



**AVILA ENERGY CORPORATION**

*(formerly Petro Viking Energy Inc.)*

(the “Company”)

**FORM 2A**  
**LISTING STATEMENT**

**June 20, 2022**

## **IMPORTANT INFORMATION ABOUT THIS LISTING STATEMENT**

No person has been authorized to provide any information or to make any representation not contained in this Listing Statement, and, if provided or made, such information or representation should not be relied upon. You should assume that the information contained in this Listing Statement is accurate only as of the date of this Listing Statement. No securities are being offered pursuant to this Listing Statement.

Capitalized terms, except as otherwise defined herein, are defined in the section entitled “Glossary of Terms”. Except as otherwise indicated or the context otherwise requires in this Listing Statement, references to “the Issuer”, “the Company”, “we”, “us” and “our” refer to the Company.

## **NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Listing Statement includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results, and therefore are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “seeks”, “projects”, “intends”, “plans”, “may”, “will” or “should”, or their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Listing Statement and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. These statements reflect management’s current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions because they relate to events and depend on circumstances that may or may not occur in the future. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the “Risk Factors” section of this Listing Statement. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this Listing Statement.

These factors should be considered carefully, and prospective investors should not place undue reliance on the forward-looking statements. Although we base our forward-looking statements on assumptions that we believe were reasonable when made, which include, but are not limited to, assumptions with respect to the Company’s future growth potential, results of operations, future prospects and opportunities, execution of the Company’s business strategy, access to adequate services and supplies, access to capital and debt markets and associated costs of funds, availability of a qualified workforce, there being no material variations in the current tax and regulatory environments, future levels of indebtedness and current economic conditions remaining unchanged, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from the forward-looking statements contained in this Listing Statement. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Listing Statement, those results or developments may not be indicative of results or developments in subsequent periods. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in this Listing Statement. Investors are cautioned against placing undue reliance on forward-looking statements.

Factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, include, but are not limited to, risks and uncertainties related to:

- The risks of the oil and gas industry such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand;

- Supply and demand for oil and natural gas and fluctuations in oil and natural gas prices, foreign currency exchange rates and interest rates;
- The availability of financing opportunities, risks related to the completion of financings, the use of proceeds, anticipated cash needs, the need for additional financing and lack of operating cash flow;
- Risks associated with economic conditions, expectations regarding revenue, expenses and operations based on projections of market prices and costs;
- Ability to attract and retain personnel, dependence on management and conflict of interests with directors and other management;
- The speculative and competitive nature of the oil and gas industry and the Company's ability to compete with more established oil and gas companies;
- Uncertainty of reserves estimates and reserves life and the risks and uncertainties involving geology of oil and natural gas deposits and projections relating to production, costs and expenses;
- Liabilities inherent in oil and natural gas operations including health, safety and environmental risks in addition to lawsuits and other legal proceedings and challenges;
- The Company's ability to enter into or renew leases, the identification, acquisition and integration of other oil and gas properties or companies;
- The impact of a widespread outbreak of a contagious disease, including COVID-19 or other cases of Force Majeure which out of the Company's control;
- General economic and market factors, including commodity rates, interest rates, business competition and changes in government regulations or in tax laws;
- Regulatory developments and the regulatory environments in which the Company operates and its ability to receive regulatory approvals required to achieve the Company's business objectives;
- Other risks described in this Listing Statement and described from time to time in the Company's documents filed with Canadian securities regulatory authorities.

These factors should not be considered exhaustive. The Company undertakes no obligation to publicly update or revise any forward-looking statements, except as required by applicable law.

Any forward-looking statements which we make in this Listing Statement speak only as of the date of such statement, and we do not undertake, except as required by applicable law, any obligation to update such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data. New factors emerge from time to time and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Please also refer to "Risk Factors" and "Management's Discussion and Analysis" in this Listing Statement. All of the forward-looking statements made in this Listing Statement are qualified by these cautionary statements.

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## 1. GLOSSARY OF TERMS

In this Listing Statement, the following terms have the meanings set forth below, unless otherwise indicated. Words importing the singular include the plural and vice versa and words importing any gender include all genders.

“\$” means Canadian dollars, unless otherwise noted.

“**611**” means 611890 Alberta Inc. (dba Avila Energy), a company incorporated on May 19, 1994 under the *Business Corporations Act* (Alberta).

“**611 Financial Statements**” means the audited carve-out financial statements of 611 for the years ended March 31, 2021, March 31, 2020 and March 31, 2019 and the unaudited interim financial statements for the three and nine months period ended December 31, 2022, attached to this Listing Statement as Schedule “C”.

“**Applicable Securities Laws**” means all applicable securities laws, policies, rules, and instruments of the provinces and territories of Canada and adopted by the securities regulators or regulatory authority of such jurisdictions, as such may be amended from time to time.

“**ASC**” means the Alberta Securities Commission.

“**Asset Purchase**” means the transaction between the Company and Avila for the acquisition of a non-operating interest of fifty percent (50%) into a producing oil & gas property in the province of Alberta.

“**Asset Purchase Agreement**” means the Asset Purchase Agreement dated September 30, 2019 entered into between the Company and Avila for the Asset Purchase.

“**Audit Committee**” means the Audit Committee of the Company.

“**Avila**” means Avila Exploration and Development (Canada) Ltd., a company incorporated on March 30, 2009 under the *Business Corporations Act* (Alberta), which company will remain the same after giving effect to the Asset Purchase Agreement.

“**Avila Convertible Debenture**” means the secured convertible debenture in the aggregate principal amount of \$500,000 bearing an interest rate of 5% per annum due on July 31, 2022 issued by the Company to Avila as consideration for the Asset Purchase.

“**BCAA**” means the *Business Corporations Act* (Alberta).

“**BCSC**” means the British Columbia Securities Commission.

“**Board**” means the board of directors of the Company.

“**CDE**” means Canadian Development Expense as such term is defined in the Tax Act.

“**CEE**” means Canadian Exploration Expense as such term is defined in the Tax Act.

“**CEO**” means chief executive officer.

“**CFO**” means chief financial officer.

“**CTO**” means, collectively, the cease trade orders issued by the Alberta Securities Commission and the British Columbia Securities Commission to the Company, respectively on May 6 and May 8, 2015 which were revoked on January 30, 2019.

“**Convertible Share**” means the preferred shares to be issued to 611 convertible into Common Shares in the capital of the Company at a price of \$0.80 per share.

“**CRCE**” means Canadian Renewable and Conservation Expense as such term is defined in the Tax Act;

“**Common Shares**” or “**Shares**” means the common shares, without nominal or par value, in the authorized capital of the Company.

“**Company**” or “**PVE**” means Avila Energy Corporation formerly known as Petro Viking Energy Inc., a company incorporated under the Business Corporations Act (Alberta) on January 13, 2010.

“**Company’s Financial Statements**” means the audited financial statements of the Company for the years ended December 31, 2019, December 31, 2020 and December 31, 2021, and unaudited 3 months interim financial statements for period ended March 31, 2022 attached to this Listing Statement as Schedule “A”.

“**Consolidation**” means the consolidation of the Shares on the basis of one (1) post-consolidation Share of the Company for each two (2) pre-consolidation Shares of the Company on August 25<sup>th</sup>, 2020.

“**Escrow Agreement**” means the escrow agreement dated February 24, 2021 between the Company and Computershare Trust Company of Canada.

“**Exchange**” or “**CSE**” means the Canadian Securities Exchange.

“**Ferrybank Property**” means a producing oil & gas property located in the Ferrybank area, 30 kilometers North West of Ponoka, in the province of Alberta.

“**Finder’s Fee**” means the finder’s fee payable to 2354485 Alberta Ltd. The parties acknowledge and agree that, subject to approval of the CSE, 2354485 Alberta Ltd shall be entitled to an aggregate finder’s fee of 4,222,222 common shares representing five percent (5%) of the value of the asset acquisition between the Company and 611. These shares will be issued after the closing of the Asset Purchase Agreement.

“**FT Share**” means a “Flow Through Share” as defined in subsection 66(15) of the Tax Act.

“**Joint Venture**” means the joint-venture with Avila Exploration & Development Canada LTD. pursuant to a joint operating agreement dated December 9, 2019 with an effective date as of January 1<sup>st</sup>, 2020.

“**Joint Venture Partner**” means Avila Exploration and Development (Canada) Ltd.

“**MD&A**” means management’s discussion and analysis.

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, of the Canadian Securities Administrators.

“**NEO**” or “**Named Executive Officer**” means each of the following individuals:

(a) the Company’s CEO;

(b) the Company’s CFO;

(c) each of the three most highly compensated executive officers of the Company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6 *Statement of Executive Compensation*, for that financial year; and

(d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither



an executive officer of the Company or its subsidiaries, nor acting in a similar capacity, at that financial year.

“**NEX**” means the NEX board, a separate board of the TSX Venture Exchange.

“**NI 41-101**” means National Instrument 41-101 – *General Prospectus Requirements*, of the Canadian Securities Administrators.

“**NI 45-106**” means National Instrument 45-106 – *Prospectus Exemptions*, of the Canadian Securities Administrators.

“**NI 51-101**” means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*, of the Canadian Securities Administrators.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*, of the Canadian Securities Administrators.

“**Oil and Gas Properties**” mean any oil and gas lease or claim located in North America, including a working interest, a mineral interest, a royalty interest or an overriding royalty interest in any such oil and gas lease or claim.

“**Offering Memorandum**” means the Offering Memorandum dated August 13, 2020, as amended, pursuant to section 2.9 of NI 45-106.

“**OM Offering**” mean the brokered private placement, on a best effort basis, by way of an Offering Memorandum to raise a minimum of \$1,000,000 and a maximum of \$2,250,000 by an offering of Units, Subscription Receipts – A and Subscription Receipts – B.

“**Principals**” means:

- (a) a person of the Company who acted as a promoter of the Company within two years before the date of this Listing Statement;
- (b) a director or senior officer of the Company or any of its material operating subsidiaries at the time of this Listing Statement;
- (c) a person or company that holds securities carrying more than 20% of the voting rights attached to the Company's outstanding securities immediately before and immediately after the Listing; or
- (d) a person or company that: (i) holds securities carrying more than 10% of the voting rights attached to the Company's outstanding securities immediately before and immediately after the Listing; and (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the Company or any of its material operating subsidiaries.

“**Principal Regulator**” means the Alberta Securities Commission.

“**Private Placement**” means the non-brokered private placement financing by the issuance of 10,200,000 units of the Company's share capital at a price of \$0.25 per unit for gross proceeds of \$2,550,000.

“**Pro forma financial statements**” means the unaudited pro forma financial statements for the Company, to give effect to the Asset Purchase as if they had taken place as of March 31, 2022.

“**Proposed Acquisition**” means the asset acquisition between the Company and 611 whereby the Company will acquire one hundred percent (100%) of 611's interests in 53,835 acres (43,935 acres net) of mineral rights, associated wells, pipelines and facilities in the province of Alberta, Canada.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval ([www.sedar.com](http://www.sedar.com)).

“**Shareholders**” means the holders of Shares in the capital of the Company.

“**Statement of Reserves**” means the NI 51-101 compliant Report on Reserve Estimation and Economic

Evaluation of certain oil and gas assets of Avila Energy Corporation, effective December 31, 2021 prepared by Deloitte LLP.

“**Stock Option Plan**” means the Company’s stock option plan providing for the granting of stock options to the Company’s directors, officers, employees, consultants, and advisors.

“**Subscription Receipts - A**” means the subscription receipts convertible into Units at a price of \$0.15 per Unit.

“**Subscription Receipts - B**” means the subscription receipts convertible into FT Shares at a price of \$0.20 per FT Share.

“**Tax Act**” means the *Income Tax Act* (Canada), as amended time from time to time, and includes the regulations thereunder.

“**Transfer Agent**” means the Company’s transfer agent and registrar Computershare Trust Company of Canada at its office at 800 – 324, 8<sup>th</sup> Avenue, Calgary, Alberta, T2P 2Z2.

“**TSX-V**” means the TSX Venture Exchange.

“**Units**” means the Units at a price of \$0.15 per Unit where each Unit consists of one of (1) Share in the capital of the Company and one-half (½) of one common share purchase warrant, each full warrant entitling the holder thereof to purchase one (1) additional Share at a price of \$0.20 per Share for a period of twenty-four (24) months from the date of issuance.

## **2. CORPORATE STRUCTURE**

### **2.1 Corporate Name and Address**

The full corporate name of the Company is Avila Energy Corporation (the “**Company**” or “**AEC**”) and has a registered and head office located at 5940 Macleod Trail, Suite 500, Calgary, Alberta, T2H 2G4.

This Listing Statement is filed in connection with the Company’s fundamental change of business on the CSE.

The full corporate name of 611 is 611890 Alberta Inc. (dba Avila Energy) and has a registered office at 20 Silverstone Place NW, Calgary, AB T3B 4Y9 and a head office located at 201 – 1439 7<sup>th</sup> Avenue SE, Calgary, Alberta, T2G 1J9.

### **2.2 Jurisdiction of Incorporation**

The Company was incorporated on January 13, 2010 pursuant to the provisions of the *Business Corporations Act* (Alberta) under the name New West Energy Inc. The articles were amended on January 25, 2010 to give effect to a name change of the Company to Petro Viking Energy Inc. and further amended on April 7, 2010 to remove the restrictions against share transfers and other restrictions applicable to private issuers.

611 was incorporated on May 19, 1994 pursuant to the provisions of the *Business Corporations Act* (Alberta).

### **2.3 Intercorporate Relationship**

As of the date hereof, the Company does not have any subsidiaries.

### **2.4 Fundamental Change**

As part of its fundamental change, the Company proposes to acquire a 100% interest of 611’s interests in 53,835 acres, 43,935 acres (net), of mineral rights, associated wells, pipelines and facilities. See Item 3.1 “General Development of the Business – Business of the Company – Asset Purchase Agreement with 611” for greater detail.

## 2.5 Non-Corporate Issuers and Issuers incorporated outside of Canada

This section is not applicable to the Company.

### 3. GENERAL DEVELOPMENT OF THE BUSINESS

#### 3.1 Business of the Company

The Company in 2022 is an emerging Company that commenced generating revenue in April of 2021, and continues to focus on becoming an integrated energy producer. In 2018, the Company focused on the recapitalization and the revocation of its CTO in advance of its shareholders making further investments in the Company. This activity was done in parallel with a series of acquisitions in 2019 and 2021 that formed the foundation that will result in sustainable revenues for the Company and a source of free cash-flow to reinvest in the ongoing development of the business.

The binding acquisition of assets from 611890 Alberta Inc. through the issuance of equity as announced on June 14 2021 was agreed upon as part of the Company's decision to economically accelerating the timeline to reach its initial milestone of being the 100% Owner and Operator of 1,000 boe/d (net) of production including the associated processing facilities and pipelines. This acquisition also positions the Company with a material amount of mineral rights and identified resource to have the ability to continue to work towards its next milestones of 2,000 and 3,000 boe/d. At which time the Company is planning to continue to organically grow while it implements its plans of becoming an Integrated Carbon Neutral Energy Producer through the reinvestment of its internally generated free cash-flow.

At present, the Company owns a fifty percent (50%) non-operating interest in the Ferrybank Property, a producing oil & gas property located in the Ferrybank area, 30 kilometers North West of Ponoka, Alberta (the "**Ferrybank Property**") with a current NI 51-101 – Standards of Disclosure for Oil and Gas Activities compliant Statement of Reserves consisting of five (5) wells, the particulars of which are described in further details in Part 6 of Schedule H – NI 51-101F1 Statement of Reserve Data and Other, excerpts of which are also included hereunder. See below *Statement of Reserve Data and Other Oil and Gas Information – Producing and Non-Producing Wells*.

The Acquisition from 611890 Alberta Inc. continues to operate and expand on the operation of the acquisition on behalf of the Company until such time that the Information Circulation has been issued for the shareholders' approval as deemed necessary and all necessary documentation has been completed and filed under Policy MI 61-101.

#### ***Ferrybank Property***

The Company entered into a letter of intent with Avila on March 18, 2019, which was subsequently amended on September 30, 2019, with respect to a contemplated asset acquisition between the Company and Avila whereby the Company would acquire a non-operating interest of up to 50% in and to the assets comprising the Ferrybank Property, consisting of production, pipelines, facilities and approximately 1,280 acres (net) of Petroleum and Natural Gas mineral and exploitation rights, in consideration of an aggregate payment of five hundred thousand dollars (\$500,000) (the "**Ferrybank Purchase Price**").

On September 30, 2019, the Company entered into an arm's length Asset Purchase Agreement with Avila relating to the purchase of the non-operating interest of 50% in and to the assets comprising the Ferrybank Property as further described herein in consideration of the Ferrybank Purchase Price. The assets comprising the Ferrybank Property includes Avila's entire interest in and to all property, interests and rights pertaining to the Petroleum and Natural Gas Rights and the Tangibles (as defined in the Asset Purchase Agreement).

Pursuant to the terms of the Asset Purchase Agreement, the Ferrybank Purchase Price was paid by the Company by the issuance of the Avila Convertible Debenture on December 9, 2019, in the aggregate principal amount of \$500,000 bearing a compounded interest rate of 5% per annum due on July 31, 2022, at which time the principal amount and any accrued interest is payable subject to prior redemption or conversion. The Avila Convertible Debenture can be converted at the option of the holder into Common Shares, at a conversion price of the lower of \$0.50 or 80% of the major event price.

The Avila Convertible Debenture major event price is defined as the price per Common share that (i) a Common Share is being issued by the Company before the maturity date pursuant to an initial public offering of the Common Shares for listing on a recognized stock exchange; or (ii) a Common Share is being issued by the Company pursuant to a financing of no less than \$500,000 net of fees and commissions; or (iii) results from a purchase by a third party of substantially all the assets of the Company by dividing the said purchase price by the number of issued Common Shares on a fully diluted basis (the “**Major Event Price**”).

In addition, the Company will be responsible to pay any GST Taxes payable pursuant to the issuance of the Avila Convertible Debenture, for an amount of up to \$5,000. The parties have agreed to allocate the Purchase Price as follows: Petroleum and Natural Gas Rights (\$399,999); Tangibles (\$100,000); Miscellaneous Interests (\$1); and GST (\$5,000) for an aggregate consideration of \$505,000.

The acquisition of the Ferrybank Property became effective and closed on December 9, 2019, by the issuance of the Avila Convertible Debenture as announced in a press release on February 20, 2020. Following the execution of the Asset Purchase Agreement, the Company applied to have its shares listed on the CSE.

Based on the current and historic performance of this production and similar operations in the region, the Company engaged an independent engineer to complete an evaluation of the current assets and the associated prospective mineral rights, which was formalized in a NI 51-101 Report initially prepared by Pristine Energy Ltd. (“**Pristine**”) for the Company for the year ended December 31, 2019 and summarized and disclosed in the NI 51-101F1 and NI 51-101F2 filed on [www.sedar.com](http://www.sedar.com). Furthermore, the properties were then evaluated for the year ended December 31, 2021 by Deloitte LLP (“**Deloitte**”) and summarized and disclosed in the NI 51-101F1 and NI 51-101F2 filed on [www.sedar.com](http://www.sedar.com). See section 4.3.1 – *The Ferrybank Property Statement of reserves data and other oil and gas information* below.

#### ***Joint Operating Agreement***

Concurrently with the closing of the Asset Purchase Agreement on December 9, 2019, the Company and Avila entered into a joint operating agreement for the maintenance and operation of the Oil and Gas Properties co-owned by the Company and Avila, whereby Avila was appointed as the operator (the “**Joint Operating Agreement**”). The Joint Operating Agreement was signed on December 9, 2019, with an effective date as of January 1, 2020. Pursuant to the terms of the Joint Operating Agreement, Avila undertakes to operate, explore, develop and maintain the joint Oil and Gas Properties in accordance with the 1990 CAPL operating procedure.

Pursuant to the terms of the Joint Operating Agreement, the parties shall bear all costs and expenses paid or incurred for the ownership, maintenance and operation of the lands described therein, in accordance with a participating interests of 50% for Avila and 50% for the Company.

#### ***Proposed Acquisition with 611***

On June 14, 2021, the Company signed a letter of intent (“**LOI**”) to purchase the assets of 100% of 611’s interests in 53,835 acres, 43,935 acres (net) of mineral rights, associated wells, pipelines and facilities for the purchase price of \$50,664,000 (the “**Purchase Price**”). Under the LOI, the Purchase Price is being satisfied by way of the issuance of 44,440,000 Class A Common Shares at \$0.60 per Share and 30,000,000 Convertible Shares at a price of \$0.80 per Share. The Convertible Shares will have a term of five (5) years and earn accruing annual dividend at a rate of two percent (2%), payable upon conversion. The conversion of Convertible Shares at the election of the holder can only occur after one of three milestones has been achieved: (a) the Company exceeds the production rate of 3,000 boe/d; (b) the Common Shares trade at a volume weighted average price (VWAP) of more than \$1.00 per share for twenty (20) consecutive business days; or (c) the second-year anniversary since the issuance of the Common Shares has occurred. At maturity upon the fifth anniversary of their issuance, the Convertible Shares shall automatically be redeemed on a 1:1 basis along with any accrued dividends by the issuance of Common Shares.

It continues to be the Company’s goal upon completing the drilling of the drilling of 18 (net) wells to expand its operations further in 2022 and 2023 in the area to reach a production rate of 3,000 boe/d in the region.

Closing is anticipated to occur shortly after the Company has received the final approval of its shareholders anticipated on or before August 31, 2022, a remaining condition of closing of the proposed Acquisition in

accordance to MI 61-101 and subject to the execution of all related applications and approvals necessary as would be customary within the industry in parallel to submission of all necessary applications and approvals including shareholders and the CSE.

Following the closing of the asset acquisition, the finder's fees will be paid by Common Shares.

The Proposed Acquisition constituted a related party transaction as Leonard Van Betuw concurrently acts as president and CEO of the Company and 611. As the Proposed Transaction meets Part 5 of MI 61-101, the Company has retained the services of a CBV Valuator, Scott Lawristen of Hemens Lawritsen Valuation Group Ltd. to proceed with a formal valuation of the Proposed Transaction.

On October 1, 2021, the Company entered into an Asset purchase Agreement with 611 whereby the Company will be issuing 44,440,000 Voting Class A Common Shares for the Proposed Acquisition, the largest shareholder shall be Leonard Van Betuw at 17.83% with the remaining 82.17% of the Voting Class A common shares being broadly held of the total shares Voting Class A common shares outstanding of 80,091,341. The common shareholder of 611, Leonard Van Betuw, will hold 17.83% of the voting rights of the new combined entity, Avila Energy Corporation, for a total of 14,280,000 Common Shares. The other 611 preferred shareholders will also exchange their 611 preferred shares for the Company's common shares and hold a 40% ownership and voting rights for a total of 32,260,000 Common Shares. Therefore, the existing preferred shareholders of 611 shall exchange their preferred shares into 32,260,000 Common Shares of the Company, giving up their ownership of 611 and receiving ownership of the new combined entity, Avila Energy Corporation. There will no longer be any preferred shareholders of 611, other than Leonard Van Betuw.

The completion of the Proposed Acquisition would constitute a Fundamental Change, as such term is defined in Policy 8 of the CSE Policies. The Company will seek to obtain shareholder approval of the Fundamental Change by way of Special Meeting of shareholders of the Company.

Audited financial statements and management's discussion and analysis of 611 are attached to this Listing Statement as Schedule "C" and "D".

For more information on the business of 611, see section 4 "*Narrative Description of the Business*".

### ***Corporate Changes and Financings***

On December 15, 2017, the Company restructured its liabilities where existing secured debentures were consolidated into one secured debenture with an aggregate outstanding amount of \$895,080 as at December 31, 2017 expiring on July 31, 2019 and bearing interest of 10% per annum. In addition, unsecured liabilities owed to related parties in the amount of \$50,629 were converted to unsecured promissory notes expiring on July 31, 2019 bearing interest at 10% per annum.

On January 31, 2019 the Company issued 6,000,000 pre-consolidation Shares (600,000 post-consolidation Shares) at \$0.05 per share related to settlement of outstanding debt in the aggregate amount of \$300,000.

On February 1, 2019, the Company issued an unsecured convertible debenture in the aggregate principal amount of \$30,000 bearing a simple interest rate of 15% per annum with principal and interest payable on maturity being two years from the date of issuance. The debentures are convertible into units at a conversion price of \$0.05 per unit at any time during the term of the debentures. Each unit is comprised of one Common Share and one common share purchase warrant exercisable at a price of \$0.05 per warrant for a period of 60 months.

On April 25, 2019, the Company consolidated its issued and outstanding Common Shares on a ten pre-consolidation Shares for one post-consolidated Shares (10:1) basis following shareholders' approval obtained at the Annual General Meeting held on April 8, 2019.

In June 2019, the Company issued 9,573,661 Shares at \$0.05 per Share for partial settlement of debenture and full conversion of promissory notes.

In August 2019, the Company issued 250,000 Shares at \$0.05 per Share for partial settlement of debenture.

In September 2019, the Company issued 1,500,000 Shares at \$0.10 per Share for partial settlement of

debenture. In addition, the Company issued 1,980,472 Shares at \$0.10 per Share for full settlement of debenture. The Company also issued 525,000 Shares at \$0.15 per Share for the settlement of accrued management fees.

In November 2019, the Company issued 150,000 Shares at \$0.15 per Share for the settlement of accrued management fees. In addition, the Company issued 150,000 Shares at \$0.10 per Share for consulting services. In November 2019, 500,000 Shares were cancelled at \$0.05 per Share and were reissued at the same price in December 2019.

On December 9, 2019, the Company issued the Avila Convertible Debenture pursuant to the terms and conditions of the Asset Purchase Agreement. See section 3.1 – *Business of the Company* above for details regarding this convertible debenture.

On January 3, 2020 the Company issued 166,667 units of the Company at \$0.15 per unit for net proceeds of \$25,000. Each unit consists of one Common Share and one-half common share purchase warrant entitling the holder to purchase Common Shares at a price of \$0.20 per Share for a period of 18 months after issuance.

On July 23, 2020, the Company completed a non-brokered private placement for 400 units for gross proceeds of \$400,000. Each unit consisted of a \$1,000 unsecured convertible debenture and one common share purchase warrant, with each such warrant exercisable by the holder to acquire 10,000 Common Shares a price of \$0.125 per share for a period of 36 months.

On August 4, 2020, the Company held its Annual General and Special Meeting where the shareholders approved the Consolidation of the Company's issued and outstanding shares and the Asset Purchase Acquisition between Petro Viking and Avila Exploration & Development Canada Ltd.

On August 25, 2020, the Company consolidated its issued and outstanding Common Shares on a two pre-consolidation Shares for one post-consolidation Shares (2:1) basis. Following the consolidation, the total issued and outstanding Common Shares was approximately 8,960,958 as at August 25, 2020.

On August 13, 2020, the Company initiated a brokered private placement by way of an Offering Memorandum for aggregate gross proceeds between \$1,000,000 and \$2,250,000 by the issuance of a combination of Units, Subscription Receipts – A and Subscription Receipts – B.

Each Unit consists of one of (1) Common Share at a price of \$0.15 per share and one-half (½) of one common share purchase warrant, each full warrant entitling the holder thereof to purchase one (1) additional Common Share at a price of \$0.20 per share for a period of twenty-four (24) months from the date of issuance. Subscription Receipts – were offered at a price of \$0.15 each and convertible into Units and Subscription Receipts – B are offered at a price of \$0.20 each and convertible into Flow Through Shares.

On August 17, 2020, the Company announced that it has appointed Leede Jones Gable (the “Agent”) to act as lead agent to raise, by way of a private placement on a best efforts basis, gross proceeds of up to \$2,250,000 under the OM Offering.

On November 5, 2020, the Company closed the OM Offering and issued 1,916,666 Units, 3,833,333 Subscription Receipts – A and 1,802,500 Subscription Receipts - B for aggregate gross proceeds of \$1,223,000, including \$287,500 of readily available funds and \$935,500 to be held in escrow pursuant to a subscription receipt agreement.

On November 11, 2020, the Company initiated a non-brokered private placement, to raise gross proceeds of up to \$1,223,375 by an offering of 2,822,500 Common Shares at a price of \$0.15 per Common Share and 4,000,000 Flow-Through Shares at a price of \$0.20 per Flow-Through Share.

On December 15, 2020, the Company issued 350,000 Common Shares at a price of \$0.15 per Common Share for gross proceeds of \$52,500 and 125,000 Flow-Through Shares at a price of \$0.20 per Flow-Through Share for gross proceeds of \$25,000 pursuant to the non-brokered private placement offering initiated on November 11, 2020.

On December 21, 2020, the Company issued 333,334 Common Shares at a price of \$0.15 per Common Share, for gross proceeds of \$50,000.

On December 23, 2020, the Company issued 333,333 Common Shares at a price of \$0.15 per Common Share for gross proceeds of \$50,000 and 175,000 FT Shares at a price of \$0.20 per FT Share for gross proceeds of \$35,000 pursuant to the non-brokered private placement offering initiated on November 11, 2020.

On January 18, 2021, the Company issued 1,867,000 Common Shares at a price of \$0.15 per Common Share for gross proceeds of \$280,050 and 500,000 FT Shares at a price of \$0.20 per FT Share for gross proceeds of

\$100,000 pursuant to the non-brokered private placement offering initiated on November 11, 2020.

On February 2, 2021, the Company issued 670,000 Common Shares at a price of \$0.30 per Common Share for gross proceeds of \$201,000 and 412,500 common share purchase warrant, each full warrant entitling the holder thereof to purchase one additional Common Share at a price of \$0.40 per Share prior to June 1, 2023 in connection with a consulting agreement with Intuitive Pty Ltd. (“**Intuitive**”) dated June 1, 2020.

