximately $15,000. The Company does not hedge its foreign exchange risk.

Interest rate risk

The Company is exposed to interest rate risk arising from cash held in Canadian financial institutions. The interest rate risk on cash is not considered significant due to its short-term nature and maturity. The exposure to interest rates for the Company is considered minimal. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in the price of oil and natural gas. Commodity prices are impacted by world economic events that affect supply and demand, which are generally beyond the Company's control. Changes in crude oil prices may significantly affect the Company's results of operations, cash generated from operating activities, capital spending and the Company's ability to meet its obligations. The Company manages this risk by constantly monitoring commodity prices and factoring them into operational decisions, such as contracting or expanding its capital expenditures program.

ADDITIONAL INFORMATION

Additional information concerning the Company and its operations is available on SEDAR at www.sedar.com.

APPROVAL

The Board of Directors of Permex Petroleum Corporation has approved the contents of this management discussion and analysis on January XX, 2017.

SCHEDULE C

Audited Carve-Out Financial Statements for the Acquired Assets for the Financial Years Ended December 31, 2016 and 2015

AUDITED CARVE-OUT FINANCIAL STATEMENTS

SPECIFIED OIL AND GAS PROPERTIES BUSINESS
OF PERMEX PETROLEUM LIMITED PARTNERSHIP

YEARS ENDED DECEMBER 31, 2016 AND 2015

DRAFT INDEPENDENT AUDITORS' REPORT

To the Directors of
The Specified Oil and Gas Properties Business of
Permex Petroleum Limited Partnership

We have audited the accompanying carve-out financial statements of the Specified Oil and Gas Properties Business of Permex Petroleum Limited Partnership, which comprise the carve-out statement of financial position as at December 31, 2016 and the carve-out statements of loss and comprehensive loss, changes in equity in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these carve-out financial statements present fairly, in all material respects, the financial position of the Specified Oil and Gas Properties Business of Permex Petroleum Limited Partnership as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the carve-out financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the Specified Oil and Gas Properties Business of Permex Petroleum Limited Partnership's ability to continue as a going concern.

Other Matters

The carve-out financial statements of the Specified Oil and Gas Properties Business of Permex Petroleum Limited Partnership for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on January XX, 2018.

Vancouver, Canada

Chartered Professional Accountants

January XX, 2018

INDEPENDENT AUDITORS' REPORT

To the Directors of The Specified Oil and Gas Properties Business of Permex Petroleum Limited Partnership

We have audited the accompanying carve-out financial statements of the Specified Oil and Gas Properties Business of Permex Petroleum Limited Partnership, which comprise the carve-out statement of financial position as at December 31, 2015 and the carve-out statements of loss and comprehensive loss, changes in equity in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the carve-out Financial Statements
Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these carve-out financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these carve-out financial statements present fairly, in all material respects, the financial position of the Specified Oil and Gas Properties Business of Permex Petroleum Limited Partnership as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the carve-out financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the Specified Oil and Gas Properties Business of Permex Petroleum Limited Partnership's ability to continue as a going concern.

Chartered Professional Accountants

Vancouver, Canada
January XX, 2018

PERMEX PETROLEUM LIMITED PARTNERSHIP
SPECIFIED OIL AND GAS PROPERTIES BUSINESS
CARVE-OUT STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31

	Note	2016	2015
ASSETS			
Current assets			
Trade and other receivables	5	$ 40,543	$ 35,092
Non-current assets			
Property and equipment	6	2,482,698	2,159,843
Reclamation deposits	6	100,500	103,800
		2,583,198	2,263,643
Total assets		$ 2,623,741	$ 2,298,735
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness		$ 34,925	$ 55,942
Trade and other payables	7	303,010	107,265
Amounts due to related party	9	94,670	15,000
Loan payable	8	602,562	526,740
		1,035,167	704,947
Non-current liabilities			
Decommissioning liabilities	10	405,400	411,483
Total liabilities		1,440,567	1,116,430
Equity		1,183,174	1,182,305
Total liabilities and equity		$ 2,623,741	$ 2,298,735

Nature of business (Note 1)

Commitments (Note 16)

Events after the reporting period (Note 18)

The carve-out financial statements were authorized for issue by the board of directors of Permex Petroleum Operating Ltd. as the General Partner on January XX, 2018 and were signed on its behalf by:

____________________ Director ____________________ Director

The accompanying notes are an integral part of these carve-out financial statements.

PERMEX PETROLEUM LIMITED PARTNERSHIP
SPECIFIED OIL AND GAS PROPERTIES BUSINESS
CARVE-OUT STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31

	Note	2016	2015
Revenue			
Oil and gas sales		$ 277,452	$ 76,234
Miscellaneous revenue		27,601	-
		305,053	76,234
Direct operating expenses			
Producing and operating		(318,460)	(64,489)
Royalties		(15,050)	(2,821)
		(28,457)	8,924
Expenses			
Accounting and audit		56,111	41,457
Accretion of decommissioning liabilities	10	11,004	-
Bank charges and interest		13,128	2,183
Consulting		9,835	20,071
Depletion and depreciation	6	45,403	21,863
Management fees	9	-	39,980
Marketing and promotion		38,225	56,697
Legal fees		41,677	78,267
Office and miscellaneous		49,566	62,449
Rent		41,560	30,866
Travel		18,038	34,957
		(324,547)	(388,790)
Other items			
Finance costs	8	(75,822)	(26,740)
Foreign currency exchange gain (loss)		(2,432)	55,582
Write off of receivables	5	(5,623)	-
		(83,877)	28,842
Loss and comprehensive loss for the year		$ (436,881)	$ (351,024)

The accompanying notes are an integral part of these carve-out financial statements.

PERMEX PETROLEUM LIMITED PARTNERSHIP
SPECIFIED OIL AND GAS PROPERTIES BUSINESS
CARVE-OUT STATEMENTS OF CHANGES IN EQUITY IN NET ASSETS

	Note	Equity in net assets
Balance, December 31, 2014		$ -
Net investment by Permex Petroleum Limited Partnership		1,533,329
Loss for the year		(351,024)
Balance, December 31, 2015		$ 1,182,305
Net investment by Permex Petroleum Limited Partnership		437,750
Loss for the year		(436,881)
Balance, December 31, 2016		$ 1,183,174

The accompanying notes are an integral part of these carve-out financial statements.

PERMEX PETROLEUM LIMITED PARTNERSHIP
SPECIFIED OIL AND GAS PROPERTIES BUSINESS
CARVE-OUT STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		$ (436,881)	$ (351,024)
Items not affecting cash:			
Finance costs		75,822	26,740
Depletion and depreciation		45,403	21,863
Accretion of decommissioning liabilities		11,004	-
Foreign currency exchange loss (gain)		3,300	(5,642)
Write off of receivables		5,623	-
Changes in non-cash working capital items:			
Trade and other receivables		(11,074)	(35,092)
Prepaid expenses		-	12,525
Trade and other payables		117,811	41,381
Amounts due to related parties		79,670	-
Net cash used in operating activities		(109,322)	(289,249)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures on property and equipment		(299,326)	(1,658,587)
Decommissioning liabilities settled		(8,085)	-
Reclamation deposits		-	(98,158)
Net cash used in investing activities		(307,411)	(1,756,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in equity in net assets		437,750	1,486,649
Proceeds from loan payable		-	500,000
Increase (decrease) in bank indebtedness		(21,017)	55,942
Net cash provided by financing activities		416,733	2,042,591
Change in cash during the year		-	(3,403)
Cash, beginning of the year		-	3,403
Cash, end of the year		$ -	$ -

Supplemental cash flow information (Note 14)

The accompanying notes are an integral part of these carve-out financial statements.

1. NATURE OF BUSINESS

Permex Petroleum Limited Partnership (the "Partnership" or "Permex LP") was formed on September 17, 2013 under the laws of British Columbia, Canada and maintains its head office at Suite 1290, 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6. Its registered office is located at Suite 1600, 925 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3L2. The Partnership is primarily engaged in the acquisition, development and production of oil and gas properties in North America. The general partner of the Partnership is Permex Petroleum Operating Ltd. (the "General Partner").

On August 31, 2017, the Partnership entered into an Asset Purchase Agreement ("APA") with Permex Petroleum Corporation ("Permex Corporation"), whereby Permex Corporation would purchase all of Permex LP's assets and liabilities as at August 31, 2017 in exchange for the issuance of 23,815,000 common shares of Permex Corporation. Permex LP subsequently distributed the common shares received to its partnership unitholders and dissolved the Partnership.

On August 31, 2017, Permex LP transferred and assigned to Permex Corporation a 100% interest in its McMurtry/Loving, Peavy, Pittcock North and Pittcock South leases located in Texas, USA (together referred as "the Specified Oil and Gas Properties"), along with other assets and liabilities of the Partnership pursuant to the APA ("the Specified Oil and Gas Properties Business").

These carve-out financial statements present the financial position, net loss and comprehensive loss, changes in equity in net assets and cash flows of the Specified Oil and Gas Properties as if it had been an independent operation during the years reported. These carve-out financial statements have been derived from the historical accounting records of Permex LP with estimates used, when necessary, for certain allocations. The carve-out statements of financial position as at December 31, 2016 and 2015 reflect the amounts recorded by Permex LP with respect to the Specified Oil and Gas Properties Business transferred to Permex Corporation. The carve-out statements of net loss and comprehensive loss for the years ended December 31, 2016 and 2015 include all the revenue derived from the Specified Oil and Gas Properties Business transferred to Permex Corporation and a pro-rata allocation of Permex LP's general operating expenses incurred in each of the years based the percentage of acquisition and development costs incurred on the Specified Oil and Gas Properties compared to acquisition and development costs incurred on Permex LP's properties as a whole. The allocation of general operating expenses for 2016 and 2015 was 86.16% and 62.68%, respectively. These carve-out financial statements will be included in the preliminary prospectus expected to be filed on December XX, 2017 which consists of an initial public offering by the Permex Corporation at a price of $0.50 per share of a minimum of 5,000,000 shares for minimum total gross proceeds of $2,500,000 and a maximum of 20,000,000 shares for maximum total gross proceeds of $10,000,000.

Management cautions readers of the carve-out financial statements that the Specified Oil and Gas Properties business results do not necessarily reflect what the results of operations, financial position, or cash flows would have been had the Specified Oil and Gas Properties business been a separate entity holding the related properties or future results in respect to the Specified Oil and Gas Properties on a stand-alone basis. Further, the allocation of expenses in these carve-out statements of loss and comprehensive loss does not necessarily reflect the nature and level of the Specified Oil and Gas Properties business's future operating expenses. Permex LP's investment in the Specified Oil and Gas Properties business, presented as equity in net assets in these carve-out financial statements, includes the accumulated net loss and comprehensive loss of the Specified Oil and Gas Properties Business.

2. BASIS OF PREPARATION

Statement of compliance

These carve-out financial statements of the the Specified Oil and Gas Properties Business have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

2. BASIS OF PREPARATION (cont'd…)

Basis of measurement

These carve-out financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values. In addition these carve-out financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These carve-out financial statements are presented in Canadian dollars, which is the Specified Oil and Gas Properties Business's functional currency.

Going concern of operations

These carve-out financial statements have been prepared on a going concern basis which assumes that the the Specified Oil and Gas Properties Business 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 Specified Oil and Gas Properties Business has incurred losses since inception and has a working capital deficiency of $994,624 as at December 31, 2016 (December 31, 2015 - $669,855). The Specified Oil and Gas Properties Business's ability to continue as a going concern is dependent on its ability to obtain adequate financing on reasonable terms from lenders, unitholders and other investors and/or to commence profitable operations in the future. While the Specified Oil and Gas Properties Business has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Specified Oil and Gas Properties Business's ability to continue as a going concern.

