

ASSET PURCHASE AGREEMENT

THIS AGREEMENT made as of **September 30, 2019**.

BETWEEN:

AVILA EXPLORATION AND DEVELOPMENT (CANADA) LTD., a corporation incorporated under the laws of the Province of Alberta (hereinafter referred to as "**Vendor**")

- and -

PETRO VIKING ENERGY INC., a corporation incorporated under the laws of the Province of Alberta (hereinafter referred to as "**Purchaser**")

WHEREAS Vendor wishes to sell, and Purchaser wishes to purchase, a 50% non-operating portion in and to the Assets, subject to and in accordance with the terms and conditions hereof;

NOW THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the Parties have agreed as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

- (a) "**Abandonment and Reclamation Obligations**" means all past, present and future obligations to:
- (i) abandon, shut-down, close, decommission, dismantle or remove any and all Wells and Tangibles, including all structures, foundations, buildings, pipelines, equipment and other Facilities located on the Lands or used or previously used in respect of Petroleum Substances produced or previously produced from the Lands or lands pooled or unitized therewith; and
 - (ii) restore, remediate and reclaim the surface and subsurface locations of the Wells, the Tangibles, the Lands, lands pooled or unitized therewith, and any lands used to gain access thereto, including such obligations relating to Wells, Pipelines and Facilities which were abandoned or decommissioned prior to the Closing Date that were located on the Lands or that were located on other lands and used in respect of Petroleum Substances produced or previously produced from the Lands, and including the remediation, restoration and reclamation of any other surface and sub-surface lands affected by any environmental damage, contamination or other environmental issues emanating from or relating to the sites for the Wells or the Tangibles;
- all in accordance with generally accepted oil and gas industry practices and in compliance with all Applicable Laws;
- (b) "**Affiliate**" means, with respect to any Person, any other Person or group of Persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with such Person. The term "**control**" as used in the preceding sentence means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person whether through ownership or more than 50% of the voting securities of such Person, by contract or otherwise;


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- (c) "**Agreement**" means this Asset Purchase Agreement between Vendor and Purchaser, including all recitals and schedules attached hereto, and "**this Agreement**", "**herein**", "**hereto**", "**hereof**" and similar expressions mean and refer to this Agreement;
- (d) "**Applicable Law**" means, in relation to any Person, property or circumstance, all laws, statutes, rules, regulations, official directives and orders of Governmental Authorities (whether administrative, legislative, executive or otherwise), including judgments, orders and decrees of courts, commissions or bodies exercising similar functions, as amended, and includes the provisions and conditions of any permit, licence or other governmental or regulatory authorization, that are in effect as at the relevant time and are applicable to such person, property or circumstance;
- (e) "**Assets**" means the Petroleum and Natural Gas Rights, the Tangibles, and the Miscellaneous Interests, but excludes the Excluded Assets;
- (f) "**Business Day**" means a day other than a Saturday, a Sunday or a statutory holiday in Calgary, Alberta;
- (g) "**Claim**" means any claim, demand, lawsuit, proceeding or arbitration, or any investigation by a Governmental Authority, pertaining to the Assets, in each case whether asserted, threatened, pending or existing;
- (h) "**Closing**" means the transfer of possession, legal and beneficial ownership and risks of the Assets from Vendor to Purchaser and payment of the Purchase Price by Purchaser to Vendor, and all other items and considerations required to be delivered on the Closing Date pursuant hereto, including delivery of the Specific Conveyances if applicable;
- (i) "**Closing Date**" means the later of:
 - (i) **September 30, 2019;**
 - (ii) or another date agreed upon in writing by the Parties,
- (j) "**Closing Place**" means the office of the Vendor or its solicitors, or such other place as may be agreed upon in writing by the Parties;
- (k) "**Data Room Information**" means all information provided or made available to Purchaser in hard copy or electronic form in relation to the Assets;
- (l) "**Effective Date**" means September 30, 2020;
- (m) "**Effective Time**" means 12:01 a.m. on the Effective Date;
- (n) "**Environment**" means the components of the earth and includes ambient air, land, surface and subsurface strata, groundwater, surface water, all layers of the atmosphere, all organic and inorganic matter and living organisms, and the interacting natural systems that include such components, and any derivative thereof shall have a corresponding meaning;
- (o) "**Environmental Liabilities**" means all past, present and future liabilities, obligations and expenses in respect of the Environment which relate to the Assets (or lands pooled or unitized with Lands which may form part of the Assets), or which arise in connection with the ownership thereof or operations pertaining thereto, including liabilities related to or arising from:
 - (i) transportation, storage, use or disposal of toxic or hazardous substances;
 - (ii) release, spill, escape, emission, leak, discharge, migration or dispersal of toxic or hazardous substances; or



- (iii) pollution or contamination of or damage to the Environment;

including liabilities to compensate Third Parties for damages and Losses resulting from the items described in items (i), (ii) and (iii) above (including damage to property, personal injury and death) and obligations to take action to prevent or rectify damage to or otherwise protect the Environment;

- (p) **"Excluded Assets"** means:

- (i) any item or thing owned by Third Parties and licenced to Vendor with restrictions on deliverability or disclosure by Vendor that prevent the conveyance of such item or thing to Purchaser;
- (ii) advances and deposits for operations payable to Governmental Authorities or other Persons prior to the Effective Time to secure obligations or as prepayment of costs or expenses;
- (iii) legal and title opinions;
- (iv) documents, other than Title Documents, prepared by or on behalf of Vendor in contemplation of litigation and any other documents within the possession of Vendor which are subject to solicitor-client privilege under the laws of the Province of Alberta or any other jurisdiction;
- (v) records, policies, manuals and other proprietary, confidential business or technical information not used exclusively in the operation of the Assets;
- (vi) cash and securities or any other corporation or entity;
- (vii) accounts receivable ;
- (viii) except as otherwise specifically provided for herein, any computer software, computer networks and other technology systems;
- (ix) agreements, documents or data to the extent that:
 - (A) they pertain to seismic data;
 - (B) they pertain to any intellectual property owned by a Third Party;
 - (C) they are owned or licensed by Third Parties with restrictions on their deliverability or disclosure to an assignee;
 - (D) they comprise Vendor's tax and financial records, and economic evaluations; and

but "Excluded Assets" shall not include any property, rights or interests specifically described as Miscellaneous Interests;

- (q) **"General Conveyance"** means the general conveyance in the form attached as Schedule "C";