On February 10, 2021, the Company issued 660,001 Common Shares at a price of \$0.15 per Common Share for gross proceeds of \$99,000 pursuant to the non-brokered private placement offering initiated on November 11, 2020.

On March 9, 2021, the Company exchanged the subscription receipts in the amount of \$935,500 from the November 5, 2020 Offering Memorandum as the conditions for the shares being released was met by the completed listing of the Company on the CSE on March 5, 2021. As a result of this exchange, the Company issued 3,833,333 Common Shares at a price of \$0.15 in the Company and 1,802,500 FT Shares at a price of \$0.20 per Share.

On March 31, 2021 the Company issued 988,406 Common Shares for debt. Of these Shares, 100,000 Shares were issued at \$0.10, 793,062 Shares were issued at \$0.05 per Share and 95,344 Shares were issued at \$0.025 per Share. Each of the Shares were priced in accordance to the conversion price as determined in each debt instrument.

On May 21, 2021, the Company issued 1,753,333 Common Shares at \$0.25 for cash for gross proceeds of \$438,333.

On June 14, 2021, the Company issued 73,698 Common Shares at \$0.18 per Share for conversion of outstanding debenture interest. The debenture agreement provides for the holder of each debenture to convert outstanding interest at a price equivalent to the ten-day Weighted Volume Average Price at the date of conversion.

On June 17, 2021, the Company issued 24,000 Common Shares at \$0.15 for the conversion of broker warrants.

On June 23, 2021, the Company issued 103,000 Common Shares at \$0.15 for the conversion of broker warrants.

On June 28, 2021, the Company issued 51,050 Common Shares at \$0.15 for the conversion of broker warrants.

On July 7, 2021, the Company issued 150,000 Common Shares at \$0.25 for the exercise of warrants.

On July 15, 2021, the Company issued 45,150 Common Shares at \$0.15 for the exercise of broker warrants.

On August 19, 2021, the Company issued 100,000 Common Shares at a price of \$0.15 for the exercise of broker warrants.

On September 21, 2021, the Company closed the Private Placement and issued 10,200,000 common units from its share capital at \$0.25 per unit for gross proceeds of \$2,550,000. Each common unit being comprised of one (1) Common Share and one-half (1/2) common share purchase warrant, each full warrant entitling the holder thereof to purchase one (1) additional Common Share at a price of \$0.35 for a period of twenty-four (24) months from the date of issuance in four tranches.

On October 1, 2021, the Company issued 500,000 common shares for debt issued at \$0.10 per share in accordance with the conversion price as determined in each debt instrument.

On November 12, 2021, the Company issued 260,480 common shares for debt issued at \$0.10 per share in accordance with the conversion price as determined in each debt instrument.

On April 8, 2022 the Company filed a price reservation for the issuance of up to 5,000 Debenture Units of the Corporation (“**Unit**” or “**Units**”), being a total of \$5,000,000 in principal. Each Unit is comprised of an aggregate \$1,000 principal amount of a 4% convertible unsecured subordinated debenture (“**Debenture**”) due on April 1, 2025 (the “**Maturity Date**”). Further, conditional to full conversion ( 1 Unit converts into 2,000 Class A Common Shares) of the entire principal of the Units held by the holder (the “**Holder**”), the subsequent issuance of Class A Common Share purchase warrants by the Issuer (the “**Conditional Warrants**”) to the Holder entitling the Holder to purchase one (1) Class A Common Share per each Class A Common Share received on the Conversion at a price of \$0.75 for a period of two (2) years following the conversion date of the Debenture (the “**Private Placement**”). This is a non-brokered private placement for 5,000 units for gross proceeds of \$5,000,000. An initial closing of the partially brokered Private Placement of in excess of \$2,512,000 was completed on May 11, 2022.

### 3.2 Trends, Commitments, Events or Uncertainties

The Company intends to continue to achieve both sustainable and future growth through the implementation of proven techniques within its operations. Upon completion of the Proposed Acquisition, the Company will be fully embracing the plan to continue as a current low-cost natural gas and liquids producer in the region. The Company will continue to focus on the rapid development of the lands in combination with the completion of the engineering and implementation of its business plan and long-term vision of being a leading operator as a fully integrated carbon neutral energy producer.

The Company and its exploration and development programs are at an early stage and the Company revenues to continue to grow at a conservative pace. To date, the Company continues to work towards its initial milestone of 1,000 boe/d. There can be no assurance that significant additional losses will not occur in the near future, or that the Company will be profitable in the future. In particular, the Company's operating expenses and capital expenditures are likely to increase significantly. There can be no assurance that the Company will reach its goal of becoming sustainably profitability. Currently the combined production as of March 31, 2022 for the Company including the proposed acquisition was averaging 450 boe/d (net). This production, additional well remediation underway by 611890 Alberta Inc. on behalf of the Company and additional well completions and pipeline tie-ins are the foundation for the Company to reach its initial milestone 1,000 boe/d, approximately 20% oil and 80% natural gas and liquids. Currently the Company is re-investing the majority of its operating income into its assets to grow and relies on the equity and debt financing to pursue business opportunities. Failure to obtain such financing could result in delay or the ability to complete proposed business opportunities. Whilst it has been successful at raising equity in the past, there can be no assurance that it will be able to do so in the future and its efforts to do so will be impacted from time to time by commodity prices and the state of the financial markets.

Except as disclosed in the Statement of Reserves, there can be no assurance that the activities of the Company will result in further discovery of petroleum or natural gas reserves or that any such discovery will be of sufficient size and grade to warrant production. Each of the wells and exploration permits which the Company holds or has a right to acquire an interest in is in the exploration stage only and without a known body of commercial reserves. After the identification of an economic resource, significant stages of evaluation, engineering and assessment are required before economic viability can be determined, and development is dependent upon success at every stage.

Petroleum and natural gas exploration and development activities involve risks which even a combination of experience, knowledge and prudence may not be able to overcome. The activities in which the Company is directly or indirectly involved will be subject to the hazards normally incidental to exploration activities which could result in injury and damage to life and property, possible adverse environmental impacts and possible legal liability for some or all of such injury, damage or impact. The Company could be exposed to significant defense costs and ultimate financial liability.

The Company is highly dependent on its key executive officers, the loss of any of which could have an adverse effect on the Company. Additionally, resource exploration activity worldwide can result in shortages of experienced technical field personnel. The inability of the Company to secure such personnel when required or at affordable prices could have an adverse effect on the Company's performance.

The Covid-19 pandemic has created a slowdown in the global economy and uncertainty in the global financial markets which is expected to continue for the next twelve months or longer. This may adversely impact the Company's equity financing capability in turn slowing down or stopping altogether the Company's exploration activity. Travel restrictions imposed as COVID-19 pandemic remediation measures will restrict access by key management and exploration personnel to exploration sites until travel restrictions are lifted.

In addition, the Company has experienced significant volatility with crude oil prices since year end due to macro-economic uncertainty, due to (a) OPEC and Russia abandoning production quotas and increasing production levels; (b) demand reduction for crude oil products as a result of the COVID-19 outbreak and potential lack of storage forcing production shut-ins, and (c) the effects of the current war between Russia and Ukraine, which include significant sanctions having been imposed (and likely more to come) on Russia by NATO members, which are anticipated to reduce the supply of oil and natural gas from Russia to other



countries, thereby reducing supply to the existing demand and presumptively increasing the global prices of oil and natural gas. The duration and impact of these global events remain uncertain and could impact cash flow and the Company's financial condition in the future.

Management is not aware of any other trend, commitment, event or uncertainty that might reasonably be expected to have a material effect on the Company's business, financial condition or results of operations.

## **4. NARRATIVE DESCRIPTION OF THE BUSINESS**

### **4.1 Description of the Business**

#### **4.1.1 General**

The principal business carried on and intended to be carried on by the Company is the acquisition, exploration and development of Oil and Gas Properties. Upon completion of the Proposed Acquisition, the Company will continue to be a producer, explorer and developer of energy in Canada, focused on becoming an integrated energy producer.

On June 14, 2021, the Company signed the LOI to acquire 100% of 611's interests in 53,835 acres, 43,935 acres (net) of mineral rights, associated wells, pipelines and facilities. The acquisition is satisfied by the issuance of 44,440,000 Common Shares at \$0.60 per Share and 30,000,000 Convertible Shares at a price of \$0.80 per Share. The Convertible Shares will have a term of five (5) years and earn accruing annual dividend at a rate of two percent (2%), payable upon conversion. The conversion of Convertible Shares at the election of the holder can only occur after one of three milestones has been achieved: (a) the Company exceeds the production rate of 3,000 boe/d; (b) the Common Shares trade at a volume weighted average price (VWAP) of more than \$1.00 per Share for twenty (20) consecutive business days; or (c) the second-year anniversary since the issuance of the Common Shares has occurred. At maturity upon the fifth anniversary of their issuance, the Convertible Shares shall automatically be redeemed on a 1:1 basis along with any accrued dividends by the issuance of Common Shares.

The completion of the Proposed Acquisition would constitute a Fundamental Change as such term is defined in Policy 8 of the CSE Policies.

The acquisition announced on June 14, 2021 and conditional approved on November 24, 2021 by the CSE was Independently evaluated by the Company's QRE; Deloitte LLP in December of 2021 and upon completion of the evaluation the acquisition was found to be valued on 10% discounted Net Present Value at \$26.9 million and was which was also confirmed to be the fair market value of the acquisition by an Independent Certified Business Evaluator in March of 2022.

611 is a privately owned corporation which operates as an explorer, developer, and producer of energy.

Audited financial statements and management's discussion and analysis of 611 are attached to this Listing Statement as Schedule "C" and "D".

#### **4.1.2 Business Objectives**

The Company intends on expending its working capital and net proceeds raised from its completed financings (see *General Development of the Business – Financing*) to participate in the development of its 50% interest in the Ferrybank Property. The Company is also raising funds in order to complete its listing on the CSE following the acquisition of Petroleum and Natural Gas Rights pursuant to the Asset Purchase Agreement.

The Company in 2019 acquired its 50% non-operating interest in the lands and net proven developed production of approximately 50 boe/d in the region. Based on the current and historic performance of this production and similar operations in the region, the Company engaged an independent engineer to complete an evaluation of the current assets and the associated prospective mineral rights, which was formalized in a NI 51-101 Report prepared for the Company and summarized and disclosed in the NI 51-101 F1 and NI 51-101 F2 filed on [www.sedar.com](http://www.sedar.com).

The Company is focused on the conventional exploration and development of oil and natural gas reserves in Western Canada. The Ferrybank area is located 30 kilometers North West of Ponoka, Alberta. At Ferrybank, the Company owns working interests ranging from 31.3 to 50 percent in 4 producing natural gas wells.

The Company decided to acquire other Oil and Gas Properties in addition to the Ferrybank Property. The long-term objective of the Company is to build a portfolio of producing Oil and Gas Properties and midstream assets in order to generate consistent revenues and expand into under-developed regional markets. The Company signed the LOI with 611 for the purchase of interest in 53,835 Acres, 43,935 (Net) of mineral rights. For more information, please see Section 3.1 – Business of the Company. The completion of the Proposed Acquisition would constitute a Fundamental Change as such term is defined in Policy 8 of the CSE Policies. The Company received conditional approval for the CSE on November 24, 2021 and continues to work towards the filing and completing the review all of the necessary documentation in accordance with Policies under MI 61-101.

#### **4.1.3 Significant Milestones**

Since 2016, the Company has been identifying and evaluating oil and gas related assets or businesses with a view to completing a transaction.

On March 18, 2019, the Company entered into a binding letter of intent for the acquisition of a non-operating interest of fifty percent (50%) into a producing oil & gas property in the province of Alberta from Avila consisting of production, pipelines, facilities and approximately 1,280 acres (net) of Petroleum and Natural Gas mineral and exploitation rights in western Alberta and more particularly in the Ferrybank area.

The acquisition became effective by the execution of an arm's length Asset Purchase Agreement and the payment of the Avila Convertible Debenture on December 9, 2019 whereby the Company has acquired a non-operating interest of fifty percent (50%) in and to the Ferrybank Property as described herein.

On April 1, 2020 611890 Alberta Inc. purchased Avila Exploration which included the assumption of the Joint Venture between Avila Exploration and Petro Viking Energy Inc..

After a number of incremental financings, the Company was listed on the CSE as an emerging early-stage petroleum and natural gas producer. On, March 4<sup>th</sup>, 2021 Petro Viking Energy Inc. announced that the Company's common shares were approved for listing on the Canadian Securities Exchange (the "CSE") and begun trading on the CSE as of March 5<sup>th</sup>, 2021 under the ticker symbol "VIK".

On June 14, 2021, the Company signed the LOI to acquire 100% of 611's interests in 53,835 acres, 43,935 acres (net) of mineral rights, associated wells, pipelines and facilities. The acquisition is satisfied by the issuance of 44,440,000 Common Shares at \$0.60 per Share and 30,000,000 Convertible Shares at a price of \$0.80 per Share. The Convertible Shares will have a term of five (5) years and earn accruing annual dividend at a rate of two percent (2%), payable upon conversion. The conversion of Convertible Shares at the election of the holder can only occur after one of three milestones has been achieved: (a) the Company exceeds the production rate of 3,000 boe/d; (b) the Common Shares trade at a volume weighted average price (VWAP) of more than \$1.00 per Share for twenty (20) consecutive business days; or (c) the second-year anniversary since the issuance of the Common Shares has occurred. At maturity upon the fifth anniversary of their issuance, the Convertible Shares shall automatically be redeemed on a 1:1 basis along with any accrued dividends by the issuance of Common Shares.

The acquisition announced on June 14, 2021 and conditional approved on November 24, 2021 by the CSE was Independently evaluated by the Company's QRE; Deloitte LLP in December of 2021 and upon completion of the evaluation the acquisition was found to be valued on 10% discounted Net Present Value at \$26.9 million and was which was also confirmed to be the fair market value of the acquisition by an Independent Certified Business Evaluator in April of 2022.

The acquisition, upon further review it was subsequently determined that the Transaction was considered a "fundamental change" by the CSE. As a result, the Company's stock was suspended by the CSE on September 9, 2021 while the Company provided additional information relating to the Transaction. At the date of this Report, the requested information and documentation has been provided to the CSE.

On September 21, 2021, the Company closed the Private Placement and issued 10,200,000 common units from its share capital at \$0.25 per unit for gross proceeds of \$2,550,000. Each common unit being comprised of one (1) Common Share and one-half (1/2) common share purchase warrant, each full warrant entitling the holder thereof to purchase one (1) additional Common Share at a price of \$0.35 for a period of twenty-four (24) months from the date of issuance in four tranches.

On November 24, 2021 the Company received conditional approval for the closing of the Acquisition announced on June 14, 2021. The Company anticipates all conditions to be achieved including the delivery of Special Meeting of shareholders of the Company to approve the Acquisition. Following the all conditions being waived, Management is anticipating the suspension from trading to be lifted shortly thereafter.

The Company signed a binding agreement for the acquisition of the properties from 611890 Alberta Inc. on October 1, 2021. The Company received conditional approval for the CSE on November 24, 2021 and continues to work towards the filing and completing the review all of the necessary documentation in accordance with Policies under MI 61-101.

Currently the combined production as of March 31, 2022 for the Company including the proposed acquisition was averaging 450 boe/d (net). This production, additional well remediation underway by 611890 Alberta Inc. on behalf of the Company and additional well completions and pipeline tie-ins are the foundation for reach the Company to reach its initial milestone 1,000 boe/d, approximately 20% oil and 80% natural gas and liquids. Currently the Company is re-investing the majority of its operating income into its assets.

Over the next twelve (12) months, the Company has set out the following objectives:

Objective/Use	Milestone	Dollar Amount	Estimated completion
Continuing Operations	Enhancement and Development of the West Central Alberta Property	\$ 515,000 <sup>(1)</sup>	Completed
Completion and Equipping Of Two Oil Well	Two oil wells, be completed tied-in and including surface equipment.	\$ 500,000	Completed in April 2022
Financing	Private Placement for net proceeds of up to \$ 2,500,000	\$ 200,000	May 2022
Facilities & Pipeline for Natural Gas Wells	Enhancement and Development of the West Central Alberta Property	\$ 300,000 <sup>(1)</sup>	May 2022
Drilling	The additional drilling and completion of liquids rich proven undeveloped well	\$ 800,000	August 2022

Notes:

<sup>(1)</sup> The \$515,000 for enhancement and development of the West Central Alberta properties is broken down by the following:

- \$515,000 for work completed for engineering, instrumentation and control upgrades required in advance of the Power Generation being installed as part of the Carbon Capture and subsequent CO2 Sequestration was completed in December of 2021.

The Company intends to proceed with other financings in the near future in order to raise the capital needed

to finance its activities.

#### 4.1.4 Working Capital and Use of Funds

The Company will generate revenue from oil and gas production and currently has negative cash flows from operating activities.

The Company will be required to raise additional funds through the issuance of additional equity securities or through further loan financing. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favorable to the Company as those previously obtained, or at all. See “*Risk Factors*”

As at March 31, 2022, the Company had working capital of approximately \$1,467,571.

The Company estimates that it will require the following funds to conduct its plan of operations over the next twelve (12) months:

Sources of Funds	Amount
Working Capital as of March 31, 2022	\$ 1,467,571
Private Placement (minimum) closed on May 10, 2022 <sup>(1)</sup>	\$ 2,500,000
<b>Total of Available Funds:</b>	<b>\$ 3,967,571</b>
Use of Available Funds	
Completion and Equipping of 2 oil wells	\$ 500,000
Enhancement and Development of Oil and Gas Properties <sup>(2)</sup>	\$ 300,000
Drilling of one New Well as a 50% Participant per the 51-101 <sup>(3)</sup>	\$ 800,000
Mineral Rights <sup>(4)</sup>	\$ 50,000
General and Administrative Expenses	\$ 835,000
General Working Capital <sup>(5)</sup>	\$ 1,482,571
<b>Total:</b>	<b>\$ 3,967,571</b>

Notes:

<sup>(1)</sup> The Private Placement consisted of up to 5,000 Debenture Units of the Corporation (“Unit” or “Units”), being a total of \$5,000,000 in principal. First closing in May 2022 was completed for the minimum of \$2,500,000. Each Unit is comprised of an aggregate \$1,000 principal amount of a 4% convertible unsecured subordinated debenture (“Debenture”) due on April 1, 2025 (the “Maturity Date”). Further, conditional to full conversion (1 Unit converts into 2,000 Class A Common Shares) of the entire principal of the Units held by the holder (the “Holder”), the subsequent issuance of Class A Common Share purchase warrants by the Issuer (the “Conditional Warrants”) to the Holder entitling the Holder to purchase one (1) Class A Common Share per each Class A Common Share received on the Conversion at a price of \$0.75 for a period of two(2) years following the conversion date of the Debenture (the “Private Placement”).

<sup>(2)</sup> \$515,000 for work completed to date for engineering, instrumentation and control upgrades required in advance of the Power Generation being installed as part of the Carbon Capture and subsequent CO2 Sequestration completed in 2021. \$300,000 for the remediation of additional natural gas wells and the tie-in and consolidation of the associated natural gas production in West Central Alberta.

<sup>(3)</sup> Drilling, in accordance with the Company’s NI 51-101 Report scheduled on page 10 of the Report (NI 51- 101-F1), the Company as a 100% participant will be drilling a proven developed, liquids rich natural gas well.

<sup>(4)</sup> Mineral Rights, as post-closing, the Company has elected to Participate in the purchase and development of additional

lands adjacent to its current area of operation.

- (5) The Company intends to use the additional working capital to participate in the drilling and completion of an additional undeveloped well located on lands and as evaluated, summarized and disclosed in its Independent NI 51-101 prepared and filed for the year ended December 31, 2021 resulting in the generation of additional net operating in the second half of 2022.

As at March 31, 2022, the Company reported net income of \$58,479, a cumulative deficit of \$9,880,964 and a working capital of \$1,467,571.

As more detailed in this Listing Statement and in the twelve (12) month operating budget that was prepared by the Company in connection with this Listing Statement, the Company estimates that it will have a monthly capital budget of approximately \$40,000 per month at a minimum, funded from cash-flow.

The Company intends to fund its business using the proceeds from prior private placement financings (hereinafter described). The Company intends to spend the funds available to it as stated in this Listing Statement. However, there may be circumstances where, for sound business reasons, a reallocation of the funds may be necessary. The amounts set forth above may increase if we are required to carry out due diligence investigations in regards to any prospective investment or business opportunity or if the costs of the Listing Statement or Listing, or negotiating an applicable transaction, are greater than anticipated.

***Administrative Costs***

An estimate of the general and administrative expenses of the Company for the next twelve (12) months is as follows:

<b>General &amp; Administrative Items</b>	<b>Costs</b>
Staffing (including additions post-closing)	\$ 480,000
Legal and Accounting Fees	\$ 95,000
Technical Studies	\$ 85,000
Consulting Fees	\$ 10,000
Rent and Overhead	\$ 30,000
Insurance	\$ 50,000
Interest on Debts	\$ 45,000
Regulatory Filing Fees and Transfer Agent Fees	\$ 40,000
Total:	\$ 835,000

## ***Offering Memorandum***

On August 13, 2020, the Company initiated a brokered private placement on a best effort basis, by way of an Offering Memorandum pursuant to section 2.9 of NI 45-106, to raise a minimum of \$1,000,000 and a maximum of \$2,250,000 by an offering of Units, Subscription Receipts convertible into Units (Subscription Receipts – A) and Subscription Receipts convertible into Flow-Through Shares (Subscription-Receipts – B) (collectively the “Subscription Receipts”). The details of the Units and Subscription Receipts are as follows:

- **Units:** The Company is offering up to 1,666,667 Units at a price of \$0.15 per Unit for total gross proceeds of up to \$250,000, subject to a minimum investment of \$600 for each subscription representing a minimum purchase of 4,000 Units.

Each Unit consists of one of (1) Common Share and one-half (½) of one common share purchase warrant, each full warrant entitling the holder thereof to purchase one (1) additional Common Share at a price of \$0.20 per share for a period of twenty-four (24) months from the date of issuance.

- **Subscription Receipts – A:** The Company is offering up to 3,333,333 Subscription Receipts-A at a price of \$0.15 per Subscription Receipt-A for total gross proceeds of up to \$500,000, subject to a minimum investment of \$600 for each subscription representing a minimum purchase of 4,000 Subscription Receipts-A.

Subscription Receipts – A are convertible into Units where each Unit consists of one of (1) Common Share and one-half (½) of one common share purchase warrant, each full warrant entitling the holder thereof to purchase one (1) additional Common Share at a price of \$0.20 per share for a period of twenty-four (24) months from the date of issuance.

- **Subscription Receipts B:** The Company is offering up to 7,500,000 Subscription Receipts B at a price of \$0.20 per Subscription Receipt-B for total gross proceeds of up to \$1,500,000, subject to a minimum investment of \$5,000 for each subscription representing a minimum purchase of 25,000 Subscription Receipts-B.

Subscription Receipts-B are convertible into Flow-Through Shares, each converted Subscription Receipt B entitling the holder thereof to be issued one (1) Flow-Through Share in the capital of the Company.

The OM Offering is subject to an aggregated minimum offering from the offering from either the Units or the Subscription Receipts or a combination thereof of at least \$1,000,000. The maximum OM Offering excludes any over-allotment option which may be granted to the Agent. All securities available under the OM Offering were issued on a post-consolidated basis following the consolidation of all issued and outstanding Common Shares effected on August 25, 2020.

An over-allotment option was granted to the Agent which it may exercise in whole or in part, by giving notice in writing to the Company to sell up to an additional 15% worth of Units and Subscription Receipts sold pursuant to the OM Offering.

### **Agent’s Compensation**

In connection with the OM Offering, the Agent is entitled to receive a commission payable in cash of 8% of the gross proceeds raised under the OM Offering in addition to a one-time corporate finance fee payment of \$35,000. Further, the Agent is also entitled to receive the following broker warrants at each closing of the OM Offering:

- Broker Warrants A for the purchase of that number of Units equal to 8% of the number of Units subscribed for under the OM Offering. Each Broker Warrant A consists of one common share exercisable at a price of \$0.15 per share and one-half of one common share purchase warrant exercisable at a price of \$0.20 for a period of thirty-six (36) month.
- Broker Warrants B for the purchase of that number of common shares equal to 8% of the number of Flow-Through Shares subscribed for under the Offering. Each Broker Warrant B consists of one common share exercisable at a price of \$0.15 for a period of thirty-six (36) months from the OM Offering Closing Date;

### **Conversion and Escrow Release Conditions**

Each Subscription Receipt A and Subscription Receipt B will be automatically exchanged for no additional consideration upon the satisfaction or waiver of the conditions described below (the “**Escrow Release Conditions**”) following which the Company will issue the underlying Units and the FT Shares to holders of Subscription Receipts A and holders of Subscription Receipts B respectively.

Save and except for the funds to be raised under the Units which are not part of the Subscription Receipts, all funds will be held in escrow by the Subscription Agent in accordance with the Subscription Receipt Agreement dated November 2, 2020 pending the satisfaction or the waiver of the Escrow Release Conditions at or before 5:00 P.M. (EDT) on March 15<sup>th</sup>, 2021 (the “**Release Deadline**”) upon which the Subscription Receipts will be automatically exchanged following which the Company will issue the underlying securities.

The terms and conditions upon which the Subscription Receipts will be exchanged into the underlying securities which must be satisfied or waived at or before the Release Deadline are as follows:

- i) Listing of the Common Shares on the CSE;
- ii) Consolidation of the Common Shares;
- iii) the receipt of all regulatory, shareholder and third-party approvals, if any, required in connection with the listing of the Common Shares; and
- iv) Company shall not be in breach or default of any of its covenants or obligations under the agency agreement entered into between the Company and the Agent with respect to this Offering and all commitments set out therein have been fulfilled;

Upon the satisfaction of the Escrow Release Conditions at or before the Release Deadline, the Escrowed Funds will be released from escrow to the Company and the respective Common Shares, Warrants and FT Shares underlying the Subscription Receipts as described above will be issued to the holders thereof.

If a termination event occurs, the Escrowed Funds shall be returned to the holders of the Subscription Receipts on a pro rata basis and the Subscription Receipts will be cancelled without any further action on the part of the Subscribers. A termination event will occur if: (i) the Company has not completed its CSE listing by the Release Deadline, or (ii) if prior to the Release Deadline, the Company advises the Agent that the listing will not be completed (in each case, a “**Termination Event**” and the date upon which such event occurs, the “**Termination Date**”).

#### Closing of the OM Offering

After raising and completing the minimum offering of \$1,000,000, the Company closed the OM Offering on November 5, 2020 for aggregate gross proceeds of \$1,223,000, including \$287,500 of readily available funds and \$935,500 to be held in escrow pursuant to the Subscription Receipt Agreement.

The offering of Units and Subscription Receipts-A was fully subscribed and the Agent exercised its over-allotment option resulting in the offering of an additional 15% of Units and an additional 15% of Subscription Receipts – A.

The Company issued 1,916,666 Units (including 249,999 from the exercise of the over-allotment option), 3,833,333 Subscription Receipts – A (including 500,000 from the exercise of the over-allotment option) and 1,802,500 Subscription Receipts – B.

In addition, the Company also issued Broker Warrants to the Agent and other broker who participated in the OM Offering on November 5, 2020 including 460,000 Broker Warrants – A and 144,200 Broker Warrants – B.

#### ***Non-Brokered Private Placement***

On November 11, 2020, the Company initiated a non-brokered private placement, to raise gross proceeds of up to \$1,223,375 by an offering of Common Shares and FT Shares. The Company has raised gross proceeds of \$616,550 through the issuance of 3,210,333 Common Shares at a price of \$0.15 per Common Share and 675,000 FT Shares at a price of \$0.20 per FT Share.

## ***Private Placement***

On September 21, 2021, the Company completed the Private Placement and issued 10,200,000 units of its share capital at a price of \$0.25 per unit for total gross proceeds of \$2,550,000. Each unit consists of one (1) Common Share and one-half (1/2) of one common share purchase warrant, each full warrant entitling the holder thereof to purchase one (1) additional Common Share at a price of \$0.35 per share for a period of twenty-four (24) months from the date of issuance.

### **4.1.5 Principal Products or Services**

As described herein, the Company is currently focusing on explorations of its Oil and Gas Properties. The Company commenced production, initially with the sale of natural gas and liquids in March 2021. There is a global market for oil and gas derived products which could be sold, and the Company will not be dependent on a particular purchaser with regard to the sale of any product produced. The Company, upon the completion of the Proposed Acquisition, will continue to focus on the production development and exploration of its Oil and Gas Properties.

### **4.1.6 Production and Sales**

The Company is focused on the use of proven techniques and methods of production. The Company operates as a team that fully embraces the development of its integrated business model to become a carbon neutral energy producer. The skills required are applying novel methods of proven techniques within the sector with Company's continuing success based on its employee's capabilities, cash flow from its assets supplemented with additional equity being readily available to advance its business plan.

The Company's integrated business plan is designed to minimize its economic dependence to any one Company. Regardless from time to the time the Company does business with more than one supplier to minimize its dependents on any one product or service. Currently the Company's business is not substantially dependent on any one contract to sell the major part of the Company's products or services or to purchase the major part of another company's requirements for goods, services or raw materials, or any franchise or license or other agreement to use a patent, formula, trade secret, process or trade name upon which another company's business depends.

Currently the Company relies on insurance to minimize the financial and operational effects of environmental incidents on the capital expenditures, profit or loss and competitive position of the Company in the current financial year and the expected effect in future years. At this time, there are no known material or pending incidents at the Company that would have an effect on the Company's financial performance.