These carve-out financial statements do not include adjustments that would be required if the going concern assumption is not an appropriate basis for preparation of the carve-out financial statements. These adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all years presented in these carve-out financial statements, unless otherwise indicated.

Foreign currencies

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Specified Oil and Gas Properties Business that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets

Pre-license costs are recognized in profit or loss as incurred. All exploratory costs incurred subsequent to acquiring the right to explore for oil and natural gas and before technical feasibility and commercial viability of the area have been established are capitalized. Such costs can typically include costs to acquire land rights, geological and geophysical costs, decommissioning costs and exploration well costs.

Exploration and evaluation costs are not depreciated and are accumulated in cost centers by well, field or exploration area and carried forward pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting oil and gas from exploration and evaluation assets is considered to be generally determinable when proved and probable reserves are determined to exist. Upon determination of proved and probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property and equipment, net of any impairment loss.

Management reviews and assesses exploration and evaluation assets to determine if technical feasibility and commercial viability exist. If management decides not to continue the exploration and evaluation activity, the unrecoverable costs are charged to profit or loss in the period in which the determination occurs.

Property and equipment

Property and equipment are stated at cost, less accumulated depletion and depreciation and accumulated impairment losses. All costs directly associated with the development of oil and natural gas reserves are capitalized on an area by area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure, decommissioning costs and transfers of exploration and evaluation assets.

Costs incurred subsequent to development and production that are significant are recognized as oil and gas properties only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of oil and gas properties are recognized in profit or loss.

Costs accumulated within each area are depleted using the unit-of-production method based on proved and probable reserves using estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved and probable reserves. Proved reserves are estimated using reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids, which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 percent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proved and probable and a 50 percent probability that it will be less.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Property and equipment (cont'd…)

Such reserves may be considered commercially producible if management has the intention of developing and producing them. Such intention is based on:

- A reasonable assessment of the future economics of such production;
- A reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- Evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proved if supported by either actual production or conclusive formation tests. The area of reservoir considered proved includes (a) that portion delineated by drilling and defined by as-oil and/or oil-water contracts, if any, or both, and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information of fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

Reserves that can be produced economically through application of improved recovery techniques such as fluid injection are only included in the proved classification when successful testing by a pilot project, the operation of such an installed program in the reservoir or other reasonable evidence (such as, experience of the same techniques on similar reservoirs or reservoir simulation studies) provides support for the engineering analysis on which the project or program was based.

Corporate assets consist primarily of leasehold improvements and are stated at cost less accumulated depreciation. Depreciation of leasehold improvements is provided for on a 5 year straight-line basis. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

For property dispositions, measurement is at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in net income. Any deferred consideration recorded on property dispositions are recognized as revenue in the statement of loss and comprehensive loss over the reserve life.

Impairment of long-lived assets

Cash-generating units ("CGUs")

Oil and gas properties are grouped into CGUs for purposes of impairment testing. Management has evaluated the oil and gas properties of the Specified Oil and Gas Properties Business, and grouped the properties into CGUs on the basis of their ability to generate independent cash flows, similar reserve characteristics, geographical location and shared infrastructure.

Financial assets

At each reporting date, the Specified Oil and Gas Properties Business assesses whether there is objective evidence that a financial asset is impaired. If a financial asset is impaired, the amount of the loss is measured as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The loss is recognized in profit or loss in the period incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of long-lived assets (cont'd…)

Non-financial assets

Exploration and evaluation assets are assessed for impairment when they are reclassified to developing and producing assets and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

An impairment loss would be recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

When management judges that circumstances indicate potential impairment, property and equipment are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of CGUs are determined based on the higher of value in use calculations and fair value less costs to sell. Fair value less costs to sell can be determined by using an observable market or by using discounted future net cash flows of proved and probable reserves using forecasted prices and costs. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU.

These calculations require the use of estimates and assumptions that are subject to change as new information becomes available, including information on future commodity prices, expected production volumes, quantities of reserves, discount rates, future development costs and operating costs.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

Exploration and evaluation assets are grouped together with the Specified Oil and Gas Properties Business's CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances, as well as upon their eventual reclassification to developing and producing assets (oil and natural gas properties).

Decommissioning liabilities

The Specified Oil and Gas Properties Business's activities give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning liabilities are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Changes in the present value of the estimated expenditure are reflected as an adjustment to the provision and the relevant asset. The unwinding of the discount on the decommissioning provision is recognized as an accretion expense. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision to the extent the provision was recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

(i) Financial assets

The Specified Oil and Gas Properties Business classifies its financial assets into one of the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. None of the Specified Oil and Gas Properties Business's financial assets are classified as fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and subsequently carried at amortized cost less any impairment. The Specified Oil and Gas Properties Business's loans and receivables comprise trade and other receivables, and reclamation deposits.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Specified Oil and Gas Properties Business's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost at the settlement date using the effective interest method of amortization. None of the Specified Oil and Gas Properties Business's financial assets are classified as held-to-maturity assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Subsequent to initial recognition, changes in the fair value of available-for-sale financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity. When available-for-sale financial assets are sold, the accumulated fair value adjustments recognized in other comprehensive income are transferred to profit and loss. None of the Specified Oil and Gas Properties Business's financial assets are classified as available-for-sale assets.

(ii) Financial liabilities

The Specified Oil and Gas Properties Business classifies its financial liabilities as other financial liabilities which include bank indebtedness, trade and other payables, amounts due to related parties and loan payable. Other financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

(iii) Impairment of financial assets

The Specified Oil and Gas Properties Business assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired.

Loans and receivables

For loans and receivables, a provision for impairment is made and an impairment loss is recognized in profit or loss when there is objective evidence (such as default or delinquency by a debtor, the probability of insolvency or significant financial difficulties of the debtor) that the Specified Oil and Gas Properties Business will not be able to collect all of the amounts due under the original terms of the agreement. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Available-for-sale financial assets

For equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. The Specified Oil and Gas Properties Business will measure impairment on the basis of an instrument's fair value using an observable market price. An amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Impairment losses recognised on equity instruments are not reversed through profit or loss if the unrealized fair value of the impaired equity instruments increases.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Specified Oil and Gas Properties Business has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Revenue

Revenue from the sale of petroleum and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer, revenue can be measured reliably, and collectability is reasonably assured. Risks and rewards of ownership transfer when legal title passes to the external party. For natural gas, this is generally at the time product enters the pipeline. For crude oil, this is generally at the time the product reaches a trucking terminal. For natural gas liquids, this is generally at the time the product reaches a gas plant. Revenue is measured net of discounts, customs duties, royalties and withholding tax.

Income taxes

The Specified Oil and Gas Properties Business is not subject to income taxes. The income or loss for Canadian tax purposes is allocable to the partners pursuant to the limited partnership agreement, and is included in the taxable income of the partners in accordance with the provisions of the *Income Tax Act* (Canada).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting policies

There were no new standards effective January 1, 2016 that had an impact on the Specified Oil and Gas Properties Business's carve-out financial statements. A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2017, or later periods. The Specified Oil and Gas Properties Business has not applied these new standards in preparing these carve-out financial statements. The following pronouncements are considered by the Specified Oil and Gas Properties Business to be the most significant of several pronouncements that may affect the carve-out financial statements in future periods.

- New standard IFRS 9 *Financial Instruments* ("IFRS 9") has been issued by the IASB to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") has been issued by IASB to replace IAS 18 *Revenue* and IAS 11 *Construction Contracts*. This new standard sets out the requirements for recognizing and disclosing revenues that apply to all contracts with customers. The effective date of IFRS 15 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 16 *Leases* ("IFRS 16") has been issued by the IASB to replace IAS 17 Leases. This new standard sets out the requirements for recognizing and disclosing leases. The objective is to ensure that lessees and lessors provide relevant information that faithfully represents the transactions. The effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019.

The Specified Oil and Gas Properties Business is currently assessing the impact that these new standards will have on its carve-out financial statements and whether to early adopt any of the new standards.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these carve-out financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the carve-out financial statements, and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. The carve-out financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the carve-out financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future years.

<u>Critical accounting judgments</u>

Identification of CGUs

The Specified Oil and Gas Properties Business's assets are aggregated into CGUs for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs is based on management's judgment with regard to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont'd…)

Critical accounting judgments (cont'd…)

Recoverability of asset carrying values

At each reporting date, the Specified Oil and Gas Properties Business assesses its petroleum and natural gas properties and exploration and evaluation assets for possible impairment, to determine if there is any indication that the carrying amounts of the assets may not be recoverable.

The determination of the functional currency

The functional currency of the Specified Oil and Gas Properties Business is the currency of the Specified Oil and Gas Properties Business's economic environment and the Specified Oil and Gas Properties Business reconsiders the functional currency if there is a change in events and conditions, which determines the primary economic environment.

Critical accounting estimates and assumptions

Decommissioning obligations

Decommissioning obligations require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates.

Depreciation

Equipment is amortized over the estimated useful life of the assets. Changes in the estimated useful lives or depreciation rate used could significantly increase or decrease the amount of depreciation recorded during the period and the carrying value of equipment.

Petroleum and natural gas interests

Reserves resources are used in the unit-of-production calculation for depreciation and depletion and the impairment analysis, which affects net loss. There are numerous uncertainties inherent in estimating petroleum and natural gas ("P&NG") reserves. Estimating reserves is complex, requiring many judgments based on geological, geophysical, engineering and economic data. Changes in these judgments could have a material impact on the estimated reserves. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available and as the economic environment changes.

Going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Specified Oil and Gas Properties Business is aware that material uncertainties related to events or conditions may cast significant doubt upon the Specified Oil and Gas Properties Business's ability to continue as a going concern.

5. TRADE AND OTHER RECEIVABLES

	2016	2015
Trade receivables	$ 32,713	$ 34,912
GST recoverable	7,830	180
	$ 40,543	$ 35,092

During the year ended December 31, 2016, the Specified Oil and Gas Properties Business wrote off $5,623 (2015 - $nil) in receivables that were deemed to be uncollectible.

6. PROPERTY AND EQUIPMENT

	Oil and natural gas properties	Corporate	Total
Cost			
Balance at December 31, 2014	$ -	$ 57,324	$ 57,324
Additions	1,705,109	13,522	1,718,631
Change in decommissioning provision	411,483	-	411,483
Balance at December 31, 2015	2,116,592	70,846	2,187,438
Additions	377,260	-	377,260
Change in decommissioning provision	(9,002)	-	(9,002)
Balance at December 31, 2016	$ 2,484,850	$ 70,846	$ 2,555,696
Accumulated depletion and depreciation			
Balance at December 31, 2014	$ -	$ 5,732	$ 5,732
Depletion and depreciation	10,192	11,671	21,863
Balance at December 31, 2015	10,192	17,403	27,595
Depletion and depreciation	31,234	14,169	45,403
Balance at December 31, 2016	$ 41,426	$ 31,572	$ 72,998
Net amount			
Balance at December 31, 2015	$ 2,106,400	$ 53,443	$ 2,159,843
Balance at December 31, 2016	$ 2,443,424	$ 39,274	$ 2,482,698

As of December 31, 2016, the Specified Oil and Gas Properties Business has a reclamation bond of $100,500 (US$75,000) (December 31, 2015 - $103,800), which is expected to be released after all reclamation work has been completed with regard to its oil and natural gas interests in Texas.

6. PROPERTY AND EQUIPMENT (cont'd…)

The Specified Oil and Gas Properties Business is engaged in the exploration for, and the development of, petroleum and natural gas projects in the United States. As at December 31, 2016, the Specified Oil and Gas Properties Business operates a total of 46 wells on these properties and has 81.25% to 100% working interest in the Specified Oil and Gas Properties located in Texas.