- (r) **"Governmental Authority"** means any federal, national, provincial, territorial, municipal or other government, any political subdivision thereof, and any ministry, sub-ministry, agency or sub-agency, court, board, bureau, office, commission or department, as well as any government-owned entity, any regulatory authority (including the Regulators) and any public authority or any public utility, having jurisdiction over a Party, the Assets or the Transaction;
- (s) **"GST"** means the goods and services tax payable pursuant to the GST Legislation;
- (t) **"GST Legislation"** means Part IX of the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended, and the regulations promulgated thereunder, all as amended from time to time;
- (u) **"Lands"** means all lands, including the lands described in Schedule "A", and the Petroleum Substances within, upon or under such lands (subject to the restrictions and exclusions identified in Schedule "A" and in the Title Documents as to Petroleum Substances and geological formations);
- (v) **"Leased Substances"** means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title Documents (but only to the extent that the Title Documents pertain to the Lands);
- (w) **"Losses"** means all actions, causes of action, losses, costs, Claims, damages, penalties, assessments, charges, expenses, and other liabilities and obligations which a Party suffers, sustains, pays or incurs, including reasonable legal fees and other professional fees and disbursements on a full-indemnity basis, but notwithstanding the foregoing shall not include any liability for indirect or consequential damages including business loss, loss of profit, economic loss, punitive damages or income tax liabilities;
- (x) **"Miscellaneous Interests"** means, subject to any and all limitations and exclusions provided for in this definition, Vendor's entire interest in and to all property, interests and rights pertaining to the Petroleum and Natural Gas Rights and the Tangibles (other than the Petroleum and Natural Gas Rights and the Tangibles), or either of them, but only to the extent that such property, interests and rights pertain to the Petroleum and Natural Gas Rights and the Tangibles, or either of them, including any and all of the following:
 - (i) all contracts and agreements relating to the Petroleum and Natural Gas Rights and the Tangibles, or either of them (including the Title Documents);
 - (ii) all subsisting rights to carry out operations relating to the Lands or the Tangibles, and without limitation, all easements and other permits, licences and authorizations pertaining to the Tangibles;
 - (iii) rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, and all contracts and agreements related thereto;
 - (iv) all records, books, documents, Licences (subject to Section **Error! Reference source not found.** hereof), reports and data (but excluding seismic data) which relate to the Petroleum and Natural Gas Rights and the Tangibles; and
 - (v) the Wells, including the wellbores thereof and all casing, tubing and packers therein;but specifically excluding the Excluded Assets;
- (y) **"Party"** means a party to this Agreement;



- (z) **"Permitted Encumbrances"** means:
- (i) all encumbrances, overriding royalties and other royalties, net profits interests and other burdens identified in Schedule "A";
 - (ii) any Preferential Purchase Rights or any similar restriction applicable to any of the Assets;
 - (iii) the terms and conditions of the Title Documents, including the requirement to pay any rentals or royalties (including reassessments) to the grantor thereof to maintain the Title Documents in good standing and any royalty or other burden reserved to the grantor thereof or any gross royalty trusts applicable to the grantor's interest in any of the Title Documents;
 - (iv) the right reserved to or vested in any grantor, Governmental Authority by the terms of any Title Document or by Applicable Law to terminate any Title Document;
 - (v) easements, rights of way, servitudes or other similar rights in land, including rights of way and servitudes for highways, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric light, power, telephone or cable television conduits, poles, wires or cables;
 - (vi) taxes on Petroleum Substances or the income or revenue from the Petroleum Substances and requirements imposed by Applicable Law or Governmental Authorities concerning rates of production from the Wells or from operations on any of the Lands, or otherwise affecting recoverability of Petroleum Substances from the Lands, which taxes or requirements are generally applicable to the oil and gas industry in the jurisdiction in which the Assets are located;
 - (vii) agreements for the sale, processing, transmission or transportation of Petroleum Substances, which are terminable on not more than 30 days' notice (without an early termination penalty or other like cost);
 - (viii) any obligation of Vendor to hold any right or interest in and to any of the Assets in trust for Third Parties;
 - (ix) the right reserved to or vested in any Governmental Authority to control or regulate any of the Assets in any manner, including any directives or notices received from any Governmental Authority pertaining to the Assets;
 - (x) undetermined or inchoate liens incurred or created as security in favour of any Person with respect to the development or operation of any of the Assets, as regards Vendor's share of the costs and expenses thereof which are not due or delinquent as of the date hereof or, if then due or delinquent are being contested in good faith by Vendor;
 - (xi) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein, and statutory exceptions to title;
 - (xii) agreements and plans relating to pooling or unitization of any of the Petroleum and Natural Gas Rights;
 - (xiii) agreements respecting the operation of Wells by contract field operators;
 - (xiv) provisions for penalties and forfeitures under agreements as a consequence of non-participation in operations; and
 - (xv) liens created in the ordinary course of business in favour of any Governmental Authority with respect to operations pertaining to any of the Assets;


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- (aa) "**Person**" means any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;
- (bb) "**Petroleum and Natural Gas Rights**" means Vendor's entire right, title and interest in and to all rights to and in respect of the Leased Substances and the Title Documents (but only to the extent that the Title Documents pertain to the Lands), including the interests set out and described in Schedule "A";
- (cc) "**Petroleum Substances**" means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including sulphur;
- (dd) "**Prime Rate**" means the rate of interest, expressed as a rate per annum, designated by the main branch in Calgary of the National Bank as the reference rate used by it to determine rates of interest charged by it on Canadian dollar commercial loans made in Canada and which is announced by such bank, from time to time, as its prime rate, provided that whenever such bank announces a change in such reference rate the "Prime Rate" shall correspondingly change effective on the date the change in such reference rate is effective;
- (ee) "**Proposal**" has the meaning set out in Section 7.4;
- (ff) "**Purchase Price**" has the meaning set out in Section 2.2;
- (gg) "**Regulators**" means collectively, the Alberta Energy Regulator, British Columbia Oil & Gas Commission and Saskatchewan Ministry of the Economy.
- (hh) "**Representative**" means, with respect to any Party, its Affiliates, and its and their respective directors, officers, servants, agents, advisors, employees and consultants;
- (ii) "**Sales Taxes**" means all transfer, sales, excise, stamp, licence, production, value-added and other like taxes, assessments, charges, duties, fees, levies or other charges of a Governmental Authority (including additions by way of penalties, interest and other amounts relating to late filings or payments) with respect to the transfer and conveyance to Purchaser of the Assets or the transfer or registration of the Specific Conveyances, but excludes GST, and any income taxes and penalties and interest related thereto;
- (jj) "**Specific Conveyances**" means all conveyances, assignments, transfers, novations, and such other documents or instruments as are reasonably required or desirable to convey, assign and transfer the Assets to Purchaser and to novate Purchaser in the place and stead of Vendor with respect to the Assets;
- (kk) "**Tangibles**" means Vendor's entire right, title, estate and interest in and to:
 - (i) any and all tangible depreciable property, equipment and other assets located within, upon or in the vicinity of the Lands that are used or are intended to be used to produce, process, gather, treat, measure, make marketable or inject the Leased Substances or any of them;
- (ll) "**Third Party**" means any individual or entity other than Vendor and Purchaser, including any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;
- (mm) "**Title Documents**" means, collectively, any and all certificates of title, leases, reservations, Licences, assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements and any other documents and agreements



granting, reserving or otherwise conferring rights to: (i) explore for, drill for, produce, take, use or market Petroleum Substances; (ii) share in the production of Petroleum Substances; (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced; and (iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands and this definition shall include, where applicable, those documents set out in Schedule "A";

- (nn) "**Transaction**" means the transaction for the purchase and sale of the Assets contemplated by this Agreement;
- (oo) "**Wells**" means Vendor's entire interest in and to all wells (including producing, shut-in, suspended, abandoned (including wells that have met all reclamation requirements and a reclamation certificate, certificate of recognition, surface release or other document has been issued by the applicable Governmental Authority), capped, injection and disposal wells), located on or within the Lands, or any lands pooled or unitized therewith, whether or not completed, including the wells listed in Schedule "B"; and

1.2 Headings

The words "Article", "Section", "subsection" and "Schedule" followed by a number or letter or combination thereof mean and refer to the specified Article, Section, subsection and Schedule of or to this Agreement.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into Articles, Sections and subsections and the provision of headings for all or any thereof are for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Plurals and Gender

When the context reasonably permits, words suggesting the singular shall be construed as suggesting the plural and *vice versa*, and words suggesting gender or gender neutrality shall be construed as suggesting the masculine, feminine and neutral genders.