The Company at year-end 2021 had three (3) employees and/or contractors that are part of the daily operations. Upon closing of the Proposed Acquisition, this amount will grow to twelve (12). The number of employees of the Company are anticipated to grow further to 16 in 2022 with this number and the current associated management systems either in place or being implemented are known to the employees of the Company and within the energy sector to result in high level of productivity the positions the Company to have the best opportunity to manage the inherent risks to the business and profitability.

### **4.1.7 Competitive Conditions**

The oil and natural gas industry is highly competitive. The Company encounters competition from other independent operators and from major oil companies in: acquiring oil and natural gas properties suitable for exploration, development and production; contracting for drilling equipment; securing trained personnel; obtaining transportation access to storage, refining and production infrastructure, and for capital to finance such activities. Many of these competitors have financial resources and personnel resources available to them that are substantially larger than that of the Company.

The Company may be unable to realize any value associated with its Gas and Oil Properties and may be unable to acquire additional properties on terms it considers acceptable. There can be no assurances that the Company's activities will yield commercially viable results. See "*Risk Factors*".

### **4.1.8 Industry Overview**

The oil and gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation and marketing) imposed by



legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements, all of which should be carefully considered by investors in the oil and gas industry. All current legislation is a matter of public record, and the Company is unable to predict what additional legislation or amendments may be enacted.

#### **4.1.9 Lending and Investment Policies and Restrictions**

This section is not applicable to the Company.

#### **4.1.10 Bankruptcy and Receivership**

The Company, or any of its subsidiary from time to time, has not been the subject of any bankruptcy, receivership, or similar proceedings within the three most recently completed financial years.

#### **4.1.11 Material Restructuring Transaction**

The Company has not been subject to any material restructuring transactions within the three most recently completed financial years.

#### **4.1.12 Social or Environmental Policies**

The Company has not implemented any formal social or environmental policies. The Company intends to comply with all environmental laws and regulations applicable to its mineral operations and development activities.

### **4.2 Asset-Backed Securities**

The Company does not have any asset-backed securities.

### **4.3 Issuers with Oil and Gas Operations**

#### **4.3.1 The Ferrybank Property - Statement of Reserves Data and Other Oil and Gas Information**

The statement of reserves data and other oil and gas information set forth below is dated April 27, 2022, with the effective date thereof being December 31, 2021. All the Company's reserves herein reported were evaluated by Deloitte, LLP, an independent qualified reserves evaluator, in accordance with NI 51-101 for the fiscal year ended December 31, 2021.

The reserves estimation and economic valuation set forth below was prepared by Deloitte LLP, with an effective date of December 31, 2021, and a preparation date of March 11, 2022, and summarizes the oil, liquids and natural gas reserves of the Company and the net present values of future net revenue for these reserves using forecast prices and costs. The Statement of Reserves conforms to the requirements of NI 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

The Statement of Reserves Data and Other Oil and Gas Information in Form 51-101F1 and the Report on Reserves Data by Independent Qualified Reserves Evaluator in Form 51-101F2, are attached as schedules “H” and “I”, respectively, to this Listing Statement. The Report of Management and Directors on Reserves Data and Other information in Form 51-101F3 is attached as Schedule “J”.

All Figures and Tables from the reports are reproduced in and form part of this Listing Statement; a complete copy of the reports is available for review, in color, on SEDAR at the following website: [www.sedar.com](http://www.sedar.com).

## ***Statement of Reserve Data and Other Oil and Gas Information***

### Relevant Dates

The effective date of the information being provided in this statement is December 31, 2021. The report date of the information being provided in this statement is March 11, 2022. For a glossary of terminology and definitions relating to the information included in this report, readers are referred to NI 51-101 – *Standards for Disclosure for Oil and Gas Activities*.

### Reserves and Future Net Revenue

The following is a summary of the oil and natural gas reserves and the net present values of future net revenue of Petro Viking Energy Inc. as evaluated by Deloitte LLP of Calgary Alberta Report dated March 11, 2022 (the “**Deloitte Report**”). Deloitte LLP. are independent qualified reserves evaluators appointed by the Company pursuant to NI 51-101. Deloitte independently evaluated all the Company’s Oil and Gas Properties.

The estimated future net revenue figures contained in the following tables do not necessarily represent the fair market value of the Company’s reserves. There is no assurance that the forecast price and costs assumptions contained in the Deloitte Report will be attained and variances could be material. Other assumptions relating to costs and other matters are included in the Deloitte Report. The recovery and reserves estimate attributed to the Company’s properties described herein are estimates only. The actual reserves attributable to the Company’s properties may be greater or less than those calculated.

### Disclosure of Reserve Data

The following tables provide information regarding the estimated Canadian reserves and net present value of future net revenue based on forecast prices and cost information with respect to the interests held by the Company for each of the product types that the Company has interests in for proved developed producing, proved developed non-producing, proved undeveloped, all proved in total, probable and all proved plus probable. Due to rounding, certain columns may not add exactly. As required by NI 51-101 the estimates of reserves and future net revenue are estimated assuming that the development of each property in respect of which the estimate is made will occur, without regard to the likely availability to the Company of funding required for that development.

The following tables provide a breakdown of various elements of future net revenue (undiscounted) attributable to proved reserves and proved plus probable (in total) of the Company estimated using forecast prices and costs and calculated without discount:

**TABLE 1**  
**Avila Energy Corp.**  
**Total Reserves and NPV - Before Tax**  
**Prices in Deloitte December 31, 2021 Forecast Pricing as of January 1, 2022**  
**Canada**

	Remaining Reserves			Net Revenue NPV (M\$C)					
	WI	RI	Net	0.00 %	5.00 %	8.00 %	10.00 %	15.00 %	20.00 %
<b>Proved Developed Producing</b>									
Gas (MMcf)	604.2	-	515.1	1,878.4	1,406.2	1,219.7	1,120.9	934.1	803.9
Propane (Mbbbl)	5.6	-	4.7	143.6	108.0	93.9	86.5	72.5	62.7
Butane (Mbbbl)	3.5	-	2.9	124.0	93.0	80.8	74.4	62.2	53.7
Pentane Plus (Mbbbl)	1.8	-	1.5	116.1	86.5	74.8	68.6	57.0	48.9
<b>Total</b>				<b>2,262.1</b>	<b>1,693.7</b>	<b>1,469.3</b>	<b>1,350.4</b>	<b>1,125.8</b>	<b>969.2</b>
				<b>Before Tax Cash Flow NPV (1) (M\$C)</b>					
				623.5	539.8	497.1	471.9	419.0	377.7
				<b>Net Revenue NPV (M\$C)</b>					
<b>Proved Developed Non-Producing</b>									
Gas (MMcf)	480.9	-	377.4	1,398.2	1,014.2	864.1	785.6	640.0	541.9
Propane (Mbbbl)	4.5	-	3.5	109.7	80.5	69.1	63.1	52.0	44.5
Butane (Mbbbl)	2.8	-	2.2	94.7	69.3	59.3	54.1	44.5	37.9
Pentane Plus (Mbbbl)	1.4	-	1.1	90.0	65.4	55.8	50.8	41.4	35.1
<b>Total</b>				<b>1,692.6</b>	<b>1,229.4</b>	<b>1,048.4</b>	<b>953.6</b>	<b>778.0</b>	<b>659.4</b>
				<b>Before Tax Cash Flow NPV (1) (M\$C)</b>					
				493.3	392.7	344.7	317.0	260.2	217.0
				<b>Net Revenue NPV (M\$C)</b>					
<b>Proved Undeveloped</b>									
Gas (MMcf)	2,483.5	-	2,116.0	7,897.2	5,704.0	4,923.9	4,528.6	3,811.3	3,328.6
Propane (Mbbbl)	23.1	-	18.7	599.6	438.4	381.1	352.0	299.2	263.7
Butane (Mbbbl)	14.4	-	12.0	533.0	386.4	336.9	310.8	263.3	231.3
Pentane Plus (Mbbbl)	7.5	-	6.2	496.5	359.3	310.4	285.5	240.4	210.0
<b>Total</b>				<b>9,526.4</b>	<b>6,890.1</b>	<b>5,952.2</b>	<b>5,476.9</b>	<b>4,614.3</b>	<b>4,033.7</b>
				<b>Before Tax Cash Flow NPV (1) (M\$C)</b>					
				3,106.1	2,251.6	1,886.3	1,686.9	1,299.3	1,020.1
				<b>Net Revenue NPV (M\$C)</b>					
<b>Total Proved</b>									
Gas (MMcf)	3,568.6	-	3,008.5	11,173.8	8,124.4	7,007.7	6,435.0	5,385.5	4,674.4
Propane (Mbbbl)	33.2	-	26.9	852.9	626.9	544.1	501.7	423.8	370.9
Butane (Mbbbl)	20.7	-	17.1	751.7	550.7	477.1	439.3	370.0	323.0
Pentane Plus (Mbbbl)	10.7	-	8.8	702.7	511.2	441.0	404.9	338.8	294.0
<b>Total</b>				<b>13,481.0</b>	<b>9,813.2</b>	<b>8,469.8</b>	<b>7,780.9</b>	<b>6,518.0</b>	<b>5,662.3</b>
				<b>Before Tax Cash Flow NPV (1) (M\$C)</b>					
				4,222.9	3,184.0	2,728.0	2,475.8	1,978.5	1,614.8
				<b>Net Revenue NPV (M\$C)</b>					
<b>Total Probable</b>									
Heavy Oil (Mbbbl)	33.1	-	31.4	2,022.0	1,654.7	1,492.1	1,400.8	1,216.8	1,078.1
Gas (MMcf)	1,099.4	-	935.1	3,988.0	2,144.3	1,640.4	1,418.0	1,070.9	876.6
Propane (Mbbbl)	10.7	-	8.6	305.8	168.1	130.1	113.3	86.7	71.8
Butane (Mbbbl)	6.8	-	5.7	276.7	153.0	118.6	103.2	78.9	65.1
Pentane Plus (Mbbbl)	3.6	-	3.0	269.2	150.5	117.0	101.9	77.7	63.7
Sulphur (MLT)	0.0	-	0.0	0.6	0.5	0.4	0.4	0.3	0.2
<b>Total</b>				<b>6,862.2</b>	<b>4,271.1</b>	<b>3,498.6</b>	<b>3,137.5</b>	<b>2,531.5</b>	<b>2,155.5</b>
				<b>Before Tax Cash Flow NPV (1) (M\$C)</b>					
				2,609.7	1,793.4	1,484.6	1,325.8	1,035.5	840.0
				<b>Net Revenue NPV (M\$C)</b>					
<b>Total Proved + Probable</b>									
Heavy Oil (Mbbbl)	33.1	-	31.4	2,022.0	1,654.7	1,492.1	1,400.8	1,216.8	1,078.1
Gas (MMcf)	4,667.9	-	3,943.5	15,161.7	10,268.7	8,648.1	7,853.0	6,456.4	5,550.9
Propane (Mbbbl)	43.9	-	35.5	1,158.7	795.0	674.2	614.9	510.5	442.7
Butane (Mbbbl)	27.5	-	22.8	1,028.4	703.7	595.7	542.5	448.9	388.1
Pentane Plus (Mbbbl)	14.4	-	11.8	971.8	661.7	557.9	506.8	416.5	357.7
Sulphur (MLT)	0.0	-	0.0	0.6	0.5	0.4	0.4	0.3	0.2
<b>Total</b>				<b>20,343.3</b>	<b>14,084.4</b>	<b>11,968.5</b>	<b>10,918.4</b>	<b>9,049.5</b>	<b>7,817.8</b>
				<b>Before Tax Cash Flow NPV (1) (M\$C)</b>					
				6,832.5	4,977.4	4,212.7	3,801.6	3,014.0	2,454.8
				<b>Remaining Equivalent Reserves (2) (MBOE)</b>					
<b>Proved</b>									
Proved Developed Producing	111.6	-	94.9	5.6	4.8	4.5	4.2	3.8	3.4
Proved Developed Non-Producing	88.9	-	69.7	5.6	4.4	3.9	3.6	2.9	2.4
Proved Undeveloped	458.9	-	389.6	6.8	4.9	4.1	3.7	2.8	2.2
<b>Total Proved</b>	<b>659.4</b>	<b>-</b>	<b>554.2</b>	<b>6.4</b>	<b>4.8</b>	<b>4.1</b>	<b>3.8</b>	<b>3.0</b>	<b>2.4</b>
<b>Total Probable</b>	<b>237.4</b>	<b>-</b>	<b>204.6</b>	<b>11.0</b>	<b>7.6</b>	<b>6.3</b>	<b>5.6</b>	<b>4.4</b>	<b>3.5</b>
<b>Total Proved + Probable</b>	<b>896.7</b>	<b>-</b>	<b>758.8</b>	<b>7.6</b>	<b>5.6</b>	<b>4.7</b>	<b>4.2</b>	<b>3.4</b>	<b>2.7</b>

(1) Before Tax Cash Flow NPV is not available per product.  
(2) Oil Equivalent based on 6:1 Mcf/bbl Gas, 1:1 bbl/bbl Liquids.

Avila Energy Corp.  
NI 51-101 FORECAST CASE  
TOTAL FUTURE NET REVENUE - WITH CORPORATE TAX POOLS  
Deloitte December 31, 2021 Price Forecast  
Canada

Effective January 1, 2022

CATEGORY	Revenue*	Royalties	Operating Costs	Investment Costs	Well Abandonment Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
	M\$	M\$	M\$	M\$	M\$	M\$	M\$	M\$
Proved Developed Producing	2,656.0	393.9	1,475.8	0.0	162.9	623.5	0.0	623.5
Proved Developed Non-Producing	2,141.7	449.1	1,054.4	125.0	19.9	493.3	0.0	493.3
Proved Undeveloped	11,283.1	1,756.8	4,735.1	1,462.5	222.7	3,106.1	0.0	3,106.1
Proved	16,080.8	2,599.8	7,265.2	1,587.5	405.4	4,222.9	0.0	4,222.9
Probable	7,827.6	965.3	3,370.0	750.0	132.6	2,609.7	0.0	2,609.7
Proved Plus Probable	23,908.4	3,565.1	10,635.2	2,337.5	538.0	6,832.5	0.0	6,832.5

\* Revenue includes product revenue and other income from facilities, wells and corporate if specified

Avila Energy Corp.  
NI 51-101 FORECAST CASE  
FUTURE NET REVENUE BY PRODUCTION TYPE  
Deloitte December 31, 2021 Price Forecast  
Canada

Effective January 1, 2022

	FUTURE NET REVENUE BEFORE INCOME TAXES*		UNIT VALUE
	10% M\$	Primary Product Only	
<b>TOTAL PROVED</b>			
Conventional Natural Gas	2,475.8	0.82 \$/Mcf	
Total	2,475.8	4.94 \$/BOE	
<b>TOTAL PROVED + PROBABLE</b>			
Conventional Natural Gas	3,436.5	0.88 \$/Mcf	
Heavy Crude Oil	365.1	11.63 \$/bbl	
Total	3,801.6	5.56 \$/BOE	

\*Primary product type and all associated by-products are included

The following table details by production group the net present value of future net revenue (discounted 10% before deducting future income tax expenses) estimated using forecast prices and costs.

Avila Energy Corp.  
NI 51-101 FORECAST CASE  
SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE  
Deloitte December 31, 2021 Price Forecast  
Canada

Effective January 1, 2022

RESERVES CATEGORY	Before Income Tax					After Income Tax					Unit Value
	0% M\$	5% M\$	10% M\$	15% M\$	20% M\$	0% M\$	5% M\$	10% M\$	15% M\$	20% M\$	Discounted at 10% \$/boe
Proved Developed Producing	623.5	539.8	471.9	419.0	377.7	623.5	539.8	471.9	419.0	377.7	4.97
Proved Developed Non-Producing	493.3	392.7	317.0	260.2	217.0	493.3	392.7	317.0	260.2	217.0	4.55
Proved Undeveloped	3,106.1	2,251.6	1,686.9	1,299.3	1,020.1	3,106.1	2,251.6	1,686.9	1,299.3	1,020.1	4.33
Proved	4,222.9	3,184.0	2,475.8	1,978.5	1,614.8	4,222.9	3,184.0	2,475.8	1,978.5	1,614.8	4.47
Probable	2,609.7	1,793.4	1,325.8	1,035.5	840.0	2,609.7	1,793.4	1,325.8	1,035.5	840.0	6.48
Proved Plus Probable	6,832.5	4,977.4	3,801.6	3,014.0	2,454.8	6,832.5	4,977.4	3,801.6	3,014.0	2,454.8	5.01

\*Unit value calculation based on Net BOE reserves

**Avila Energy Corp.**  
**NI 51-101 FORECAST CASE**  
**OIL AND GAS RESERVES SUMMARY**  
**Deloitte December 31, 2021 Price Forecast**  
Canada

Effective January 1, 2022

VOLUMES IN IMPERIAL UNITS														
CATEGORY	Oil				Natural Gas				Natural Gas Liquids		Sulphur		Total BOE	
	Light/Medium Crude		Heavy Crude		Conventional		Natural Gas Liquids		Sulphur		Total BOE			
	WI Gross Mstb	Co. Share Net Mstb	WI Gross Mstb	Co. Share Net Mstb	WI Gross MMcf	Co. Share Net MMcf	WI Gross Mstb	Co. Share Net Mstb	WI Gross Mlt	Co. Share Net Mlt	WI Gross Mboe	Co. Share Net Mboe		
PDP	0.0	0.0	0.0	0.0	604.2	515.1	10.9	9.0	0.0	0.0	111.6	94.9		
PDNP	0.0	0.0	0.0	0.0	480.9	377.4	8.7	6.8	0.0	0.0	88.9	69.7		
PUD	0.0	0.0	0.0	0.0	2,483.5	2,116.0	45.0	36.9	0.0	0.0	458.9	389.6		
TP	0.0	0.0	0.0	0.0	3,568.6	3,008.5	64.6	52.8	0.0	0.0	659.4	554.2		
PB	0.0	0.0	33.1	31.4	1,099.4	935.1	21.1	17.3	0.0	0.0	237.4	204.6		
P+P	0.0	0.0	33.1	31.4	4,667.9	3,943.5	85.7	70.1	0.0	0.0	896.7	758.8		

VOLUMES IN METRIC UNITS														
CATEGORY	Oil				Natural Gas				Natural Gas Liquids		Sulphur		Total BOE	
	Light/Medium Crude		Heavy Crude		Conventional		Natural Gas Liquids		Sulphur		Total BOE			
	WI Gross E <sup>3</sup> m <sup>3</sup>	Co. Share Net E <sup>3</sup> m <sup>3</sup>	WI Gross E <sup>3</sup> m <sup>3</sup>	Co. Share Net E <sup>3</sup> m <sup>3</sup>	WI Gross E <sup>6</sup> m <sup>3</sup>	Co. Share Net E <sup>6</sup> m <sup>3</sup>	WI Gross E <sup>3</sup> m <sup>3</sup>	Co. Share Net E <sup>3</sup> m <sup>3</sup>	WI Gross E <sup>3</sup> t	Co. Share Net E <sup>3</sup> t	WI Gross E <sup>3</sup> m <sup>3</sup> e	Co. Share Net E <sup>3</sup> m <sup>3</sup> e		
PDP	0.0	0.0	0.0	0.0	17.0	14.5	1.7	1.4	0.0	0.0	17.7	15.1		
PDNP	0.0	0.0	0.0	0.0	13.5	10.6	1.4	1.1	0.0	0.0	14.1	11.1		
PUD	0.0	0.0	0.0	0.0	70.0	59.6	7.1	5.9	0.0	0.0	72.9	61.9		
TP	0.0	0.0	0.0	0.0	100.5	84.8	10.3	8.4	0.0	0.0	104.8	88.1		
PB	0.0	0.0	5.3	5.0	31.0	26.3	3.4	2.8	0.0	0.0	37.7	32.5		
P+P	0.0	0.0	5.3	5.0	131.5	111.1	13.6	11.1	0.0	0.0	142.5	120.6		

**PRICING ASSUMPTIONS**

The following table detail the benchmark reference prices for the regions in which the Corporation operated as at December 31, 2021 reflected in the reserves data disclosed above under "Disclosure of Reserves Data". These pricing assumptions were provided by Deloitte.

Canadian domestic forecast				Crude Oil Pricing										Natural Gas Liquids Pricing					Natural Gas Pricing					Sulphur
Forecast effective: December 31 2021				WTI at Cushing Oklahoma US\$/bbl		WTI at Cushing Oklahoma US\$/bbl		Edmonton City Gate US\$/bbl	Edmonton City Gate US\$/bbl	WCS Hardisty US\$/bbl	Bow River 25 Deg. API Hardisty US\$/bbl	Heavy Oil 12 Deg. API Hardisty US\$/bbl	Ethane US\$/bbl	Propane US\$/bbl	Butane US\$/bbl	Pentanes + Condensate US\$/bbl	Alberta Reference Average Price US\$/mcf	Alberta AECO Average Price US\$/mcf	Alberta AECO Average Price US\$/mcf	B.C. Direct Stu. 2 Sales US\$/mcf	NYMEX Henry Hub US\$/mcf	NYMEX Henry Hub US\$/mcf	Alberta Plant Gate US\$/h	
	Year	Price Inflation Rate	Cost Inflation Rate	CAD to USD Exchange Rate	Real	Current	Real	Current	Current	Current	Current	Current	Current	Current	Current	Real	Current	Current	Current	Real	Current	Current		
H	2011	2.9%	2.9%	1.012	\$111.96	\$94.88	\$112.74	\$95.54	\$77.12	\$78.42	\$69.60	\$10.30	\$52.41	\$86.98	\$105.24	\$3.46	\$4.28	\$3.63	\$3.34	\$4.72	\$4.00	\$101.60		
i	2012	1.5%	1.5%	1.001	\$107.81	\$94.11	\$99.17	\$86.57	\$73.10	\$74.41	\$64.07	\$6.73	\$30.80	\$75.47	\$99.67	\$2.25	\$2.74	\$2.39	\$2.29	\$3.15	\$2.75	\$126.81		
c	2013	0.9%	0.9%	0.977	\$110.46	\$97.91	\$105.33	\$93.36	\$74.97	\$76.29	\$65.49	\$8.68	\$38.54	\$77.44	\$101.52	\$7.98	\$3.58	\$3.17	\$3.11	\$4.21	\$3.73	\$62.17		
t	2014	1.9%	1.9%	0.906	\$104.23	\$93.26	\$105.05	\$94.00	\$81.06	\$81.49	\$73.70	\$12.46	\$42.93	\$59.43	\$101.47	\$4.22	\$5.03	\$4.50	\$4.16	\$4.91	\$4.39	\$88.99		
o	2015	1.1%	1.1%	0.783	\$53.38	\$48.69	\$62.49	\$57.00	\$44.80	\$45.23	\$39.63	\$7.49	\$5.35	\$33.70	\$55.15	\$2.56	\$2.95	\$2.69	\$1.81	\$2.88	\$2.63	\$107.45		
r	2016	1.4%	1.4%	0.755	\$46.77	\$43.15	\$56.60	\$52.22	\$38.90	\$39.23	\$34.08	\$6.04	\$8.71	\$31.45	\$52.43	\$1.93	\$2.34	\$2.16	\$1.75	\$2.73	\$2.52	\$45.40		
i	2017	1.6%	1.6%	0.771	\$54.35	\$50.88	\$66.10	\$61.88	\$49.51	\$50.86	\$45.01	\$6.11	\$27.92	\$40.98	\$63.65	\$2.13	\$2.34	\$2.19	\$1.56	\$3.19	\$2.99	\$41.85		
e	2018	2.3%	2.3%	0.772	\$68.26	\$64.94	\$72.63	\$69.10	\$49.89	\$50.00	\$45.34	\$6.90	\$29.76	\$46.17	\$75.74	\$1.36	\$1.62	\$1.54	\$1.26	\$3.33	\$3.17	\$89.25		
a	2019	1.9%	1.9%	0.754	\$58.53	\$56.98	\$70.90	\$69.02	\$57.33	\$59.10	\$55.11	\$5.00	\$15.82	\$21.40	\$67.57	\$1.48	\$1.86	\$1.81	\$1.02	\$2.64	\$2.57	\$37.54		
l	2020	0.7%	0.7%	0.746	\$39.52	\$39.23	\$46.03	\$45.69	\$36.09	\$35.93	\$31.48	\$6.20	\$16.11	\$20.93	\$47.14	\$2.00	\$2.27	\$2.25	\$2.20	\$2.06	\$2.04	\$2.60		
2	12 Mths F	3.3%	3.3%	0.798	\$67.65	\$67.65	\$79.80	\$79.80	\$67.65	\$67.18	\$64.04	\$10.06	\$45.92	\$40.30	\$81.87	\$3.20	\$3.61	\$3.61	\$3.30	\$3.92	\$3.92	\$65.37		
0	0 Mths F	0.0%	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Z																								
I	Avg.	N/A	N/A	0.798	\$67.65	\$67.65	\$79.80	\$79.80	\$67.65	\$67.18	\$64.04	\$10.06	\$45.92	\$40.30	\$81.87	\$3.20	\$3.61	\$3.61	\$3.30	\$3.92	\$3.92	\$65.37		
F	2022	0.0%	0.0%	0.800	\$69.00	\$69.00	\$81.25	\$81.25	\$67.50	\$70.25	\$63.00	\$10.05	\$44.70	\$56.90	\$85.30	\$3.25	\$3.65	\$3.65	\$3.55	\$4.00	\$4.00	\$75.00		
o	2023	2.0%	2.0%	0.800	\$64.00	\$65.30	\$73.75	\$75.25	\$62.50	\$64.00	\$57.90	\$9.00	\$33.85	\$45.15	\$79.00	\$2.85	\$3.20	\$3.25	\$3.15	\$3.50	\$3.25	\$51.00		
r	2024	2.0%	2.0%	0.800	\$59.00	\$61.40	\$67.50	\$70.25	\$57.20	\$58.80	\$52.55	\$8.75	\$31.65	\$42.15	\$73.75	\$2.75	\$3.05	\$3.15	\$3.05	\$3.25	\$3.40	\$52.00		
e	2025	2.0%	2.0%	0.800	\$59.00	\$62.60	\$67.50	\$71.65	\$58.35	\$59.95	\$53.60	\$8.90	\$32.25	\$43.00	\$75.25	\$2.80	\$3.05	\$3.25	\$3.15	\$3.25	\$3.45	\$53.05		
c	2026	2.0%	2.0%	0.800	\$59.00	\$63.85	\$67.50	\$73.05	\$59.55	\$61.15	\$54.65	\$9.10	\$32.90	\$43.85	\$76.75	\$2.85	\$3.05	\$3.30	\$3.20	\$3.25	\$3.50	\$54.10		
a	2027	2.0%	2.0%	0.800	\$59.00	\$65.15	\$67.50	\$74.55	\$60.70	\$62.40	\$55.75	\$9.25	\$33.55	\$44.70	\$78.30	\$2.95	\$3.05	\$3.35	\$3.25	\$3.25	\$3.60	\$55.20		
s	2028	2.0%	2.0%	0.800	\$59.00	\$66.45	\$67.50	\$76.00	\$61.95	\$63.65	\$56.85	\$9.45	\$34.25	\$45.60	\$79.85	\$3.00	\$3.05	\$3.45	\$3.30	\$3.25	\$3.65	\$56.30		
t	2029	2.0%	2.0%	0.800	\$59.00	\$67.75	\$67.50	\$77.55	\$63.20	\$64.90	\$58.00	\$9.65	\$34.90	\$46.50	\$81.45	\$3.05	\$3.05	\$3.50	\$3.40	\$3.25	\$3.75	\$57.45		
	2030	2.0%	2.0%	0.800	\$59.00	\$69.15	\$67.50	\$79.10	\$64.45	\$66.20	\$59.15	\$9.85	\$35.60	\$47.45	\$83.05	\$3.10	\$3.05	\$3.55	\$3.45	\$3.25	\$3.80	\$58.60		
	2031	2.0%	2.0%	0.800	\$59.00	\$70.50	\$67.50	\$80.65	\$65.75	\$67.50	\$60.35	\$10.05	\$36.35	\$48.40	\$84.75	\$3.15	\$3.05	\$3.65	\$3.55	\$3.25	\$3.90	\$59.75		
	2032	2.0%	2.0%	0.800	\$59.00	\$71.90	\$67.50	\$82.30	\$67.05	\$68.85	\$61.55	\$10.25	\$37.05	\$49.35	\$86.45	\$3.25	\$3.05	\$3.70	\$3.60	\$3.25	\$3.95	\$60.95		
	2033	2.0%	2.0%	0.800	\$59.00	\$73.35	\$67.50	\$83.95	\$68.40	\$70.25	\$62.80	\$10.45	\$37.80	\$50.35	\$88.15	\$3.30	\$3.05	\$3.80	\$3.65	\$3.25	\$4.05	\$62.15		
	2034	2.0%	2.0%	0.800	\$59.00	\$74.85	\$67.50	\$85.60	\$69.75	\$71.65	\$64.05	\$10.65	\$38.55	\$51.35	\$89.90	\$3.35	\$3.05	\$3.85	\$3.75	\$3.25	\$4.10	\$63.40		
	2035	2.0%	2.0%	0.800	\$59.00	\$76.30	\$67.50	\$87.30	\$71.15	\$73.10	\$65.35	\$10.85	\$39.35	\$52.40	\$91.70	\$3.45	\$3.05	\$3.95	\$3.80	\$3.25	\$4.20	\$64.70		
	2036	2.0%	2.0%	0.800	\$59.00	\$77.85	\$67.50	\$89.05	\$72.55	\$74.55	\$66.65	\$11.10	\$40.10	\$53.45	\$93.55	\$3.50	\$3.05	\$4.00	\$3.90	\$3.25	\$4.30	\$65.95		
	2037	2.0%	2.0%	0.800	\$59.00	\$79.40	\$67.50	\$90.85	\$74.00	\$76.05	\$67.95	\$11.30	\$40.90	\$54.50	\$95.40	\$3.55	\$3.05	\$4.10	\$3.95	\$3.25	\$4.35	\$67.30		
	2038	2.0%	2.0%	0.800	\$59.00	\$81.00	\$67.50	\$92.65	\$75.50	\$77.55	\$69.35	\$11.55	\$41.75	\$55.60	\$97.35	\$3.65	\$3.05	\$4.20	\$4.05	\$3.25	\$4.45	\$68.65		
	2039	2.0%	2.0%	0.800	\$59.00	\$82.60	\$67.50	\$94.50	\$77.00	\$79.10	\$70.70	\$11.75	\$42.55	\$56.70	\$99.30	\$3.70	\$3.05	\$4.25	\$4.15	\$3.25	\$4.55	\$70.00		
	2040	2.0%	2.0%	0.800	\$59.00	\$84.25	\$67.50	\$96.40	\$78.55	\$80.70	\$72.15	\$12.00	\$43.40	\$57.85	\$101.25	\$3.80	\$3.05	\$4.35	\$4.20	\$3.25	\$4.65	\$71.40		
	2041	2.0%	2.0%	0.800	\$59.00	\$85.95	\$67.50	\$98.35	\$80.10	\$82.30	\$73.55	\$12.25	\$44.30	\$59.00	\$103.20	\$3.85	\$3.05	\$4.45	\$4.30	\$3.25	\$4.75	\$72.85		
	2041+	2.0%	2.0%	0.800	0.0%	2.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	2.0%	2.0%	2.0%	0.0%	2.0%	2.0%		

Notes: - Data sources include: FIA, DGB, MRC, Flint Hills Resources, Alberta Government  
 - All prices are in Canadian dollars except WTI and NYMEX gas which are in U.S. dollars  
 - Edmonton city gate prices based on historical light oil par prices posted by the government of Alberta and Net Energy differential futures (40 Deg. API < 0.5% Sulphur)  
 - Natural Gas Liquid prices are forecasted at Edmonton therefore an additional transportation cost must be included to plant gate sales point  
 - 1 Mcf is equivalent to 1 mmbtu  
 - Real prices listed in 2022 dollars with no escalation considered  
 - Alberta gas prices, except AECO, include an average cost of service to the plant gate  
 - NGL prices have been switched from a mix reference to a spec reference



RECONCILIATIONS OF CHANGES IN RESERVES

The following table set forth a reconciliation of the Company's Proved Developed Producing, Total Proved, Probable, and Proved plus Probable oil reserves in Canada as at December 31, 2021, against such reserves as at December 31, 2020, based on forecast prices and cost assumptions.