7. TRADE AND OTHER PAYABLES

	2016	2015
Trade payables	$ 201,968	$ 89,814
Accrued liabilities	54,781	15,000
Other payables	46,261	2,451
	$ 303,010	$ 107,265

Trade payables of the Specified Oil and Gas Properties Business are principally comprised of amounts outstanding for trade purchases relating to oil and gas and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

8. LOAN PAYABLE

On May 1, 2015, the Specified Oil and Gas Properties Business entered into a secured debenture purchase agreement through the issuance of one debenture in the principal amount of $500,000. The debenture loan bears interest at 8% interest per year compounded annually, is payable on or before May 1, 2017 and is secured by an interest in all of the Specified Oil and Gas Properties Business's right, title, and interest in the Pittcock lease, one of the Specified Oil and Gas Properties Business's oil and gas assets. In addition, the debenture loan is subject to a coupon fee of $40,000 due on May 1, 2016 and May 1, 2017. A working interest fee of 3.0% is due to be paid monthly from the production revenue of the Pittcock lease. As at December 31, 2016, the outstanding balance of the debenture loan was $500,000 (December 31, 2015 - $500,000) and the accrued finance costs including interest, coupon fee and working interest were $102,562 (December 31, 2015 - $26,740).

Subsequent to December 31, 2016, the Specified Oil and Gas Properties Business and the lender entered into an amendment whereby the Specified Oil and Gas Properties Business repaid $250,000 of the outstanding principal and $80,000 of accrued interest. The remaining principal amount of $250,000 will be payable on November 4, 2017 together with interest of $25,000. The amendment also waived the coupon fee on the original loan agreement.

9. RELATED PARTY TRANSACTIONS

Amounts due to related party are advances made from the President of the General Partner and are unsecured, non-interest bearing, and have no specific terms of repayment.

The General Partner provides all management services to the Specified Oil and Gas Properties Business and thus is the key management personnel of the Specified Oil and Gas Properties Business. The compensation paid to key management personnel during the years ended December 31 is as follows:

	2016	2015
Management fees	$ -	$ 39,980

10. DECOMMISSIONING LIABILITIES

The total future decommissioning obligations are based on the Specified Oil and Gas Properties Business's net ownership in wells and facilities, estimated costs to reclaim and abandon the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of estimated cash flows required to settle the Specified Oil and Gas Properties Business's liabilities is approximately $684,000 as at December 31, 2016 (December 31, 2015 - $698,000) and expected to be incurred on average in 20 years. The estimated net present value of the decommissioning liabilities was calculated using an inflation factor of 2.0% (2015 – 2.0%) and discounted using a risk-free rate of 2.79% (2015 - 2.67%) based on expected settlement date.

Changes to the decommissioning liabilities are as follows:

	2016	2015
Decommissioning liabilities, beginning of the year	$ 411,483	$ -
New liabilities recognized	500	411,483
Decommissioning costs incurred	(8,085)	-
Change in discount rate	(9,502)	-
Accretion expense	11,004	-
	$ 405,400	$ 411,483

11. FINANCIAL INSTRUMENTS

The Specified Oil and Gas Properties Business classified its financial instruments as follows: trade and other receivables and reclamation deposits as loans and receivables and measured at amortized cost; and bank indebtedness, trade and other payables, due to related parties and loan payable as other financial liabilities and are measured at amortized cost. Information on certain types of financial instruments is included elsewhere in these carve-out financial statements as follows: trade and other receivables (Note 5), trade and other payables (Note 7), loan payable (Note 8), and due to related parties (Note 9),

The carrying amount of trade and other receivables amounts due to related parties, reclamation deposits, trade and other payables and loan payable carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

Financial risk management

The Specified Oil and Gas Properties Business's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Specified Oil and Gas Properties Business's exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Credit risk

Credit risk is the risk of potential loss to the Specified Oil and Gas Properties Business if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Specified Oil and Gas Properties Business is associated with trade and other receivables and due from related parties. The Specified Oil and Gas Properties Business does not anticipate any default, as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers.

Liquidity risk

Liquidity risk is the risk that the Specified Oil and Gas Properties Business will not meet its obligations associated with its financial liabilities as they fall due. The Specified Oil and Gas Properties Business performs cash flow forecasting for each fiscal year to ensure sufficient cash is available to fund its projects and operations. As at December 31, 2016, the Specified Oil and Gas Properties Business has a working capital deficiency of $994,624. The Specified Oil and Gas Properties Business's financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand.

At present, the Specified Oil and Gas Properties Business's operations do not generate positive cash flows. The Specified Oil and Gas Properties Business's primary source of funding has been the issuance of partnership units and revenue from oil and gas production. Subsequent to December 31, 2016, the Specified Oil and Gas Properties Business received a debenture loan of $200,000 from a director of the General Partner and $1,444,861 of partnership unit subscription proceeds. The Specified Oil and Gas Properties Business also renegotiated the loan payable due on May 1, 2017 and repaid $250,000 of the outstanding loan principal and $80,000 of accrued interest. The remaining principal amount of $250,000 will be payable on November 4, 2017 together with interest of $25,000 (Note 8).

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Specified Oil and Gas Properties Business's functional currency is the Canadian dollar and administrative expenditures are transacted in Canadian dollars. The Specified Oil and Gas Properties Business funds its oil and gas operations in the United States by using US dollars converted from its Canadian bank accounts. At December 31, 2016, the Specified Oil and Gas Properties Business had financial assets of $138,388 (US $103,275) and financial liabilities of $273,667 (US $204,511) denominated in United States dollars. A 10% strengthening of the US dollar would affect net loss by approximately $14,700. The Specified Oil and Gas Properties Business does not hedge its foreign exchange risk.

12. FINANCIAL INSTRUMENTS (cont'd…)

Financial risk management (cont'd…)

Interest rate risk

The Specified Oil and Gas Properties Business is exposed to interest rate risk arising from the bank indebtedness owing to Canadian financial institutions. The interest rate risk on bank indebtedness is not considered significant due to their short-term nature and maturity. The loan payable is based on a fixed interest rate. The exposure to interest rates for the Specified Oil and Gas Properties Business is considered minimal. The Specified Oil and Gas Properties Business has not used any financial instrument to hedge potential fluctuations in interest rates.

Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in the price of oil and natural gas. Commodity prices are impacted by world economic events that affect supply and demand, which are generally beyond the Specified Oil and Gas Properties Business's control. Changes in crude oil prices may significantly affect the Specified Oil and Gas Properties Business's results of operations, cash generated from operating activities, capital spending and the Specified Oil and Gas Properties Business's ability to meet its obligations. The Specified Oil and Gas Properties Business manages this risk by constantly monitoring commodity prices and factoring them into operational decisions, such as contracting or expanding its capital expenditures program.

13. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

As at December 31, 2016, the Specified Oil and Gas Properties Business has no financial assets or financial liabilities measured at fair value. There have been no changes in these levels and no changes in classifications during the year ended December 31, 2016.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash financing and investing activities during the year ended December 31, 2016 included:

a) Included in trade and other payables are $137,978 related to property and equipment.

b) Net changes in respect to non-cash adjustments to the Specified Oil and Gas Properties Business's decommissioning liabilities totalled $9,002.

Significant non-cash financing and investing activities during the year ended December 31, 2015 included:

a) Included in trade and other payables are $60,044 related to property and equipment.

b) Net changes in respect to non-cash adjustments to the Specified Oil and Gas Properties Business's decommissioning liabilities totalled $411,483.

15. SEGMENTED INFORMATION

Operating segments

The Specified Oil and Gas Properties Business operates in a single reportable segment – the acquisition, development and production of oil and gas properties.

Geographic segments

The Specified Oil and Gas Properties Business's non-current assets are located in Canada and the USA as follows:

At December 31, 2016:

	Canada	USA	Total
Property and equipment	$ 39,274	$ 2,443,424	$ 2,482,698

At December 31, 2015:

	Canada	USA	Total
Property and equipment	$ 53,443	$ 2,106,400	$ 2,159,843

16. COMMITMENTS

The Specified Oil and Gas Properties Business has entered into an office lease agreement for its office premises for a term ending August 31, 2018. The minimum lease commitments under the lease for the next two fiscal years are as follows:

2017	$ 28,176
2018	18,784
	$ 46,960

17. CAPITAL MANAGEMENT

The Specified Oil and Gas Properties Business's objective when managing capital is to safeguard the Specified Oil and Gas Properties Business's ability to continue as a going concern in order to pursue the acquisition and development of its oil and gas properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Specified Oil and Gas Properties Business considers equity as the component of capital.

The Specified Oil and Gas Properties Business manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Specified Oil and Gas Properties Business may attempt to issue equity, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

There were no changes in the Specified Oil and Gas Properties Business's approach to capital management during the year ended December 31, 2016. The Specified Oil and Gas Properties Business is not subject to externally imposed capital requirements.

18. EVENTS AFTER THE REPORTING PERIOD

i) On December 12, 2016 the Specified Oil and Gas Properties Business entered into an agreement ("Letter of intent") with Legacy Reserves Operating LP to purchase a 96.98328% Working Interest, 0.71905871% Net Revenue Interest in the Legacy oil and gas lease in Stonewall County, Texas, in consideration of US$150,000. On February 10, 2017, the Specified Oil and Gas Properties Business paid the purchase price of US$150,000 and completed the purchase.

ii) On February 10, 2017, the Specified Oil and Gas Properties Business entered into a debenture purchase agreement through the issuance of one debenture in the principal amount of $200,000. The debenture loan is unsecured, bears interest at 8% interest per year compounded annually and is payable on or before February 10, 2018. The Specified Oil and Gas Properties Business also granted an annual carried working interest fee of 3.0% payable monthly from the production revenue of the Legacy lease. On July 25, 2017, the Specified Oil and Gas Properties Business repaid the loan in full together with the accrued interest of $7,333.

iii) On May 1, 2017, the Specified Oil and Gas Properties Business and the lender of the debenture loan entered into an amendment whereby the Specified Oil and Gas Properties Business repaid $250,000 of the $500,000 outstanding loan principal and $80,000 of accrued interest. On June 19, 2017, the Specified Oil and Gas Properties Business repaid the remaining principal amount of $250,000 together with the accrued interest of $7,339.

SCHEDULE D

Unaudited Carve-Out, Condensed Financial Statements for the Acquired Assets for the Eight Months Ended August 31, 2017

CARVE-OUT CONDENSED INTERIM FINANCIAL STATEMENTS

SPECIFIED OIL AND GAS PROPERTIES BUSINESS
OF PERMEX PETROLEUM LIMITED PARTNERSHIP

Eight Months Ended August 31, 2017

(Unaudited – Prepared by Management)

PERMEX PETROLEUM LIMITED PARTNERSHIP
SPECIFIED OIL AND GAS PROPERTIES BUSINESS
CARVE-OUT CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)

	Note	August 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash		$ 187,782	$ -
Trade and other receivables	5	131,263	40,543
Prepaid expenses and deposits		23,649	-
Amounts due from related party	9	11,774	-
		354,468	40,543
Non-current assets			
Prepaid expenses and deposits – non-current	6	112,349	-
Reclamation deposits	6	93,750	100,500
Property and equipment	6	3,460,144	2,482,698
		3,666,243	2,583,198
Total assets		$ 4,020,711	$ 2,623,741
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness		$ -	$ 34,925
Trade and other payables	7	155,131	303,010
Amounts due to related parties	9	-	94,670
Loan payable	8	-	602,562
		155,131	1,035,167
Non-current liabilities			
Decommissioning liabilities	10	626,947	405,400
Total liabilities		782,078	1,440,567
Equity in net assets		3,238,633	1,183,174
Total liabilities and equity		$ 4,020,711	$ 2,623,741

Nature of business (Note 1)

Commitments (Note 16)

The financial statements were authorized for issue by the board of directors of Permex Petroleum Operating Ltd. as the General Partner on January XX, 2018 and were signed on its behalf by:

____________________ Director ____________________ Director

The accompanying notes are an integral part of these carve-out condensed interim financial statements.

