

PETRO VIKING ENERGY INC.
Macleod Place II
Suite 500, 5940 Macleod Trail SW
Calgary, AB
T2H 2G4

June 14, 2021

611890 Alberta Inc. (dba Avila Energy)
201 – 1439 17th Avenue SE.
Calgary, Alberta
T2G 1J9

Attention: Mr. Leonard B. Van Betuw, President & CEO

Proposed Asset Acquisition and Name Change between Petro Viking Energy Inc. and 611890 Alberta Inc. DBA Avila Energy.

Dear Sir,

The purpose of this letter of agreement (the “**LOA**”) is to confirm that it is our intention, upon and subject to the terms and conditions set out herein, to proceed with an asset acquisition between Petro Viking Energy Inc. (“**Petro**” or the “**Company**”) and 611890 Alberta Inc. (dba Avila Energy) (“**Avila**”) whereby Petro will acquire one hundred percent (100%) of Avila’s interests in 53,835 acres (43,935 acres net) of mineral rights, associated wells, pipelines and facilities, as more fully described in Schedule A hereto (the “**Property**”) for a purchase price of \$50,664,000 (the “**Transaction**”).

This LOA is intended to be binding upon us until superseded by a definitive purchase and sale agreement required to give full force and effect to the parties’ intention hereto (the “**Definitive Agreement**”).

All amounts referred to in this LOA are in Canadian currency (\$CAD).

1. Definitive Agreement

The proposed terms of the Definitive Agreement will be as follows:

On the Closing Date, as this term is defined below, in exchange for one hundred percent (100%) interest in the Property (the “**Purchase Price**”) it is hereby agreed and understood that:

- i) Petro will issue to Avila 40,440,000 Class A common shares (the “**Common Shares**”) from the share capital of Petro, at \$0.60 per common share;
- ii) Petro will issue 30,000,000 convertible preferred shares convertible into common shares of Petro at a price of \$0.80 per share (the “**Convertible Shares**”). The terms of the Convertible Shares shall be set forth in the Definitive Agreement and shall include that the Convertible Shares earn and accruing an annual dividend at a rate of two percent (2%), payable upon conversion. The conversion of the Convertible Shares, at the election of the holder, can occur only after any one of three milestones has been achieved:
 - a) the Company exceeds the production rate of 3,000 boe/d; or
 - b) the common shares of Petro shall trade at volume weighted average price (VWAP) of more than \$1.00 per share for 20 consecutive trading days; or

- c) the second-year anniversary after the issuance of the Common Shares has occurred; upon the fifth anniversary, the Convertible Shares shall automatically convert on a one for one basis to common shares of Petro as currently constituted;
- d) the Convertible Shares on that date being the 5th anniversary after issuance shall automatically be redeemed with the issuance of common shares of Petro (as currently constituted) on a one for one basis along with all accrued dividends .; and
- e) the Common Shares and the Convertible Shares shall be issued on a tax efficient basis.

2. Change of name & management

It is hereby agreed prior to the completion of the Transaction the parties will be seeking approval as deemed necessary for the completion of the Definitive Agreement and the formal change of Petro's name to Avila Energy and the appointment of Leonard B. Van Betuw ("Betuw") as a Director, and as the President and CEO of the Company. Pending the Definitive Agreement and the Closing, Betuw shall be forthwith appointed as a director of the Company and as CEO and President of the Company; subject to any approvals required.

NOT applicable at present.

3. Mutual Due Diligence

Upon execution of this LOA, Petro and Avila (on their own and/or through their representatives) will be permitted to complete the due diligence investigations of each other (in the case of Avila, only as to the Property and anything required for due diligence ancillary thereto), in connection with the Transaction from the date of signing of this LOA until the close of business on the date which is fifteen (10) days from the date of acceptance of this LOA (the "**Due Diligence Period**"). The Due Diligence Period may be extended or waived with the consent in writing of both Petro and Avila.

Each party will allow access to the other and to its accountants, counsel and other representatives, full access during the Due Diligence Period to the management, Property, books, intellectual properties, records, contracts, commitments and other documentation of each party and shall allow the other party and its accountants, counsel and representatives to perform a diligent and complete examination of its financial condition, business, affairs, property and assets.

In conducting its due diligence, each party shall keep confidential all information obtained by it from the other party. This confidentiality obligation shall not apply or extend to information now in the public domain, information which may subsequently become public other than through breach by Petro or Avila of its obligations hereunder, information disclosed to Petro or Avila hereto by a third party in respect of which such third party is not under an obligation of confidentiality or information which is required by law to be disclosed. Petro, Avila and their respective representatives shall be made aware of and be bound by this provision.

4. Definitive Agreement

The Definitive Agreement will include terms and conditions which are customary for transactions similar to the Transaction and any other terms which may be required by the applicable regulatory authorities and, amongst other things, include comprehensive representations and warranties from each of Petro and Avila and not limited to the representations and warranties set forth in this LOA, including without limitation that the Definitive Agreement shall include standard representations and adjustments including the assumption of the Property and associated liabilities as of the Closing Date, typical of a transaction of this nature with no offsets or amendments to the terms of the Purchase Price other than customary adjustments.