	Proved Developed Producing				Total Proved				Probable				Proved + Probable			
	Heavy Oil	Conventional Gas	NGL	BOE	Heavy Oil	Conventional Gas	NGL	BOE	Heavy Oil	Conventional Gas	NGL	BOE	Heavy Oil	Conventional Gas	NGL	BOE
	Mstb	MMcf	Mstb	Mboe	Mstb	MMcf	Mstb	Mboe	Mstb	MMcf	Mstb	Mboe	Mstb	MMcf	Mstb	Mboe
Opening Balance	0.0	0.0	0.0	0.0	0.0	1,207.5	34.0	245.9	0.0	1,212.7	33.1	235.2	0.0	2,400.2	67.7	481.1
Production	0.0	-69.3	-1.3	-12.9	0.0	-69.3	-1.3	-12.9	0.0	0.0	0.0	0.0	0.0	-69.3	-1.3	-12.9
Technical Revisions																
Technical Revisions	0.0	673.5	12.2	124.5	0.0	70.7	-9.9	1.9	0.0	-177.3	-6.7	-36.3	0.0	-106.6	-16.6	-34.4
Working Interest Errors	0.0	0.0	0.0	0.0	0.0	-96.1	-1.5	-10.9	0.0	-825.3	-22.6	-160.2	0.0	-881.4	-24.1	-171.0
Extensions & Improved Recovery																
Drilling Extensions	0.0	0.0	0.0	0.0	0.0	2,350.2	42.5	434.2	33.1	888.3	17.3	198.5	33.1	3,238.5	59.8	632.7
Infill Drilling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recompletion Workover	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Category Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Improved Recovery	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discoveries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dispositions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Factors	0.0	0.0	0.0	0.0	0.0	5.6	0.2	1.1	0.0	0.9	0.0	0.2	0.0	6.5	0.2	1.3
Closing Balance	0.0	604.2	10.9	111.6	0.0	3,568.6	64.6	659.4	33.1	1,099.3	21.1	237.4	33.1	4,667.9	85.7	896.8

- Technical Revisions - Technical revisions: It mainly relates to a production resumption of 4 Glauconite wells at Ferrybank, Alberta. Reserves category for these wells changed from Proved Developed Non-Producing to Proved Developed Producing.
- Technical Revisions - Working Interest Errors: One location and one recompletion have been removed from the Company reserves due to an error found on the Company's mineral interests at the Ferrybank area. The Company doesn't hold the rights of the targeted Formation in the section of land where the two entities were located.
- Extensions & Improved Recovery – Drilling Extensions: Primary relates to new locations at Ferrybank and Honeysuckle, Alberta, described under "Oil and Gas Properties".

*ADDITIONAL INFORMATION RELATING TO RESERVES DATA*  
 Undeveloped Reserves  
**History of Attribution of Undeveloped Reserves**

HISTORY OF ATTRIBUTION OF UNDEVELOPED OIL AND GAS RESERVES									
2020 - 2022									
YEAR	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS		NATURAL GAS LIQUIDS		
	Mbbbl		Mbbbl		MMcf		Mbbbl		
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	
<b>PROVED UNDEVELOPED RESERVES</b>									
Attributed at									
	Prior December 31, 2020	Nil	Nil	Nil	Nil	832.8	832.8	Nil	Nil
	Effective January 1st, 2021	Nil	Nil	Nil	Nil	483.0	483.0	13.2	13.2
	Effective January 1st, 2022	Nil	Nil	Nil	Nil	2483.5	Nil	45	Nil
<b>PROBABLE UNDEVELOPED RESERVES</b>									
Attributed at									
	Prior December 31, 2020	Nil	Nil	Nil	Nil	75	75	Nil	Nil
	Effective January 1st, 2021	Nil	Nil	Nil	Nil	654	654	17.9	17.9
	Effective January 1st, 2022	Nil	Nil	33.1	Nil	543.4	Nil	11	Nil

In General, the company is planning to develop all Proved Undeveloped and Probable Undeveloped reserves during 2022. There are a number of factors that could result in delayed or canceled development, including the following: (i) a change in the economic conditions due to commodity pricing, operating and capital expenditure fluctuations; (ii) a change in the technical conditions, including production anomalies; (iii) surface access issues related to weather conditions, regulatory and landowners.

**SIGNIFICANT FACTORS OR UNCERTAINTIES**

The production rates, Oil and Gas reserves and cash flow information contained in the Deloitte Report are only estimates. The actual production and ultimate reserves may be greater or less than the estimates prepared by Deloitte. Factors, consideration and assumptions that the independent evaluator used to develop these estimates include, but are not limited to:

- : Historical production;
- : Government regulation;
- : Assumptions regarding commodity prices, production, development costs, taxes and capital expenditures;
- : Timing of capital expenditures;
- : Effectiveness of enhanced recovery schemes;
- : Marketability of production;
- : Operating costs and royalties;
- : Initial production rates;
- : Production decline rates;
- : Ultimate recovery of reserves: and
- : Future oil and gas prices.

Currently, Avila Energy Corporation does not anticipate any unusually high development costs or operating costs, the need to construct a major pipeline or other major facilities before production of reserves can begin. The Company does not anticipate any significant economic factors or significant uncertainties that could affect any particular components of the Reserves. However, reserves can be significantly affected by fluctuations in product pricing, capital expenditures, operating costs, royalty regimes and well performance, and subsequent drilling results that are beyond the Company's control.



**FUTURE DEVELOPMENT COSTS**

The Corporation's source of funding for future development costs of the Corporation's reserves will be derived from a combination of cash flow, debt and new equity. Management of the Corporation does not anticipate that the costs of funding referred to above will materially affect the Corporation's disclosed reserves and future net revenues or will make the development of any of the Corporation's properties uneconomic.

The Corporation's petroleum and natural gas investing activities have been funded to date primarily through the issuance of common shares and expects that it will continue to be able to utilize this source of financing until it develops additional cash flow from operations. For additional information regarding the future development of the Corporation's properties, see Part 6 – Oil and Gas Properties and Wells.

The following table details the development costs deducted in the estimation of future net revenue attributable to proved reserves of the Corporation (estimated and forecast prices and costs) and proved plus probable reserves of the Corporation (estimated using forecast prices and costs and constant prices and costs):

FUTURE DEVELOPMENT COSTS FORECAST PRICES AND COSTS DECEMBER 31, 2021		
Year	Total Proven Capital (M\$C)	Proven Plus Probable Capital (M\$C)
2022	1,587.5	2,337.5
2023	-	-
2024	-	-
2025	-	-
Remainder	-	-
Total (M\$C)	1,587.5	2,337.5

**ABANDONMENT AND RECLAMATION COSTS**

Additional Information Concerning Abandonment and Reclamation Costs on producing wells.

The Corporation bases its estimates for the costs of abandonment and reclamation of surface leases, wells, facilities and pipelines on previous experience of management with similar well sites and facility locations, the table below summarizes the abandonments associated with wells producing or capable to produce at yearend 2021 on both Proven and Proven Plus Probable categories.

<b>FUTURE ABANDONMENT COSTS FORECAST PRICES AND COSTS DECEMBER 31, 2021</b>		
<b>Year</b>	<b>Total Proven Abandonment Net</b>	<b>Proven Plus Probable Abandonment Net</b>
2022	-	-
2023	-	-
2024	-	-
Remainder	405.4	538.0
Total Wells (WI)	4.31	5.31
<b>Total (M\$C)</b>	<b>405.4</b>	<b>538.0</b>

**OTHER OIL AND GAS INFORMATION**

**Producing and Non-Producing Wells**

The following table summarizes Avila's interests as at December 31, 2021 in producing wells and in non-producing wells which Avila Energy Corporation believes are capable of producing oil or gas or both. The stated interests are working interests on a "before payout" basis and, in certain cases, are subject to lessor's and other royalties, in addition to usual Crown royalties or mineral taxes. All wells are "onshore" unless specifically identified as "offshore".

<b>OIL AND GAS WELLS</b>								
<b>PROVINCE</b>	<b>Producing</b>				<b>Non-Producing</b>			
	<b>Oil Wells</b>		<b>Gas Wells</b>		<b>Shut-In Oil Wells</b>		<b>Shut-In Gas Wells</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
<b>Alberta</b>	Nil	Nil	4	1.81	Nil	Nil	Nil	Nil
<b>Total</b>	Nil	Nil	4	1.81	Nil	Nil	Nil	Nil

### **Production Forecasts**

The following table represents sales gas production forecast for the Corporation's interest before royalties as at December 31, 2021 for total Proved Developed Producing reserves.

<b>PRODUCTION FORECAST - COMPANY WORKING INTEREST BEFORE ROYALTIES PROVEN DEVELOPED PRODUCING RESERVES 31-Dec-21</b>				
<b>Year</b>	<b>Natural Gas</b>		<b>Natural Gas Liquids</b>	
	<b>Daily mcf/d</b>	<b>Annual MMcf</b>	<b>Daily bbl/d</b>	<b>Annual Mbbbl</b>
2022	207.5	75.7	3.8	1.4
2023	188.6	68.8	3.4	1.2
2024	172.3	62.9	3.1	1.1
2025	156.5	57.1	2.8	1.0
2026	142.6	52.1	2.6	0.9
2027	130.0	47.4	2.4	0.9
2028	118.8	43.4	2.1	0.8
2029	76.7	28.0	1.4	0.5
2030	67.3	24.6	1.2	0.4
2031	61.6	22.5	1.1	0.4
2032	56.4	20.6	1.0	0.4

### **Oil and Gas Properties**

Avila Energy Corporation is focused on the conventional exploration and development of oil and natural gas reserves in Western Canada.

#### **Producing Properties**

##### **Ferrybank, Alberta**

The Ferrybank property is located in Townships 44 and 45, Range 27 W4M, approximately 45 miles south of Edmonton, Alberta. At Ferrybank, Avila Energy Corporation currently holds a non-operated working interest ranging between 31.3 and 50 percent in four producing natural gas wells. The Company also has plans for one recompletion and four proposed Natural Gas locations. Ferrybank has potential to produce Natural Gas and Natural Gas Liquids from the Basal Belly River, Viking and Glauconitic Formations. During 2022, the company expects to drill four proposed locations targeting the Basal Belly River and the Glauconite Sandstone.

#### **Non-Producing Properties**

##### **Honeysuckle, Alberta**

The Honeysuckle property is located in Townships 46, Ranges 25 and 26 W4M, approximately 40 miles south of Edmonton, Alberta. At Honeysuckle, Avila Energy Corporation holds 50% on two Heavy Oil Rex Locations. Currently, there are two horizontal oil wells in the immediate area that produce heavy oil from the Rex Formation offsetting these two locations. Due to the limited well control in the area, probable undeveloped reserves were assigned to the two Rex locations at this time. Reserves were assigned by Deloitte based on volumetric analysis, as well as comparison to analogous well review of Rex producing wells.

The Company also is planning to drill a vertical location targeting the Mannville Formation at Honeysuckle in 2022. Proven Undeveloped Reserves were assigned by Deloitte based on a review of analogous wells in the area, in conjunction with volumetric analysis.

**Land Holdings**

The following table sets forth the Company's developed and undeveloped oil and gas lease and mineral acreage as of December 31, 2021.

**AVILA ENERGY CORPORATION**  
**Developed and Undeveloped Land (Acres)**  
**as of December 31, 2021**

Developed Gross	Developed Net	Undeveloped Gross	Undeveloped Net	Total Gross	Total Net
4,461.0	1,043.5	3,200.0	1,600.0	7,661.0	2,643.5

In March 2021, Avila Energy Corporation acquired 2,560 acres of undeveloped mineral rights in West Central Alberta (net to the company). From this acquisition, 960 acres expired in 2021.

**Undeveloped Land and Expiring Rights**

The following table presents the undeveloped land held by Avila Energy Corporation by December 31<sup>st</sup> 2021.

PROVINCE	DECEMBER 31, 2021			
	Undeveloped Properties (Acres)		Expiring in 2022 (Acres)	
	Gross	Net	Gross	Net
Alberta	3,200	1,600	1,920	960
Total	3,200	1,600	1,920	960

### Exploration and Development Activities

For the year ended December 31, 2021 the Corporation completed the following exploratory and development activities:

EXPLORATION AND DEVELOPMENT ACTIVITIES		
YEAR ENDED DECEMBER 31, 2021		
	Gross	Net
Oil	Nil	Nil
Gas	Nil	Nil
Service	4	1.81
Dry	Nil	Nil
<b>Total</b>	<b>4</b>	<b>1.81</b>

The Corporation's most important current and likely exploration and development activities are described under "Oil and Gas Properties".

### Petroleum and Natural Gas Interest – Summary of Costs Incurred

The following table sets out Avila's property acquisition costs, exploration costs and development costs for the year ended December 31, 2021. This table includes all costs irrespective of whether such costs were capitalized or charged to expense.

	Years ended December 31,		January 1 to
	2021	2020	December 31, 2021 Totals
Land, leases, property, & acquisitions	\$ 1,750,191	\$ 1,054,611	\$ 695,580
Deferred costs:			
Geological expenditures	-	-	-
Intangible drilling expenditures	-	-	-
Intangible completion costs	-	-	-
Intangible carbon capture and sequestration	515,864	-	515,864
Well equipping	-	-	-
Plant and gathering equipment	-	-	-
Asset retirement obligations	109,116	-	109,116
Well abandonment	-	-	-
Pipeline & gathering	-	-	-
Royalties received	-	-	-
<b>Total</b>	<b>\$ 2,375,171</b>	<b>\$ 1,054,611</b>	<b>\$ 1,320,560</b>

### Forward Contracts

The Company may use certain derivative financial instruments to manage its commodity prices. These financial instruments are entered into solely for hedging purposes and are not used for trading or other speculative purposes. At December 31, 2021 there were no contracts or options outstanding.

## Tax Horizon

As at December 31, 2021, the Company has the following exploration and development expenditures, undepreciated capital costs and non-capital loss carry forwards which may be carried forward indefinitely to reduce future Canadian taxable income.

Deloitte was provided the following Canadian tax pools from Avila effective December 31, 2021.

	Thousands \$	Depreciation rate %
COGPE	0	10
CDE	0	30
CEE	0	100
CCA	0	30
Loss carry forward	8,335.0	

Per NI 51-101 corporate general and administrative expenses and financing costs are not deducted.

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

Net loss for the year	(1,415,186)	(948,707)
Expected income tax recovery	(339,645)	(227,690)
Permanent differences	8,107	(9,697)
Change in unrecognized deductible temporary differences	331,538	237,387
Total income tax expense	-	-

Significant components of the Company's unrecognized deductible temporary differences and tax losses are as follows:

Property, plant and equipment	(362,608)	(127,560)
Promissory notes payable	-	(4,811)
Convertible debentures	(65,151)	(50,429)
Non-capital losses	427,759	182,800
Unrecognized temporary differences and non-capital losses	-	-

In assessing the ability to realize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets are deductible.

As at December 31, 2021, the Company's unrecognized Canadian non-capital losses expire as follows:

	\$
2030	185,847
2031	332,320
2032	290,656
2033	584,259
2034	305,171
2035	5,099,852
2036	105,006
2037 to 2041	2,440,218
	<u>9,343,329</u>

## Production History

The table below summarizes the Natural Gas working interest production of Avila Energy Corporation during the year ended at December 31, 2021.

Historical Production Summary			
January - December 2021 Production			
Date	Well Count	Raw Natural Gas MMcf	Sales Natural Gas MMcf
Jan-21	-	0	0
Feb-21	1.31	4.4	4.0
Mar-21	1.81	6.1	5.6
Apr-21	1.81	5.8	5.3
May-21	1.81	5.9	5.5
Jun-21	1.81	2.9	2.7
Jul-21	1.81	10.2	9.3
Aug-21	1.81	8.8	8.1
Sep-21	1.81	8.3	7.6
Oct-21	1.81	7.6	7.0
Nov-21	1.81	7.6	7.0
Dec-21	1.81	7.8	7.2
<b>Total</b>		<b>75.3</b>	<b>69.3</b>

### *Report of Independent Qualified Reserves Evaluator or Auditor*

Deloitte has evaluated the Company's reserves data as at December 31, 2021. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2021 estimated using forecast prices and costs.

The reserves data are the responsibility of the Company's management. Deloitte's responsibility is to express an opinion on the reserves data based on our evaluation.

Deloitte carried out its evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

Those standards require that Deloitte plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved and probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2021, and identifies the respective portions thereof that we have evaluated and reported on to the Company's Management/Board of Directors:

Independent qualified reserves evaluator or auditor	Effective date of evaluation report	Location of reserves (country or foreign geographic area)	Net present value of future net revenue (before income taxes; 10% discount rate)			
			Audited \$M	Evaluated \$M	Reviewed \$M	Total \$M
Deloitte LLP	December 31, 2021	Canada	-	<b>3,801.60</b>	-	<b>3,801.60</b>

In Deloitte's opinion, the reserves data respectively evaluated by it have, in all material respects, been

determined and are in accordance with the COGE Handbook, consistently applied. Deloitte expresses no opinion on the reserves data that it has reviewed but did not audit or evaluate.

Deloitte has no responsibility to update our report referred to in paragraph 5 for events and circumstances occurring after the effective date of our report. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

### Proposed Acquisition

The Company completed its due diligence and internally completed an Evaluation. The Company's Reserve Committee, consisting of Daniel Lucero, Kyle Appleby and Tom Valentine reviewed the results of this evaluation.

- a) As of June 14, 2021, the evaluation of 100% of the post-closing interests of 611890 Alberta Inc. ('the Sellers') interests in 53,835 Acres, 43,935 Acres (Net) of mineral rights, associated wells, pipelines and facilities
- b) The Company engaged Deloitte LLP its Independent Qualified Reserves Evaluator ("QRE") to complete a NI 51-101 Compliant Evaluation of the proposed Acquisition. The results being as follows:

	Net Revenue NPV (M\$C)											
<b>Total Proved + Probable</b>												
Light and Medium Oil (Mbbbl)	10.4	-	9.7	880.7	500.4	406.5	364.9	297.6	256.8			
Heavy Oil (Mbbbl)	651.0	-	603.6	39,172.9	32,135.1	29,068.8	27,360.0	23,942.1	21,384.5			
Gas (MMcf)	11,173.1	-	9,770.3	38,515.0	25,688.9	21,741.3	19,832.3	16,487.4	14,300.8			
Coal Bed Methane (MMcf)	2,998.3	-	2,779.7	9,164.1	5,856.9	4,777.0	4,252.9	3,347.3	2,775.9			
Propane (Mbbbl)	123.7	-	102.6	3,354.3	2,331.4	2,004.3	1,843.2	1,556.0	1,364.6			
Butane (Mbbbl)	81.1	-	69.3	3,122.7	2,176.2	1,869.8	1,718.1	1,446.6	1,265.1			
Pentane Plus (Mbbbl)	48.3	-	40.6	3,249.2	2,287.5	1,966.4	1,805.4	1,513.7	1,316.6			
Sulphur (MLT)	0.6	-	0.5	26.8	21.5	19.3	18.1	15.7	13.9			
<b>Total</b>				<b>97,485.7</b>	<b>70,998.0</b>	<b>61,853.3</b>	<b>57,195.0</b>	<b>48,606.3</b>	<b>42,678.2</b>			
				<b>Before Tax Cash Flow NPV (1) (M\$C)</b>								
				45,562.3	33,759.4	29,150.5	26,686.8	21,935.8	18,505.8			
				<b>Remaining Equivalent Reserves (2) (MBOE)</b>								
				<b>Before Tax Cash Flow NPV/WI BOE (\$C/BOE)</b>								
				<b>WI</b>	<b>RI</b>	<b>Net</b>	<b>0.00 %</b>	<b>5.00 %</b>	<b>8.00 %</b>	<b>10.00 %</b>	<b>15.00 %</b>	<b>20.00 %</b>
Proved												
Proved Developed Producing	518.9	-	466.0	9.1	7.6	6.9	6.5	5.7	5.2			
Proved Developed Non-Producing	692.8	-	600.7	16.6	13.5	12.2	11.6	10.2	9.3			
Proved Undeveloped	991.5	-	891.6	10.9	8.1	6.9	6.2	4.8	3.7			
<b>Total Proved</b>	<b>2,203.2</b>	<b>-</b>	<b>1,958.3</b>	<b>12.3</b>	<b>9.7</b>	<b>8.6</b>	<b>7.9</b>	<b>6.7</b>	<b>5.8</b>			
<b>Total Probable</b>	<b>1,073.1</b>	<b>-</b>	<b>959.2</b>	<b>17.2</b>	<b>11.6</b>	<b>9.6</b>	<b>8.6</b>	<b>6.7</b>	<b>5.4</b>			
<b>Total Proved + Probable</b>	<b>3,276.3</b>	<b>-</b>	<b>2,917.5</b>	<b>13.9</b>	<b>10.3</b>	<b>8.9</b>	<b>8.1</b>	<b>6.7</b>	<b>5.6</b>			

The supporting information and results of this NI 51-101 Compliant Evaluation completed by Deloitte LLP are summarized in Schedule "K" hereto.

Furthermore, in addition to the completion of the Evaluation, the Company has reviewed the associated mineral contractors and inspected the production facilities being acquired. The Company continues to be engaged in the ongoing operational activities and at this time has deemed its due diligence to be completed and see no potential impairment of the assets or facilities being acquired.



## ***Report of Management and Directors on Oil and Gas Disclosure***

Report of Management and Directors on Reserves Data and Other Information Management of the Company are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at the last day of the Company's most recently completed financial being December 31, 2021, estimated using forecast prices and costs.

An independent qualified reserves evaluator evaluated and reviewed the Company's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report. The board of directors of the Company has (a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator; (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information; (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and (c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary, and the variations may be material.

### **5. SELECTED FINANCIAL INFORMATION**

The following table sets out the Company's selected financial information as at and for the periods indicated. Such information is derived from the financial statements of the Company attached as Schedule "A".

The information below should be read in conjunction with the Company's management discussion and analysis, audited annual financial statements and unaudited interim financial statements and related notes and other financial information.

#### **5.1 Annual Information**

	<b>Year Ended December 31, 2021</b>	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>
Revenue (net)	\$150,171	Nil	Nil
Expenses	(\$1,462,737)	(\$788,960)	(\$285,626)
Net loss	(\$1,415,186)	(\$948,707)	(\$175,813)
Loss per share	(\$0.06)	(\$0.10)	(\$0.02)
Total assets	\$4,583,826	\$2,679,028	\$1,065,473
Total liabilities	\$1,906,079	\$3,227,770	\$1,287,794
Cash dividends	Nil	Nil	Nil

## 5.2 Quarterly Information

	2022	2021				2020				2019
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenues (net)	445,316	38,876	59,152	46,762	5,381	Nil	Nil	Nil	Nil	Nil
Gross revenues	513,110	90,457	109,182	82,688	19,013	Nil	Nil	Nil	Nil	Nil
Oil and condensates per boe/d	19.56	0.28	0.48	0.37	0.11	Nil	Nil	Nil	Nil	Nil
Natural gas and liquids per mcf/d	779.0	119.2	292.4	236.1	42.1	Nil	Nil	Nil	Nil	Nil
Revenue per boe	38.16	47.85	23.89	22.44	29.32	Nil	Nil	Nil	Nil	Nil
Production costs	256,452	75,925	22,890	17,524	3,177	Nil	Nil	Nil	Nil	Nil
Total other items	-	(429,476)	-	326,856	-	(159,747)	Nil	Nil	Nil	Nil
Operating expenses	106,404	659,753	269,150	302,673	231,161	788,960	Nil	Nil	Nil	Nil
Income (loss) before income taxes	58,479	(890,019)	(209,996)	100,324	(214,847)	(948,707)	Nil	Nil	Nil	Nil
Basic and diluted income (loss) per share	0.00	(0.06)	(0.01)	0.00	(0.01)	(0.10)	Nil	Nil	Nil	Nil

## 5.3 Dividends

The payment of dividends, if any, in the future, rests within the sole discretion of the Board. The payment of dividends will depend upon the Company's earnings, its capital requirements and its financial condition, as well as other relevant factors. The Company has not declared any cash dividends since its inception and the Company intends to retain its earnings to finance growth and expand its operations and does not anticipate paying any dividends on its Shares and other classes of shares in the foreseeable future.

There are no restrictions in the Company's constating documents that prevent the Company from declaring dividends. The BCAA, however, prohibits the Company from declaring a dividend if there is reasonable ground for believing that: (i) the Company would, after payment, be unable to pay its liabilities as they become due; or (ii) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes of shares.

## 5.4 Foreign GAAP

The Company's financial statements have not been prepared in accordance with Foreign or U.S. GAAP.

## 5.5 Selected Pro Forma Financial Information

The table below sets out certain pro forma consolidated financial data for the Resulting Issuer as of March 31, 2022, assuming the Completion of the Asset Purchase, in respect of the periods for which financial information is provided elsewhere in this Listing Statement. The summary unaudited pro forma financial information below is derived from the Pro Forma Financial Statements and should be read in conjunction with the Pro Forma Financial Statements, related notes and other financial information appearing elsewhere

in this Filing Statement.

	<b>As at March 31, 2022 (unaudited)</b>
Current Assets	\$1,392,805
Total Assets	\$33,794,258
Total Liabilities	\$5,506,240
Total Shareholders' Equity	\$28,288,018

See Schedule E "*Pro Forma Financial Statements*".

## **6. MANAGEMENT AND DISCUSSION ANALYSIS**

This discussion concerns the Company's financial statements, which are included in this Listing Statement and should be referred to when reading this discussion. The Company's Financial Statements summarize the financial impact of the Company's financings, investments and operations, which financial statements were prepared in accordance with IFRS.

The Company's Management Discussion and Analysis for the interim three months period ended March 31, 2022 and years ended to December 31, 2019 and 2020, and December 31, 2021, are attached hereto as Schedule "B".

Certain information included in the Company's MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Note Regarding Forward-Looking Statements*" for further detail.

## **7. MARKET FOR SECURITIES**

The Company's Common Shares are listed for trading on the CSE under the symbol "VIK" since March 5, 2021. As a result of the Proposed Acquisition, which constitutes a Fundamental Change as such term is defined in Policy 8 of the CSE Policies, trading in the Company's Common Shares has been halted on September 9th, 2021, and will remain halted until the completion of the fundamental change transaction. The Shares will continue to trade under the symbol "VIK".

## **8. CONSOLIDATED CAPITALIZATION**

The following table sets out the consolidated capitalization of the Company as at the dates specified below and should be read in conjunction with the unaudited interim financial statements for the three months period ended March 31, 2022.

Since the March 31, 2022, the Company has not affected any material changes with respect to its share capital other than the changes described in this Listing Statement including: (i) the consolidation of its issued and outstanding Common Shares on the basis of one (1) post-consolidated Share for each two (2) pre-consolidated Shares on August 25, 2020. Following the Consolidation, the total issued, and outstanding Common Shares of the Company is approximately 35,651,341 as at March 31, 2022.