1.5 Schedules

There are appended to this Agreement the following Schedules pertaining to the following matters:

Schedule "A"	Lands, Petroleum and Natural Gas Rights, Title Documents, Royalties and Permitted Encumbrances
Schedule "B"	Wells
Schedule "C"	General Conveyance
Schedule "D"	Petro Viking Energy Inc. - Convertible Debenture

Such Schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such Schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.



1.6 Damages

All Losses, costs, Claims, damages, expenses and liabilities in respect of which a Party has a claim pursuant to this Agreement shall include reasonable legal fees and disbursements on a full indemnity basis.

1.7 Derivatives

Where a term is defined in the body of this Agreement, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires. The word "include" and derivatives thereof shall be read as if followed by the phrase "without limitation".

1.8 Interpretation if Closing Does Not Occur

In the event that Closing does not occur, each provision of this Agreement which presumes that Purchaser has acquired the Assets hereunder shall be construed as having been contingent upon Closing having occurred.

1.9 Conflicts

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a schedule or a Specific Conveyance, the provision of the body of this Agreement shall prevail. If any term or condition of this Agreement conflicts with a term or condition of a Title Document or any Applicable Law, the term or condition of such Title Document or the Applicable Law shall prevail, and this Agreement shall be deemed to be amended to the extent required to eliminate any such conflict.

1.10 Currency

All dollar (\$) amounts referenced in this Agreement are expressed in the lawful currency of Canada.

ARTICLE 2 PURCHASE AND SALE AND CLOSING

2.1 Purchase and Sale

Vendor hereby agrees to sell, assign, transfer, convey and set over to Purchaser, and Purchaser hereby agrees to purchase from Vendor, a portion of the right, title, estate and interest of Vendor in and to the Assets, subject to and in accordance with the terms and conditions of this Agreement.

2.2 Purchase Price

The aggregate consideration to be paid by Purchaser to Vendor for Vendor's interest in and to the Assets shall be **\$500,000.00** (the "**Purchase Price**"), satisfied by Purchaser (or Vendor, to the extent applicable) as follows:

- (a) A payment in the amount of **\$500,000.00** plus applicable GST and Sales Tax, paid by Purchaser to the Vendor, to be paid out pursuant to Section **Error! Reference source not found.**;
- (b) The payment net of the G.S.T. of **\$500,000.00**, payable by Purchaser to Vendor in the form of a Convertible Debenture issued by Petro Viking Energy Inc. with the terms of conditions of the debenture to be setout within the Debenture, as further described in Schedule "D".

The Parties hereby acknowledge and agree that the Purchase Price set forth in this Section 2.2 accurately reflects and takes into proper account both the positive value of all of the Assets as well as the offsetting reductions in value for the Environmental Liabilities and Abandonment and Reclamation Obligations associated therewith.



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2.3 Allocation of Purchase Price

The Parties shall allocate the Purchase Price as follows:

Petroleum and Natural Gas Rights (subject to adjustment)	\$ 399,999.00
Tangibles	\$ 100,000.00
Miscellaneous Interests	\$ 1.00
GST	\$ 5,000.00
Total	\$ 505,000.00

2.4 Transfer of Recorded Interest

- (a) Post the Closing Date, Vendor shall deliver to Purchaser:
- (i) the Specific Conveyances, duly executed by Vendor, to the extent required to transfer Vendor's recorded interest in the Assets to Purchaser, save and except the assignment of any rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them;

2.5 Closing

Closing shall take place at the Closing Place on the Closing Date if there has been satisfaction or waiver of the conditions of Closing herein contained. Subject to all other provisions of this Agreement, possession, risk, legal and beneficial ownership of Vendor's interest in and to the Assets shall pass from Vendor to Purchaser on the Closing Date.

- (a) On the Closing Date, Vendor shall deliver to Purchaser:
- (i) the General Conveyance in the form attached as Schedule "C", duly executed by Vendor;
- (ii) a receipt for the Purchase Price plus applicable GST and/or Sales Taxes;
- (iii) the Specific Conveyances, duly executed by Vendor, to the extent prepared on or before the Closing Date as they relate to any rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, and all contracts and agreements related thereto; and
- (iv) such other documents as may be specifically required hereunder or as may be reasonably requested by Purchaser upon reasonable notice to Vendor.
- (b) On the Closing Date, Purchaser shall deliver to Vendor:
- (i) the General Conveyance in the form attached as Schedule "C", duly executed by Purchaser;
- (ii) where required, the Specific Conveyances, duly executed by Purchaser, to the extent such Specific Conveyances were provided to Purchaser no later than one Business Day prior to the Closing Date as they relate to rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, and all contracts and agreements related thereto; and

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- (iii) such other documents as may be specifically required hereunder or as may be reasonably requested by Vendor upon reasonable notice to Purchaser.

2.6 Specific Conveyances of Recorded Interests

The Parties shall cooperate in the preparation of the Specific Conveyances. At a reasonable time prior to the Closing Date, Vendor shall use reasonable efforts to prepare and provide to Purchaser for Purchaser's review all Specific Conveyances, except those that relate to rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, and all contracts and agreements related thereto at Vendor's sole cost and expense as soon as reasonably practicable. The Parties shall execute such Specific Conveyances before or at the Closing Date. None of the Specific Conveyances shall confer or impose upon either Party any greater right or obligation than as contemplated in this Agreement. Promptly after the Closing Date, Purchaser shall register and/or distribute (as applicable) all such Specific Conveyances, and Purchaser shall bear all costs incurred therewith and in preparing and registering any further assurances required to convey the Assets to Purchaser.

2.7 Specific Conveyances of Surface Rights

The Parties shall cooperate in the preparation of the Specific Conveyances. At a reasonable time prior to the Closing Date, Vendor shall use reasonable efforts to prepare and provide to Purchaser for Purchaser's review the Specific Conveyances, related to rights to enter upon, use, occupy and enjoy the surface of any lands which are used or may be used to gain access to or otherwise use the Petroleum and Natural Gas Rights and the Tangibles, or either of them, and all contracts and agreements related thereto at Vendor's sole cost and expense as soon as reasonably practicable. The Parties shall execute such Specific Conveyances before or at the Closing Date. None of the Specific Conveyances shall confer or impose upon either Party any greater right or obligation than as contemplated in this Agreement. Promptly after the Closing Date, Purchaser shall register and/or distribute (as applicable) all such Specific Conveyances, and Purchaser shall bear all costs incurred therewith and in preparing and registering any further assurances required to convey the Assets to Purchaser.

2.8 Title Documents and Miscellaneous Interests

As soon as practicable following Closing, Vendor shall deliver to Purchaser paper originals, paper photocopies where originals are not available, or electronic copies where neither paper originals or photocopies are available, of the Title Documents and any other agreements, files and documents to which the Assets are subject, and such contracts, agreements, records, books, documents, licences, reports and data as comprise the Miscellaneous Interests and which are now in the possession of Vendor.

2.9 Form of Payment

All payments to be made pursuant to this Agreement shall be in Canadian funds. All payments to be made pursuant to this Agreement shall be made by certified cheque, bank draft or wire transfer.

2.10 Taxes

- (a) GST

Each of Purchaser and Vendor is a registrant for GST purposes and will continue to be a registrant at the Closing Date in accordance with the provisions of the GST Legislation.

Their respective GST registration numbers are:

Vendor	80809 2027
Purchaser	81897 6268

Purchaser shall be responsible for the payment of any amount of GST payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect of such additional GST and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations set forth in this Section 2.10(a) shall survive the Closing Date indefinitely.