PERMEX PETROLEUM LIMITED PARTNERSHIP
SPECIFIED OIL AND GAS PROPERTIES BUSINESS
CARVE-OUT CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)

	Note	Three Months Ended August 31, 2017	Three Months Ended June 30, 2016	Eight Months Ended August 31, 2017	Six Months Ended June 30, 2016
Revenue					
Oil and gas sales		$ 127,995	$ 73,766	$ 241,685	$ 119,393
Miscellaneous revenue		7,678	4,930	7,678	8,247
		135,673	78,696	249,363	127,640
Direct operating expenses					
Producing and operating		(155,084)	(67,626)	(241,027)	(104,953)
Royalties		(9,656)	(3,340)	(9,656)	(4,647)
		(29,067)	7,730	(1,320)	18,040
Expenses					
Accounting and audit		52,593	12,321	53,888	19,343
Accretion of decommissioning liabilities	10	3,810	2,751	10,159	5,502
Bank charges and interest		5,963	2,385	10,595	5,095
Consulting		47,006	6,471	61,383	6,471
Depletion and depreciation	6	13,240	11,326	35,306	21,955
Legal fees		74,015	1,435	71,838	5,937
Management fees	9	1,163,068	-	1,217,368	-
Marketing and promotion		107,080	8,988	163,404	20,060
Office and miscellaneous		48,128	14,133	72,901	26,211
Rent		16,079	14,502	32,157	18,094
Travel		32,207	5,853	47,276	13,000
		(1,563,189)	(80,165)	(1,776,275)	(141,668)
Other items					
Finance costs	8,9	(39,488)	(13,260)	(39,488)	(13,260)
Foreign currency exchange loss		(76,712)	(42,905)	(36,275)	(66,248)
Recovery of finance costs	8	40,000	-	40,000	-
Write off of trade payable	7	3,000	-	3,000	-
Write off of receivables	5	(5,174)	-	(5,174)	-
		(78,374)	(56,165)	(37,937)	(79,508)
Loss and comprehensive loss for the period		$ (1,670,630)	$ (128,600)	$ (1,815,532)	$ (203,136)

The accompanying notes are an integral part of these carve-out condensed interim financial statements.

PERMEX PETROLEUM LIMITED PARTNERSHIP
SPECIFIED OIL AND GAS PROPERTIES BUSINESS
CARVE-OUT CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY IN NET ASSETS
(Unaudited – Prepared by Management)

		Equity in net assets
Balance, December 31, 2016	$	1,183,174
Net investment by Permex Petroleum Limited Partnership		3,870,991
Loss for the period		(1,815,532)
Balance, August 31, 2017	$	3,238,633

		Equity in net assets
Balance, December 31, 2015	$	1,182,305
Net investment by Permex Petroleum Limited Partnership		290,984
Loss for the period		(203,136)
Balance, June 30, 2016	$	1,270,153

The accompanying notes are an integral part of these carve-out condensed interim financial statements.

PERMEX PETROLEUM LIMITED PARTNERSHIP
SPECIFIED OIL AND GAS PROPERTIES BUSINESS
CARVE-OUT CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Eight Months Ended August 31, 2017	Six Months Ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (1,815,532)	$ (203,136)
Items not affecting cash:		
Finance costs	39,488	13,260
Depletion and depreciation	35,306	21,955
Accretion of decommissioning liabilities	10,159	5,502
Foreign currency exchange loss	6,750	-
Recovery of finance costs	(40,000)	-
Write off of receivables	5,174	-
Write off of trade payable	(3,000)	-
Changes in non-cash working capital items:		
Trade and other receivables	(95,894)	(25,630)
Prepaid expenses and deposits	(23,649)	-
Trade and other payables	(56,902)	(35,448)
Amounts due to (from) related party	(106,444)	87,431
Net cash used in operating activities	(2,044,544)	(136,066)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures on property and equipment	(896,719)	(79,274)
Prepayment for property and equipment	(112,349)	-
Net cash used in investing activities	(1,009,068)	(79,274)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in equity in net assets	3,870,991	237,336
Repayment of loan payable	(500,000)	-
Proceeds from related party loan payable	200,000	-
Repayment of related party loan payable	(200,000)	-
Loan interest	(94,672)	-
Decrease in bank indebtedness	(34,925)	(21,996)
Net cash provided by financing activities	3,241,394	215,340
Change in cash during the period	187,782	-
Cash, beginning of the period	-	-
Cash, end of the period	$ 187,782	$ -

Supplemental cash flow information (Note 14)

The accompanying notes are an integral part of these carve-out condensed interim financial statements.

1. NATURE OF BUSINESS

Permex Petroleum Limited Partnership (the "Partnership" or "Permex LP") was formed on September 17, 2013 under the laws of British Columbia, Canada and maintains its head office at Suite 1290, 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6. Its registered office is located at Suite 1600, 925 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3L2. The Partnership is primarily engaged in the acquisition, development and production of oil and gas properties in North America. The general partner of the Partnership is Permex Petroleum Operating Ltd. (the "General Partner").

On August 31, 2017, the Partnership entered into an Asset Purchase Agreement ("APA") with Permex Petroleum Corporation ("Permex Corporation"), whereby Permex Corporation would purchase all of Permex LP's assets and liabilities as at August 31, 2017 in exchange for the issuance of 23,815,000 common shares of Permex Corporation. Permex LP subsequently distributed the common shares received to its partnership unitholders and dissolved the Partnership.

On August 31, 2017, Permex LP transferred and assigned to Permex Corporation a 100% interest in its McMurtry/Loving, Peavy, Pittcock North and Pittcock South leases located in Texas, USA (together referred as "the Specified Oil and Gas Properties"), along with other assets and liabilities of the Partnership pursuant to the APA ("the Specified Oil and Gas Properties Business").

These carve-out condensed interim financial statements (the "financial statements ") present the financial position, net loss and comprehensive loss, changes in equity in net assets and cash flows of the Specified Oil and Gas Properties as if it had been an independent operation during the years reported. These financial statements have been derived from the historical accounting records of Permex LP with estimates used, when necessary, for certain allocations. The carve-out statements of financial position as at August 31, 2017 and December 31, 2016 reflect the amounts recorded by Permex LP with respect to the Specified Oil and Gas Properties Business transferred to Permex Corporation. The carve-out statements of loss and comprehensive loss for the three and eight month periods ended August 31, 2017 and the three and six month periods ended June 30, 2016 include all the revenue derived from the Specified Oil and Gas Properties Business transferred to Permex Corporation and a pro-rata allocation of Permex LP's general operating expenses incurred in each of the periods based the percentage of acquisition and development costs incurred on the Specified Oil and Gas Properties compared to acquisition and development costs incurred on Permex LP's properties as a whole. The allocation of general operating expenses for these periods was 86.16% and 62.68%, respectively. Management cautions readers of the carve-out financial statements that the Specified Oil and Gas Properties Business results do not necessarily reflect what the results of operations, financial position, or cash flows would have been had the Specified Oil and Gas Properties business been a separate entity holding the related properties or future results in respect to the Specified Oil and Gas Properties on a stand-alone basis. Further, the allocation of expenses in these carve-out statements of loss and comprehensive loss does not necessarily reflect the nature and level of the Specified Oil and Gas Properties Business's future operating expenses. Permex LP's investment in the Specified Oil and Gas Properties Business, presented as equity in net assets in these carve-out financial statements, includes the accumulated net loss and comprehensive loss of the Specified Oil and Gas Properties Business.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements of the Specified Oil and Gas Properties Business have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the annual financial statements for the years ended December 31, 2016 and 2015, which have been prepared in accordance with IFRS as issued by the IASB.

Basis of measurement

These financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values. In addition these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Specified Oil and Gas Properties Business's functional currency.

Going concern of operations

These financial statements have been prepared on a going concern basis which assumes that the the Specified Oil and Gas Properties Business 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 Specified Oil and Gas Properties Business has incurred losses since inception and has a working capital of $199,337 as at August 31, 2017 (December 31, 2016 - working capital deficiency of $994,624). The Specified Oil and Gas Properties Business's ability to continue as a going concern is dependent on its ability to obtain adequate financing on reasonable terms from lenders, unitholders and other investors and/or to commence profitable operations in the future. While the Specified Oil and Gas Properties Business has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Specified Oil and Gas Properties Business's ability to continue as a going concern.

These financial statements do not include adjustments that would be required if the going concern assumption is not an appropriate basis for preparation of the financial statements. These adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in the Specified Oil and Gas Properties Business's audited annual financial statements for the years ended December 31, 2016 and 2015 were consistently applied to all the periods presented unless otherwise noted below.

New accounting policies

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2017, none of which have a material impact on the Specified Oil and Gas Properties Business's financial statements. The following pronouncements are considered by the Specified Oil and Gas Properties Business to be the most significant of several pronouncements that may affect the financial statements in future periods.

- New standard IFRS 9 *Financial Instruments* ("IFRS 9") has been issued by the IASB to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") has been issued by IASB to replace IAS 18 *Revenue* and IAS 11 *Construction Contracts*. This new standard sets out the requirements for recognizing and disclosing revenues that apply to all contracts with customers. The effective date of IFRS 15 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 16 *Leases* ("IFRS 16") has been issued by the IASB to replace IAS 17 Leases. This new standard sets out the requirements for recognizing and disclosing leases. The objective is to ensure that lessees and lessors provide relevant information that faithfully represents the transactions. The effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019.

The Specified Oil and Gas Properties Business is currently assessing the impact that these new standards will have on its financial statements and whether to early adopt any of the new standards.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont'd…)

Critical accounting judgments

Identification of CGUs

The Specified Oil and Gas Properties Business's assets are aggregated into CGUs for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs is based on management's judgment with regard to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

Recoverability of asset carrying values

At each reporting date, the Specified Oil and Gas Properties Business assesses its petroleum and natural gas properties and exploration and evaluation assets for possible impairment, to determine if there is any indication that the carrying amounts of the assets may not be recoverable.

The determination of the functional currency

The functional currency of the Specified Oil and Gas Properties Business is the currency of the Specified Oil and Gas Properties Business's economic environment and the Specified Oil and Gas Properties Business reconsiders the functional currency if there is a change in events and conditions, which determines the primary economic environment.

Critical accounting estimates and assumptions

Decommissioning obligations

Decommissioning obligations require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates.

Depreciation

Equipment is amortized over the estimated useful life of the assets. Changes in the estimated useful lives or depreciation rate used could significantly increase or decrease the amount of depreciation recorded during the period and the carrying value of equipment.

Petroleum and natural gas interests

Reserves resources are used in the unit-of-production calculation for depreciation and depletion and the impairment analysis, which affects net loss. There are numerous uncertainties inherent in estimating petroleum and natural gas ("P&NG") reserves. Estimating reserves is complex, requiring many judgments based on geological, geophysical, engineering and economic data. Changes in these judgments could have a material impact on the estimated reserves. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available and as the economic environment changes.

Going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Specified Oil and Gas Properties Business is aware that material uncertainties related to events or conditions may cast significant doubt upon the Specified Oil and Gas Properties Business's ability to continue as a going concern.

5. TRADE AND OTHER RECEIVABLES

		August 31, 2017		December 31, 2016
Trade receivables	$	51,465	$	32,713
GST recoverable		79,798		7,830
	$	131,263	$	40,543

During the eight months ended August 31, 2017, the Specified Oil and Gas Properties Business wrote off $5,174 (six months ended June 30, 2016 - $nil) in receivables that were deemed to be uncollectible.