Description	Outstanding as at December 31, 2019 (Audited)	Outstanding as at December 31, 2020 (Audited)	Outstanding as at December 31, 2021 (Audited)	Outstanding at the date of this Listing Statement (Unaudited)
Common Shares	8,877,623	13,056,290	35,651,341	35,651,341 <sup>(1)</sup>
Warrants	Nil	3,412,500	12,984,694	12,984,694 <sup>(2)(3)(4)(5)(6)</sup>
Broker Warrants	Nil	604,200	544,450	544,450 <sup>(7)</sup>
Options	Nil <sup>(8)</sup>	Nil	200,000	200,000
Convertible Debentures	\$530,000	\$930,000	\$900,000	\$900,000 <sup>(9)</sup>

Notes:

- (1) Following the Consolidation of the Shares on a 2-for-1 basis and adjustments due to fractional rounding effected on August 25, 2020, resulting in 8,960,958 Shares issued and outstanding in addition to 1,916,666 Common Shares issued in connection with the OM Offering on November 5, 2020, in addition to 13,813,238 Common Shares issued from December 2020 to August 19, 2021, and in addition to 10,200,000 Common Shares issued in connection with the Private Placement on September 21, 2021. In the final quarter of 2021, 760,480 were issued upon the conversion of debt at \$0.10.
- (2) 1,850,000 common share purchase warrants with exercise price of \$0.25 per share until July 7, 2023.
- (3) A total of 958,333 warrants exercisable at a price of \$0.20 until November 5, 2022 were issued following closing of the 1<sup>st</sup> tranche of the OM Offering on November 5, 2020.
- (4) A total of 600,000 warrants exercisable at a price of \$0.05 until February 1, 2024 were issued in connection with the issuance of a convertible debenture units in the principal amount of \$30,000 on February 1, 2019.
- (5) A total of 412,500 warrants exercisable at a price of \$0.40 until June 1, 2023 were issued in connection with the consulting agreement dated June 1, 2020.
- (6) Broker Warrants A for the purchase of that number of Units equal to 8% of the number of Units subscribed for under the OM Offering. Each Broker Warrant A consists of one common share exercisable at a price of \$0.15 per share. Broker Warrants exercisable at a price of \$0.20 until January 31, 2024, were issued in connection with the issuance of 660,001 at \$0.15 per share on February 8, 2021. section 4.1.4 - *Funds Available and Use of Funds – Offering Memorandum – Agent’s Compensation* above for further details.
- (7) A total of 15,817 outstanding options have expired in 2018 as a result of the passing of its holder.
- (8) On December 9, 2019, the Company issued a debenture for \$500,000. The convertible debenture can be converted at \$0.25 for 2,000,000 common shares. On June 28, 2020, the Company offered a non-brokered private placement of \$400,000 debenture units, The convertible debenture can be converted at \$0.10 for 4,000,000 common shares.. See section 14.2 *Convertible / Exchangeable Securities* below for details

## 9. OPTIONS TO PURCHASE SECURITIES

The Stock Option Plan was approved by the Board and adopted by the Company in February 2010 and has been approved at every annual general meeting of the shareholders to this date. The purpose of the Stock Option Plan is to assist the Company in attracting, retaining and motivating directors, officers, employees, consultants, and advisors (together “service providers”) of the Company and of its affiliates and to closely align the personal interests of such service providers with the interests of the Company and its shareholders.

The Stock Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of Shares issued and outstanding from time to time. The options will expire not more than 5 years from the date of grant or earlier if the individual ceases to be associated with the Company, and vest over terms determined at the time of the grant. The Stock Option Plan will be administered by the Board, which will have full and final authority with respect to the granting of all options thereunder.

200,000 Options granted as of March 31, 2022 under the Stock Option Plan to such service providers of the Company and its affiliates, if any, as the Board may from time to time determine. The exercise prices shall be determined by the Board, but shall, in no event, be less than the closing market price of the Shares on the Exchange, less the maximum discount permitted under the Exchange policies, if such is permitted. The Stock Option Plan provides that the number of Shares issuable on the exercise of options granted to all persons together with all of the Company's other previously granted options may not exceed 10% of the issued and outstanding Shares.

The number of Shares which may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued Shares on a yearly basis. In addition, the number of Shares which may be reserved for issuance to any one Consultant upon exercise of all stock options held by such person may not exceed 2% of the issued Shares on a yearly basis. In addition, the number of Shares which may be reserved for issuance to any persons employed to provide Investor Relations Activities upon exercise of all stock options held by such persons may not exceed 2% of the issued Shares on a yearly basis.

Subject to earlier termination and in the event of dismissal for cause, termination other than for cause or in the event of death, all options granted under the Stock Option Plan will expire on the date of expiry set by the Board at the time of grant, which may not be later than ten years from the date that such options are granted. Options granted under the Stock Option Plan are not transferable or assignable other than by testamentary instrument or pursuant to the laws of succession.

## **10. DESCRIPTION OF THE SECURITIES**

### **10.1 General**

Pursuant to the terms of the articles of incorporation of the Company, the authorized capital of the Company consists of an unlimited number of shares designated as Common Shares and an unlimited number of shares designated as preferred shares with the rights, privileges, restrictions and conditions set out below.

As of the date of this Listing Statement, there are 35,651,342 issued and outstanding fully paid Common Shares and nil preferred shares outstanding.

- ***Common Shares***

The Common Shares shall have attached to them the rights, privileges, restrictions and conditions as hereinafter set forth:

- i) Except for meetings at which only holders of another specified class or series of shares of the Company are entitled to vote separately as a class or series, each holder of a Common Share is entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Company.
- ii) Subject to the rights of the holders of the preferred shares, the holders of the Common Shares are entitled to receive dividends if, as and when declared by the directors of the Company.
- iii) Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Company, the holders of the Common Shares are entitled to share equally in the remaining property of the Company upon liquidation, dissolution or winding-up of the Company.

- ***Preferred Shares***

The preferred shares shall have attached to them, as a class, the rights, privileges, restrictions and conditions as hereinafter set forth:

- i) The preferred shares may from time to time be issued in one or more series and, subject to the following provisions, and subject to the sending of articles of amendment in prescribed form and the issuance of a certificate of amendment in respect thereof, the directors may fix from time to time and before issue of a series of preferred shares, the number of shares which are to comprise that series and the designation, rights, privileges, restrictions and conditions to be attached to that series of preferred shares including, without limiting the generality of the foregoing, the rate or amount of dividends or the method of calculating dividends, the dates of payment of dividends, the redemption, purchase and/or conversion prices and terms and conditions of redemption, purchase and/or conversion, and any sinking fund or other provisions.
- ii) The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, rank on a parity with the preferred shares of every other series and be entitled to preference over the Common Shares and over any other shares of the Company ranking junior to the preferred shares. The preferred shares of any series may also be given other preferences, not inconsistent with these articles, over the Shares and any other shares of the Company ranking junior to the preferred shares of a series as may be fixed in accordance with clause 2(b)(i).
- iii) If any cumulative dividends or amounts payable on the return of capital in respect of a series of preferred shares are not paid in full, all series of preferred shares shall participate rateably in respect of accumulated dividends and return of capital.

Unless the directors otherwise determine in the articles of amendment designating a series of preferred shares, the holder of each share of a series of preferred shares shall not, as such, be entitled to receive notice of or vote at any meeting of shareholders, except as otherwise specifically provided in the BCAA.

## **10.2 Debt Securities**

As of the date of this Listing Statement, the Company has no debt securities listed and is not seeking a listing of any debt securities.

## **10.3 Other Securities**

As of the date of this Listing Statement, the Company has no other securities listed and is not seeking a listing of any other securities beyond the Shares.

## **10.4 Modification of terms**

Save and except for the consolidations set forth below, the Company has not amended, modified or varied any of the terms or rights attached to its Common Shares.

On April 8, 2019, the Company consolidated all of its issued and outstanding Shares on the basis of one (1) post-consolidated Share for each ten (10) pre-consolidated Shares.

On August 25, 2020, the Company consolidated all of its issued and outstanding Shares on the basis of one (1) post-consolidated Share for each two (2) pre-consolidated Shares.

## **10.5 Other Attributes**

There are no other attributes of the Company's Common Shares that would be materially limited or qualified by the rights of any other class of securities, or any other class of securities that would rank ahead of or equally with the Common Shares.

## 10.6 Prior Sales

The following table summarizes all sales/issuances of securities of the Company within the last twelve months before the date of this Listing Statement:

Allotment Date	Price per Security/Exercise Price	Number of Securities	Type of Securities
May 21, 2021	\$0.25	1,753,333	Common Shares
June 14, 2021	\$0.18	73,698	Common Shares
June 17, 2021	\$0.15	24,000	Common Shares
June 23, 2021	\$0.15	103,000	Common Shares
June 28, 2021	\$0.15	51,050	Common Shares
July 7, 2021	\$0.25	150,000	Common Shares
July 15, 2021	\$0.15	45,150	Common Shares
August 19, 2021	\$0.10	100,000	Common Shares
September 21, 2021	\$0.25	10,200,000	Units <sup>(1)</sup>
October 1, 2021	\$0.10	500,000	Common Shares
November 12, 2021	\$0.10	260,480	Common Shares
March 31, 2021	\$0.05	600,000	Common Shares

Notes:

- <sup>(1)</sup> On September 21, 2021, the Company closed the Private Placement and issued 10,200,000 common units from its share capital at \$0.25 per unit for gross proceeds of \$2,550,000. Each unit consists of one Common Share and one-half (1/2) common share purchase warrant (post consolidation as of August 25, 2020). Each full warrant exercisable by the holder to acquire one additional Common Share of the Company for a period of 24 months from issuance at an exercise price of \$0.35 per share.

## 10.7 Trading Price and Volume

The high and low market prices of the Company's Common Shares on the CSE for each month of the current quarter and the immediately preceding quarter were as follows:

<b>Monthly Highs and Lows</b>	<b>High (\$)</b>	<b>Low(\$)</b>
August 2021	0.33	0.20
July 2021	0.40	0.20
June 2021	0.42	0.18
May 2021	0.26	0.16
April 2021	0.30	0.16

The high and low market prices of the Company's Common Shares on the CSE for each full fiscal quarter for the seven preceding quarters were as follows:

<b>Monthly Highs and Lows</b>	<b>High (\$)</b>	<b>Low(\$)</b>
Quarter ended June 30, 2021	0.420	0.160
Quarter ended March 31, 2021	0.450	0.005
Quarter ended December 31 2020	0.005	0.005
Quarter ended September 30, 2020	0.005	0.005
Quarter ended June 30, 2020	0.005	0.005
Quarter ended March 31, 2020	0.005	0.005
Quarter ended December 31 2019	0.005	0.005

## 11. ESCROWED OR RESTRICTED SECURITIES

As at the date of this Listing Statement, the following securities are subject to restrictions on transfers:

<b>Designation of Class</b>	<b>Number of securities held in escrow or subject to a contractual restriction on transfer<sup>(1)</sup></b>	<b>Percentage of class</b>
Common Shares	1,083,132 <sup>(2)</sup>	3.04%
Warrants	300,000	Nil
Broker Warrants	Nil	Nil

Notes:

<sup>(1)</sup> As of the date of the Listing Statement;

<sup>(2)</sup> Includes 1,083,132 Common Shares held by Related Persons that are held in escrow (see table below);



Pursuant to the Escrow Agreement, the following securities of the Company are subject to escrow:

Name of Holder	Designation of Class Held in Escrow	Number of Securities Held in Escrow	Percentage of Class <sup>(1)</sup>
LNG Management Services Ltd. <sup>(2)</sup>	Common Shares	352,107	0.99%
Peter Nesveda	Common Shares	540,000	1.51%
Peter Nesveda	Warrants	300,000	0.56%
Michel Lebeuf	Common Shares	187,500	0.53%
Lars Glimhagen	Common Shares	3,525	0.01%

Notes:

<sup>(1)</sup> Based on 35,651,342 Common Shares outstanding;

<sup>(2)</sup> A company controlled by Lars Glimhagen.

Unless permitted under securities legislation, all securities issued pursuant to the Private Placement are subject to a hold period ending on the date that is four months and a day after from the date the securities were issued.

No securities are otherwise subject to any contractual restrictions on transfer.

## 12. PRINCIPAL SHAREHOLDERS

The Company is authorized to issue an unlimited number of Common Shares. As at the date hereof, there are 35,651,342 Common Shares issued and outstanding. There are no other shares issued or outstanding of any other class.

To the knowledge of the directors and officers of the Company, as of the date of this Listing Statement, no person beneficially owns or exercises control or direction over, directly or indirectly, Common Shares carrying more than 10% of the votes attached to the Common Shares.

## 13. DIRECTORS AND EXECUTIVE OFFICERS

### 13.1 Name, Occupation and Security Holdings

The following table sets out the names of the Company's directors and officers, municipalities of residence, the number and percentage of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction as at the date hereof, the principal occupations held over the past five years, the offices held with the Company and the committees of which they are members.

The directors of the Company are elected annually by the Shareholders and hold office until the next annual general meeting of the Shareholders or until their successors are elected or appointed. The following directors and officers will be the directors and officers following the completion of the Proposed Transaction.

<b>Name and Province of Residence</b>	<b>Director/ Officer (since)</b>	<b>Principal Occupation for the Past 5 Years</b>	<b>Shares Beneficially Owned Directly or Indirectly<sup>(1) (2)</sup></b>
<b>Leonard Van Betuw</b> <i>President &amp; CEO</i> Calgary, Alberta, Canada	President and Chief Executive Officer, Director (since July 18, 2021)	Avila Exploration and Development Canada Ltd. (February 2017 – present) and 611890 Alberta Ltd. (April 1, 2021 – present)	2,100,000 (5.89%)
<b>Lars Glimhagen</b> <i>CFO</i> Vernon, BC, Canada	Chief Financial Officer (since 2018/03/16)	Engold Mines Ltd. (formerly GWR Resources Inc.) (Oct. 1998 - Sept. 2012) Petro Viking Energy Inc. (Oct. 2012 – present)	474,176 <sup>(3)</sup> (1.33%)
<b>Michel Lebeuf</b> <i>Director &amp; Corporate Secretary</i> Laval, QC, Canada	Director and Corporate Secretary (since 2018/03/16)	Partner at Dunton Rainville LLP (May 2016 – present)	250,000 (0.70%)
<b>Thomas Edwards Valentine</b> <i>Director</i> <sup>(4)</sup> Calgary, AB, Canada	Director (since 2019/04/08)	Senior partner at Norton Rose Fulbright LLP (1982 – present)	Nil
<b>Daniel Lucero</b> <i>Director</i>  Montelibano, Cordoba, Colombia	Director (since 2019/12/20)	Avila Exploration and Development Canada Ltd. (Feb. 2017-present) Quattro Exploration and Production Ltd. (Oct. 2011 – Feb. 2017)  Kinetex Geosciences (Oct. 2008 – Sept. 2011) CoalCorp Mining (Aug. 2006 – Sept. 2008) Andicoal (Apr. 2005 – July 2006)	Nil
<b>Jeffrey Decter</b> <sup>(4)</sup> <i>Director</i> Alberta	Director (since 25/05/2022)	President of Integrity Financial Corp. since 1998	Nil
<b>Kyle Appleby</b> <i>Director</i> <sup>(4) (5)</sup> Toronto, ON, Canada	Director (since 2020/11/09)	Chartered professional accountant	Nil

<b>Peter Nesveda</b> <i>Vice-President</i> Malvern, Australia	Vice-President - Investors Relations and Corporate Affairs (since 2020/06/01)	Director of Intuitive Pty. Ltd. (Oct. 2000 – present)	1,111,094 (3.12%)
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Notes:

- (1) Information as to ownership of Shares has been taken from the list of registered shareholders maintained by the Transfer Agent.
- (2) Based on 35,651,342 Common Shares issued and outstanding as of the date of this Listing Statement.
- (3) Includes 4,700 Common Shares held by Lars Glimhagen and 469,476 Common Shares held by LNG Management Services Ltd., a privately held company controlled by Lars Glimhagen;
- (4) Member of the Audit Committee.
- (5) Chair of the Audit Committee

### 13.2 Cease Trade Orders or Bankruptcies

Save and except as set out below, as of the date of this Listing Statement, no director or officer of the Company is, or has been, within ten years before the date of this Listing Statement, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
  - (b) was subject to an event that resulted, after the director or executive officer ceased to be director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period or more than 30 consecutive days; or
  - (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.
- Lars Glimhagen was a director of the Company when a failure-to-file cease-trade-order was issued by the ASC and the BCSC on May 6, 2015 and on May 8, 2015 respectively. A partial revocation order was granted on November 6, 2018 by both the ASC and the BCSC to allow the completion of a private placement and a debt conversion. The Company filed all continuous disclosure documents as required thereafter and a full revocation of the cease-trade-order was issued by the ASC and the BCSC on January 30, 2019. Lars Glimhagen was a director and CFO of the Company's subsidiary Petro Viking Management Corp. ("PVMC") when it was deemed bankrupt on December 5, 2015 as a result of failing to file a proposal pursuant to the Notice of Intention filed under Division I of the Bankruptcy and Insolvency Act ("BIA"). The Court of Queen's Bench of Alberta (the "Court") has appointed Grant Thornton Limited as trustee in bankruptcy.
  - Michel Lebeuf Jr. was named director of Bitumen Capital Inc. (TSXV-BTM.H) ("Bitumen"), a capital pool company listed on the NEX board of the TSX Venture Exchange during Bitumen's annual general meeting in February 2017, in order to meet the requirements of the Canada Business Corporation Act of at least three directors on the board. On May 8, 2017, Bitumen, having not enough cash to pay the audit of its annual financial statements was unable to file in due time said annual audited financial statements and received a cease trade in the Provinces of Quebec and Ontario. Michel Lebeuf was a director of the Company when the CTO was issued to the Company.
  - Leonard Van Betuw was President, Chief Executive Officer and director of Quattro Exploration and Production Ltd. ("Quattro") from November 2011 until his resignation on March 23, 2017. Leonard Van Betuw acted as President and CEO of Quattro when on May 8, 2015, the British Columbia Securities

Commission issued a cease trade order against Quattro for having failed to file its comparative financial statement for its financial year ended December 31, 2014, and Management Discussion and Analysis for the period ended December 31, 2014. On June 4, 2015, the British Columbia Securities Commission has revoked the cease trade order. Moreover, the Alberta Securities Commission issued a management cease trade order against Quattro on May 3, 2016 for being unable to file its audited financial statements for the year ended December 31, 2015 and the management's discussion and analysis before the April 29, 2016 filing deadline. On August 10, 2016, Quattro filed a Notice of Intention to Make a Proposal under the BIA. On September 8, 2016, upon the application of Quattro, the Court granted an Initial Order transferring Quattro's restructuring proceedings originally commenced under the BIA to the Companies' Creditors Arrangement Act. On February 2, 2017, the Court appointed Hardie & Kelly Inc. as receiver and manager.

- Jeffrey Decter was a director of Quattro Exploration and Production Ltd. ("Quattro") from November 2011 until his resignation on March 23, 2017. Jeffrey Decter was a director of Quattro when on May 8, 2015, the British Columbia Securities Commission issued a cease trade order against Quattro for having failed to file its comparative financial statement for its financial year ended December 31, 2014, and Management Discussion and Analysis for the period ended December 31, 2014. On June 4, 2015, the British Columbia Securities Commission has revoked the cease trade order. Moreover, the Alberta Securities Commission issued a management cease trade order against Quattro on May 3, 2016 for being unable to file its audited financial statements for the year ended December 31, 2015 and the management's discussion and analysis before the April 29, 2016 filing deadline. On August 10, 2016, Quattro filed a Notice of Intention to Make a Proposal under the BIA. On September 8, 2016, upon the application of Quattro, the Court granted an Initial Order transferring Quattro's restructuring proceedings originally commenced under the BIA to the Companies' Creditors Arrangement Act. On February 2, 2017, the Court appointed Hardie & Kelly Inc. as receiver and manager.

### **13.3 Penalties or Sanctions**

As of the date of this Listing Statement, no director or officer of the Company is, or has been, subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely to be considered important to a reasonable investor making an investment decision.

### **13.4 Personal Bankruptcies**

Save and except as set out below, to the Company's knowledge, no existing or proposed director, officer, promoter or other member of management of the Company has, during the ten years prior to the date hereof, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

- Michel Lebeuf filed a proposal with his creditors on February 3, 2017. The proposal was accepted by the Superior Court of Quebec on March 16, 2017. This proceeding was due to many contractual engagements taken by Mr. Lebeuf (namely for acting as personal guarantee) to various loans regarding his previous law firm Brière & Lebeuf Inc. Michel Lebeuf was discharged from this proposal on March 4, 2022.

### **13.5 Conflicts of Interest**

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

To the Company's knowledge, and other than as disclosed herein, there are no known existing or potential

conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

### **13.6 Background – Directors and Executive Officers**

The following is a brief description of each of the directors and executive officers of the Company, including their names, ages, positions and responsibilities with the Company, relevant educational background, principal occupations or employment during the five years preceding the date of this Listing Statement, experience in the Company's industry and the amount of time intended to be devoted to the affairs of the Company. All directors are elected at the Company's annual general meeting and hold office for a term of one year.

#### **Leonard Van Betuw, President and Chief Executive Officer, 57 years old**

Mr. Van Betuw was awarded a BSc (Hon.) Degree in Geophysics in 1987 becoming recognized for his expertise in the area of design and delivery of services formed from a comprehensive suite of geophysical experiences developed over 25 years as a manager, executive, and Geophysicist.

Early in Leonard's career, he spent most of his time abroad for various companies from 1998 to 1992. This is where Mr. Van Betuw began forming of what will become his managerial skill sets. During these years, Mr. Van Betuw held various contract positions and consulting roles including Geophysicist for Can-Oxy in Yemen, Operations Supervision for Veritas Geophysical and Operations Manager in Canada and Venezuela with Western Atlas International. Between 1998 and 2006, Kinetex Inc. was formed as a private company where Leonard acted as President. In 2006, the company was acquired and went public as Kinetex Resources Corporation where Mr. Van Betuw became President until 2010.

Mr. Van Betuw consulted as an advisor with Life Sciences Institute from 2006 until 2011 when the company changed its name to Quattro Exploration and Production Ltd/ a TSX listed Junior Oil and Gas Company. In 2011, he was appointed President and CEO until 2017.

In February, 2017, Leonard Van Betuw became President and CEO of Avila Exploration and Development Canada Ltd. which in 2020 continues to be operated by 611890 Alberta Inc. Mr. Van Betuw will devote approximately 90% of his time to the Company.

#### **Lars Glimhagen, Chief Financial Officer, 71 years old**

Mr. Lars Glimhagen has a background in accounting and has held senior officer positions with several public companies, including Engold Mines Ltd. (formerly GWR Resources Inc.), Petro Viking Energy Inc., Sunrise Resources Ltd. and BC Rapid Transit. Through his professional experiences, Mr. Glimhagen has developed acquired experience in accounting in various industries, including mineral exploration, oil and gas, and adult education. Mr. Glimhagen obtained a Provincial B.C. Instructor Program (April 2017) from the Vancouver Community College. Lars Glimhagen was a director and CFO of the Company's subsidiary Petro Viking Management Corp. ("PVMC") when it was deemed bankrupt on December 5, 2015 as a result of failing to file a proposal pursuant to the Notice of Intention filed under Division I of the Bankruptcy and Insolvency Act ("BIA"). The Court of Queen's Bench of Alberta (the "Court") has appointed Grant Thornton Limited as trustee in bankruptcy.

Mr. Glimhagen is not a party to any employment, non-competition or confidentiality agreement with the Company. Mr. Glimhagen will devote approximately 90 % of his time to the Company.

#### **Michel Lebeuf, Corporate Secretary and Director, 48 years old**

Mr. Michel Lebeuf is a member in good standing of the Quebec Bar Association (Montreal Section) and a partner at Dunton Rainville LLP. Mr. Lebeuf has developed an expertise in securities law, particularly in the areas of natural resources, institutional and corporate financing, and public and private mergers and

acquisitions. He has experience in corporate reorganizations, public and private transfers, and institutional funding. Mr. Lebeuf graduated from Université de Montréal where he obtained a degree in political sciences (internal relations) in 1992 and a civil law degree in 1997. Mr. Lebeuf also acts as director and officer for many listed issuers on the Canadian Securities Exchange and the TSX Venture Exchange.

Mr. Lebeuf is not a party to any employment, non-competition or confidentiality agreement with the Company. Mr. Lebeuf will devote approximately 20% of his time to the Company.

**Daniel Lucero, Director, 39 years old**

Mr. Daniel Lucero has acquired more than 15 years of experience in resource exploration in Latin America and the Western Canadian Sedimentary Basin. Mr. Lucero previously held positions at numerous oil, gas and mineral companies and have previously worked as an Exploration Manager at Quattro Exploration and Production Ltd. for 6 years, Chief Geoscientist at Kinetex Geosciences, and as Exploration Geologist at CoalCorpMining and Andicoal. Currently, Mr. Lucero is the Exploration Manager for Avila Exploration and Development Canada Ltd. Mr. Lucero graduated from the National University of Colombia (Bogota-Colombia) with a BSc in Geology on 2004.

Mr. Lucero is not a party to any employment, non-competition or confidentiality agreement with the Company. Mr. Lucero will devote approximately 25% of his time to the Company.

**Thomas Valentine, Director, 59 years old**

Mr. Thomas Valentine has more than 30 years of experience in the oil and gas industry, both as a barrister and a solicitor. While in Qatar, Mr. Valentine was responsible for a number of international gas and LNG projects, including projects in the United Kingdom (Qatargas II), India (RasGas) and Spain (Endesa Generacion). He currently provides legal advice to various gas and LNG projects (both upstream and downstream) in Asia, Nigeria, South America, North America and the Middle East. Mr. Valentine graduated from the University of British Columbia with a Bachelor of Arts in 1983. He also completed a Bachelor of Laws from Dalhousie University in 1986 and obtained a Master of Laws from London School of Economics in 1989.

Mr. Valentine is not a party to any employment, non-competition or confidentiality agreement with the Company. Mr. Valentine will devote approximately 10% of his time to the Company.

**Kyle Appleby, Director, 46 years old**

Mr. Kyle Appleby possesses over 20 years of accounting and financial consulting experience, acting as CFO to public and private companies in a broad range of industries (including several mining companies with operations in North America and Africa). He is a member in good standing of the Chartered Professional Accountants of Canada and the Chartered Professional Accountants of Ontario. Mr. Appleby graduated from York University with a Bachelor of Arts in Economics on 1996 and obtained his accounting designation in 2001.

Mr. Appleby is not a party to any employment, non-competition or confidentiality agreement with the Company. Mr. Appleby will devote approximately 25% of his time to the Company.

**Peter Nesveda, Vice-President Investors Relations and Corporate Affairs, 71 years old**

Mr. Peter Nesveda possesses over 30 years plus of international investor relations and corporate affairs experience having worked with several public and private companies in Australia, United Kingdom, Hong Kong, South Africa, Singapore, Canada, New Zealand and the USA. Mr. Nesveda brings together a significant number of global contacts in the public and private sectors and has assisted in forming companies by way of strategic and cornerstone introductions. He brings all of his skill set to work in support of emerging companies: investor relations, corporate affairs, introducing funders and financiers, helping build management teams and boards of directors.

Mr. Nesveda is not a party to any employment, non-competition or confidentiality agreement with the Company. Mr. Nesveda will devote approximately 10% of his time to the Company.

**Jeffrey Decter – Director, 58 years old**

President of Integrity Financial Corp. focused on financing since 1998 with over 35 years experience including sales, management and financing. Prior to 1998, Mr. Decter was constantly in the top 3 in sales at a national communications company that had offices in Montreal, Toronto, Calgary, and Vancouver, developing a number of marketing strategies. His experience and network of individuals and organizations provides Avila a broader foundation for independent advice prior to making measured decisions and aggressive executions of its business and/or marketing plans.

Mr. Decter is not a party to any employment, non-competition or confidentiality agreement with the Company. Mr. Decter- will devote approximately 10% of his time to the Company.

**13.7 Audit Committee**

The Company will have one committee comprised of three members of the Board namely Jeff Decter, Thomas Valentine and Kyle Appleby. All three directors are considered to be independent members of the Audit Committee within the meaning of NI 52-110.

All members are “financially literate” within the meaning of NI 52-110. The Company is a “venture issuer” as defined in NI 52-110 and is relying upon the exemption in section 6.1 of NI 52-110 in respect of the composition of its Audit Committee and in respect of its reporting obligations under NI 52-110.

The Audit Committee assists the Board in fulfilling its responsibilities for oversight of financial and accounting matters. The Audit Committee reviews the financial reports and other financial information provided by the Company to regulatory authorities and its shareholder and reviews the Company’s system of internal controls regarding finance and accounting including auditing, accounting and financial reporting processes.

The Company’s Board has adopted an Audit Committee Charter setting forth the responsibilities, powers and operations of the Audit Committee consistent with NI 52-110, a copy of which is attached hereto as Schedule “G”. The principal duties and responsibilities of the Audit Committee will be to assist the Board in discharging the oversight of:

- i) the integrity of the Company’s financial statements and accounting and financial processes and the audits of our financial statements;
- ii) the Company’s compliance with legal and regulatory requirements;
- iii) the Company’s external auditors’ qualifications and independence;
- iv) the work and performance of the Company’s financial management and its external auditors; and
- v) the Company’s system of disclosure controls and procedures and system of internal controls regarding finance, accounting, legal compliance, and risk management established by management and the Issuer’s Board.

It is anticipated that the Audit Committee will have access to all books, records, facilities, and personnel and may request any information about the Company as it may deem appropriate. It will also have the authority to retain and compensate special legal, accounting, financial and other consultants, or advisors to advise the Audit Committee. The Audit Committee is also expected to review and approve all related-party transactions and prepare reports for the Board on such related-party transactions as well as be responsible for the pre-approval of all non-audit services to be provided by our auditors.

**14. CAPITALIZATION**

The following section is based on the Company's Common Shares, which are the only securities listed as of the date of this Listing Statement.