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(b) Sales Taxes

The Parties acknowledge that the Purchase Price is exclusive of all Sales Taxes. Purchaser shall be solely responsible for the payment of all Sales Taxes which may be imposed by any Governmental Authority and which pertain to Purchaser's acquisition of the Assets or to the registration of any Specific Conveyances necessitated hereby. Except where Vendor is required under Applicable Law to collect or pay such Sales Taxes, Purchaser shall pay such Sales Taxes directly to the appropriate Governmental Authority within the required time period and shall file when due all necessary documentation with respect to such Sales Taxes when due. Vendor will do and cause to be done such things as are reasonably requested to enable Purchaser to comply with such obligation in a timely manner. If Vendor is required under Applicable Law to pay any such Sales Taxes, Purchaser shall promptly advance to Vendor, or if Vendor has already paid same, reimburse Vendor the full amount of such Sales Taxes upon delivery to Purchaser of copies of assessments or receipts, as applicable, showing assessment or payment, as applicable, of such Sales Taxes. Purchaser shall be responsible for the payment of any amount of Sales Taxes payable in respect of its purchase of the Assets pursuant hereto and any interest and penalties payable in respect thereto and shall indemnify and save harmless Vendor in respect thereof. Purchaser's indemnity obligations set forth in this Section 2.10(b) shall survive the Closing Date indefinitely.

- (c) The Parties further acknowledge that all liabilities and obligations associated with the Unscheduled Assets shall likewise be assumed by Purchaser in accordance with the terms hereof applicable to the Assets.

**ARTICLE 3
CONDITIONS OF CLOSING**

3.1 Required Consents

- (a) Before the Closing Date, each of the Parties shall use all reasonable efforts to obtain any and all approvals required under Applicable Law to permit transfer of recorded title to the Assets. The Parties acknowledge that the acquisition of such consents shall not be a condition precedent to Closing. It shall be the sole obligation of Purchaser, at Purchaser's sole cost and expense, to provide any and all financial assurances, remedial work or other documentation required by Governmental Authorities to permit the transfer to Purchaser, and registration of Purchaser as owner and/or operator, of any of the Assets including, but not limited to, the Facilities and the Wells.
- (b) Notwithstanding anything to the contrary herein, it is the sole obligation of Purchaser to obtain any Third Party consents, permissions or approvals that are required in connection with the assignment of Vendor's interest in any Miscellaneous Interests. Upon providing prior written notice and sufficient documentary support, all reasonable and necessary costs, fees, expenses, penalties or levies that are incurred by Vendor in order to effect the assignment of the Assets to Purchaser shall be the sole responsibility of Purchaser, and Purchaser agrees to pay on behalf of Vendor any such reasonable and necessary costs, fees, expenses, penalties or levies on a timely basis.

3.2 Purchaser's Conditions

The obligation of Purchaser to purchase Vendor's interest in and to the Assets is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Purchaser and may be waived by Purchaser:

- (a) the representations and warranties of Vendor herein contained shall be true in all material respects when made and shall remain true as of the Closing Date; and
- (b) all obligations of Vendor contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Purchaser, at or before the Closing Date, Purchaser may rescind this Agreement by


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written notice to Vendor. If Purchaser rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 9.11 and 9.13.

3.3 Vendor's Conditions

The obligation of Vendor to sell its interest in and to the Assets to Purchaser is subject to the following conditions precedent, which are inserted herein and made part hereof for the exclusive benefit of Vendor and may be waived by Vendor:

- (a) the representations and warranties of Purchaser herein contained shall be true in all material respects when made and shall remain true as of the Closing Date;
- (b) all obligations of Purchaser contained in this Agreement to be performed prior to or at Closing shall have been timely performed in all material respects;
- (c) all amounts to be paid by Purchaser to Vendor at the Closing Date, including the Adjusted Purchase Price, shall have been paid to Vendor in the form stipulated in this Agreement.

If any one or more of the foregoing conditions precedent has or have not been satisfied, complied with, or waived by Vendor, at or before the Closing Date, Vendor may rescind this Agreement by written notice to Purchaser. If Vendor rescinds this Agreement, Vendor and Purchaser shall be released and discharged from all obligations hereunder except as provided in Sections 9.11 and 9.13.

3.4 Efforts to Fulfil Conditions Precedent

Purchaser and Vendor shall proceed diligently and in good faith and use all reasonable efforts to satisfy and comply with and assist in the satisfaction and compliance with the foregoing conditions precedent.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Vendor

Vendor makes only the following representations to Purchaser, which representations shall not survive Closing:

- (a) Vendor has the right to enter into this Agreement and to complete this Transaction; and
- (b) this Agreement is, and all documents executed and delivered pursuant to this Agreement will be, legal, valid and binding obligations of Vendor enforceable against it in accordance with their terms.

4.2 Representations and Warranties of Purchaser

Purchaser makes the following representations and warranties to Vendor:

- (a) Purchaser is a corporation duly organized, validly existing and is authorized to carry on business in the provinces in which the Lands are located;
- (b) Purchaser has good right, full power and absolute authority to purchase and acquire the interest of Vendor in and to the Assets according to the true intent and meaning of this Agreement;
- (c) the execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate, shareholders', directors' or equivalent actions and will not result in any violation of, be in conflict with, or constitute a default under, any articles, charter, bylaw or other governing document to which Purchaser is bound;



- (d) the execution, delivery and performance of this Agreement will not result in any violation of, be in conflict with, or constitute a default under, any term or provision of any agreement or document to which Purchaser is party or by which Purchaser is bound, nor under any judgement, decree, order, statute, regulation, rule or licence applicable to Purchaser;
- (e) this Agreement and any other agreements delivered in connection herewith constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms;
- (f) no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body exercising jurisdiction over the Assets is required for the due execution, delivery and performance by Purchaser of this Agreement, other than authorizations, approvals or exemptions from requirements previously obtained and currently in force or to be obtained prior to or after Closing;
- (g) Purchaser has adequate funds available in an aggregate amount sufficient to pay: (i) all amounts required to be paid by Purchaser under this Agreement; and (ii) all expenses which have been or will be incurred by Purchaser in connection with this Agreement and the Transaction;
- (h) Purchaser has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this Agreement or the Transaction for which Vendor shall have any obligation or liability;
- (i) Purchaser is acquiring the Assets in its capacity as principal and is not purchasing the Assets for the purpose of resale or distribution to a Third Party, and is dealing at arm's length with Vendor (as such term is interpreted by the Regulators);
- (j) Purchaser holds, or is eligible to hold, and at the Closing Date will hold a business associate code from all of the Regulators making it eligible to hold the licences which are the subject of the Licence Transfers, if any, in the province in which they are situated;
- (k) Purchaser is in compliance with all the requirements of all Governmental Authorities, including the Regulators, BC Minister Energy and Mines, Title Division, the Department of Energy and the Saskatchewan Ministry of the Economy;
- (l) Purchaser is not a non-resident of Canada within the *Income Tax Act* (Canada); and
- (m) Purchaser is not a non-Canadian person for the purposes of the *Investment Canada Act*.