6. PROPERTY AND EQUIPMENT

		Oil and natural gas properties		Corporate		Total
Cost						
Balance at December 31, 2015	$	2,116,592	$	70,846	$	2,187,438
Additions		377,260		-		377,260
Change in decommissioning provision		(9,002)		-		(9,002)
Balance at December 31, 2016		2,484,850		70,846		2,555,696
Additions		801,364		-		801,364
Change in decommissioning provision		211,388		-		211,388
Balance at August 31, 2017	$	3,497,602	$	70,846	$	3,568,448
Accumulated depletion and depreciation						
Balance at December 31, 2015	$	10,192	$	17,403	$	27,595
Depletion and depreciation		31,234		14,169		45,403
Balance at December 31, 2016		41,426		31,572		72,998
Depletion and depreciation		25,860		9,446		35,306
Balance at August 31, 2017	$	67,286	$	41,018	$	108,304
Net amount						
Balance at December 31, 2016	$	2,443,424	$	39,274	$	2,482,698
Balance at August 31, 2017	$	3,430,316	$	29,828	$	3,460,144

As of August 31, 2017, the Specified Oil and Gas Properties Business has a reclamation bond of $93,750 (US$75,000) (December 31, 2016 - $100,500), which is expected to be released after all reclamation work has been completed with regard to its oil and natural gas interests in Texas.

As at August 31, 2017, the Specified Oil and Gas Properties Business had $112,349 (December 31, 2016 - $nil) in prepayments pertaining to property and equipment expenditures.

During the six months ended June 30, 2016, the Specified Oil and Gas Properties Business expensed $14,871in depletion and $7,084 in depreciation to the statement of loss and comprehensive loss.

6. PROPERTY AND EQUIPMENT (cont'd…)

The Specified Oil and Gas Properties Business is engaged in the exploration for, and the development of, petroleum and natural gas projects in the United States. As at August 31, 2017, the Specified Oil and Gas Properties Business operates a total of 66 wells on these properties and has 81.25% to 100% working interests in the Specified Oil and Gas Properties located in Texas.

7. TRADE AND OTHER PAYABLES

		August 31, 2017		December 31, 2016
Trade payables	$	59,821	$	201,968
Accrued liabilities		42,623		54,781
Other payables		52,687		46,261
	$	155,131	$	303,010

Trade payables of the Specified Oil and Gas Properties Business are principally comprised of amounts outstanding for trade purchases relating to oil and gas and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

During the eight months ended August 31, 2017, the Specified Oil and Gas Properties Business wrote off $3,000 (six months ended June 30, 2016 - $nil) in trade payables.

8. LOAN PAYABLE

On May 1, 2015, the Specified Oil and Gas Properties Business entered into a secured debenture purchase agreement through the issuance of one debenture in the principal amount of $500,000. The debenture bore interest at 8% interest per year compounded annually, was payable on or before May 1, 2017 and was secured by an interest in all of the Specified Oil and Gas Properties Business's right, title, and interest in the Pittcock lease, one of the Specified Oil and Gas Properties Business's oil and gas assets. In addition, the debenture loan was subject to a coupon fee of $40,000 due on May 1, 2016 and May 1, 2017. A working interest fee of 3.0% was due to be paid monthly from the production revenue of the Pittcock lease. As at December 31, 2016, the outstanding balance of the debenture loan was $500,000 and the accrued finance costs including interest, coupon fee and working interest were $102,562.

On May 1, 2017, the Specified Oil and Gas Properties Business and the lender entered into an amendment whereby the Specified Oil and Gas Properties Business was to repay $250,000 in principal and $80,000 in interest as of May 4, 2017 and the remaining principal amount of $250,000 plus accrued interest at 10% per annum on or before November 4, 2017. In addition, the lender agreed to waive both of the coupon fees.

During the period ended August 31, 2017, the Specified Oil and Gas Properties Business repaid the full principal balance of $500,000 and accrued interest of $87,338. The remaining balance of $8,201 in working interest fees was reclassified to trade and other payables.

Amounts included in finance costs for the eight month period ended August 31, 2017 included $18,895 in interest expense and $13,260 for the amortization of transaction costs. The Specified Oil and Gas Properties Business recognized a recovery of finance fees in the amount of $40,000 related to the waived coupon fee.

9. RELATED PARTY TRANSACTIONS

The General Partner provides all management services to the Specified Oil and Gas Properties Business and thus is the key management personnel of the Specified Oil and Gas Properties Business. The compensation paid or payable to key management personnel during the eight month period ended August 31, 2017 and six month period ended June 30, 2016 is as follows:

	2017	2016
Management fees	$ 1,217,368	$ -

On February 10, 2017, the Specified Oil and Gas Properties Business entered into a debenture purchase agreement through the issuance of one debenture in the principal amount of $200,000 to a director of the General Partner. The debenture loan was unsecured, bore interest at 8% interest per year compounded annually, was payable on or before February 10, 2018. In addition, the Specified Oil and Gas Properties Business was required to pay a working interest fee of 3.0% from the production revenue of the Pittcock South lease.

In July 2017, the Specified Oil and Gas Properties Business repaid the full principal balance of $200,000 and accrued interest of $7,333. The remaining balance of $2,031 in working interest fees was reclassified to trade and other payables.

As at August 31, 2017, the Specified Oil and Gas Properties Business was owed $11,774 (December 31, 2016 - $(94,670)) from the President of the General Partner.

10. DECOMMISSIONING LIABILITIES

The total future decommissioning obligations are based on the Specified Oil and Gas Properties Business's net ownership in wells and facilities, estimated costs to reclaim and abandon the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of estimated cash flows required to settle the Specified Oil and Gas Properties Business's liabilities is approximately $980,000 as at August 31, 2017 (December 31, 2016 - $684,000) and expected to be incurred on average in 20 years. The estimated net present value of the decommissioning liabilities was calculated using an inflation factor of 2.0% (December 31, 2016 – 2.0%) and discounted using a risk-free rate of 2.47% (December 31, 2016 - 2.79%) based on expected settlement date.

Changes to the decommissioning liabilities are as follows:

	August 31, 2017	December 31, 2016
Decommissioning liabilities, beginning of the period	$ 405,400	$ 411,483
New liabilities recognized	186,656	500
Decommissioning costs incurred	-	(8,085)
Change in discount rate	24,732	(9,502)
Accretion expense	10,159	11,004
	$ 626,947	$ 405,400

11. FINANCIAL INSTRUMENTS

The Specified Oil and Gas Properties Business classified its financial instruments as follows: trade and other receivables, amounts due from related parties and reclamation deposits as loans and receivables and measured at amortized cost; and bank indebtedness, trade and other payables, due to related parties and loan payable as other financial liabilities and are measured at amortized cost. Information on certain types of financial instruments is included elsewhere in these financial statements as follows: trade and other receivables (Note 5), trade and other payables (Note 7), loan payable (Note 8), and due from/to related parties (Note 9),

The carrying amount of trade and other receivables, amounts due from/to related parties, reclamation deposits, trade and other payables carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

Financial risk management

The Specified Oil and Gas Properties Business's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Specified Oil and Gas Properties Business's exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Credit risk

Credit risk is the risk of potential loss to the Specified Oil and Gas Properties Business if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Specified Oil and Gas Properties Business is associated with cash, trade and other receivables and due from related parties. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions. The Specified Oil and Gas Properties Business does not anticipate any default, as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers.

12. FINANCIAL INSTRUMENTS (cont'd…)

Financial risk management (cont'd…)

Liquidity risk

Liquidity risk is the risk that the Specified Oil and Gas Properties Business will not meet its obligations associated with its financial liabilities as they fall due. The Specified Oil and Gas Properties Business performs cash flow forecasting for each fiscal year to ensure sufficient cash is available to fund its projects and operations. As at August 31, 2017, the Specified Oil and Gas Properties Business has a cash balance of $187,782 to settle current liabilities of $155,131. The Specified Oil and Gas Properties Business's financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand.

At present, the Specified Oil and Gas Properties Business's operations do not generate positive cash flows. The Specified Oil and Gas Properties Business's primary source of funding has been the issuance of partnership units and revenue from oil and gas production.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Specified Oil and Gas Properties Business's functional currency is the Canadian dollar and administrative expenditures are transacted in Canadian dollars. The Specified Oil and Gas Properties Business funds its oil and gas operations in the United States by using US dollars converted from its Canadian bank accounts. At August 31, 2017, the Specified Oil and Gas Properties Business had financial assets of $146,000 (US $117,000) and financial liabilities of $97,400 (US $78,000) denominated in United States dollars. A 10% strengthening of the US dollar would affect net loss by approximately $5,000. The Specified Oil and Gas Properties Business does not hedge its foreign exchange risk.

Interest rate risk

The Specified Oil and Gas Properties Business is exposed to interest rate risk arising from the bank indebtedness owing to Canadian financial institutions. The interest rate risk on cash is not considered significant due to their short-term nature and maturity. The loan payable is based on a fixed interest rate. The exposure to interest rates for the Specified Oil and Gas Properties Business is considered minimal. The Specified Oil and Gas Properties Business has not used any financial instrument to hedge potential fluctuations in interest rates.

Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in the price of oil and natural gas. Commodity prices are impacted by world economic events that affect supply and demand, which are generally beyond the Specified Oil and Gas Properties Business's control. Changes in crude oil prices may significantly affect the Specified Oil and Gas Properties Business's results of operations, cash generated from operating activities, capital spending and the Specified Oil and Gas Properties Business's ability to meet its obligations. The Specified Oil and Gas Properties Business manages this risk by constantly monitoring commodity prices and factoring them into operational decisions, such as contracting or expanding its capital expenditures program.

13. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

As at August 31, 2017, the Specified Oil and Gas Properties Business has no financial assets or financial liabilities measured at fair value. There have been no changes in these levels and no changes in classifications during the eight months ended August 31, 2017.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions during the eight months ended August 31, 2017 included:

a) Included in trade and other payables are $42,623 related to property and equipment.

b) Net changes in respect to non-cash adjustments to the Specified Oil and Gas Properties Business's decommissioning liabilities totalled $211,388.

Significant non-cash transactions during the six months ended June 30, 2016 included:

a) Included in trade and other payables are $73,292 related to property and equipment.

15. SEGMENTED INFORMATION

Operating segments

The Specified Oil and Gas Properties Business operates in a single reportable segment – the acquisition, development and production of oil and gas properties in the United States.

Geographic segments

The Specified Oil and Gas Properties Business's non-current assets are located in Canada and the United States as follows:

At August 31, 2017:

	Canada	USA	Total
Property and equipment	$ 29,828	$ 3,430,316	$ 3,460,144

At December 31, 2016:

	Canada	USA	Total
Property and equipment	$ 39,274	$ 2,443,424	$ 2,482,698

16. COMMITMENTS

The Specified Oil and Gas Properties Business has entered into an office lease agreement for its office premises for a term ending August 31, 2018. The minimum lease commitments under the lease for the next two fiscal years are as follows:

2017	$ 9,392
2018	18,784
	$ 28,176

17. CAPITAL MANAGEMENT

The Specified Oil and Gas Properties Business's objective when managing capital is to safeguard the Specified Oil and Gas Properties Business's ability to continue as a going concern in order to pursue the acquisition and development of its oil and gas properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Specified Oil and Gas Properties Business considers equity as the component of capital.

The Specified Oil and Gas Properties Business manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Specified Oil and Gas Properties Business may attempt to issue equity, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

There were no changes in the Specified Oil and Gas Properties Business's approach to capital management during the eight months ended August 31, 2017. The Specified Oil and Gas Properties Business is not subject to externally imposed capital requirements.