5. Representations and Warranties of Petro

Petro hereby represents and warrants that:

- (a) it is duly incorporated under the *Business Corporations Act (Alberta)*, is a listed issuer on the Canadian Stock Exchange (the “Exchange”) and reporting issuer in the Provinces of Alberta, British Columbia, Ontario and Quebec, and is engaged in petroleum and natural gas exploration and development activities in western Canada;
- (b) it is authorized to issue an unlimited number of common shares without par value and has currently 36,600,185 common shares issued and outstanding in its share capital;
- (c) it has all requisite corporate power and capacity under the laws of its incorporation and authority to issue the Common Shares and the Convertible Shares to Avila and, once issued, the Common Shares and the Convertible Shares will be validly issued as fully paid and non-assessable;
- (d) there are no outstanding actions, suits, judgments, investigations or proceedings of any kind whatsoever against or affecting Petro at law or in equity or before or by any federal, provincial, state, municipal or other governmental department, commission, board, bureau or agency of any kind whatsoever nor are there, to the best of its knowledge, any pending or threatened;
- (e) this LOA is a binding agreement on Petro, enforceable against it in accordance with its terms and conditions;
- (f) it has good and sufficient right and authority to enter into this LOA and carry out its intentions hereunder; and
- (g) it has paid all outstanding taxes, when applicable, which are due and payable by it.

6. Representations and Warranties of Avila

Avila hereby represents and warrants that:

- (a) it is duly incorporated under the laws of Canada, is not and has never been a “reporting issuer” in any jurisdiction of Canada, and is not subject to any regulatory decision or order prohibiting or restricting trading in any of its securities;
- (b) there are no outstanding actions, suits, judgments, investigations or proceedings of any kind whatsoever against or affecting Avila, the Property or other of its assets at law or in equity or before or by any federal, provincial, state, municipal or other governmental department, commission, board, bureau or agency of any kind whatsoever nor are there, to the best of its knowledge, any pending or threatened;
- (c) this LOA is a binding agreement on Avila, enforceable against it in accordance with its terms and conditions;
- (d) it has good and sufficient right and authority to enter into this LOA and carry out its intentions hereunder;
- (e) it has paid all outstanding taxes and fees relating to the Property other than those that are current in the ordinary course of business, which are due and payable by it and warrants that the Property is in good standing in all respects;

- (f) it has good and marketable title to the Property, and the non-participating interest to be granted to Petro pursuant to the Transaction will be free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind (including zoning or use restrictions) that would prohibit or prevent the continued effective ownership, leasing, licensing or use of the Property in the business of Avila, other than those typically accepted within the ordinary course of business.

7. Covenants of Petro

Petro covenants and agrees that it shall use all reasonable commercial efforts to:

- (a) obtain all required regulatory approvals (including Exchange approvals), as necessary, for the Definitive Agreement (the “Approvals”) and in connection therewith, prepare all required legal documentation, providing comprehensive disclosure respecting Petro and Avila;
- (b) if applicable, seek Approvals as deemed necessary for the completion of the Definitive Agreement and the formal change of its name to Avila Energy and the appointment of Leonard B. Van Betuw as a Director, and as the President and CEO of the Company, prior to the completion of the Transaction;
- (c) assist Avila with obtaining all necessary Approvals by providing Avila with the information with respect to Petro that Avila requires to obtain the Approvals; and
- (c) comply with the terms hereof and expeditiously seek to satisfy the conditions precedent set out below and to close the Definitive Agreement and underlying transactions by the Closing Date, or any other date the parties may agreed upon in writing.

8. Covenants of Avila

Avila covenants and agrees that it shall use all reasonable commercial efforts to:

- (a) obtain all required regulatory approvals, if necessary, for the Definitive Agreement and underlying transactions;
- (b) assist Petro with obtaining all shareholder and regulatory approvals, if necessary, by providing Petro with:
 - (i) the information with respect to Avila, including financial statements, business plans, financial forecasts;
 - (ii) access to all its intellectual property allowing Petro to proceed to a proper due diligence of the Property; and
 - (iii) material contracts;
- (c) from the date hereof until the Closing Date, it shall:
 - (i) carry on its business in the ordinary course and as otherwise contemplated by this LOA and shall not enter into any material transaction without the prior written consent of Petro, such consent not to be unreasonably withheld;
 - (ii) maintain the Property in good standing; and
 - (iii) comply with the terms hereof and expeditiously seek to satisfy the conditions precedent

set out below and to close the Definitive Agreement and underlying transactions by the Closing Date, or any other date the parties may agree upon in writing.

9. Conditions Precedent in Favour of Petro

Petro's obligation to close the Definitive Agreement and underlying transactions is subject to satisfaction or waiver by Petro of the following conditions precedent:

- (a) the representations and warranties of Avila in the Definitive Agreement (to be determined) shall be true as of the Closing Date;
- (b) Avila having satisfied its covenants under section 8 of this LOA;
- (c) the results of Petro's due diligence investigations being satisfactory to Petro, acting reasonably.