4.3 Limitation of Representations by Vendor

- (a) Subject to Section 4.1, Vendor expressly negates any representations or warranties, whether written or verbal, made by Vendor or its Representatives and in particular, without limiting the generality of the foregoing, Vendor disclaims all liability and responsibility for any such representation, warranty, statement or information made or communicated, whether verbal or in writing, to Purchaser or any of its Representatives. Vendor's interest in and to the Assets shall be purchased on a strictly "as is, where is" basis and there are no collateral agreements, conditions, representations or warranties of any nature whatsoever made by Vendor, express or implied, arising at law, by statute, in equity or otherwise, with respect to the Assets and in particular, without limiting the generality of the foregoing, there are no collateral agreements, conditions, representations or warranties made by Vendor, express or implied, arising at law, by statute, in equity or otherwise with respect to:
 - (i) any engineering, geological or other interpretation or economic evaluations respecting the Assets;
 - (ii) the quality, quantity or recoverability of Petroleum Substances within or under the Lands or any lands pooled or unitized therewith;



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- (iii) any estimates of the value of the Assets or the revenues or cash flows from future production from the Lands;
 - (iv) the rates of production of Petroleum Substances from the Lands;
 - (v) the quality, condition, fitness or merchantability of any tangible depreciable equipment or property interests which comprise the Assets (including the Tangibles and the Wells, including the wellbores thereof and all casing, tubing and packers therein);
 - (vi) the availability or continued availability of facilities, services or markets for the processing, transportation or sale of any Petroleum Substances;
 - (vii) the accuracy or completeness of the Data Room Information or any other data or materials, representations, warranties or statements made, direct or indirect, express or implied, other information relating to the Assets (whether supplied by the Vendor, its Representatives or otherwise);
 - (viii) the suitability of the Assets for any purpose;
 - (ix) compliance with Applicable Laws; or
 - (x) a portion of the title and interest of Vendor in and to the Assets.
- (b) Without restricting the generality of the foregoing, Purchaser acknowledges that it has made its own independent investigation, analysis, evaluation and inspection of Vendor's interests in the Assets and the state and condition thereof and that it is satisfied with, and has relied solely on, such investigation, analysis, evaluation and inspection as to its assessment of the condition, quantum and value of the Assets.
- (c) Except with respect to the representations and warranties in Section 4.1 or in the event of fraud, Purchaser forever releases and discharges Vendor and its Representatives from any Claims and all liability to Purchaser or Purchaser's assigns and successors, as a result of the use or reliance upon advice, information or materials pertaining to the Assets which was delivered or made available to Purchaser by Vendor or its Representatives prior to or pursuant to this Agreement, including any evaluations, projections, reports, assessments and interpretive or non-factual materials prepared by or for Vendor, or otherwise in Vendor's possession.

ARTICLE 5 INDEMNITIES FOR REPRESENTATIONS AND WARRANTIES

5.1 Purchaser's Indemnities for Representations and Warranties

Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor and Vendor's Representatives from and against, all Losses suffered, sustained, paid or incurred by Vendor or its Representatives which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in Section 4.2 been accurate and truthful; provided, that nothing in this Section 5.1 shall be construed so as to cause Purchaser to be liable to or indemnify Vendor in connection with any representation or warranty contained in Section 4.2 if and to the extent that Vendor did not rely upon such representation or warranty.




5.2 Survival of Claim for Representations and Warranties

The representations and warranties in Section 4.2 shall be true as of the date hereof and shall remain true on the Closing Date, for the benefit of Vendor. In the absence of fraud, however, no Claim or action shall be commenced with respect to a breach of any such representation and warranty, unless, within the six month period following the Closing Date, written notice specifying such breach in reasonable detail is provided to Purchaser.

ARTICLE 6 INDEMNITIES

6.1 Post-Closing Date Indemnity

- (a) Provided that Closing has occurred, Purchaser shall be solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and indemnify, release and save harmless Vendor and its Representatives from any and all Losses, expenses, Claims, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur, as a result of any fact, matter or thing resulting from, attributable to or connected with the Assets and arising or accruing after the Closing Time.
- (b) Provided that Closing has occurred, Purchaser shall be solely liable and responsible for any and all Losses which Vendor may suffer, sustain, pay or incur; and indemnify, release and save harmless Vendor and its Representatives from any and all Losses, expenses, Claims, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which it may sustain, pay or incur, as a result of any fact, matter or thing resulting from, attributable to or connected with the Assets and arising or accruing before or after the Closing Time with respect to any reassessments of royalties.

6.2 Environmental Matters and Abandonment and Reclamation Obligations

Purchaser acknowledges that, insofar as the Environmental condition of the Assets is concerned, Purchaser is acquiring the Assets pursuant hereto on an "as is, where is" basis. Purchaser acknowledges that it is familiar and satisfied with the condition of the Assets, including the past and present use of the Lands, the Tangibles and the Wells (including the wellbores thereof and all casing, tubing and packers therein) that Vendor has provided Purchaser with a reasonable opportunity to inspect the Assets at the sole cost, risk and expense of Purchaser (insofar as Vendor could reasonably provide such access) and that Purchaser is not relying upon any representation or warranty of Vendor as to the Environmental condition of the Assets, or as to any Environmental Liabilities or Abandonment and Reclamation Obligations. Provided that Closing has occurred, Purchaser shall:

- (a) be solely liable and responsible for any and all Losses which Vendor and its Representatives may suffer, sustain, pay or incur; and
- (b) indemnify, release and save harmless Vendor and its Representatives from any and all Losses, actions, proceedings and demands, whatsoever which may be brought against or suffered by Vendor or which Vendor may sustain, pay or incur,

as a result of any matter or thing arising out of, resulting from, attributable to or connected with any Environmental Liabilities or any Abandonment and Reclamation Obligations. Once Closing has occurred, Purchaser shall be solely responsible for all Environmental Liabilities and all Abandonment and Reclamation Obligations both to Third Parties and as between Vendor and Purchaser (whether such Environmental Liabilities and Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Closing Time), and hereby releases Vendor from any Claims Purchaser may have against Vendor with respect to all such liabilities and responsibilities. Without restricting the generality of the foregoing, Purchaser shall be responsible for all Environmental Liabilities and Abandonment and Reclamation Obligations (whether such Environmental Liabilities and all Abandonment and Reclamation Obligations occur or accrue prior to, on or after the Closing Time) in respect of the Lands, Wells and Facilities. This assumption of liability and indemnity by Purchaser shall apply without limit and without regard to cause or




causes, including the negligence (whether sole, concurrent, gross, active, passive, primary or secondary) or the wilful or wanton misconduct or recklessness of any or all of Vendor, its Representatives and their respective successors and assigns or any other Person or otherwise. Purchaser further acknowledges and agrees that it shall not be entitled to any rights or remedies as against Vendor or its Representatives, or their respective successors and assigns under the common law or statute pertaining to any Environmental Liabilities and Abandonment and Reclamation Obligations, including the right to name any or all of Vendor, its Representatives, and their respective successors and assigns as a 'third party' to any action commenced by any Person against Purchaser. Purchaser's assumption of liability and the indemnity obligations set forth in this Section 6.2 shall survive the Closing Date indefinitely.