#### **14.1 Issued Capital**

The following table is with respect to the issued and outstanding Common Shares of the Company.



	<b>Number of Securities (non-diluted)</b>	<b>Number of Securities (fully-diluted)</b>	<b>% of Issued (non-diluted)</b>	<b>% of Issued (fully diluted)</b>
<u>Public Float</u>				
Total outstanding (A)	35,651,342 <sup>(1)</sup>	54,836,035	100%	100%
Held by Related Persons or employees of the Company or Related Person of the Company, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Company (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Company upon exercise or conversion of other securities held) (B)	3,935,270	6,622,270	11.04%	12.08%
Total Public Float (A-B)	31,716,071	48,213,765	88.96%	87.92%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	1,083,132	1,083,132	304%	1.98%

Total Tradeable Float (A-C)	34,568,209	53,752,903	96.96%	98.02%
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Notes:

(1) As at March 31, 2022

Public Securityholders (Registered)

**Instruction:** For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Class of Security: Common Shares

Size of Holding

	<u>Number of holders</u>	<u>Total number of securities</u>
<b>1 – 99 securities</b>	31	926
<b>100 – 499 securities</b>	11	1,829
<b>500 – 999 securities</b>	2	1,348
<b>1,000 – 1,999 securities</b>	Nil	Nil
<b>2,000 – 2,999 securities</b>	Nil	Nil
<b>3,000 – 3,999 securities</b>	Nil	Nil
<b>4,000 – 4,999 securities</b>	7	21,392
<b>5,000 or more securities</b>	30	35,625,846
<b>Total:</b>	<u>81</u>	<u>35,651,342 <sup>(1)</sup></u>

Notes:

(1) As at March 31, 2022

Public Securityholders (Beneficial)

**Instruction:** Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

Class of Security: Common Shares

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	17	615
100 – 499 securities	53	11,250
500 – 999 securities	50	31,802
1,000 – 1,999 securities	37	47,297
2,000 – 2,999 securities	21	48,653
3,000 – 3,999 securities	12	40,551
4,000 – 4,999 securities	7	30,875
5,000 or more securities	105	31,505,028
Unable to confirm	Cannot accurately confirm the shareholdings of objecting beneficial shareholders	Cannot accurately confirm the shareholdings of objecting beneficial shareholders
	<b>Total:</b>	
	302	31,716,071

Notes:

(1) As at March 31, 2022

Non-Public Securityholders (Registered)

**Instruction:** For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

Class of Security: Common Shares

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	-	-
100 – 499 securities	-	-
500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	4	3,935,270
	4	3,935,270

Notes:

(1) As at March 31, 2022

## 14.2 Convertible or Exchangeable Securities

The following chart provides details regarding all outstanding securities convertible or exchangeable into any class of listed securities as of the date of this Listing Statement.

Description of Security (conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
2,874,998 common share purchase warrants in connection with the issuance of Units, each whole warrant entitling its holder to purchase one (1) Common Share with an exercise price of \$0.20 per share until November 5, 2022;	2,874,998	2,874,998
876,666 common share purchase warrants related to May 21, 2021 private placement with exercise price at \$0.35 per share until May 6, 2023.	876,666	876,666
412,500 common share purchase warrants issued with exercise price of \$0.40 per share and expiry of June 1, 2023	412,500	412,500
1,850,000 common share purchase warrants with exercise price of \$0.25 per share until July 7, 2023	1,850,000	1,850,000
168,200 common share purchase warrants with exercise price of \$0.35 per share until August 26, 2023	168,200	168,200
1,160,000 common share purchase warrants with exercise price of \$0.35 per share until September 9, 2023	1,160,000	1,160,000
4,088,680 common share purchase warrants with exercise price of \$0.35 per share until September 13, 2023	4,088,680	4,088,680
100,000 common share purchase warrants with exercise price of \$0.35 per share until September 20, 2023	100,000	100,000
309,200 common share purchase warrants with exercise price of \$0.35 per share until September 23, 2023	309,200	309,200
444,450 Broker Warrants A until November 5, 2023 <sup>(1)</sup>	444,450	444,450
Broker Warrants <sup>(2)</sup>	100,000	100,000
600,000 common share purchase warrants in connection with the issuance of Units, each warrant entitling its holder to purchase one (1) Common Share at a price of \$0.05 per share until February 1, 2024	600,000	600,000
Convertible Debentures <sup>(3)</sup> <sup>(4)</sup>		6,000,000
200,000 stock options exercisable at \$0.35 per common share and expire on October 31, 2024	200,000	200,000

Notes:

- (1) Broker Warrants A for the purchase of that number of Units equal to 8% of the number of Units subscribed for under the OM Offering. Each Broker Warrant A consists of one common share exercisable at a price of \$0.15 per share.
- (2) Broker Warrants exercisable at a price of \$0.20 until January 31, 2024, were issued in connection with the issuance of 660,001 at \$0.15 per share on February 8, 2021.
- (3) On December 9, 2019, the Company issued a debenture for \$500,000. The convertible debenture can be converted at \$0.25 for 2,000,000 common shares.
- (4) On June 28, 2020, the Company offered a non-brokered private placement of \$400,000 debenture units, The convertible debenture can be converted at \$0.10 for 4,000,000 common shares.

## **15. EXECUTIVE COMPENSATION**

### **15.1 Compensation Discussion and Analysis**

The Company's completed Form 51-102 F6V Statement of Executive Compensation for the year ending on December 31, 2021 is attached hereto as Schedule "F". It is not the Company's plan to make any material changes to the compensation of its executives.

## **16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As of the date of this Listing Statement, no director or executive officer or employee of the Company, or an associate of any such director or officer is or at any time during the most recently completed financial year has been indebted to the Company and no indebtedness of any such individual to another entity is or at any time during the most recently completed financial year has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

## **17. RISK FACTORS**

The following are certain factors relating to the business of the Company, which factors investors should carefully consider when making an investment decision concerning the Shares. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company.

If any one or more of the following risks occur, the Company's business, financial condition and results of operations could be seriously harmed. Further, if the Company fails to meet the expectations of the public market in any given period, the market price of the Shares could decline. An investment in the Shares should only be made by persons who can afford a significant or total loss of their investment.

The risks discussed below also include forward-looking statements and actual results may differ substantially from those discussed in these forward-looking statements. See "*Note Regarding Forward Looking Statements*" in this Listing Statement.

### **17.1 Risk related to the operations of the Company**

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop, and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. Any future increase in the Company's reserves will depend not only on the Company's ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that further commercial quantities of oil and natural gas will be discovered or acquired by the Company. The Company's principal risks include finding and developing economic hydrocarbon reserves efficiently and being able to fund the capital program.

### **17.2 Limited Operating History**

The Company's operations are subject to all of the risks inherent in the exploration, acquisition and development of gas and oil properties, including a limited prior operating history. The Company is in an early commercial and continuing development phase of its operations. An investor must assess the impact of the limited business history of the Company. The Company is not producing net income and the Company may not be able to fully execute its business plan for any number of reasons as described herein. The extent of future losses and the time required to achieve profitability is uncertain. There can be no assurance that the Company will achieve profitability or that profitability, if achieved, will be sustained.

There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. To date, the Company has not paid any dividends on their outstanding shares. Any decision to pay dividends on the shares of the Company will be made by the Board on the basis of the Company's earnings, financial requirements and other conditions. The Company has no intention of paying any dividends in the foreseeable future.

### **17.3 Operational Risk**

The business of exploring for oil and gas involves a high degree of risk. Substantial expenditures are required in order to establish such reserves through drilling, and to develop production, gathering or processing facilities and infrastructure at any site chosen for oil or gas production. Although substantial benefits may be derived from the discovery of major oil or gas reserves, no assurance can be given that oil or gas will be discovered in sufficient quantities to justify commercial operations or that such operators will be able to obtain the funds required to develop the property on a timely basis or at all. Also, oil and gas wells on producing properties are at risk of disruption or exhaustion. When investing in any Oil and Gas Property, the Company may not know if the property contains commercial quantities of oil or gas or if its production will be sustainable.

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

### **17.4 Reserve Estimates and Reserve Replacement**

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and cash flows to be derived therefrom, including many factors beyond the Company's control. Reserve and associated cash flow information once compiled will represent estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. For those reasons, any estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, if any, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

The Company's future oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on the Company successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Company's reserves will depend not only on the Company's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Company's future exploration and development efforts will result in the

discovery and development of additional commercial accumulations of oil and natural gas.

### **17.5 Insurance**

The Company's involvement in the exploration for and development of oil and gas properties may result in the Resulting Issuer becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although the Company will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

### **17.6 Title to Assets**

Although the Company has reviewed and is satisfied with title for any properties in which it has a material interest, the Company has not obtained title reports on any of its properties and there is no guarantee that title to such properties will not be challenged or impugned. While title reviews will generally be conducted prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Company's claim which could result in a reduction of the revenue received by the Company.

### **17.7 No Assurance of Title or Boundaries**

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

### **17.8 Permits and Licenses**

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects.

### **17.9 Additional Capital and Refinancing Risk**

The Company may require additional capital for growth and commercial development, which may include public or private equity, debt financing or funds from other sources. Continued uncertainty in domestic and international credit markets could materially affect our ability to access sufficient capital for our capital expenditures and acquisitions and, as a result, may have a material adverse effect on our ability to execute our business strategy and on our financial condition. There can be no assurance that financing will be available or sufficient to meet these requirements or for other corporate purposes or, if financing is available, that it will be on terms appropriate and acceptable to the Company. Any issuance of additional securities may also result in dilution to existing shareholders of the Company.

### **17.10 Dilution**

Common shares, including rights, warrants, special warrants, subscription receipts and other securities to purchase, to convert into or to exchange into Common Shares, may be created, issued, sold and delivered on such terms and conditions and at such times as the Board may determine. In addition, the Company may issue additional Shares from time to time pursuant to Share purchase warrants and the options to purchase Shares

issued from time to time by the Board. The issuance of these Shares could result in dilution to holders of Shares.

### **17.11 Government and Environmental Regulations**

The Company is subject to complex and evolving laws and regulations regarding governmental regulations and environmental protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.

Operators of Oil and Gas Property are subject to government legislation, policies and controls relating to prospecting, land use, trade, environmental protection, taxation, rates of exchange, returns of capital and labour relations. An operator's Oil and Gas Property interests may be affected to varying degrees by the extent of political and economic stability in the jurisdiction of such properties and by changes in regulations or shifts in political or economic conditions beyond the control of the operator. Such factors may adversely affect the operator's business and/or its Oil and Gas Property holdings.

The operations of an Oil and Gas Property operator may be subject to environmental regulations enacted by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain oil and gas operations that could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties on the operator. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which has led to stricter standards, enforcement and greater fines and penalties for noncompliance.

The costs of compliance with government regulations may reduce the profitability of an operator's operations and, consequently, reduce the profitability of the interests of Company. In addition, under various environmental legislation, the Company could become liable for the costs of removal or remediation of certain hazardous or toxic substances that may be released on or in one or more of the Oil and Gas Properties.

### **17.12 Competition**

The business of development and production of oil and gas is highly competitive. Other oil and gas companies, including large foreign-owned companies, will compete with the Company and should be viewed as an ongoing threat to the success of our business. As prices of oil and gas on the commodities markets rise, it is expected that this competition will become increasingly intense. Additionally, other companies engaged the exploration and production of oil and gas may have significantly greater resources and better competitive positions in certain markets and may compete with the Company from time to time in obtaining capital from investors and lenders.

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

Oil and natural gas development activities are dependent on the availability of drilling and related equipment, transportation, power and technical support in particular areas and operators of any Oil and Gas Properties in which we invest may have limited access to these facilities. Shortages and/or the unavailability of necessary equipment or other facilities will impair the activities of such operators, increase their costs and reduce the value of any investment by the Company.

### **17.13 Lack of Operating Cash Flow**

The Company's failure to achieve profitability and positive operating cash flows could have a material adverse effect on its financial condition and results of operations. If the Company sustains losses over an extended period of time, it may be unable to continue our business. Further exploration and development of the Ferrybank Property will require the commitment of substantial financial resources. It may be several years before the Company will generate any revenues from operations, if at all. There can be no assurance that the Company will realize revenue or achieve profitability.



#### **17.14 Volatility of Oil and Gas Prices**

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Company. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of the Company's oil and gas reserves. The Company might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Company are in part determined by the borrowing base of the Company. A sustained material decline in prices from historical average prices could limit or reduce the Company's borrowing base, therefore reducing the bank credit available to the Company, and could require that a portion of any existing bank debt of the Company be repaid.

In addition to establishing markets for its oil and natural gas, the Company must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by the Company will be affected by numerous factors beyond its control. The Company will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by the Company. The ability of the Company to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. The Company will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The Company has limited direct experience in the marketing of oil and natural gas.

#### **17.15 Availability of Equipment and Access Restriction**

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities.

#### **17.16 Acquiring Additional Properties and Associated Risks**

If appropriate opportunities present themselves, the Company may acquire other Oil and Gas Properties and/or companies. The Company currently has no understandings, commitments or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired company or Oil and Gas Properties into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition.

#### **17.17 Executive Employee Recruitment and Retention**

The success of the Company will be dependent upon the performance of its management and key employees. The loss of any key executive or manager of the Company may have an adverse effect on the future of the Company's business. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative, geologic and mining personnel as well as additional operations staff. There is no assurance that it will be successful in attracting, training and retaining qualified

personnel as competition for persons with these skill sets increases. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of its operations could be impaired, which could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

#### **17.18 Adverse General Economic Conditions**

General economic conditions, both domestic and foreign, and sources and availability of financing have an impact on the Company's business, results of operations, financial condition and prospects. The markets in which the Company operates experience weak economic conditions that may negatively affect the Company's performance.

The marketability of any oil and gas that may be produced on an Oil and Gas Property may be affected by numerous factors such as market fluctuations in the price of oil and gas, the proximity and capacity of oil and gas markets and processing equipment, the availability of labour and related infrastructures, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, the importing and exporting of materials and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one or a combination of these factors could result in the Company not receiving an adequate return on their investment, if any or have a material adverse effect on the Company's financial condition or results of operations.

#### **17.19 Claims and Legal Proceedings**

The Company may be subject to claims or legal proceedings covering a wide range of matters that arise in the ordinary course of business activities, including relating to former employees. These matters may give rise to legal uncertainties or have un-favorable results. The Company may carry liability insurance coverage and mitigate risks that can be reasonably estimated; however, there is a risk that insurance may not be adequate to cover all possible risks arising from the Company's operations. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Company's business, operating results or financial condition.

#### **17.20 Conflicts of Interest**

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including oil and gas companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The BCAA provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCAA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCAA. To the proposed management of the Company's knowledge, as at the date hereof there are no existing or potential material conflicts of interest between the Company and a proposed director or officer of the Company except as otherwise disclosed herein.

#### **17.21 Tax Related Risks**

The Flow-Through Shares are designed for investors in high income brackets. There is no guarantee that tax laws in Canada will not be modified, that amendments thereto negatively impacting on investment in the Flow-Through Shares will not be made or adopted or that current administrative practices of tax authorities will be made. There is no assurance that the tax authorities will accept the CEE or CDE renounced by the Company which would materially affect the investment.

#### **17.22 Force Majeure and COVID-19**

The Company may be adversely affected by risks outside of its control, including the price of commodities on world markets, labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions. The Company also faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations

and may materially and adversely affect its business and financial conditions following the coronavirus disease (COVID-19) outbreak in December 2019 in China, which was declared a pandemic by the World Health Organization on March 11, 2020 after the spreading of the disease to other countries, including Canada and the United States.

The extent to which the coronavirus impacts the Company's business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the coronavirus outbreak. There are potentially significant economic and social impacts of infectious disease risks, including the inability of the Company's operations to operate as intended due to a shortage of skilled employees, shortages or disruptions in supply chains, inability of employees to access sufficient healthcare, significant social upheavals and government or regulatory actions.

The actual and threatened spread of COVID-19 globally could adversely affect global economies and financial markets resulting in a prolonged economic downturn and a decline in the value of the Company's profitability and financial condition. The extent to which COVID-19 (or any other disease, epidemic or pandemic) impacts business activity or financial results, and the duration of any such negative impact, will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning COVID-19 and the actions required to contain or treat its impact, among others.

### **17.23 Additional Securityholder Risk**

There is no risk that Shareholders of the Company may become liable to make an additional contribution beyond the price they paid to purchase or acquire the Common Shares.

611 does not foresee any risk factors associated with the sale of the assets that fall outside of what would be normally associated with the sale of petroleum and natural gas assets within the petroleum sector in the course of normal business.

## **18. PROMOTERS**

Under the Securities Act of Alberta, there are no persons acting as promoters of the Company and there have been no persons performing such services within the last two years, save and except for investor relationship services.

Mr. Nesveda was appointed as vice-president of Investors Relations and Corporate Affairs on June 1, 2020. Mr. Nesveda is a director of Intuitive Pty. Ltd. with whom the Company signed a consulting agreement dated June 1, 2020. Mr. Nesveda is the holder of 1,111,094 Common Shares in the Company, representing approximately 3.12% of the issued and outstanding Company Common Shares as of the date of this Listing Statement. Mr. Nesveda also holds 300,000 warrants and -nil options.

## **19. LEGAL PROCEEDINGS**

### **19.1 Legal Proceedings**

As of the date hereof, neither the Company nor any of its property was previously a party to, or the subject of, any legal proceeding nor is the Company currently party to any material legal proceeding or contemplating any legal proceedings which are material to its business. From time to time, however, the Company may be subject to various claims and legal actions arising in the ordinary course of business. Management of the Company is not currently aware of any legal proceedings contemplated against the Company.

### **19.2 Regulatory Actions**

From inception to the date of this Listing Statement, save and except for the cease trade orders discussed under section 13.2 herein and those set out below, there have been no:

- (i) penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority;
- (ii) other penalties or sanctions imposed by a court or regulatory body against the Company necessary for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the securities being distributed; and
- (iii) settlement agreements the Company entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

The Company received a failure-to-file cease-trade-order issued by the ASC and the BCSC on May 6, 2015 and on May 8, 2015 respectively. A partial revocation order was granted on November 6, 2018 by both the ASC and the BCSC to allow for the completion of a private placement and a debt conversion. The Company filed all continuous disclosure documents as required thereafter and a full revocation of the cease-trade-order was issued by the ASC and the BCSC on January 30, 2019.

## **20. INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as set forth in this Listing Statement, the Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer, any person or company who owns of record, or is known by the Company to own beneficially, directly or indirectly, more than 10% of the Shares of the Company or any associate or affiliate of the foregoing persons or companies in any transaction or in any proposed transaction within the 3 years before the date of the Prospectus that has materially affected or is reasonably expected to materially affect the Company.

## **21. AUDITORS, TRANSFER AGENT AND REGISTRAR**

### **21.1 Auditors**

The auditors of the Company are WDM, Chartered Professional Accountants, located at 1501 West Broadway, Suite 420, Vancouver, British Columbia, V6J 4Z6.

### **21.2 Transfer Agent and Registrar**

The Company's registrar and transfer agent of the Shares is Computershare Trust Company of Canada at its office located at 324, 8<sup>th</sup> Avenue, Suite 800, Calgary, Alberta, T2P 2Z2.

## **22. MATERIAL CONTRACTS**

Except for contracts made in the ordinary course of business and those mentioned above, the following are the only material contracts entered into by the Company within the two years before the date of this Listing Statement and which are currently in effect and considered to be material:

1. The Asset Purchase Agreement dated September 30, 2019 entered into between the Company and Avila for the acquisition of a non-operating interest of fifty percent (50%) into a producing oil & gas property in the province of Alberta.
2. Consulting Agreement entered between Company and Intuitive Pty Ltd. Dated June 1, 2020;
3. Subscription Receipt Agreement dated November 2, 2020 entered into between the Company, Leede Jones Gable Inc and Dunton Rainville LLP;
4. Agency Agreement dated November 5, 2020 entered into between the Company and Leede Jones Gable Inc.;
5. Escrow Agreement dated February 24, 2021 entered into between the Company and Computershare Trust Company of Canada;
6. Letter of Intent dated June 14, 2021 entered into between the Company and Avila; and

7. The Asset Purchase Agreement dated October 1, 2021 entered into between the Company and 611890 Alberta Inc. for the acquisition of a one hundred percent (100%) interests in 53,835 acres (43,935 acres net) of mineral rights, associated wells, pipelines and facilities in the province of Alberta, Canada.

## 23. EXPERTS

### 23.1 Names of Experts

The following are persons or companies whose profession or business gives authority to a statement made in this Listing Statement as having prepared or certified a part of that document, report, or valuation described in this Listing Statement:

- MNP LLP, Chartered Professional Accountants Company, are the former auditors of the Company, who prepared the audit report on the Company's financial statements as of, December 31, 2019 and December 31, 2020 included in and forming part of this Listing Statement;
- WDM, Chartered Professional Accountants, are the successor and current auditors of the Company, who prepared the audit report on the Company's financial statements as of December 31, 2021 and reviewed the interim financials for the three months ended March 31, 2022;
- Veronique Laberge CPA inc., Chartered Professional Accountant, is the auditor of 611, who prepared the audit report on 611 carve-out financial statements as of March 31, 2019, March 31, 2020 and March 31, 2021 and performed a review of 611 interim carve-out financial statement for the three and nine months period ended December 31, 2021. Véronique Laberge CPA Inc., Chartered Professional Accountant is not registered with CPAB. Véronique Laberge is the wife of Michel Lebeuf, a director of the Company;
- Hemens Lawritsen Valuation Group Ltd., is the CBV evaluator who prepared the formal valuation of the Proposed Transaction; and
- Deloitte LLP., represented by Andrew Botterill, P Eng. of Deloitte, who prepared the NI 51-101 compliant Report on Reserve Estimation and Economic Evaluation of certain oil and gas assets of Petro Viking Energy Inc., effective December 31, 2021, the majority of which is reproduced in and forms part of this Listing Statement and is available in its full form on the Company's profile on SEDAR.

Andrew Botterill, P. Eng of Deloitte does not have any direct or indirect interest in the Company or the Ferrybank Property, and there are no circumstances that, when reasonably interpreted, could be thought to have interfered with the judgment of Andrew Botterill regarding the preparation of the Statement on Reserve.

### 23.2 Interests of Experts

No person whose profession or business gives authority to a statement made by such person and who is named in this Listing Statement has received or will receive a direct or indirect interest in the Company's property or any associate or affiliate of the Company.

MNP LLP, Chartered Professional Accountants Company and WDM, Chartered Professional Accountants has confirmed that they are each independent of the Company in accordance with the *Code of Professional Conduct of the Chartered Professional Accountants*.

Dunton Rainville LLP are legal counsels to the Company and participated in the preparation of this Listing Statement.

Save and except for the persons mentioned below, as at the date hereof, none of the aforementioned persons beneficially owns, directly or indirectly, securities of the Company or its associates and affiliates. In addition, none of the aforementioned persons nor any director, officer or employee of any of the aforementioned persons, is or is expected to be elected, appointed or employed as, a director, senior officer or employee of

the Company or of an associate or affiliate of the Company, or as a promoter of the Company or an associate or affiliate of the Company.

- Michel Lebeuf, a director and corporate secretary of the Company, is also a partner at Dunton Rainville LLP, is the beneficial (or registered) owner, directly or indirectly, of 250,000 Shares as of the date of this Listing Statement.

#### **24. OTHER MATERIAL FACTS**

To management's knowledge, there are no other material facts relating to the Company that are not otherwise disclosed in this Listing Statement or are necessary for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the Company.

## 25. FINANCIAL STATEMENT

The following financial statements and MD&A are included herein:

### **SCHEDULE A**

#### ***Financial Statements of PVE***

PVE audited financial statements for the years ended December 31, 2021, December 31, 2020 and December 31, 2019 and unaudited interim financial statements for the three month period ended March 31, 2022.

### **SCHEDULE B**

#### ***Management's Discussion and Analysis of PVE***

PVE MD&A for the years ended , December 31, 2021, December 31, 2020 and December 31, 2019 and for the three months ended March 31, 2022 and 2021.

### **SCHEDULE C**

#### ***Financial Statements of 611***

611 carve-out audited financial statements for the years ended March 31, 2021, March 31, 2020, March 31, 2019 and unaudited interim carve-out financial statements for the three and nine months period ended December 31, 2021 and 2020.

### **SCHEDULE D**

#### ***Management's Discussion and Analysis of 611***

611 MD&A for the year ended March 31, 2021, March 31, 2020, March 31, 2019 and for the three and nine months ended December 31, 2021 and 2020.

### **SCHEDULE E**

#### ***Pro Forma Financial Statements of the Company***

Unaudited pro forma financial statements for the Company, to give effect to the Asset Purchase as if they had taken place as of March 31, 2022.

## 26. OTHER SCHEDULES

The following documents are included herein:

<b>SCHEDULE F</b> <i>Statement of Executive Compensation</i>	PVE Statement of Executive Compensation (Form 51-102F6V) for the year ended December 31, 2021.
<b>SCHEDULE G</b>	PVE Audit Committee Charter
<b>SCHEDULE H</b> <i>NI 51-101F1</i>	Statement of Reserves Data and Other Oil and Gas Information
<b>SCHEDULE I</b> <i>NI 51-101F2</i>	Report on Reserves Data by Independent Qualified Reserves Evaluator
<b>SCHEDULE J</b> <i>NI 51-101F3</i>	Report of Management and Directors on Reserves Data and Other information
<b>SCHEDULE K</b>	Evaluation prepared by an independent QRE of the proposed assets being acquired from 611890 Alberta Inc. as of December 31, 2021.
<b>SCHEDULE L</b>	Summary of the formal valuation – Part 5 MI 61-101



**SCHEDULE "A" – PVE AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2021, DECEMBER 31, 2020 AND DECEMBER 31, 2019 AND UNAUDITED  
INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH  
31, 2022**



# **AVILA ENERGY CORPORATION**

**(Formerly Petro Viking Energy Inc.)**

**Amended and Restated**

**Financial Statements**

**For the years ended December 31, 2021 and 2020**  
(Expressed in Canadian Dollars)

- Independent Auditor's Report
- Statements of Financial Position
- Statements of Changes in Shareholders' Equity (Deficiency)
- Statements of Loss and Comprehensive Loss
- Statements of Cash Flows
- Notes to the Financial Statements

## Independent Auditor's Report

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To the Shareholders of:

**Avila Energy Corporation**  
(Formerly Petro Viking Energy Inc.)

### Opinion

We have audited the financial statements of Avila Energy Corporation ("the Company"), which comprise the statement of financial position as at December 31, 2021 and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$1,415,186 during the year ended December 31, 2021, and as of that date, had accumulated losses since inception of \$9,939,443. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Matter

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 30, 2021.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

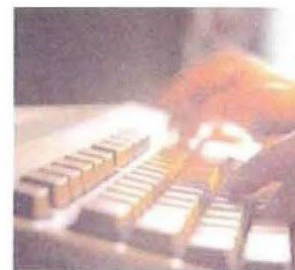
### Amended and restated Financial Statements

We draw attention to Note 20 to the amended and restated financial statements, which explains that the financial statements for the year ended December 31, 2021 have been amended from those on which we originally reported on April 30, 2022. Our opinion is not modified in respect of this matter.

SERVICE

INTEGRITY

TRUST



SUITE 420

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## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mike Kao.

# **WDM**

*Chartered Professional Accountants*

Vancouver, B.C.

May 6, 2022



# Avila Energy Corporation

(Formerly Petro Viking Energy Inc.)

## Statements of Financial Position – Amended and Restated

As at December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Note	2021 \$	2020 \$
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		413,337	136,072
Restricted Cash		-	935,500
Advances	5	1,586,601	382,465
Joint Venture Receivable		158,565	-
Sales Tax Receivable		21,506	6,847
Prepaid Expense		28,646	163,533
		<u>2,208,655</u>	<u>1,624,417</u>
<b>NON-CURRENT</b>			
Property and Equipment	6	837,875	773,011
Exploration and Evaluation Assets	7	1,537,296	281,600
		<u>4,583,826</u>	<u>2,679,028</u>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts Payable and Accrued Liabilities	9	305,699	426,308
Convertible Debenture	12	-	29,898
Flow-Through Share Premium Liability	10	-	21,250
Subscription Liability		-	935,500
Promissory Notes	11	67,429	-
		<u>373,128</u>	<u>1,412,956</u>
<b>NON-CURRENT</b>			
Convertible Debentures	12	521,039	673,628
Derivative Liability	12	729,318	801,499
Decommissioning Provision	8	282,594	164,325
Promissory Notes	11	-	175,362
		<u>1,906,079</u>	<u>3,227,770</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share Capital	14	9,023,278	6,078,148
Contributed Surplus		3,358,412	1,767,125
Convertible Debentures – Equity Portion		235,500	2,292
Shares to Be Issued		-	127,950
Deficit		(9,939,443)	(8,524,257)
		<u>2,677,747</u>	<u>(548,742)</u>
		<u>4,583,826</u>	<u>2,679,028</u>

Going Concern (Note 1(a))

Commitments (Note 19)

Approved on behalf of the Board:

**“Leonard Van Betuw”**

Leonard Van Betuw, Director and CEO

**“Michel Lebeuf”**

Michel Lebeuf, Jr, Director

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

# Avila Energy Corporation

(Formerly Petro Viking Energy Inc.)