10. Conditions Precedent in Favour of Avila

Avila's obligations under this LOA are subject to satisfaction or waiver by Avila of the following conditions precedent:

- (a) the representations and warranties of Petro in the Definitive Agreement (to be determined) shall be true as of the Closing Date; and
- (b) Petro having satisfied its covenants under section 7 of this LOA.

11. Mutual Conditions Precedent

The Closing will also be subject to, among other things, satisfaction or waiver by both parties of certain standard mutual conditions precedent at or prior to the Closing Date, including:

- (a) all documents necessary or, in the view of counsel to Avila, appropriate, to complete the Definitive Agreement and underlying transactions shall have been signed and delivered into escrow at the Closing for subsequent release and delivery to the appropriate parties;
- (b) Avila and Petro shall have obtained all required regulatory approvals for the Definitive Agreement and underlying transactions, if necessary.

12. Closing

The completion of the transactions contemplated herein (the "**Closing**") will be at the offices of Dunton Rainville LLP, in Montreal, Quebec, at 10:00a.m. (Montreal time) on the Closing Date after satisfaction or waiver of the last of the conditions precedent listed above, or such other place or date as may be mutually agreed by the parties.

13. Termination

Each party shall, in its sole discretion, have the right to terminate this LOA as follows:

- (a) if it is not satisfied with the results of its due diligence of the other party or as to the legal or tax consequences of concluding the Transaction contemplated herein, provided notice of such termination is given to the other party prior to the expiry of the Due Diligence Period;
- (b) in the event the other party's conditions precedent or the mutual conditions precedent set out

above are not satisfied or waived by the Closing Date.

The termination of this LOA shall be effective upon the delivery of notice under this section. Upon termination, each party shall forthwith return or destroy all documents and records received from the other party. The provisions of sections 15, 16 and 18 shall survive such termination.

14. Public disclosure

In the event that either party wishes to make a news release or public statement with respect to the terms of this LOA, it shall first provide the other party with a draft copy of such release or statement for review and comment. If the other party fails to comment within one (1) business day of receipt, it shall be deemed to have consented to the making such release or statement. Notwithstanding the foregoing, Petro may issue such a news release or public statement if and when required to do so by applicable securities laws or the rules of a recognized Canadian stock exchange, provided that in all cases Petro will provide Avila with an opportunity to review and comment on any such release or statement prior to its issuance.

15. Expenses

Each party shall pay their own costs, fees and expenses incurred in connection with the transactions contemplated herein.

16. Good faith

Avila and Petro agree to perform or cause to be performed all such acts and deeds as may be required to give full force and effect to the terms and provisions set out herein and to cooperate with each other and each other's counsel and other professional advisors in the preparation, execution and delivery of any and all documents or instruments necessary to give full force and effect to the terms and provisions set out herein and in the Definitive Agreement and any other documents required to give effect hereto.

17. Notices

Each notice, demand or other communication required or permitted to be given under this LOA shall be in writing and delivered by registered mail, fax transmission, portable document format (PDF), courier or by hand to:

If to **PETRO VIKING ENERGY INC.**

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

Attention: Gregory Doucette, President & CEO
Email: [\[•\]](#)

with a copy to:

Dunton Rainville LLP
800 Square Victoria Street, 43rd Floor,
Montreal, QC H4Z 1A1

Attention: Me Michel Lebeuf Jr.
Email: mlebeuf@duntonrainville.com

If to **611890 ALBERTA INC. (DBA AVILA ENERGY)**

201 – 1439 17th Avenue SE.
Calgary, Alberta
T2G 1J9

Attention: Mr. Leonard B. Van Betuw, President & CEO
Email: leonard.v@avilaexpl.com

Any such notice, direction or other instrument, if delivered personally, shall be deemed to have been given and received on the day on which it was delivered, provided that if such day is not a business day then the notice, direction or other instrument shall be deemed to have been given and received on the first business day next following such day and if transmitted by portable document format (PDF), shall be deemed to have been given and received on the day of its transmission, provided that if such day is not a business day or if it is transmitted or received after the end of normal business hours then the notice, direction or other instrument shall be deemed to have been given and received on the first business day next following the day of such transmission.

Either party may at any time and from time to time notify the other party in writing of a change of address and the new address to which notice shall be given to it thereafter until further change.

18. Governing law

This LOA shall be governed by and construed in accordance with the laws of the Province of Alberta (?), Ontario (?) and the federal laws of Canada applicable thereto.

19. Counterparts

This LOA may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same LOA. Counterparts may be delivered either in original or by facsimile or portable document format (PDF) form and the parties adopt any signature received by a receiving facsimile machine as original signatures of the parties.

20. Time

Time is of the essence of this LOA.

*_*_*

If the above correctly sets forth our agreement on these matters, kindly so indicate by executing the enclosed copy of this letter in the space provided below and returning it to the undersigned. Upon execution and return of this letter to Petro, the parties intend that a binding agreement will be formed.


Yours truly,

PETRO VIKING ENERGY INC.

Per: _____
Gregory Doucette, President & CEO

AGREED AND ACCEPTED this ____ day of June 2021.

611890 ALBERTA INC. (DBA AVILA ENERGY)

Per: 
Mr. Leonard B. Van Betuw,
President & CEO