SCHEDULE E

Management's Discussion and Analysis in respect of the Acquired Assets for the Eight Months Ended August 31, 2017 and the Financial Year Ended December 31, 2016

SPECIFIED OIL AND GAS PROPERTIES BUSINESS OF PERMEX PETROLEUM LIMITED PARTNERSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

EIGHT MONTHS ENDED AUGUST 31, 2017

1.1 INTRODUCTION

Set out below is a review of the activities, financial performance and financial position of the Specified Oil and Gas Properties Business of Permex Petroleum Limited Partnership (the "Specified Oil and Gas Properties Business" or the "Business") for the eight months ended August 31, 2017. The discussion below should be read in conjunction with the Business's August 31, 2017 unaudited condensed interim carve-out financial statements (the "Financial Statements") and related notes thereto. The following should also be read in conjunction with the Business's audited carve-out financial statements for the years ended December 31, 2016 and 2015. The Financial Statements are derived from the information of Permex Petroleum Limited Partnership (the "Partnership" or "Permex LP"). All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at January XX, 2018.

1.2 DESCRIPTION OF BUSINESS

The Partnership was formed on September 17, 2013 under the laws of British Columbia, Canada and maintains its head office at Suite 1290, 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6. Its registered office is located at Suite 1600, 925 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3L2.

The Partnership is primarily engaged in the acquisition, development and production of oil and gas properties in North America. The general partner of the Partnership is Permex Petroleum Operating Ltd. (the "General Partner").

On August 31, 2017, the Partnership entered into an Asset Purchase Agreement ("APA") with Permex Petroleum Corporation ("Permex Corporation"), whereby Permex Corporation would purchase all of Permex LP's assets and liabilities as at August 31, 2017 in exchange for the issuance of 23,815,000 common shares of Permex Corporation. Permex LP subsequently distributed the common shares received to its partnership unitholders and dissolved the Partnership.

On August 31, 2017, Permex LP transferred and assigned to Permex Corporation a 100% interest in its McMurtry/Loving, Peavy, Pittcock North, Pittcock South and Windy Jones leases located in Texas, USA (together referred as "the Specified Oil and Gas Properties"), along with other assets and liabilities of the Partnership pursuant to the APA.

1.3 PROJECT UPDATES AND ACQUISITION

Pittcock North Property

The Pittcock North Property is situated in Stonewall County. Stonewall County is in Northwest Texas, in the central part of the North Central Plains. 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 county seat is approximately 60 miles north-northwest of Abilene. Stonewall County covers 926 square miles.

Prior to the transfer of the Specified Oil and Gas Properties to Permex Corporation, Permex LP held a 100% working interest in the Pittcock North Property, and an 81.25% net revenue interest.

The Pittcock North Property covers 320 acres held by production. There are currently six producing wells, four shut-in wells, two saltwater disposal wells, and a water injection well.

Pittcock South Property

The Pittcock South Property is also in Stonewall County, Texas. Prior to the transfer of the Specified Oil and Gas Properties to Permex Corporation, Permex LP held a 100% working interest in the lease, and a 71.90% net revenue interest.

The Pittcock South Property covers 498 acres in four tracts. There are currently eight producing wells, eleven shut-in wells and two saltwater disposal wells.

Peavy Property

The Peavy Property is located in Young County, Texas in the Permian basin. Young County is in North Central Texas. It is bounded by Archer County to the north, Jack County to the east, Stephens County to the south, and Throckmorton County to the west. Young County covers 931 square miles. The county seat is approximately 55 miles south of Wichita Falls and 65 miles northwest of Fort Worth.

Prior to the transfer of the Specified Oil and Gas Properties to Permex Corporation, Permex LP held a 100% working interest in the Peavy Property, and a 70.48% net revenue interest.

The Peavy Property covers 160 acres held by production. There are currently nine producing wells, four shut-in wells, and one saltwater disposal well.

McMurtry and Loving Properties

The McMurtry and Loving Properties are located on the boundary between Jack and Young Counties in Texas. The asset is situated on the north end of the Fort Worth Basin, on the east flank of the Bend Arch. Young County is bounded by Archer County to the north, Jack County to the east, Stephens County to the south and Throckmorton County to the west. Young County covers 931 square miles. Jack County is bounded by Archer, Clay, and Montague Counties to North, Young County to the west, Palo Pinto and Parker Counties to the south, and Wise County to the east. Jack County covers 920 square miles.

Prior to the transfer of the Specified Oil and Gas Properties to Permex Corporation, Permex LP held a 100% working interest in the McMurty and Loving Properties, and a 75.00% net revenue interest.

The McMurtry lease covers 530 net acres in Young County and has three producing wells and two shut-in wells. The Loving Estate lease, located in Jack County, contains 980 net acres and has two producing wells, six shut-in wells, and a water disposal well.

Windy Jones Property

The Windy Jones Property consists of forty acres and includes two injection wells and two suspended oil wells. The sole purpose of the Windy Jones Property is to provide waterflood to the offset wells being the Pittcock wells located east boundary of the Windy Jones Property.

Prior to the transfer of the Specified Oil and Gas Properties to Permex Corporation, Permex LP held a 100% working interest in the Windy Jones Property, and a 78.9% net revenue interest.

1.4 RESULTS OF OPERATIONS

Eight months ended August 31, 2017 compared to the six months ended June 30, 2016.

The Specified Oil and Gas Properties Business recorded a net loss of $1,815,532 for the eight months ended August 31, 2017 (the “current period”) compared to a net loss of $203,136 during the six months ended June 30, 2016 (the “prior period”), an increase of $1,612,396, as explained in the following paragraphs.

- Oil and gas revenues were $122,292 higher in the current period ($241,685) when compared to the prior period ($119,393). The increase is a result of the current period including an additional two months of operations and the Specified Oil and Gas Properties Business achieving increased revenues from performing work programs on its producing wells in Texas.

- Producing and operating expenses were $136,074 higher in the current period ($241,027) when compared to the prior period ($104,953). The increase is a result of the current period including an additional two months of operations and the increased direct costs attributable to the increased oil and gas revenues.

- Consulting fees were $54,912 higher in the current period ($61,383) when compared to the prior period ($6,471). The increase is a result of the current period including an additional two months of operating expenses and the Specified Oil and Gas Properties Business incurring additional consulting fees relating to the APA.

- Accounting and audit fees were $34,545 higher in the current period ($53,888) when compared to the prior period ($19,343). The increase is a result of additional audit and accounting fees relating to the APA.

- Legal fees were $65,901 higher in the current period ($71,838) when compared to the prior period ($5,937). The increase is a result of additional legal fees relating to the execution of the APA.

- Marketing and promotion expense was $143,344 higher in the current period ($163,404) when compared to the prior period ($20,060). The Specified Oil and Gas Properties Business incurred additional marketing expenditures relating to the marketing of its assets in preparation of executing the APA.

- Management fees were $1,217,368 higher in the current period ($1,217,368) when compared to the prior period ($nil). One-time management fees were incurred by the Specified Oil and Gas Properties Business to compensate two founding members for their contributions to the Specified Oil and Gas Properties Business since inception of the Partnership.

1.5 SUMMARY OF QUARTERLY RESULTS

No interim or quarterly financial statements prior to the date of the Financial Statements to which this MD&A relates have been prepared in respect of the Specified Oil and Gas Properties Business.

1.6 LIQUIDITY AND CAPITAL RESOURCES

As at August 31, 2017, the Specified Oil and Gas Properties Business had cash of $187,782 and a working capital of $199,337.

1.7 TRANSACTIONS WITH RELATED PARTIES

The General Partner provides all management services to the Specified Oil and Gas Properties Business and thus is the key management personnel of the Specified Oil and Gas Properties Business. The compensation paid or payable to key management personnel during the eight month period ended August 31, 2017 and six month period ended June 30, 2016 is as follows:

	2017	2016
Management fees	$ 1,217,368	$ -

On February 10, 2017, the Specified Oil and Gas Properties Business entered into a debenture purchase agreement through the issuance of one debenture in the principal amount of $200,000 to a director of the General Partner. The debenture loan was unsecured, bore interest at 8% interest per year compounded annually, was payable on or before February 10, 2018. In addition, the Specified Oil and Gas Properties Business was required to pay a working interest fee of 3.0% from the production revenue of the Pittcock South lease.

In July 2017, the Specified Oil and Gas Properties Business repaid the full principal balance of $200,000 and accrued interest of $7,333. The remaining balance of $2,031 in working interest fees was reclassified to trade and other payables.

As at August 31, 2017, the Specified Oil and Gas Properties Business was owed $11,774 (December 31, 2016 - $(94,670)) from the President of the General Partner.

1.10 OFF-BALANCE SHEET ARRANGEMENTS

The Specified Oil and Gas Properties Business has no off-balance sheet arrangements.

1.11 PROPOSED TRANSACTIONS

Other than previously disclosed, the Specified Oil and Gas Properties Business has no proposed transactions.

1.12 CONTRACTUAL OBLIGATIONS

The Specified Oil and Gas Properties Business has no commitments, material capital lease agreements and no material long term obligations other than what has been previously stated in this MD&A.

1.13 RISKS AND UNCERTAINTIES

Readers should refer to those risks and uncertainties related to the Specified Oil and Gas Properties Business that are set forth under the heading "Risk Factors" in the preliminary prospectus dated December 22, 2017 that is available under the Permex Corporation SEDAR profile at www.sedar.com.

1.14 CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING STANDARDS

New accounting policies

There were no new standards effective for periods beginning on or after January 1, 2017 that had an impact on the Financial Statements. A number of new standards and amendments to existing standards have been issued by the International Accounting Standards Board ("IASB") that are mandatory for accounting periods beginning on or after January 1, 2018, or later periods. The Business has not applied these new standards in preparing the Financial Statements. The following pronouncements are considered by the Business to be the most significant of several pronouncements that may affect the financial statements in future periods.

- New standard IFRS 9 *Financial Instruments* ("IFRS 9") has been issued by the IASB to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 15 Revenue from Contracts with Customers ("IFRS 15") has been issued by IASB to replace IAS 18 Revenue and IAS 11 Construction Contracts. This new standard sets out the requirements for recognizing and disclosing revenues that apply to all contracts with customers. The effective date of IFRS 15 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 16 Leases ("IFRS 16") has been issued by the IASB to replace IAS 17 Leases. This new standard sets out the requirements for recognizing and disclosing leases. The objective is to ensure that lessees and lessors provide relevant information that faithfully represents the transactions. The effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019.

1.15 FINANCIAL INSTRUMENTS

The Specified Oil and Gas Properties Business classified its financial instruments as follows: trade and other receivables, amounts due from related parties and reclamation deposits as loans and receivables and measured at amortized cost; and bank indebtedness, trade and other payables, due to related parties and loan payable as other financial liabilities and are measured at amortized cost.

The carrying amount of trade and other receivables, amounts due from/to related parties, reclamation deposits, trade and other payables carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

Financial risk management

The Specified Oil and Gas Properties Business's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Specified Oil and Gas Properties Business's exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Credit risk

Credit risk is the risk of potential loss to the Specified Oil and Gas Properties Business if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Specified Oil and Gas Properties Business is associated with cash, trade and other receivables and due from related parties. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions. The Specified Oil and Gas Properties Business does not anticipate any default, as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers.

Liquidity risk

Liquidity risk is the risk that the Specified Oil and Gas Properties Business will not meet its obligations associated with its financial liabilities as they fall due. The Specified Oil and Gas Properties Business performs cash flow forecasting for each fiscal year to ensure sufficient cash is available to fund its projects and operations. As at August 31, 2017, the Specified Oil and Gas Properties Business has a cash balance of $187,782 to settle current liabilities of $155,131. The Specified Oil and Gas Properties Business's financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand.