## Statements of Changes in Shareholders' Equity (Deficiency) – Amended and Restated

For the Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Share Issuance Costs	Contributed Surplus	Convertible Debentures - Equity Portion	Shares to be Issued	Deficit	Total
			\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2019		8,877,623	6,663,083	(929,906)	1,617,760	2,292	-	(7,575,550)	(222,321)
Issued Shares for Cash		3,191,667	437,754	-	62,247	-	-	-	500,001
Warrants Issued as Finder's Fee		-	-	(17,021)	62,230	-	-	-	45,209
Issued Shares for Services		670,000	-	-	24,888	-	80,400	-	105,288
Cash For Shares to Be Issued		317,000	-	-	-	-	60,050	-	60,050
Share Issuance Costs		-	-	(67,012)	-	-	-	-	(67,012)
Flow-Through Share Premium		-	(8,750)	-	-	-	(12,500)	-	(21,250)
Net Comprehensive Loss		-	-	-	-	-	-	(948,707)	(948,707)
Balance, December 31, 2020		13,056,290	7,092,087	(1,013,939)	1,767,125	2,292	127,950	(8,524,257)	(548,742)
Issued Shares for Cash	14(a)	20,299,167	4,352,883	-	-	-	(60,050)	-	4,292,833
Issued Shares for Services	14(a)	-	167,500	-	-	-	(80,400)	-	87,100
Warrants Issued	14(c)	-	(1,391,238)	-	1,391,238	-	-	-	-
Warrants Issued as Finder's Fee		-	-	(178,056)	178,056	-	-	-	-
Warrants Exercised	14(c)	373,300	93,994	-	(23,000)	-	-	-	70,994
Conversion Of Debentures	14(a)	1,922,584	356,546	-	-	(2,292)	-	-	354,254
Share-Based Compensation	14(b)	-	-	-	44,993	-	-	-	44,993
Share Issuance Costs		-	-	(353,874)	-	-	-	-	(353,874)
Flow-Through Share Premium		-	(102,625)	-	-	-	12,500	-	(90,125)
Equity Portion of Debentures		-	-	-	-	235,500	-	-	235,500
Net Comprehensive Loss		-	-	-	-	-	-	(1,415,186)	(1,415,186)
Balance, December 31, 2021		35,651,341	10,569,147	(1,545,869)	3,358,412	235,500	-	(9,939,443)	2,677,747

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

# Avila Energy Corporation

(Formerly Petro Viking Energy Inc.)

## Statements of Loss and Comprehensive Loss – Amended and Restated

For the Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Note	2021 \$	2020 \$
<b>OIL AND NATURAL GAS REVENUE</b>	15	301,340	-
<b>OPERATING COSTS</b>		(116,339)	-
<b>ROYALTY EXPENSE</b>		(34,830)	-
		<hr/>	
		150,171	-
<b>EXPENSES</b>			
Accretion		110,661	90,702
Consulting Fees	13(a)	756,863	363,912
Depletion	6	44,252	-
Finance Fees		-	11,284
Interest		68,751	51,044
Listing Fees		44,667	5,995
Management Fees	13(a)	42,000	54,910
Office and Administration		31,040	19,553
Professional Fees	13(a)	294,371	163,395
Share-based Compensation	14(b)	44,993	-
Shareholder and Trust Services		25,139	28,165
		<hr/>	
		(1,462,737)	(788,960)
<b>LOSS BEFORE OTHER ITEMS</b>		<hr/>	<hr/>
		(1,312,566)	(788,960)
Change in Derivative Liability		(166,030)	(220,508)
Change in Fair Market Value of Convertible Debenture		(88,236)	-
Gain on Derecognition of Related Party Liabilities		-	48,975
Gain on Settlement of Debt		27,771	-
Reversal of Flow-Through Share Premium Liability	10	123,875	-
Reversal of Payables		-	11,786
		<hr/>	<hr/>
		(102,620)	(159,747)
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>		<hr/>	<hr/>
		1,415,186	948,707
Basic and Diluted Loss Per Share		<hr/>	<hr/>
		0.06	0.10
Weighted Average Number of Common Shares Outstanding, Basic and Diluted		<hr/>	<hr/>
		25,541,590	9,307,679

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

**Avila Energy Corporation**  
**(Formerly Petro Viking Energy Inc.)**  
**Statements of Cash Flows – Amended and Restated**  
As at December 31, 2021 and 2020  
(Expressed in Canadian Dollars)

	2021 \$	2020 \$
<b>OPERATING ACTIVITIES</b>		
Net Loss and Comprehensive Loss for the Year	(1,415,186)	(948,707)
Items Not Affecting Cash:		
Interest Expense	68,751	51,044
Reversal of Payable	-	(11,786)
Shares and Warrants Issued for Services	44,993	105,288
Accretion Expense	110,661	90,702
Change in Derivative Liability	166,030	220,508
Reversal of Flow-Through Share Premium Liability	(123,875)	-
Depletion	44,252	-
Gain on settlement of debt	(27,771)	-
Change in Fair Market Value of Convertible Debenture	88,236	-
Gain on Loan Discount	-	(48,975)
	<u>(1,043,909)</u>	<u>(541,926)</u>
Changes in Non-Cash Working Capital Accounts:		
Sales Tax Receivable	(14,659)	4,800
Prepayments and Other Receivables	(158,565)	7,500
Accounts Payables and Accrued Liabilities	(66,476)	211,831
	<u>(1,283,609)</u>	<u>(317,795)</u>
<b>INVESTING ACTIVITIES</b>		
Increase in Advances	(1,720,000)	(382,465)
Acquisition of E&E Assets	(739,831)	-
	<u>(2,459,831)</u>	<u>(382,465)</u>
<b>FINANCING ACTIVITIES</b>		
Shares Issued for Cash	4,292,833	560,050
Subscriptions to Units	-	935,500
Warrants Exercised	70,994	-
Restricted Cash	-	(935,500)
Share Issuance Costs	(190,342)	(110,450)
Debentures Issued for Debt (net)	-	385,417
Decrease in Promissory Notes	(152,780)	-
	<u>4,020,705</u>	<u>835,017</u>
<b>CHANGE IN CASH</b>	277,265	134,757
CASH, BEGINNING OF YEAR	136,072	1,315
<b>CASH, END OF YEAR</b>	<u>413,337</u>	<u>136,072</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Promissory Notes Issued in Accounts Payable	-	217,195
Share Issuance Costs in Accounts Payable	-	74,884

The accompanying notes are integral part of these financial statements.



# Avila Energy Corporation

(Formerly Petro Viking Energy Inc.)

## Notes to the Financial Statements - Amended and Restated

For the Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars, unless otherwise stated)

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### NOTE 1 - CORPORATION INFORMATION

Avila Energy Corporation (formerly Petro Viking Energy Inc.) (“the Company”) was incorporated under the laws of the province of Alberta on January 13, 2010. The Company’s common shares are listed for trading on the Canadian Securities Exchange with the ticker symbol “VIK”. On December 3, 2021, the Company changed its name to Avila Energy Corporation from Petro Viking Energy Inc. as approved by the Company’s shareholders.

The records office and principal address is located at 5940 Macleod Trail, Suite 500, Calgary, Alberta, T2H 2G4.

These audited financial statements have been amended and refiled on June 20, 2022.

#### a) Going concern

The financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to going concern, which assumes continuity of operation and realization of assets and settlement of liabilities in the normal course of business. As at December 31, 2021, the Company reported a loss of \$1,415,186 (2020 - \$948,707), a cumulative deficit of \$9,939,443 (2020 - \$8,524,257) and a working capital of \$1,835,527 (2020 – working capital of \$211,461). The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing that will provide the Company with a revenue stream. Even if the Company has been successful in the past, there is no assurance that it will manage to obtain additional financing in the future.

These conditions indicate a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to the classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

#### b) COVID-19

The outbreak of the COVID-19 virus and the worldwide pandemic has impacted the Company’s plans and activities. The Company may face disruption to operations, supply chain delays, travel and trade restrictions, and impacts on economic activity in affected countries or regions can be expected and are difficult to quantify. Regional disease outbreaks and pandemics represent a serious threat to hiring and maintaining a skilled workforce and could be a major health-care challenge for the Company. There can be no assurance that the Company’s personnel will not be impacted by these regional disease outbreaks and pandemics and ultimately that the Company would see its workforce productivity reduced or incur increased medical costs and insurance premiums as a result of these health risks.

In addition, the pandemic has created a dramatic slowdown in the global economy. The duration of the outbreak and the resulting travel restrictions, social distancing recommendations, government response actions, business disruptions and business closures may have an impact on the Company’s exploration operations and access to capital. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic’s impact on global industrial and financial markets which may reduce metal prices, share prices and financial liquidity thereby severely limiting access to essential capital.

### NOTE 2 - BASIS OF PREPARATION

#### a) Statement of Compliance

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

These audited financial statements were approved and authorized for issue by the Audit Committee and Board of Directors on May 6, 2022.

#### b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All financial information in these financial statements is presented in Canadian dollars, except as otherwise stated.

# Avila Energy Corporation

(Formerly Petro Viking Energy Inc.)

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### NOTE 2 - BASIS OF PREPARATION (Continued)

#### b) Basis of Measurement (Continued)

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgments and estimates are required. Changes in these judgments and estimates may materially affect the financial position or financial results reported in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and in the relevant notes to the financial statements.

### NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

#### a) Convertible Debentures

Convertible debentures are separated into their liability and equity components on the statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability, using estimated interest rates based upon non-convertible debt issued by comparable issuers, and accounted for at amortized cost using the effective interest rate method.

#### b) Derivative Liability

The Company measures the fair value of the derivative by reference to the fair value on the convertible debenture issuance date with an estimated life ending on the convertible debenture maturity date and revalues them at each reporting date. In determining the fair value for the derivative liability, the Company used the Black-Scholes option pricing model with the following assumptions: average volatility rate; market price at the reporting date; risk-free interest rate; the remaining expected life of the embedded derivatives and an exchange rate at the reporting date. The inputs used in the Black-Scholes model are taken from observable markets. Changes to these estimates could result in the fair value of the derivative liability being less than or greater than the amount recorded.

#### c) Property and Equipment

##### Valuation of Plant and Equipment

The amounts recorded for depletion and depreciation of property and equipment and the valuation of property and equipment are based on estimates. These estimates include proved and probable reserves, production rates, future oil and natural gas prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

The Corporation's reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

For impairment testing, property and equipment assets are aggregated into cash generating units ("CGUs"), based on management's judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

##### Fair Value of Plant and Equipment

The market value of property and equipment assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property and equipment) is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

The market value of other items of property and equipment is based on the quoted market prices for similar items.

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### NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

#### c) Property and Equipment (Continued)

##### Impairment of Plant and Equipment

The determination of the recoverable amount for value in use requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential, recent transactions involving similar projects, and future operating performance. An oil and gas property's fair value less costs to sell requires the use of estimates as to the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

#### d) Decommissioning Provision

The value of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

Management uses judgment to assess the Corporation's legal obligations to decommission its oil and natural gas properties and restore property sites after closure. The Corporation's production activity is required to follow various environmental laws and regulations in Canada. The assessment of decommissioning provisions is based on management's understanding of the current legal and environmental requirements and third-party engineering valuations.

#### e) Deferred Tax Assets

Judgment is required to determine which types of arrangements are a tax on income in contrast to an operating cost. Judgment is also required in determining whether deferred income tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate enough taxable earnings in future periods, in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecasted cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and reclamation costs, capital expenditures, dividends and other capital management transactions) and judgment about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differs significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

In addition, future changes in income tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain income tax deductions in future periods.

#### f) Warrants

Estimating fair value for warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the warrants. The fair value of warrants is evaluated using the Black-Scholes valuation model at the date of grant. The Company has made estimates as to the expected volatility, share price and expected life of warrants. The expected volatility is based on the historical volatility of the Company, over the period of the expected life of the warrants. The expected life of the warrants is based on historical data. These estimates may not necessarily be indicative of future actual patterns. Share price is based on the price of shares issued in recent raises.

#### g) Common Shares

As the Company's shares has been temporarily halted for trading on a listed exchange, the Company is required to estimate the fair value of the common shares issued on debt, promissory notes and accounts payable and accrued liabilities settlements, issued in exchange for services, and used in the valuation of the conversion feature of the derivative liability. The Company estimated the fair value of common shares based on expected capital raises, history of debt conversions with third parties, and internal company information.

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### NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

#### h) Business Combination

The Company assesses whether an acquisition should be accounted for as an asset acquisition or a business combination under IFRS 3. This assessment requires management to make judgements on whether the assets acquired, and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as business and the Company obtains control of the business inputs and processes.

#### i) Cash Generating Units

Management makes judgments in determining its CGUs and evaluates the geography, geology, production profile and infrastructure of its assets in making such determinations. Based on this assessment, the Company's CGUs are generally composed of significant development areas. As at December 31 2021, the Company had one CGU (2020 – one). The Company reviews the composition of its CGU at each reporting date to assess whether any changes are required considering new facts and circumstances.

### NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash in banks or held in trust.

Restricted cash relates to funds held in escrow until the escrow conditions are met for the subscription receipts issued during the year. The funds will be released once the escrow conditions are met.

#### b) Convertible Debentures

The Company has issued convertible debentures which, on conversion, must be satisfied entirely in common shares of the Company for an amount equal to the greater of the conversion value and the redemption value of the instrument.

The Company reviews the terms of its convertible debentures to determine whether there are embedded derivatives, including the embedded conversion option, that are required to be separated and accounted for as individual derivative financial instruments or equity components.

In circumstances where an equity component is identified, the liability component is recognized at the fair value of a similar liability that does not have a conversion option and the equity component is recognized as the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the initial carrying amounts. Subsequent to initial recognition, the liability component of the convertible debenture is measured at amortized cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition.

In circumstances where the convertible debentures contain embedded derivatives that are to be separated from the debenture host contracts, the total proceeds received are first allocated to the fair value of the derivative financial instruments determined using the Black-Scholes Model. The remaining proceeds, if any, are then allocated to the debenture host contracts, usually resulting in those instruments being recorded at a discount from their principal amount. This discount is accreted over the expected life of the instruments to profit (loss) using the effective interest method. The Black-Scholes method uses inputs such as discount rates, volatility, share price and risk-free rate.

The debenture host contracts are subsequently recorded at amortized cost at each reporting date, using the effective interest method. The embedded derivatives are subsequently recorded at fair value at each reporting date, with changes in fair value recognized in profit (loss).

The Company presents its embedded derivative liability and related debenture host contracts as separate instruments on the statement of financial position.

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### NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e) Revenue Recognition

The Company principally generates revenue from the sale of commodities, which primarily consist of natural gas. Revenue associated with the sale of commodities is recognized when control is transferred from the Company to its customers. The Company's commodity sale contracts represent a series of distinct transactions. The Company considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

- The Company has transferred title and physical possession of the commodity to the buyer;
- The Company has transferred significant risks and rewards of ownership of the commodity to the buyer; and,
- The Company has the present right to payment.

Revenue is measured based on the consideration specified in a contract with the customer. Payment terms for the Company's commodity sales contracts are on the 25th of the month following delivery. The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money. Revenue represents the Company's share of commodity sales net of royalty obligations to governments and other mineral interest owners.

The Company enters into contracts with customers that can have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Company applies a practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, or for performance obligations where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date.

Contract modifications with the Company's customers could change the scope of the contract, the price of the contract, or both. A contract modification exists when the parties to the contract approve the modification either in writing, orally, or based on the parties' customary business practices. Contract modifications are accounted for either as a separate contract when there is an additional product at a stand-alone selling price, or as part of the existing contract, through either a cumulative catch-up adjustment or prospectively over the remaining term of the contract, depending on the nature of the modification and whether the remaining products are distinct.

The Company has applied the practical expedient to recognize revenue in the amount to which the Company has the right to invoice. As such, no disclosure is included relating to the amount of transaction price allocated to remaining performance obligations and when these amounts are expected to be recognized as revenue.

#### d) Plant and Equipment

All costs directly associated with the development of oil and natural gas interests are capitalized on an area-by-area basis as oil and natural gas interests and are measured at cost less accumulated depletion and depreciation and net impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning provisions and transfers from exploration and evaluation assets.

Costs of replacing parts of property and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in income (loss) as incurred. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in income (loss) as incurred.

Exchanges or swaps of property and equipment are measured at fair value unless the transaction lacks commercial substance or neither the fair value of the asset received nor the asset given up can be reliably estimated. When fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. Any gains or losses from the divestiture of property and equipment are recognized in the statement of loss and comprehensive loss.

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### NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### d) Plant and Equipment (Continued)

##### i) Depletion

Oil and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, considering estimated future development costs. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior period adjustments and are dealt with on a prospective basis.

Processing facilities and well equipment are depleted using the unit-of-production method along with the related reserves when the assets are designed to have a life similar to the reserves of the related wells with little to no residual value. Where facilities and equipment, including major components, have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

#### e) Impairment of Long-Lived Assets

The Company assesses at each reporting date whether there is an indication that an asset or cash generating unit ("CGU") may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from the other assets or groups of assets, in which case, the asset is tested as part of a larger CGU. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

In calculating the VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset/CGU. In determining FVLCS, recent market transactions are considered.

If no such transactions can be identified, an appropriate valuation model is used, which would generally be determined based on the present value of the estimated future cash flows arising from the continued use and eventual disposal of the asset. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses on continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued when revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's/CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset/CGU does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset/CGU in prior years. Such a reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase and is recognized through other comprehensive income.

#### f) Share Capital

Share capital represents the amount received on the issue of shares, less issuance costs. Proceeds from unit placements are allocated between shares and warrants issued by estimating the value of the warrants using the Black-Scholes options pricing model; the fair value is allocated to warrants from the net proceeds and the balance is allocated to the shares. Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised. Deficit includes all current and prior year profits or losses.

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### NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### g) Share-Based Payment Transactions

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees, the fair value is measured at grant date and each tranche is recognized separately on a straight-line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model considering the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. On expiry, the fair value of share options is reversed to deficit.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

#### h) Flow-through Shares

The Company, from time to time, issues flow-through common shares to finance significant portions of its property development programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. The premium is recognized as other income and the related deferred tax is recognized as a tax provision which is reduced when qualifying flow-through expenditures are incurred.

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian Development and Canadian Renewable Conservation Expenses within a two-year period in accordance with Government of Canada flow-through share regulations.

The Company may also be subject to Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through share regulations. When applicable, this tax is accrued as a financial expense until paid.

#### i) Loss per Share

Basic earnings or loss per share is calculated by dividing the earnings or loss for the period by the weighted average number of shares outstanding during the same period. Diluted earnings or loss per share is calculated by dividing the earnings or loss for the period by the weighted average number of shares outstanding during the same period adjusted for the effects of all dilutive potential common shares, which comprise options granted to employees and warrants. Under this method, the weighted average number of common shares outstanding for the calculation of diluted earnings or loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. The basic and diluted loss per share are the same because the exercise of options and warrants would have an anti-dilutive effect.

#### j) Financial Instruments

##### i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

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### NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### j) Financial Instruments (continued)

The following table shows the original classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Classification</b>
Cash	Amortized cost
Restricted Cash	Amortized cost
Accounts Payable and Accrued Liabilities	Amortized cost
Subscription Liability	Amortized cost
Convertible Debenture	Amortized cost
Derivative Liability	FVTPL
Promissory Notes Payable	Amortized cost

#### ii) Measurement

##### Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

##### Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income (“OCI”). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

##### Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

#### iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses.

#### iv) Derecognition

##### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.



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### NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### j) Financial Instruments (continued)

##### Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

#### k) Borrowing Costs

Borrowing costs that are related to the issuance of new debt are recorded net of the associated debt and recognized into income using the effective interest method over the life of the debt. Discounts where proceeds received are less than par value of the debt are recorded at a reduction to long-term debt and are amortized using the effective interest method and included in borrowing costs.

#### l) Business Combination

Business combinations are accounted for using the acquisition method where the acquisition of companies and assets meet the definition of a business under IFRS. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Following initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in income. Associated transaction costs are expensed when incurred.

#### m) Jointly Controlled Assets

Many of the Company's oil and natural gas activities involve jointly controlled assets and are conducted under joint non-operating agreements. The financial statements include the Company's share of these jointly controlled assets and liabilities.

#### n) Decommissioning Provisions

Decommissioning provisions are recognized for decommissioning and restoration obligations associated with the Company's property and equipment. The best estimate of the expenditure required to settle the present obligation at the statement of financial position date is recorded on a discounted basis using the pre-tax risk-free interest rate. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated property and equipment and is depleted or amortized over the useful life of the asset. The provision is accreted over time through charges to financing expenses. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the liability and asset to which it relates if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16 Property, Plant and Equipment.

Actual decommissioning expenditures up to the recorded liability at the time are charged against the provision as the costs are incurred. Any difference between the recorded provision and the actual costs incurred is recorded as a gain or loss in the statement of loss and comprehensive loss.

#### o) Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted. Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where applicable.

Deferred tax is provided using the statement of financial position method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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### NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### o) Income Tax (continued)

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused income tax credits and any unused income tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused income tax credits and unused income tax losses can be utilized.

### NOTE 5 – ADVANCES

As at December 31, 2021, the Company has advanced a total of \$1,586,601 to its joint partner, Avila Exploration and Development Canada Ltd for the continuing development of assets and expenditures to be incurred under a joint venture agreement dated December 9, 2019. These expenditures may qualify as eligible flow-through expenditures for which the flow-through tax credits are passed on to its flow-through investors.

### NOTE 6 - PROPERTY AND EQUIPMENT

	<b>Natural Gas and Liquids Interests</b>
	\$
<b>COST</b>	
Balance, December 31, 2020	773,011
Change in Estimates in Asset Retirement Obligation	<u>109,116</u>
Balance, December 31, 2021	<u>882,127</u>
<b>ACCUMULATED DEPLETION</b>	
Balance, December 31, 2020	-
Depletion	44,252
Balance, December 31, 2021	<u>44,252</u>
<b>NET BOOK VALUE</b>	
Balance, December 31, 2020	<u>773,011</u>
Balance, December 31, 2021	<u>837,875</u>

### NOTE 7 – EXPLORATION AND EVALUATION (“E&E”) ASSETS

	\$
Balance, December 31, 2020	281,600
Acquisition	<u>1,255,696</u>
Balance, December 31, 2021	<u>1,537,296</u>

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### NOTE 8 – DECOMMISSIONING OBLIGATION

The Company's estimated net present value of decommissioning liabilities is \$282,593 as at December 31, 2021 (2020 - \$164,325), based on an undiscounted total future liability of \$412,682 (2020 - \$221,962). These payments are expected to be incurred over a period of 17 years with the majority of costs to be incurred in 2038. At December 31, 2021, risk-free rate 1.66% (2020 - 1.21%) and an inflation rate of 3.4% (2020 - 2%) were used to calculate the net present value of the decommissioning liabilities.

As at December 31, 2021 and 2020, the Company has the following reclamation provision:

	2021	2020
	\$	\$
Balance, beginning of year	164,325	164,325
Accretion Expenses	9,153	-
Change in Estimates	109,116	-
<b>Balance, end of year</b>	<b>282,594</b>	<b>164,325</b>

### NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable – trade	229,337	371,318
Interest Payable	76,362	54,990
	<b>305,699</b>	<b>426,308</b>

### NOTE 10 – FLOW-THROUGH SHARE PREMIUM LIABILITY

Opening Balance	21,250	-
Flow-Through Share Premium Liability obligation due to issuance of Flow-Through Shares	102,625	21,250
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	(123,875)	-
<b>Balance, end of year</b>	<b>-</b>	<b>21,250</b>

### NOTE 11 – PROMISSORY NOTES

On September 15, 2020, the Company converted related party liabilities to unsecured promissory notes in the amount of \$217,195. The promissory notes bear simple interest at 5% per annum with principal and interest payable on maturity being two years from the date of issuance.

For accounting purposes, the promissory notes were recorded at a fair market value of \$168,220 that was calculated as being equivalent to the discounted cash flows for the promissory notes assuming an effective interest rate of 20%.

During the year ended December 31, 2021, an amount of \$142,780 was applied against the balance of the promissory notes.

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### NOTE 12 – CONVERTIBLE DEBENTURES

	Convertible Debenture - Liability Component	Derivative Liability	Equity Component	Total
	\$	\$	\$	\$
Balance, December 31, 2019	384,264	429,191	2,292	815,747
Proceeds, net of transaction costs	248,200	151,800	-	400,000
Fair value change	-	220,508	-	220,508
Accretion expense	71,062	-	-	71,062
<b>Balance, December 31, 2020</b>	<b>703,526</b>	<b>801,499</b>	<b>2,292</b>	<b>1,507,317</b>
Conversions	(100,209)	(230,934)	(2,292)	(333,435)
Fair value change	(138,937)	158,753	235,500	255,316
Accretion expense	56,659	-	-	56,659
<b>Balance, December 31, 2021</b>	<b>521,039</b>	<b>729,318</b>	<b>235,500</b>	<b>1,485,875</b>

	2021	2020
	\$	\$
Debenture (a)	-	29,898
Debenture (b)	282,628	411,764
Debenture (c)	238,411	261,864
	<b>521,039</b>	<b>703,526</b>
Short-term	-	29,898
Long-term	521,039	673,628
Derivative liability (b)	-	351,179
Derivative liability (c)	729,318	450,320
	<b>729,318</b>	<b>801,499</b>

- (a) On November 20, 2018, the Company received cash proceeds of \$30,000 for the issuance of convertible debentures. As at December 31, 2018, the cash proceeds were considered to be subscription payables. The debentures certificates were issued on February 1, 2019. The debentures are unsecured and bear simple interest at 15% per annum with principal and interest payable on maturity being two years from the date of issuance. The debentures are convertible into units at a conversion price of \$0.05 per share at any time during the term of the debentures. Each unit will be comprised of one common share and one common share purchase warrant exercisable for common share at a price of \$0.05 per warrant for a period of 60 months.

For accounting purposes, the convertible debentures have been separated into liability and equity components using the effective interest rate method. The fair value of the liability component of the convertible debentures at the time of issue was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component. The value of the equity component was determined to be \$2,292. The value of the liability component was determined to be \$27,708.

During the year ended December 31, 2021, the convertible debentures matured, and converted to 600,000 units at a conversion price of \$0.05 per unit.

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### NOTE 12 – CONVERTIBLE DEBENTURES (Continued)

- (b) On December 9, 2019, the Company issued a debenture for \$500,000 as payment for the business combination in which the Company acquired 50% interest in non-operating assets. The debenture is unsecured and bears a compounded interest of 5% per annum. The debenture matures on July 31, 2027, at which time the debenture and any accrued interest is payable. The convertible debenture can be converted at the lower of \$0.25 or 80% of the major event price. The major event price means the price per common share that (i) a common share is being issued by the Company before the maturity date pursuant to an initial public offering of the common shares for listing on a recognized stock exchange; or (ii) a common share is being issued by the Company pursuant to a financing of no less than \$500,000 net of fees and commissions; or (iii) results from a purchase by a third party of substantially all the assets of the Company by dividing the said purchase price by the number of issued common shares on a fully diluted basis.

The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability. As a result of the conversion price of the debenture not being fixed at the time of issuance, the conversion feature is considered a derivative liability and is revalued each month. The value of the derivative liability as at December 31, 2020 was determined using a fair value estimation method with the following inputs: discount rate - 20%; volatility - 120%; risk-free rate - 0.18 %.

During the year ended December 31, 2021, the Company obtained a waiver for the convertible debenture conversion clause of conversion at the lower of \$0.25 or 80% of the major event price to be fixed to \$0.25 effective March 1, 2021. As a result of the conversion price of the debentures being fixed at the time of change, the convertible debentures have been separated into liability and equity components using the effective interest rate method. The fair value of the liability component of the convertible debentures at the time of change was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of change as the difference between the face value of the convertible debenture and the fair value of the liability component. The value of the equity component was determined to be \$235,500. The value of the liability component was determined to be \$265,000. The loss on fair market value change was determined to be \$88,236.

- (c) On June 28, 2020, the Company offered a non-brokered private placement of \$400,000 debenture units, each unit being comprised of an aggregate \$1,000 principal amount of a 10% convertible unsecured subordinated debenture due on April 30, 2023, and one detachable common share purchase warrant entitling the holder to purchase 10,000 common shares at a price of \$0.10 for a period of 36 months following the closing. The debenture bears an interest rate of 10% per annum payable semi-annually, payable either in cash or common shares in the capital of the issuer at the option of the subscriber. The offering closed on July 7, 2020, for gross proceeds of \$400,000.

As a result of the conversion price at maturity of the debentures not being fixed at the time of issuance, the conversion feature is considered to be a derivative liability and is revalued at each period end. The value of the derivative liability at the date of issuance and at the 2020 year-end date was determined using a fair value estimation method with the following inputs: discount rate - 20%; volatility – 118% to 119%; risk-free rate – 0.22% to 0.29 %.

The fair value of the liability component of the convertible debentures at the time of issue was initially calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature. As the fair value of the derivative liability component and the fair value of the liability component were determined to have a greater combined fair value than the face value of the debentures, the difference between the face value of the debentures and the fair value of the derivative liability was attributed to the debt component. The fair value of the derivative was determined to be \$151,800 and the fair value of the debt component was determined to be \$248,200 on the date of issuance.

The value of the warrants is determined by allocating the residual of the debenture units transaction price after all financial liabilities in the debenture units are recognized. As the financial liabilities make up the full amount of the debenture unit transaction price, no value has been assigned to the warrants.

During the year ended December 31, 2021, it was determined that the probability of the Holder waiting until maturity to convert was 0% which results in the value of the derivative liability to be \$729,318 using Black-Scholes option pricing model fair value estimation method with the following inputs: expected stock price - \$0.32; risk free interest rate – 0.81%; expected stock price volatility – 107.59%; expected dividend yield – Nil; expected option life in months – 16.

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### NOTE 13 - RELATED PARTY TRANSACTIONS

Key management includes directors (executive and non-executive) and senior management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). The amounts paid by the Company for the services provided by related parties have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions are in the normal course of operations. Details of transactions between the Company and related parties, in addition to those transactions disclosed elsewhere in these financial statements, are described below.