6.3 Third Party Claims

The following procedures shall be applicable to any Claim by Vendor or a Vendor's Representative (the "**Indemnitee**") for indemnification pursuant to this Agreement from Purchaser in respect of any Losses in relation to a Third Party (a "**Third Party Claim**"):

- (a) upon the Third Party Claim being made against or commenced against the Indemnitee, the Indemnitee shall within 30 Business Days of notice thereof provide written notice thereof to the Purchaser. The notice shall describe the Third Party Claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Losses that have been or may be sustained by the Indemnitee in respect thereof. If the Indemnitee does not provide notice to the Purchaser within such 30 Business Day period, then such failure shall only lessen or limit the Indemnitee's rights to indemnity hereunder to the extent that the defence of the Third Party Claim was prejudiced by such lack of timely notice;
- (b) if the Purchaser acknowledges to the Indemnitee in writing that the Purchaser is responsible to indemnify the Indemnitee in respect of the Third Party Claim pursuant hereto, the Purchaser shall have the right to take either or both of the following actions:
 - (i) assume carriage of the defence of the Third Party Claim using legal counsel of its choice and at its sole cost; and/or
 - (ii) settle the Third Party Claim, provided the Purchaser pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnitee, and provided a full and final unconditional release in favour of Vendor and its Representatives is obtained in form and substance satisfactory to Vendor;
- (c) if the Purchaser acknowledges to the Indemnitee in writing that the Purchaser is responsible to indemnify the Indemnitee in respect of a Third Party Claim pursuant hereto, the Indemnitee shall not enter into any settlement, consent order or other compromise with respect to the Third Party Claim without the prior written consent of the Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed), unless the Indemnitee waives its rights to indemnification in respect of the Third Party Claim;
- (d) each Party shall co-operate with the other Party in the defence of the Third Party Claim, including making available such of its personnel to the other Party and its Representatives whose assistance, testimony or presence is of material assistance in evaluating and defending the Third Party Claim;
- (e) upon payment of the Third Party Claim, the Purchaser shall be subrogated to all Claims the Indemnitee may have relating thereto. The Indemnitee shall give such further assurances and do such things to co-operate with the Purchaser to permit the Purchaser to pursue such subrogated Claims as reasonably requested from it; and
- (f) if the Purchaser has paid an amount pursuant to the indemnification obligations herein and the Indemnitee shall subsequently be reimbursed from any source in respect of the Third Party Claim from any Third Party which results in the Indemnitee receiving, in the aggregate, more than the amount of the Third Party Claim, the Indemnitee shall promptly pay the



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amount of the reimbursement (including interest actually received) in excess of the Third Party Claim to the Purchaser, net of taxes required to be paid by the Indemnitee as a result of any such receipt.

ARTICLE 7 MAINTENANCE OF ASSETS

7.1 Maintenance of Assets

From the date hereof until the Closing Date, Vendor shall use reasonable commercial efforts, to the extent that the nature of the Vendor's obligations and Vendor's interest permits, Title Documents and any other agreements and documents to which the Assets are subject:

- (a) maintain the Assets in a proper and prudent manner in material compliance with all Applicable Laws and directions of Governmental Authorities; and
- (b) pay or cause to be paid all costs and expenses relating to the Assets which become due from the date hereof to the Closing Date,

provided that nothing contained in the foregoing or elsewhere in this Agreement shall obligate Vendor to post security, make any other financial contribution or file any undertaking with the Regulators with respect to the Licensee Liability Rating Program or any like program.

7.2 Consent of Purchaser

Notwithstanding Section 7.1, Vendor shall not from the date hereof to the Closing Date, without the written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed:

- (a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Assets of which Vendor's share is in excess of \$25,000, except: (i) in case of an emergency; (ii) as may be reasonably necessary to protect or ensure life and safety; (iii) to preserve the Assets or title to the Assets; or (iv) in respect of amounts which Vendor may be committed to expend or be deemed to authorize for expenditure without its consent; provided, however, that should Purchaser withhold its consent or fail to provide its consent in a timely manner and a reduction in the value of the Assets results, there shall be no abatement or reduction in the Purchase Price;
- (b) surrender or abandon any of the Assets, unless an expenditure of money is required to avoid the surrender or abandonment and Purchaser does not provide same to Vendor in a timely fashion, in which event the Assets in question shall be surrendered or abandoned without abatement or reduction in the Purchase Price;
- (c) other than in ordinary course of business, materially amend or terminate any Title Document or enter into any new material agreement or commitment relating to the Assets; or
- (d) sell, encumber or otherwise dispose of any of the Assets or any part or portion thereof excepting: pursuant to Preferential Purchase Rights; sales of non-material obsolete or surplus equipment; or sales of the Leased Substances in the normal course of business.

7.3 Consent of Vendor

Notwithstanding Section 7.1, Purchaser shall not from the Effective Date to the Closing Date, without the written consent of Vendor, which consent may be unreasonably withheld:

- (a) make any commitment or propose, initiate or authorize any capital expenditure with respect to the Assets;



- (b) surrender or abandon any of the Assets, unless an expenditure of money is required to avoid the surrender or abandonment and Purchaser does not provide same to Vendor in a timely fashion, in which event the Assets in question shall be surrendered or abandoned without abatement or reduction in the Purchase Price;
- (c) amend or terminate any Title Document or enter into any new material agreement or commitment relating to the Assets; or
- (d) sell, encumber or otherwise dispose of any of the Assets or any part or portion thereof except pursuant to Preferential Purchase Rights.

7.4 Proposed Actions

If an operation or the exercise of any right or option respecting the Assets is proposed in circumstances in which such operation or the exercise of such right or option would result in Purchaser incurring an obligation pursuant to Section 7.2, the following shall apply to such operation or the exercise of such right or option (hereinafter referred to as the "**Proposal**"):

- (a) Vendor shall promptly give Purchaser notice of the Proposal, describing the particulars in reasonable detail;
- (b) Purchaser shall, not later than 48 hours prior to the time Vendor is required to make its election with respect to the Proposal, advise Vendor, by notice, whether Purchaser wishes Vendor to exercise Vendor's rights with respect to the Proposal on Purchaser's behalf, provided that Purchaser's failure to make such election within such period shall be deemed to be Purchaser's election to participate in the Proposal;
- (c) Vendor shall make the election authorized (or deemed to be authorized) by Purchaser with respect to the Proposal within the period during which Vendor may respond to the Proposal; and
- (d) Purchaser's election (including its deemed election) to not participate in any Proposal required to preserve the existence of any of the Assets shall not entitle Purchaser to any reduction of the Purchase Price if Vendor's interest therein is terminated as a result of such election and such termination shall not constitute a failure of Vendor's representations and warranties relating to such Assets.

7.5 Post-Closing Transition

Following Closing and to the extent to which Purchaser must be novated into operating agreements and other agreements or documents to which the Assets are subject, until the novation has been effected:

- (a) Vendor shall not initiate any operation with respect to the Assets, except upon receiving Purchaser's written instructions, or if Vendor reasonably determines that such operation is required for the protection of life or property, in which case Vendor may take such actions as it reasonably determines are required, without Purchaser's written instructions, and shall promptly notify Purchaser of such intention or actions and of Vendor's estimate of the costs and expenses therewith associated;
- (b) Vendor shall forthwith deliver, or cause to be delivered, to Purchaser all revenues, proceeds and other benefits received by Vendor with respect to the Assets, provided that Vendor shall be permitted to deduct from such revenues, proceeds and other benefits, any other costs and expenses which it incurs as a result of such delivery to Purchaser;
- (c) Vendor shall, in a timely manner, deliver to Purchaser all Third Party notices and communications, including authorizations for expenditures and mail ballots and all notices and communications received in respect of the Assets or events and occurrences affecting



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the Assets, and Vendor shall respond to such notices pursuant to Purchaser's written instructions, if received on a timely basis, provided that Vendor may refuse to follow any instructions which it reasonably believes to be unlawful, unethical or in conflict with any applicable agreement or contract, and provided that nothing shall preclude Vendor from taking such actions as Vendor reasonably determines are necessary for the protection of life or property, or as are required by all Applicable Laws, rules, regulations, orders and directions of Governmental Authorities and other competent authorities; and

- (d) Vendor shall, in a timely manner, deliver to Third Parties all such notices and communications which Purchaser may reasonably request and all such monies and other items as Purchaser may reasonably provide in respect of the Assets, provided that Vendor may (but shall not be obligated to) refuse to follow instructions which it reasonably believes to be unlawful, unethical or in conflict with any applicable agreement or contract.