At present, the Specified Oil and Gas Properties Business's operations do not generate positive cash flows. The Specified Oil and Gas Properties Business's primary source of funding has been the issuance of partnership units and revenue from oil and gas production.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Specified Oil and Gas Properties Business's functional currency is the Canadian dollar and administrative expenditures are transacted in Canadian dollars. The Specified Oil and Gas Properties Business funds its oil and gas operations in the United States by using US dollars converted from its Canadian bank accounts. At August 31, 2017, the Specified Oil and Gas Properties Business had financial assets of $146,000 (US $117,000) and financial liabilities of $97,400 (US $78,000) denominated in United States dollars. A 10% strengthening of the US dollar would affect net loss by approximately $5,000. The Specified Oil and Gas Properties Business does not hedge its foreign exchange risk.

Interest rate risk

The Specified Oil and Gas Properties Business is exposed to interest rate risk arising from the bank indebtedness owing to Canadian financial institutions. The interest rate risk on cash is not considered significant due to their short-term nature and maturity. The loan payable is based on a fixed interest rate. The exposure to interest rates for the Specified Oil and Gas Properties Business is considered minimal. The Specified Oil and Gas Properties Business has not used any financial instrument to hedge potential fluctuations in interest rates.

Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in the price of oil and natural gas. Commodity prices are impacted by world economic events that affect supply and demand, which are generally beyond the Specified Oil and Gas Properties Business's control. Changes in crude oil prices may significantly affect the Specified Oil and Gas Properties Business's results of operations, cash generated from operating activities, capital spending and the Specified Oil and Gas Properties Business's ability to meet its obligations. The Specified Oil and Gas Properties Business manages this risk by constantly monitoring commodity prices and factoring them into operational decisions, such as contracting or expanding its capital expenditures program.

SPECIFIED OIL AND GAS PROPERTIES BUSINESS OF PERMEX PETROLEUM LIMITED PARTNERSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2016 AND 2015

1.1 INTRODUCTION

Set out below is a review of the activities, financial performance and financial position of the Specified Oil and Gas Properties Business of Permex Petroleum Limited Partnership (the "Specified Oil and Gas Properties Business" or the "Business") for the years ended December 31, 2016 and 2015. The discussion below should be read in conjunction with the Business's December 31, 2016 audited carve-out financial statements (the "Financial Statements") and related notes thereto. The Financial Statements are derived from the information of Permex Petroleum Limited Partnership (the "Partnership" or "Permex LP"). All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at January XX, 2018.

1.2 DESCRIPTION OF BUSINESS

The Partnership was formed on September 17, 2013 under the laws of British Columbia, Canada and maintains its head office at Suite 1290, 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6. Its registered office is located at Suite 1600, 925 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3L2.

The Partnership is primarily engaged in the acquisition, development and production of oil and gas properties in North America. The general partner of the Partnership is Permex Petroleum Operating Ltd. (the "General Partner").

On August 31, 2017, the Partnership entered into an Asset Purchase Agreement ("APA") with Permex Petroleum Corporation ("Permex Corporation"), whereby Permex Corporation would purchase all of Permex LP's assets and liabilities as at August 31, 2017 in exchange for the issuance of 23,815,000 common shares of Permex Corporation. Permex LP subsequently distributed the common shares received to its partnership unitholders and dissolved the Partnership.

On August 31, 2017, Permex LP transferred and assigned to Permex Corporation a 100% interest in its McMurtry/Loving, Peavy, Pittcock North, Pittcock South and Windy Jones leases located in Texas, USA (together referred as "the Specified Oil and Gas Properties"), along with other assets and liabilities of the Partnership pursuant to the APA.

1.3 PROJECT UPDATES AND ACQUISITION

Pittcock North Property

The Pittcock North Property is situated in Stonewall County. Stonewall County is in Northwest Texas, in the central part of the North Central Plains. 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 county seat is approximately 60 miles north-northwest of Abilene. Stonewall County covers 926 square miles.

Prior to the transfer of the Specified Oil and Gas Properties to Permex Corporation, Permex LP held a 100% working interest in the Pittcock North Property, and an 81.25% net revenue interest.

The Pittcock North Property covers 320 acres held by production. There are currently six producing wells, four shut-in wells, two saltwater disposal wells, and a water injection well.

Pittcock South Property

The Pittcock South Property is also in Stonewall County, Texas. Prior to the transfer of the Specified Oil and Gas Properties to Permex Corporation, Permex LP held a 100% working interest in the lease, and a 71.90% net revenue interest.

The Pittcock South Property covers 498 acres in four tracts. There are currently eight producing wells, eleven shut-in wells and two saltwater disposal wells.

Peavy Property

The Peavy Property is located in Young County, Texas in the Permian basin. Young County is in North Central Texas. It is bounded by Archer County to the north, Jack County to the east, Stephens County to the south, and Throckmorton County to the west. Young County covers 931 square miles. The county seat is approximately 55 miles south of Wichita Falls and 65 miles northwest of Fort Worth.

Prior to the transfer of the Specified Oil and Gas Properties to Permex Corporation, Permex LP held a 100% working interest in the Peavy Property, and a 70.48% net revenue interest.

The Peavy Property covers 160 acres held by production. There are currently nine producing wells, four shut-in wells, and one saltwater disposal well.

McMurtry and Loving Properties

The McMurtry and Loving Properties are located on the boundary between Jack and Young Counties in Texas. The asset is situated on the north end of the Fort Worth Basin, on the east flank of the Bend Arch. Young County is bounded by Archer County to the north, Jack County to the east, Stephens County to the south and Throckmorton County to the west. Young County covers 931 square miles. Jack County is bounded by Archer, Clay, and Montague Counties to North, Young County to the west, Palo Pinto and Parker Counties to the south, and Wise County to the east. Jack County covers 920 square miles.

Prior to the transfer of the Specified Oil and Gas Properties to Permex Corporation, Permex LP held a 100% working interest in the McMurty and Loving Properties, and a 75.00% net revenue interest.

The McMurtry lease covers 530 net acres in Young County and has three producing wells and two shut-in wells. The Loving Estate lease, located in Jack County, contains 980 net acres and has two producing wells, six shut-in wells, and a water disposal well.

Windy Jones Property

The Windy Jones Property consists of forty acres and includes two injection wells and two suspended oil wells. The sole purpose of the Windy Jones Property is to provide waterflood to the offset wells being the Pittcock wells located east boundary of the Windy Jones Property.

Prior to the transfer of the Specified Oil and Gas Properties to Permex Corporation, Permex LP held a 100% working interest in the Windy Jones Property, and a 78.9% net revenue interest.

1.4 RESULTS OF OPERATIONS

Year ended December 31, 2016 compared to the year ended December 31, 2015.

The Specified Oil and Gas Properties Business recorded a net loss of $436,881 for the year ended December 31, 2016 (the “current period”) compared to a net loss of $351,024 during the year ended December 31, 2015 (the “prior period”), an increase of $85,857, as explained in the following paragraphs.

- Oil and gas revenues were $201,218 higher in the current period ($277,452) when compared to the prior period ($76,234) due to the Business reworking existing wells that resulted in increased oil and gas revenues.

- Producing and operating expenses were $253,971 higher in the current period ($318,460) when compared to the prior period ($64,489), which is a result of increased direct expenditures relating to the increase in oil and gas revenues.

- Legal fees were $36,590 lower in the current period ($41,677) when compared to the prior period ($78,267). The Specified Oil and Gas Properties Business incurred additional legal fees in the prior period in association with performing due diligence on acquisition targets.

- Travel expenses were $16,919 lower in the current period ($18,038) when compared to the prior period ($34,957). The Specified Oil and Gas Properties Business incurred additional travel expenses in the prior period as part of conducting additional onsite due diligence in Texas.

1.5 SUMMARY OF QUARTERLY RESULTS

No interim or quarterly financial statements prior to the date of the Financial Statements to which this MD&A relates have been prepared in respect of the Specified Oil and Gas Properties Business.

1.6 LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, the Specified Oil and Gas Properties Business had bank indebtedness of $34,925 and a working deficit of $994,624.

1.7 TRANSACTIONS WITH RELATED PARTIES

Amounts due to related party are advances made from the President of the General Partner and are unsecured, non-interest bearing, and have no specific terms of repayment.

The General Partner provides all management services to the Specified Oil and Gas Properties Business and thus is the key management personnel of the Specified Oil and Gas Properties Business. The compensation paid to key management personnel during the years ended December 31 is as follows:

	2016	2015
Management fees	$ -	$ 39,980

As at December 31, 2016, the Specified Oil and Gas Properties Business owed $94,670 (December 31, 2015 - $15,000) to the President of the General Partner.

1.10 OFF-BALANCE SHEET ARRANGEMENTS

The Specified Oil and Gas Properties Business has no off-balance sheet arrangements.

1.11 PROPOSED TRANSACTIONS

Other than previously disclosed, the Specified Oil and Gas Properties Business has no proposed transactions.

1.12 CONTRACTUAL OBLIGATIONS

The Specified Oil and Gas Properties Business has no commitments, material capital lease agreements and no material long term obligations other than what has been previously stated in this MD&A.

1.13 RISKS AND UNCERTAINTIES

Readers should refer to those risks and uncertainties related to the Specified Oil and Gas Properties Business that are set forth under the heading "Risk Factors" in the preliminary prospectus dated December 22, 2017 that is available under the Permex Corporation SEDAR profile at www.sedar.com.

1.14 CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING STANDARDS

New accounting policies

There were no new standards effective for periods beginning on or after January 1, 2017 that had an impact on the Financial Statements. A number of new standards and amendments to existing standards have been issued by the International Accounting Standards Board ("IASB") that are mandatory for accounting periods beginning on or after January 1, 2018, or later periods. The Business has not applied these new standards in preparing the Financial Statements. The following pronouncements are considered by the Business to be the most significant of several pronouncements that may affect the financial statements in future periods.

- New standard IFRS 9 *Financial Instruments* ("IFRS 9") has been issued by the IASB to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 15 Revenue from Contracts with Customers ("IFRS 15") has been issued by IASB to replace IAS 18 Revenue and IAS 11 Construction Contracts. This new standard sets out the requirements for recognizing and disclosing revenues that apply to all contracts with customers. The effective date of IFRS 15 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 16 Leases ("IFRS 16") has been issued by the IASB to replace IAS 17 Leases. This new standard sets out the requirements for recognizing and disclosing leases. The objective is to ensure that lessees and lessors provide relevant information that faithfully represents the transactions. The effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019.

1.15 FINANCIAL INSTRUMENTS

The Specified Oil and Gas Properties Business classified its financial instruments as follows: trade and other receivables and reclamation deposits as loans and receivables and measured at amortized cost; and bank indebtedness, trade and other payables, due to related parties and loan payable as other financial liabilities and are measured at amortized cost.

The carrying amount of trade and other receivables amounts due to related parties, reclamation deposits, trade and other payables and loan payable carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

Financial risk management

The Specified Oil and Gas Properties Business's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Specified Oil and Gas Properties Business's exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Credit risk

Credit risk is the risk of potential loss to the Specified Oil and Gas Properties Business if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Specified Oil and Gas Properties Business is associated with trade and other receivables and due from related parties. The Specified Oil and Gas Properties Business does not anticipate any default, as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers.

Liquidity risk

Liquidity risk is the risk that the Specified Oil and Gas Properties Business will not meet its obligations associated with its financial liabilities as they fall due. The Specified Oil and Gas Properties Business performs cash flow forecasting for each fiscal year to ensure sufficient cash is available to fund its projects and operations. As at December 31, 2016, the Specified Oil and Gas Properties Business has a working capital deficiency of $994,624. The Specified Oil and Gas Properties Business's financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand.

At present, the Specified Oil and Gas Properties Business's operations do not generate positive cash flows. The Specified Oil and Gas Properties Business's primary source of funding has been the issuance of partnership units and revenue from oil and gas production. Subsequent to December 31, 2016, the Specified Oil and Gas Properties Business received a debenture loan of $200,000 from a director of the General Partner and $1,444,861 of partnership unit subscription proceeds. The Specified Oil and Gas Properties Business also renegotiated the loan payable due on May 1, 2017 and repaid $250,000 of the outstanding loan principal and $80,000 of accrued interest. The remaining principal amount of $250,000 will be payable on November 4, 2017 together with interest of $25,000.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Specified Oil and Gas Properties Business's functional currency is the Canadian dollar and administrative expenditures are transacted in Canadian dollars. The Specified Oil and Gas Properties Business funds its oil and gas operations in the United States by using US dollars converted from its Canadian bank accounts. At December 31, 2016, the Specified Oil and Gas Properties Business had financial assets of $138,388 (US $103,275) and financial liabilities of $273,667 (US $204,511) denominated in United States dollars. A 10% strengthening of the US dollar would affect net loss by approximately $14,700. The Specified Oil and Gas Properties Business does not hedge its foreign exchange risk.

Interest rate risk

The Specified Oil and Gas Properties Business is exposed to interest rate risk arising from the bank indebtedness owing to Canadian financial institutions. The interest rate risk on bank indebtedness is not considered significant due to their short-term nature and maturity. The loan payable is based on a fixed interest rate. The exposure to interest rates for the Specified Oil and Gas Properties Business is considered minimal. The Specified Oil and Gas Properties Business has not used any financial instrument to hedge potential fluctuations in interest rates.

Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in the price of oil and natural gas. Commodity prices are impacted by world economic events that affect supply and demand, which are generally beyond the Specified Oil and Gas Properties Business's control. Changes in crude oil prices may significantly affect the Specified Oil and Gas Properties Business's results of operations, cash generated from operating activities, capital spending and the Specified Oil and Gas Properties Business's ability to meet its obligations. The Specified Oil and Gas Properties Business manages this risk by constantly monitoring commodity prices and factoring them into operational decisions, such as contracting or expanding its capital expenditures program.

SCHEDULE F

Form 51-101F2 Report on Reserves Data by Independent Qualified Reserves Evaluator

MKM ENGINEERING
Oil and Gas Consulting Services
3905 Sagamore Hill Court
Plano, Texas 75025

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

To the Board of Directors of Permex Petroleum Corporation hereinafter referred to as (the "Company"):

1. We have evaluated the Company's Reserves Data as at September 30, 2017. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at September 30, 2017, estimated using forecast prices and costs.

2. The Reserves Data are the responsibility of the Company's management. Our responsibility is to express an opinion on the Reserves Data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook"), prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated net present value of future net revenue attributed to proved plus probable reserves, estimated using forecast prices and costs on a before tax basis and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us as of September 30, 2017, and identifies the respective portions thereof that we have audited, evaluated or reviewed and reported on to the Company's management and Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of Evaluation Report	Location of Reserves (Country)	Net Present Value of Future Net Revenue Before Income Taxes (10% Discount Rate)			
			Audited (US$)	Evaluated (US$)	Reviewed (US$)	Total (US$)
MKM Engineering	Appraisal of the Permex Petroleum properties located in New Mexico and Texas, as of September 30, 2017	USA		115,208,450		115,208,450
Total				115,208,450		115,208,450

5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are presented in accordance with the COGE Handbook, consistently applied.

6. We have no responsibility to update the report referred to in paragraph 4 for events and circumstances occurring after its preparation date.

7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

MKM Engineering
F-009377
Dallas, Texas, USA
December 11, 2017

(signed) "*Michele K. Mudrone*"
Michele K. Mudrone, P.E

SCHEDULE G

Form 51-101F3 Report of Management and Directors on Oil and Gas Disclosure

SCHEDULE G

FORM 51-101F3
REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Management of Permex Petroleum Corporation (the "Company") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserve data which are estimates of proved reserves and probable reserves and related future net revenue as at September 30, 2017, estimated using forecast prices and costs.

An independent qualified reserve evaluator has evaluated and reviewed the Company's reserves data. The report of the independent qualified reserves evaluator is presented in Schedule F.

The Board of Directors of the Company has:

a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;

b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and

c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has approved:

a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

b) the filing of Form 51-101F2, which is the report of the independent qualified reserves evaluator on the reserves data; and

c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

“Mehran Ehsan”
MEHRAN EHSAN
President and Chief Executive Officer

“Barry Whelan”
BARRY WHELAN
Chief Operating Officer

“Scott Kelly”
SCOTT KELLY
Director

“Justin Kates”
JUSTIN KATES
Director

Dated this 22nd day of December, 2017

SCHEDULE H

PERMEX PETROLEUM CORPORATION
(the "**Company**")

AUDIT COMMITTEE CHARTER

This Charter establishes the composition, the authority, roles and responsibilities and the general objectives of the Company's audit committee, or its Board of Directors in lieu thereof (the "**Audit Committee**"). The roles and responsibilities described in this Charter must at all times be exercised in compliance with the legislation and regulations governing the Company and any subsidiaries.

1. Composition

(a) *Number of Members*. The Audit Committee must be comprised of a minimum of three directors of the Company.

(b) *Chair*. If there is more than one member of the Audit Committee, members will appoint a chair of the Audit Committee (the "**Chair**") to serve for a term of one (1) year on an annual basis. The Chair may serve as the chair of the Audit Committee for any number of consecutive terms.

(c) *Financial Literacy.* All members of the audit committee will be financially literate as defined by applicable legislation. If upon appointment a member of the Audit Committee is not financially literate as required, the person will be provided with a period of three months to acquire the required level of financial literacy.

2. Meetings

(a) *Quorum*. The quorum required to constitute a meeting of the Audit Committee is set at a majority of members.

(b) *Agenda*. The Chair will set the agenda for each meeting, after consulting with management and the external auditor. Agenda materials such as draft financial statements must be circulated to all Audit Committee members for members to have a reasonable amount of time to review the materials prior to the meeting.

(c) *Notice to Auditors*. The Company's auditors (the "Auditors") will be provided with notice as necessary of any Audit Committee meeting, will be invited to attend each such meeting and will receive an opportunity to be heard at those meetings on matters related to the Auditor's duties.

(d) *Minutes*. Minutes of the Audit Committee meetings will be accurately recorded, with such minutes recording the decisions reached by the committee.

3. Roles and Responsibilities

The roles and responsibilities of the Audit Committee include the following:

<u>External Auditor</u>

The Audit Committee will:

(a) *Selection of the external auditor*. Select, evaluate and recommend to the Board, for shareholder approval, the Auditor to examine the Company's accounts, controls and financial statements.

(b) *Scope of Work*. Evaluate, prior to the annual audit by the Auditors, the scope and general extent of the Auditor's review, including the Auditor's engagement letter.

(c) *Compensation*. Recommend to the Board the compensation to be paid to the external auditors.

(d) *Replacement of Auditor*. If necessary, recommend the replacement of the Auditor to the Board of Directors.

(e) *Approve Non-Audit Related Services*. Pre-approve all non-audit services to be provided by the Auditor to the Company or its subsidiaries.

(f) *Responsibility for Oversight*. Must directly oversee the work of the Auditor. The Auditor must report directly to the Audit Committee.

(g) *Resolution of Disputes*. Assist with resolving any disputes between the Company's management and the Auditors regarding financial reporting.

<u>Consolidated Financial Statements and Financial Information</u>

The Audit Committee will:

(a) *Review Audited Financial Statements*. Review the audited consolidated financial statements of the Company, discuss those statements with management and with the Auditor, and recommend their approval to the Board.

(b) *Review of Interim Financial Statements*. Review and discuss with management the quarterly consolidated financial statements, and if appropriate, recommend their approval by the Board.

(c) *MD&A, Annual and Interim Earnings Press Releases, Audit Committee Reports*. Review the Company's management discussion and analysis, interim and annual press releases, and audit committee reports before the Company publicly discloses this information.

(d) *Auditor Reports and Recommendations*. Review and consider any significant reports and recommendations issued by the Auditor, together with management's response, and the extent to which recommendations made by the Auditor have been implemented.

<u>Risk Management, Internal Controls and Information Systems</u>

The Audit Committee will:

(a) *Internal Control*. Review with the Auditors and with management, the general policies and procedures used by the Company with respect to internal accounting and financial controls. Remain informed, through communications with the Auditor, of any weaknesses in internal control that could cause errors or deficiencies in financial reporting or deviations from the accounting policies of the Company or from applicable laws or regulations.

(b) *Financial Management*. Periodically review the team in place to carry out financial reporting functions, circumstances surrounding the departure of any officers in charge of financial reporting, and the appointment of individuals in these functions.

(c) *Accounting Policies and Practices*. Review management plans regarding any changes in accounting practices or policies and the financial impact thereof.

(d) *Litigation*. Review with the Auditors and legal counsel any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the

Company and the manner in which these matters are being disclosed in the consolidated financial statements.

(e) *Other.* Discuss with management and the Auditors correspondence with regulators, employee complaints, or published reports that raise material issues regarding the Company's financial statements or disclosure.

Complaints

(a) *Accounting, Auditing and Internal Control Complaints*. The Audit Committee must establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters.

(b) *Employee Complaints*. The Audit Committee must establish a procedure for the confidential transmittal on condition of anonymity by the Company's employees of concerns regarding questionable accounting or auditing matters.

4. Authority

(a) *Auditor*. The Auditor, and any internal auditors hired by the company, will report directly to the Audit Committee.

(b) *Independent Advisors*. The Audit Committee may, at the Company's expense and without the approval of management, retain the services of independent legal counsels and any other advisors it deems necessary to carry out its duties and set and pay the monetary compensation of these individuals.

5. Reporting

The Audit Committee will report to the Board on:

(a) the Auditor's independence;

(b) the performance of the Auditor and any recommendations of the Audit Committee in relation thereto;

(c) the reappointment and termination of the Auditor;

(d) the adequacy of the Company's internal controls and disclosure controls;

(e) the Audit Committee's review of the annual and interim consolidated financial statements;

(f) the Audit Committee's review of the annual and interim management discussion and analysis;

(g) the Company's compliance with legal and regulatory matters to the extent they affect the financial statements of the Company; and

(h) all other material matters dealt with by the Audit Committee.

CERTIFICATE OF THE COMPANY

Dated: December 22, 2017

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan and Ontario.

"Mehran Ehsan"	*"Scott Kelly"*
MEHRAN EHSAN	SCOTT KELLY
President, CEO & Director	CFO, Corporate Secretary & Director

ON BEHALF OF THE BOARD OF DIRECTORS

"Barry Whelan"	*"Justin Kates"*
BARRY WHELAN	JUSTIN KATES
COO & Director	Director

CERTIFICATE OF THE PROMOTERS

Dated: December 22, 2017

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan and Ontario.

"Mehran Ehsan"	*"Barry Whelan"*
MEHRAN EHSAN	BARRY WHELAN
President, CEO & Director	COO & Director

CERTIFICATE OF THE AGENTS

Dated: December 22, 2017

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan and Ontario.

CANACCORD GENUITY CORP.

"Graham Saunders"
GRAHAM SAUNDERS
Vice Chairman, Managing Director
Head of Capital Markets Origination

GRAVITAS SECURITIES INC.

"Robert Carbonaro"
ROBERT CARBONARO
Chief Executive Officer &
Head of Investment Banking