Vendor Deemed Purchaser's Agent

- (e) Insofar as Vendor maintains the Assets and takes actions in relation thereto on Purchaser's behalf pursuant to this ARTICLE 7, Vendor shall be deemed to have been Purchaser's agent hereunder. Purchaser ratifies all actions taken by Vendor or refrained from being taken by Vendor pursuant to this ARTICLE 7 in such capacity during such period, with the intention that all such actions shall be deemed to be Purchaser's actions.
- (f) Insofar as Vendor participates in either operations or the exercise of rights or options as Purchaser's agent pursuant to this ARTICLE 7, Vendor may require Purchaser to secure costs to be incurred by Vendor on Purchaser's behalf pursuant to such election in such manner as may be reasonably appropriate in the circumstances.
- (g) Purchaser shall indemnify Vendor and its Representatives against all Losses which Vendor or its Representatives may suffer or incur as a result of Vendor maintaining the Assets as Purchaser's agent pursuant to this ARTICLE 7, insofar as such Losses are not a direct result of the gross negligence or wilful misconduct of Vendor or its Representatives. An action or omission of Vendor or of its Representatives shall not be regarded as gross negligence or wilful misconduct to the extent to which it was done or omitted from being done in accordance with Purchaser's instruction (including any election deemed to be made pursuant to Section 7.4(b)) or concurrence, or otherwise in accordance with this Agreement.

ARTICLE 8 PURCHASER'S REVIEW AND ACCESS TO BOOKS AND RECORDS

8.1 Vendor to Provide Access

Prior to Closing, Vendor shall, subject to all contractual and fiduciary obligations, at the Calgary offices of Vendor during normal business hours, provide reasonable access for Purchaser and its Representatives to Vendor's records, books, accounts, documents, files, reports, information, materials, filings, and data, to the extent they relate directly to the Assets and are in possession of the Vendor, as well as physical access to the Assets (insofar as Vendor can reasonably provide such access, with such access to be at Purchaser's sole risk, expense and liability) to facilitate Purchaser's review of the Assets and title thereto for the purpose of completing this Transaction.

8.2 Access to Information

After Closing and subject to contractual restrictions in favour of Third Parties relative to disclosure, Purchaser shall, on request from Vendor, provide reasonable access to Vendor or Vendor's Representative at Purchaser's offices, during its normal business hours, to the agreements and documents to which the Assets are subject and the contracts, agreements, records, books, documents, licences, reports and data included in the Miscellaneous Interests and the Title Documents which are then in the possession or control of Purchaser and to make copies thereof, as Vendor may reasonably require, including for purposes relating to:

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- (a) Vendor's ownership of the Assets (including taxation matters and liabilities and Claims that arise from or relate to acts, omissions, events, circumstances or operations on or before the Closing Date);
- (b) enforcing its rights under this Agreement;
- (c) compliance with Applicable Law; or
- (d) any Claim commenced or threatened by any Third Party against Vendor.

8.3 Maintenance of Information

All of the information, materials and other records delivered to Purchaser pursuant to the terms hereof shall be maintained in good order and good condition and kept in a reasonably accessible location by Purchaser for a period of two years from the Closing Date.

ARTICLE 9 GENERAL

9.1 Further Assurances

Each Party will, from time to time and at all times after the Closing Date, as the case may be,, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required to fully perform and carry out the terms of this Agreement.

9.2 Entire Agreement

The provisions contained in any and all documents and agreements collateral hereto shall at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. In the event that Closing occurs, this Agreement supersedes all other agreements documents, writings and verbal understandings between the Parties relating to the subject matter hereof and expresses the entire agreement of the Parties with respect to the Transaction herein.

9.3 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

9.4 Signs and Notifications

Within 60 days following Closing, Purchaser shall remove any signage which indicates Vendor's ownership or operation of the Assets. It shall be the responsibility of Purchaser to erect or install any signage required by applicable Governmental Authorities indicating Purchaser to be the owner or operator of the Assets.

9.5 Assignment and Enurement

This Agreement shall not be assigned by a Party without the prior written consent of the other Party, which consent may be unreasonably and arbitrarily withheld. This Agreement shall be binding upon and shall enure to the benefit of the Parties and their respective administrators, trustees, receivers, successors and permitted assigns.

9.6 Time of Essence

Time is of the essence in this Agreement.



9.7 Notices

The addresses and fax numbers of the Parties for delivery of notices hereunder shall be as follows:

Vendor - Avila Exploration and Development (Canada) Ltd.

#201, 1439 – 17th Avenue S.E.
Calgary, Alberta T2G 1J9

Attention: Leonard Van Betuw
Email: leonard.v@avilaexpl.com

Purchaser - Petro Viking Energy Inc.

Macleod Place II
Suite 500, 5940 Macleod Trail SW.
Calgary, Alberta T2H 2G4

Attention: Lars Glimhagen
Email: lars@petroviking.ca

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

- (a) by delivery to a Party between 8:00 a.m. and 4:00 p.m. on a Business Day at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party when it is delivered;
- (b) by facsimile to a Party to the facsimile number of such Party for notices, in which case, if the notice was faxed prior to 4:00 p.m. on a Business Day, the notice shall be deemed to have been received by that Party when it was faxed and if it is faxed on a day which is not a Business Day or is faxed after 4:00 p.m. on a Business Day, it shall be deemed to have been received on the next following Business Day; or
- (c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by first class registered postage prepaid mail to a Party at the address of such Party for notices, in which case, the notice shall be deemed to have been received by that Party on the fourth Business Day following the date of mailing.

A Party may from time to time change its address for service, facsimile number for service or designated representative by giving written notice of such change to the other Party.

9.8 Invalidity of Provisions

In case any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.




9.9 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party and made in accordance with the Agreement. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

9.10 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

9.11 Confidentiality and Public Announcements

Until Closing has occurred, each Party shall keep confidential all information obtained from the other Party in connection with the Assets and this Agreement, and shall not release any information concerning this Agreement and the Transaction without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent a Party at any time from furnishing information: (i) to any Governmental Authority or to the public if required by Applicable Law (provided the Purchaser shall advise the Vendor in advance of the content of any such public statement); (ii) in connection with obtaining the Court Order; or (iii) as required to Vendor's secured creditors.

9.12 Termination

This Agreement may be terminated at any time prior to Closing:

- (a) by mutual written agreement of Vendor and Purchaser; or
- (b) by either Vendor or Purchaser pursuant to the provisions of Sections **Error! Reference source not found.**, 3.2 or 3.3, as applicable.

9.13 Personal Information

Purchaser covenants and agrees to use and disclose any personal information contained in any of the books, records or files transferred to Purchaser or otherwise obtained or reviewed by Purchaser in connection with the Transaction only for those purposes for which it was initially collected from or in respect of the individual to which such information relates, unless:

- (a) Vendor or Purchaser has first notified such individual of such additional purpose, and where required by the Applicable Laws, obtained the consent of such individual to such additional purpose; or
- (b) such use or disclosure is permitted or authorized by Applicable Laws, without notice to, or consent from, such individual.

Purchaser's obligations set forth in this Section 9.13 shall survive the Closing Date indefinitely.



9.14 Waiver of Legislation

The *Land Contracts (Actions) Act*, (Saskatchewan) shall have no application to any action, as defined in that Act, with respect to this Agreement; and *The Limitation of Civil Rights Act (Saskatchewan)* shall have no application to this Agreement or any agreement renewing, extending or collateral to this Agreement.

9.15 No Merger

The covenants, representations, warranties and indemnities contained in this Agreement shall be deemed to be restated in any and all assignments, conveyances, transfers and other documents conveying the interests of Vendor, in and to the Assets to Purchaser, subject to any and all time and other limitations contained in this Agreement. There shall not be any merger of any covenant, representation, warranty or indemnity in such assignments, conveyances, transfers and other documents notwithstanding any rule of law, equity or statute to the contrary and such rules are hereby waived.

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9.16 Counterpart Execution

This Agreement may be executed and delivered in counterpart and transmitted by facsimile or other electronic means and all such executed counterparts, including electronically transmitted copies of such counterparts, shall together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

PETRO VIKING ENERGY INC.

**AVILA EXPLORATION AND DEVELOPMENT
(CANADA) LTD.**

DocuSigned by:

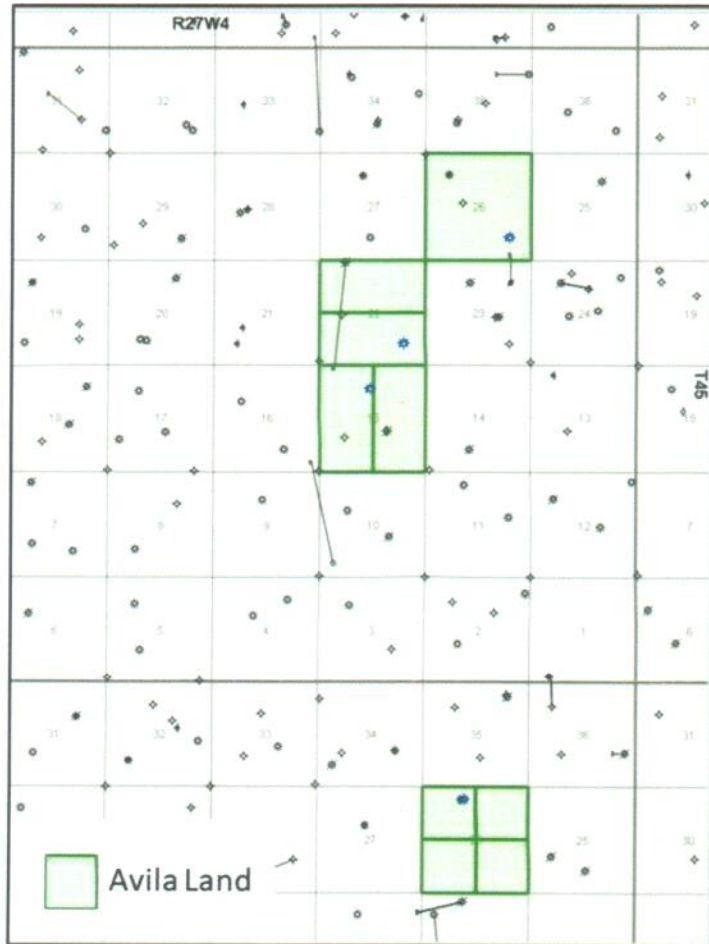
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Per: _____
Name: Lars Glimhagen
Title: CFO


Per: _____
Name: Leonard Van Betuw
Title: President & CEO

THE FOLLOWING COMPRISES SCHEDULE "A" ATTACHED TO AND FORMING PART OF AN ASSET PURCHASE AGREEMENT DATED September 30, 2019 BETWEEN AVILA EXPLORATION AND DEVELOPMENT (CANADA) LTD., as Vendor, and PETRO VIKING ENERGY INC., as Purchaser

50% non-operating portion

Lands, Petroleum and Natural Gas Rights, Title Documents, Royalties and Permitted Encumbrances



THE FOLLOWING COMPRISES SCHEDULE "B" ATTACHED TO AND FORMING PART OF AN ASSET PURCHASE AGREEMENT DATED September 30, 2019 BETWEEN AVILA EXPLORATION AND DEVELOPMENT (CANADA) LTD., as Vendor, and PETRO VIKING ENERGY INC., as Purchaser

50% non-operating portion

Wells

00/01-26-045-27W4/0

00/01-22-045-27W4/0

00/01-22-045-27W4/2

00/14-15-045-27W4/0

00/14-26-044-27W4/0

THE FOLLOWING COMPRISES SCHEDULE "C" ATTACHED TO AND FORMING PART OF AN ASSET PURCHASE AGREEMENT DATED September 30, 2019 BETWEEN AVILA EXPLORATION AND DEVELOPMENT (CANADA) LTD., as Vendor, and PETRO VIKING ENERGY INC., as Purchaser

THIS GENERAL CONVEYANCE made as of this 30th day of September, 2019.

BETWEEN:

Avila Exploration & Development (Canada) Ltd. Ltd. a corporation incorporated under the laws of Alberta (hereinafter referred to as "**Vendor**");

- and -

Petro Viking Energy Inc., a corporation incorporated under the laws of Alberta (hereinafter referred to as "**Purchaser**")

AND WHEREAS Vendor wishes to sell, and Purchaser wishes to purchase, the Assets subject to and in accordance with the terms and conditions contained herein;

NOW THEREFORE for the consideration provided in the Purchase Agreement and in consideration of the premises hereto and the covenants and agreements hereinafter set forth and contained, the Parties covenant and agree as follows:

1. Definitions

In this General Conveyance, including the recitals hereto, the definitions set forth in the Purchase Agreement are adopted herein by reference and, in addition:

"**Purchase Agreement**" means that Asset Purchase Agreement dated **September 30, 2019**, between **Avila Exploration & Development (Canada) Ltd. Ltd.**, as Vendor, and **Petro Viking Energy Inc.**, as Purchaser.

2. Conveyance

Pursuant to and for the consideration provided for in the Purchase Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser the a **50% non-operating** portion of their right, title, estate and interest in and to the Assets, to have and to hold the same absolutely, together with all benefit and advantage to be derived therefrom.

3. Subordinate Document

This General Conveyance is executed and delivered by the Parties pursuant to the Purchase Agreement and the provisions of the Purchase Agreement shall prevail in the event of a conflict between the provisions of the Purchase Agreement and the provisions of this General Conveyance.

4. No Merger

The covenants, representations, warranties and indemnities contained in the Purchase Agreement are incorporated herein as fully and effectively as if they were set out herein and there shall be no merger of any covenant, representation, warranty or indemnity contained in the Purchase Agreement by virtue of the execution and delivery hereof, any rule of law, equity or statute to the contrary notwithstanding.

5. Governing Law

This General Conveyance shall be subject to and interpreted, construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

6. Enurement

This General Conveyance shall be binding upon and shall enure to the benefit of each of the Parties and their respective administrators, trustees, receivers, successors and assigns.

7. Further Assurances

Each Party will, from time to time and at all times hereafter, at the request of the other Party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms hereof.


8. Counterpart Execution

This Agreement may be executed in counterpart and by facsimile or other electronic means and all such executed counterparts together shall constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed this General Conveyance on the date first above written.

PETRO VIKING ENERGY INC.

**AVILA EXPLORATION AND DEVELOPMENT
(CANADA) LTD.**

DocuSigned by:

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Per: _____
Name: Lars Glimhagen
Title: CFO


Per: _____
Name: Leonard Van Betuw
Title: President & CEO

THE FOLLOWING COMPRISES SCHEDULE "D" ATTACHED TO AND FORMING PART OF AN ASSET PURCHASE AGREEMENT DATED September 30, 2019 BETWEEN AVILA EXPLORATION AND DEVELOPMENT (CANADA) LTD., as Vendor, and PETRO VIKING ENERGY INC., as Purchaser

PETRO VIKING INC., \$500,000 CONVERTIBLE DEBENTURE