#### a) Compensation of Key Management Personnel

All related party transactions were in the ordinary course of business and were measured at their exchange amount.

	2021	2020
	\$	\$
Management and consulting fees	202,725	340,773
Interest on promissory notes	6,632	3,167
	<u>209,357</u>	<u>343,940</u>

#### b) Amounts Due to Related Parties

Amounts due to related parties are in the normal course of business, unsecured, non-interest bearing, and have no specific terms of repayment.

As at December 31, 2021 and 2020, the Company has the following amounts due to related parties.

	2021	2020
	\$	\$
Accounts payable and accrued liabilities including management fees and interest (1)	21,734	93,903
Unsecured promissory notes due September 15, 2022, bearing interest at 5% per annum compounded semi-annually	67,429	175,362
Convertible secured debenture due July 31, 2027, bearing interest at 5% per annum, compounded semi-annually (2)	500,000	500,000
	<u>589,163</u>	<u>769,265</u>

1. A partner in a legal firm is also a director of the Company. For the year ended December 31, 2021, legal expense and share issuance cost related charges totaled \$218,936 (2020 - \$122,681). Amounts owed to the legal firm as at December 31, 2021 was \$78,648 (2020 - \$121,012).
2. The Convertible secured debenture is held by Avila Exploration and Development Canada Ltd. in which the President and Chief Executive Officer is also the President and Chief Executive Officer of the Company.

#### c) Participation in Private Placements

	Price	Number of Units	Proceeds
	\$		\$
January 2021 Private Placement	0.15	1,600,000	240,000
September 2021 Private Placement	0.25	124,000	31,000
		<u>1,724,000</u>	<u>271,000</u>

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### NOTE 14 - SHARE CAPITAL AND RESERVES

As at December 31, 2021, there were 35,651,341 (2020 – 13,056,290) common shares issued and outstanding.

#### a) Common Shares

##### Authorized

Unlimited number of common shares, without nominal or par value.

##### Issued and outstanding common shares

On August 25, 2020, the Company had a share consolidation on a 2:1 basis. All disclosure of shares in the financial statements is post-consolidation.

##### i.) During the Year Ended December 31, 2020

- On January 8, 2020 the Company issued 83,334 units of the Company at \$0.30 for net proceeds of \$25,000. Each unit consists of one common share and one-half warrant with an 18 month term exercisable at \$0.40. Based on the residual method, a value of \$19,955 was assigned to the common shares and \$5,045 to warrants.
- On June 1, 2020, the Company entered into consulting agreement where the Company was required to issue 20,000 shares in June 2020, July 2020, August 2020, September 2020, October 2020 and November 2020 for a cumulative of 120,000 shares. On signing of the agreement, the Company was required to issue 550,000 common shares and 412,500 warrants at an exercise price of \$0.20 for a term of 3 years. These shares and warrants were formally issued after the year-end.
- On November 5, 2020, the Company issued 1,916,666 units (one common share and one-half warrant) of the Company at \$0.15 per share for gross proceeds of \$287,500.
- On December 15, 2020, the Company issued 350,000 common shares of the Company at \$0.15 per share for gross proceeds of \$52,500. Also on that date, the Company received a subscription for 67,000 common shares at \$0.15 per share for gross proceeds of \$10,050. These shares were issued after the year-end.
- On December 21, 2020, the Company issued 333,334 common shares of the Company at \$0.15 per share for gross proceeds of \$50,000.
- On December 23, 2020, the Company issued 333,333 common shares of the Company at \$0.15 per share for gross proceeds of \$50,000 and 175,000 flow-through shares at \$0.20 per share for gross proceeds of \$35,000. Also on that date, the Company received a subscription for 250,000 flow-through shares at \$0.20 per share for gross proceeds of \$50,000, these shares were issued after year end. The flow-through shares were issued at a premium of \$0.05 per share to the most recent raise by the Company. The premium was recognized as a liability of \$21,250.

##### ii.) During the Year Ended December 31, 2021

- On January 18, 2021, the Company issued 1,867,000 common shares at a price of \$0.15 per share for gross proceeds of \$280,050 (includes 267,000 of common shares subscribed but not issued in prior year) and 500,000 flow-through shares at a price of \$0.20 per share for gross proceeds of \$100,000 (includes 50,000 of flow-through shares subscribed but not issued in prior year) pursuant to the non-brokered private placement offering initiated on November 11, 2020. An additional premium was recognized as a liability for \$12,500.
- On February 2, 2021, the Company issued 670,000 common shares at a price of \$0.30 per share in connection with the consulting agreement dated June 1, 2020. The Company recorded a corresponding gain on the settlement of debt of \$27,771.
- On February 10, 2021, the Company issued 660,001 common shares at a price of \$0.15 per common share for gross proceeds of \$99,000 pursuant to the non-brokered private placement offering initiated on November 11, 2020.
- On March 9, 2021, the Company exchanged the subscription receipts in the amount of \$935,500 from the November 5, 2020 Offering Memorandum as the conditions for the shares being released were met by the completed listing of the Company on the CSE on March 5, 2021. As a result of this exchange, the Company issued 3,833,333 common shares at a price of \$0.15 and 1,916,667 warrants at an exercise price of \$0.20 in the Company and 1,802,500 flow-through shares at a price of \$0.20 per share. The premium was recognized as a liability of \$90,125.

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### NOTE 14 - SHARE CAPITAL AND RESERVES (Continued)

#### a) Common Shares (Continued)

- On March 15, 2021 the Company made a non-brokered private placement offering up to a maximum of \$1,250,000 by the issuance of 5,000,000 units. Each unit is comprised of one common share in the share capital of the Company as a price of \$0.25 per common share and one half warrant, each whole warrant entitling its holder to purchase one additional share at a price of \$0.35 for a period of 24 months following the closing.
- On March 31, 2021 the Company issued 988,406 common shares for debt. Of these Shares, 100,000 Shares were issued at \$0.10, 793,062 shares were issued at \$0.05 per share and 95,344 shares were issued at \$0.025 per share. Each of the shares was priced in accordance with the conversion price as determined in each debt instrument.
- On May 21, 2021, the Company issued 1,753,333 common shares at a price of \$0.25 per common share for gross proceeds of \$438,333 pursuant to the non-brokered private placement offering initiated on March 15, 2021.
- On June 14, 2021, the Company issued 73,698 common shares at a price of \$0.18 per common share for conversion of outstanding debenture interest. The debenture agreement provides for the holder of each debenture to convert outstanding interest at a price equivalent to the ten-day Weighted Volume Average Price at the date of conversion.
- On June 17, 2021, the Company issued 24,000 common shares at a price of \$0.15 per common share for the conversion of broker warrants.
- On June 23, 2021, the Company issued 103,100 common shares at a price of \$0.15 per common share for the conversion of broker warrants.
- On June 28, 2021, the Company issued 51,050 common shares at a price of \$0.15 per common share for the conversion of broker warrants.
- On July 7, 2021, the Company issued 150,000 common shares at \$0.25 per common share for the exercise of warrants.
- On July 15, 2021, the Company issued 45,150 common shares at \$0.15 per common share for the exercise of broker warrants.
- On August 19, 2021 the Company issued 100,000 common shares for debt issued at \$0.10 per share in accordance with the conversion price as determined in each debt instrument.
- On September 21, 2021, the Company closed the Private Placement and issued 10,200,000 common units from its share capital at \$0.25 per unit for gross proceeds of \$2,550,000. Each common unit being comprised of one (1) Common Share and one-half (1/2) common share purchase warrant, each full warrant entitling the holder thereof to purchase one (1) additional Common Share at a price of \$0.35 for a period of twenty-four (24) months from the date of issuance in four tranches.
- On October 1, 2021 the Company issued 500,000 common shares for debt issued at \$0.10 per share in accordance with the conversion price as determined in each debt instrument.
- On November 12, 2021, the Company issued 260,480 common shares for debt issued at \$0.10 per share in accordance with the conversion price as determined in each debt instrument.

#### b) Stock Options

The Company grants stock options to employees, directors, officers, and consultants as compensation for services pursuant to its Stock Option Plan (the "Plan"). Options issued pursuant to the Plan must have an exercise price greater than or equal to the market price of the Company's stock on the grant date less applicable discounts. Options have a maximum expiry period of up to five years from the grant date and are subject to the minimum vesting requirements, as determined by the Board of Directors. The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. Stock options granted to management, employees, and directors vest immediately on the grant date.



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### NOTE 14 - SHARE CAPITAL AND RESERVES (Continued)

#### b) Stock Options (Continued)

	Number of Options	Weighted average exercise price \$
Outstanding and Exercisable, December 31, 2020	-	-
Issued	200,000	0.35
<b>Outstanding and Exercisable, December 31, 2021</b>	<b>200,000</b>	<b>0.35</b>

During the year ended December 31, 2021, the Company recognized share-based compensation of \$44,993 (2020 - \$nil) using the Black-Scholes option pricing model for stock options granted and vested during the period. The stock options are exercisable at \$0.35 per common share and expire on October 31, 2024.

#### c) Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of Warrants	Weighted average exercise price \$
Outstanding and Exercisable, December 31, 2019	-	-
Issued	4,016,700	0.24
<b>Outstanding and Exercisable, December 31, 2020</b>	<b>4,016,700</b>	<b>0.24</b>
Issued	9,382,961	0.29
Exercised	(373,300)	0.18
Expired	(41,667)	0.40
<b>Outstanding and Exercisable, December 31, 2021</b>	<b>12,984,694</b>	<b>0.28</b>

As at December 31, 2021, the Company had the following share purchase warrants outstanding and exercisable:

Expiry date	Number of Warrants	Exercise Price \$
November 5, 2022	2,874,998	0.20
May 6, 2023	876,666	0.35
June 1, 2023	412,500	0.40
July 7, 2023	1,850,000	0.25
August 26, 2023	168,200	0.35
September 9, 2023	1,160,000	0.35
September 13, 2023	4,088,680	0.35
September 20, 2023	100,000	0.35
September 23, 2023	309,200	0.35
November 5, 2023	444,450	0.15
January 31, 2024	100,000	0.20
February 1, 2026	600,000	0.05
	<b>12,984,694</b>	<b>0.28</b>

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### NOTE 14 - SHARE CAPITAL AND RESERVES (Continued)

#### c) Share Purchase Warrants (Continued)

The value of the warrants determined using the Black-Scholes option pricing model with the range of the following assumptions:

	2021	2020
Risk free interest rate	0.29% - 0.91%	0.26%-1.63%
Expected stock price volatility	112%-128%	118%-140%
Expected dividend yield	Nil	Nil
Expected option life in months	24-58	18-36

### NOTE 15 – OIL AND NATURAL GAS SALES

The following table represents the Company's 50% interest in oil and natural gas sales for the year ended December 31, 2021 and 2020:

	2021	2020
	\$	\$
Oil	7,817	-
Gas	230,349	-
Liquids	63,174	-
	<u>301,340</u>	<u>-</u>

### NOTE 16 - INCOME TAXES

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

Net loss for the year	(1,415,186)	(948,707)
Expected income tax recovery	(339,645)	(227,690)
Permanent differences	8,107	(9,697)
Change in unrecognized deductible temporary differences	331,538	237,387
Total income tax expense	<u>-</u>	<u>-</u>

Significant components of the Company's unrecognized deductible temporary differences and tax losses are as follows:

Property, plant and equipment	(362,608)	(127,560)
Promissory notes payable	-	(4,811)
Convertible debentures	(65,151)	(50,429)
Non-capital losses	427,759	182,800
Unrecognized temporary differences and non-capital losses	<u>-</u>	<u>-</u>

In assessing the ability to realize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets are deductible.

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### NOTE 16 - INCOME TAXES (Continued)

As at December 31, 2021, the Company's unrecognized Canadian non-capital losses expire as follows:

	\$
2030	185,847
2031	332,320
2032	290,656
2033	584,259
2034	305,171
2035	5,099,852
2036	105,006
2037 to 2041	<u>2,440,218</u>
	<u>9,343,329</u>

### NOTE 17 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - inputs for the asset or liability that are not based on observable market data.

The Company's risk management policies are established by the Board of Directors to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's policy.

The Company's financial instruments include cash, accounts payable and accrued liabilities, subscriptions to convertible debentures, debenture and promissory notes payable, derivative liability and convertible debentures. The carrying values of cash, accounts payable and accrued liabilities and subscriptions to convertible debentures approximate their fair values due to their relatively short periods to maturity.

The carrying value of convertible debentures approximates its fair market value as the interest rates are based on market rates.

#### Fair values

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

- Derivative liability is considered to be a Level 3 classification as inputs are not based on observable market data. Please see note 12 for details on inputs.
- There were no transfers between levels during the year.
- The Company has exposure to liquidity risk and market risk because of its financial instruments.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financing to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will be able to secure additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financing.

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### NOTE 17 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

#### Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's cash flows, net loss and comprehensive loss, liquidity, or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures to appropriate level and to maximize returns.

Currently, the Company's long-term debts all have fixed interest rates.

#### Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk on its debt as they bear a fixed interest rate.

### NOTE 18 - CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financing is dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments.

There were no changes to the Company's approach to capital management during the year ended December 31, 2021.

### NOTE 19 - COMMITMENTS

On June 1, 2020, the Company entered into a 24-month term consulting agreement where it is to compensate the consultant \$6,000 per month. The consulting fee was settled with 120,000 shares for the initial 6 months.

On September 16, 2021, the Company entered into a 12-month term consulting agreement for marketing services for a monthly remuneration of \$22,500.

As a result of the issuance of flow-through shares in December 2020 and January 2021, the Company had a commitment to incur \$135,000 in qualifying flow-through expenditures. As at December 31, 2021, the Company has completed the commitment and spent the full \$135,000 on qualifying flow-through expenditures.

As a result of the issuance of flow-through shares in March 2021, the Company had a commitment to incur \$360,500 in qualifying flow-through expenditures. As at December 31, 2021, the Company has completed the commitment and spent the full \$360,500 on qualifying flow-through expenditures.

# Avila Energy Corporation

(Formerly Petro Viking Energy Inc.)

## Notes to the Financial Statements - Amended and Restated

For the Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars, unless otherwise stated)

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### **NOTE 20 – AMENDED AND RESTATED FINANCIAL STATEMENTS**

Subsequent to the issuance of the previously reported financial statements for the year ended December 31, 2021 (filed on SEDAR on May 2, 2022) management determined that a note describing a material proposed transaction was not disclosed.

The financial statements of the Company as at December 31, 2021 and for the year ended have been restated to include the note describing the proposed transaction as follows:

#### **PROPOSED TRANSACTION**

On June 14, 2021, the Company entered into a binding agreement for the purchase of interest in 53,835 acres (net 43,935 acres) of mineral rights (the “Acquisition”).

Under the terms of the agreement, the Purchase Price for the Acquisition will be satisfied by way of the issuance of 44,440,000 Class “A” common shares (the “Common Shares”) at \$0.60 per share and 30,000,000 convertible preferred shares (the “Convertible Shares”) convertible at a price of \$0.80 per share.

The Convertible Shares will have a term of five years and earn an accruing annual dividend at a rate of two percent payable upon conversion. The Conversion of the Convertible Shares at the election of the holder can only occur after one of three milestones has been achieved: (i) the Company exceeds the production rate of 3,000 BOE/d, (ii) the Common Shares trade at a volume weighted average price (VWAP) of more than \$1.00 per share for twenty consecutive business days, and (iii) the second-year anniversary since the issuance of the Common Shares has occurred. At maturity upon the fifth anniversary of their issuance, the Convertible Shares shall automatically be redeemed on a 1:1 basis along with any accrued dividends by the issuance of Common shares.

An independent valuation based on capital commitment of \$14,300,000 for drilling determined the fair value of the Acquisition to be approximately \$26,900,000.

As of the Auditor’s report date, the Company has received conditional regulatory approval on the Acquisition; final regulatory approval has not yet been received.



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**PETRO VIKING ENERGY INC.**

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**FINANCIAL STATEMENTS**

**For the years ended December 31, 2020 and 2019**

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To the Shareholders of Petro Viking Energy Inc.:

### Opinion

We have audited the financial statements of Petro Viking Energy Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and December 31, 2019, and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and December 31, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a loss during the year ended December 31, 2020 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Anand Beejan.

Montréal, Québec

April 30, 2021

MNP<sup>1</sup> SENCRL, s.r.l.

<sup>1</sup> CPA auditor, CA, public accountancy permit no. A126822

**Petro Viking Energy Inc.**  
**Statements of Financial Position**  
*As at December 31,*  
*( in Canadian dollars)*

<b>Assets</b>	<i>Notes</i>	<b>2020</b>	<b>2019</b>
Current assets		\$	\$
Cash		136,072	1,315
Restricted cash	4	935,500	-
Sales taxes receivable		6,847	2,047
Prepaid expenses and other assets	13	163,533	7,500
Other receivable	5	382,465	-
<b>Total current assets</b>		<b>1,624,417</b>	<b>10,862</b>
<b>Long term assets</b>			
Property and equipment	6,7	1,054,611	1,054,611
<b>Total assets</b>		<b>2,679,028</b>	<b>1,065,473</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	9	426,308	310,014
Flow-through premium liability	14	21,250	-
Convertible debentures	12	29,898	-
Derivative liability	12	801,499	-
Subscriptions liability	13	935,500	-
Total current liabilities		<b>2,214,455</b>	<b>310,014</b>
Non-current liabilities			
Promissory notes payable	11	175,362	-
Convertible Debentures	12	673,628	384,264
Decommissioning obligation	8	164,325	164,325
Derivative liability	12	-	429,191
Total non-current liabilities		<b>1,013,315</b>	<b>977,780</b>
<b>Total liabilities</b>		<b>3,227,770</b>	<b>1,287,794</b>
<b>Shareholders' deficiency</b>			
Share capital	14	6,078,148	5,733,177
Contributed surplus	14	1,767,125	1,617,760
Convertible debenture - equity portion	12	2,292	2,292
Shares to be issued	12	127,950	-
Deficit		<b>(8,524,257)</b>	<b>(7,575,550)</b>
<b>Total shareholders' deficiency</b>		<b>(548,742)</b>	<b>(222,321)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>2,679,028</b>	<b>1,065,473</b>
Going concern ( <i>Note 1</i> )			
Basis of preparation ( <i>Note 2</i> )			
Subsequent events ( <i>Note 21</i> )			
Covid-19 outbreak ( <i>Note 1</i> )			

**Approved on behalf of the directors:**

*//signed: Greg Doucette*

Greg Doucette, Chief Executive Officer

*//signed: Lars Glimhagen*

Lars Glimhagen, Chief Financial Officer

*The accompanying notes are an integral part of the financial statements*

**Petro Viking Energy Inc.**  
**Statements of Loss and Comprehensive Loss**  
*Years ended December 31,*  
*(in Canadian dollars)*

	<i>Notes</i>	<b>2020</b>	2019
<b>Expenses</b>			
Consulting fees	14,16	<b>363,912</b>	76,705
Professional fees	16	<b>163,395</b>	66,782
Accretion expense	12	<b>90,702</b>	-
Management fees	16	<b>54,910</b>	56,000
Interest expense	11,12	<b>51,044</b>	55,713
Shareholder and trust services		<b>28,165</b>	21,032
Translation services		<b>13,994</b>	-
Finance fees	12	<b>11,284</b>	-
Listing fees		<b>5,995</b>	2,454
Office and administration		<b>5,559</b>	4,499
Travel		-	2,441
<b>Net loss before the following items</b>		<b>788,960</b>	285,626
<b>Other income (loss):</b>			
Gain on business combination	6	-	84,692
Reversal of payables	10	<b>11,786</b>	-
Gain on derecognition of related party liabilities	11	<b>48,975</b>	-
Change in derivative liability	12	<b>(220,508)</b>	-
		<b>(159,747)</b>	84,692
<b>Loss before income taxes</b>		<b>948,707</b>	200,934
Deferred tax recovery		-	25,121
<b>Net loss and comprehensive loss for the year</b>		<b>948,707</b>	175,813
Net loss per share, basic	15	<b>(0.10)</b>	(0.02)
Net loss per share, diluted	15	<b>(0.10)</b>	(0.02)

Share consolidation of 2-to-1 on August 25, 2020 (Note 14). All shares presented are post consolidation.

*The accompanying notes are an integral part of the financial statements*

**Petro Viking Energy Inc.**  
**Statements of Changes in Shareholders' Deficiency**  
*(in Canadian dollars)*

	<i>Notes</i>	# Shares	Amount	Cost of Issued Shares	Contributed Surplus	Equity Portion of Debentures	Shares to be issued	Deficit	Total
Balance, December 31, 2018		1,513,056	5,455,426	(929,906)	1,617,760			(7,399,737)	(1,256,456)
Issued shares for debt	14	6,952,067	1,091,407	-	-	-	-	-	1,091,407
Issued shares for payables	14	337,500	101,250	-	-	-	-	-	101,250
Issued shares for services	14	75,000	15,000	-	-	-	-	-	15,000
Equity portion of debentures	11(a)	-	-	-	-	2,292	-	-	2,292
Net loss and comprehensive loss for the year		-	-	-	-	-	-	(175,813)	(175,813)
<b>Balance, December 31, 2019</b>		<b>8,877,623</b>	<b>6,663,083</b>	<b>(929,906)</b>	<b>1,617,760</b>	<b>2,292</b>	<b>-</b>	<b>(7,575,550)</b>	<b>(222,321)</b>
Issued shares for cash	14	3,191,667	437,754	-	62,247	-	-	-	500,001
Warrants issued as finder's fee	14	-	-	(17,021)	62,230	-	-	-	45,209
Issued shares for services	14	670,000	-	-	24,888	-	80,400	-	105,288
Cash for shares to be issued	14	317,000	-	-	-	-	60,050	-	60,050
Share issuance costs		-	-	(67,012)	-	-	-	-	(67,012)
Flow-through share premium	14	-	(8,750)	-	-	-	(12,500)	-	(21,500)
Net loss and comprehensive loss for the year		-	-	-	-	-	-	(948,707)	(948,707)
<b>Balance, December 31, 2020</b>		<b>13,056,290</b>	<b>7,092,087</b>	<b>(1,013,939)</b>	<b>1,767,125</b>	<b>2,292</b>	<b>127,950</b>	<b>(8,524,257)</b>	<b>(548,742)</b>

Share consolidation of 2-to-1 on August 25, 2020 (Note 14). All shares presented are post consolidation.

*The accompanying notes are an integral part of the financial statements*

**Petro Viking Energy Inc.**  
**Statements of Cash Flows**  
For the years ended December 31,

	<i>Notes</i>	<b>2020</b>	2019
		\$	\$
<b>Operating activities</b>			
Net loss		<b>(948,707)</b>	(175,813)
Interest expense	12	<b>51,044</b>	55,713
Change in derivative liability	12	<b>220,508</b>	-
Reversal of payables	10	<b>(11,786)</b>	-
Shares and warrants issued for services	14		15,000
		<b>105,288</b>	
Accretion expense	12	<b>90,702</b>	-
Gain on loan discount	11	<b>(48,975)</b>	-
Change in prepaid expenses		<b>7,500</b>	(7,500)
Change in sales tax receivable		<b>4,800</b>	6,065
Change in accounts payable and accrued liabilities		<b>211,831</b>	212,372
Gain on business combination		-	(84,692)
Deferred tax recovery	17	-	(25,121)
<b>Cash flow used by operating activities</b>		<b>(317,795)</b>	(3,976)
<b>Investing activities</b>			
Increase in other receivable	5	<b>(382,465)</b>	-
<b>Financing activities</b>			
Issued debentures for debt (net of financing fees)	12	<b>385,417</b>	-
Issued units for cash	14	<b>560,050</b>	-
Subscriptions to units	13	<b>935,500</b>	-
Restricted cash	13	<b>(935,500)</b>	-
Share issuance costs	14	<b>(46,375)</b>	-
Share issuance costs in prepaid and other assets	13	<b>(64,075)</b>	-
<b>Cash flow from financing activities</b>		<b>835,017</b>	-
Change in Cash		<b>134,757</b>	(3,976)
Cash, beginning of the year		<b>1,315</b>	5,291
<b>Cash, end of the year</b>		<b>136,072</b>	1,315
<b>Supplemental cash flow information:</b>			
Promissory notes issued to accounts payable		217,195	-
Share issuance costs in accounts payable		74,884	-

*The accompanying notes are an integral part of the financial statements*

**1. Corporate information, going concern and COVID-19**

Petro Viking Energy Inc. (“Petro Viking” or the “Company”) is incorporated under the laws of the province of Alberta with shares listed on the Canadian Securities Exchange with the ticker symbol VIK (Note 19).

The records office and principal address is located at 5940 Macleod Trail, Suite 500, Calgary, Alberta, T2H 2G4.

On December 9, 2019, the Company acquired a non-operating interest 50% into a producing oil & gas property in the province of Alberta from Avila Exploration and Development (Canada) Ltd, consisting of production, pipelines, facilities and approximately 1,280 acres (net) of Petroleum and Natural Gas mineral and exploitation rights in Western Alberta and more particularly, in the Ferrybank area (see Note 6).

The financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to going concern, which assumes continuity of operation and realization of assets and settlement of liabilities in the normal course of business. As at December 31, 2020, the Company reported a loss of \$948,707 (2019 - \$175,813), a cumulative deficit of \$8,524,257 (2019 - \$7,575,550) and a negative working capital of \$590,037 (2019 - \$299,152). The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing that will provide the Company with a revenue stream. Even if the Company has been successful in the past, there is no assurance that it will manage to obtain additional financing in the future.

These conditions indicate a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to the classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

**Covid-19 outbreak**

Since period ended September 30, 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in a widespread international health crisis that has materially affected economies and financial markets, resulting in the rapid onset of an economic downturn. This unprecedented pandemic may result in, among other things, supply chain issues, transportation delays, changes in customer demand for the Company’s products, increased government regulations or interventions, and ongoing economic uncertainty, all of which may negatively impact the business, financial condition or results of operations of the Company. The Company continues to monitor COVID-19 developments but since the duration and impact of the COVID-19 pandemic is unknown at this time, it is not possible to reliably estimate the length of the outbreak or the severity of its impact at this time.

**2. Basis of presentation**

*Statement of compliance*

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and the interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”) in effect at the closing date of December 31, 2020.

The financial statements were authorized by the Board of Directors for issue on April 30, 2021.

*Basis of measurement*

The financial statements have been prepared under the historical cost method, except as otherwise noted below.

*Financial and presentation currency*

These financial statements are presented in Canadian Dollars, which is also the Company’s functional currency.

**3. Summary of significant accounting policies**

These accounting policies have been used throughout all years presented in the financial statements:

**a. Cash and cash equivalents**

Cash and cash equivalents are comprised of cash in banks or held in trust.

Restricted cash relates to funds held in escrow until the escrow conditions are met for the subscription receipts issued during the year. The funds will be released once the escrow conditions are met (Note 21).

**b. Convertible debentures**

The Company has issued convertible debentures which, on conversion, must be satisfied entirely in common shares of the Company for an amount equal to the greater of the conversion value and the redemption value of the instrument.

The Company reviews the terms of its convertible debentures to determine whether there are embedded derivatives, including the embedded conversion option, that are required to be separated and accounted for as individual derivative financial instruments or equity components.

In circumstances where an equity component is identified, the liability component is recognized at the fair value of a similar liability that does not have a conversion option and the equity component is recognized as the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the initial carrying amounts. Subsequent to initial recognition, the liability component of the convertible debenture is measured at amortized cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition.

**3. Summary of significant accounting policies** *(continued)*

In circumstances where the convertible debentures contain embedded derivatives that are to be separated from the debenture host contracts, the total proceeds received are first allocated to the fair value of the derivative financial instruments determined using the Monte Carlo method. The remaining proceeds, if any, are then allocated to the debenture host contracts, usually resulting in those instruments being recorded at a discount from their principal amount. This discount is accreted over the expected life of the instruments to profit (loss) using the effective interest method. The Monte Carlo method uses inputs such as discount rates, volatility, share price and risk-free rate.

The debenture host contracts are subsequently recorded at amortized cost at each reporting date, using the effective interest method. The embedded derivatives are subsequently recorded at fair value at each reporting date, with changes in fair value recognized in profit (loss).

The Company presents its embedded derivative liability and related debenture host contracts as separate instruments on the statement of financial position.

**c. Shareholders' equity**

Share capital represents the amount received on the issue of shares, less issuance costs. Proceeds from unit placements are allocated between shares and warrants issued by estimating the value of the warrants using the Black-Scholes options model; the fair value is allocated to warrants from the net proceeds and the balance is allocated to the shares. Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised. Deficit includes all current and prior year profits or losses

**d. Equity-settled share-based payment transactions**

The Company operates equity-settled share-based remuneration plans (share option plans) for its eligible directors, officers and consultants. None of the Company's plans feature any options for a cash settlement. All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. This fair value is appraised at the grant date. All equity-settled share-based payments are ultimately recognized as an expense in net loss depending on the nature of the payment with a corresponding credit to contributed surplus. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates, any cumulative adjustment prior to vesting is recognized in the current year. No adjustment is made to any expense recognized in prior years if share options have already vested. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the share options recorded in contributed surplus are then transferred to capital.



**3. Summary of significant accounting policies** *(continued)*

**e. Flow-through shares**

The Company, from time to time, issue flow-through common shares to finance significant portions of its property development programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. The premium is recognized as other income and the related deferred tax is recognized as a tax provision which is reduced when qualifying flow-through expenditures are incurred.

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian Development and Canadian Renewable Conservation Expenses within a two-year period in accordance with the Government of Canada flow-through share regulations.

The Company may also be subject to Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through share regulations. When applicable, this tax is accrued as a financial expense until paid.

**f. Income taxes**

Income tax expense represents the sum of current tax expense and deferred tax expense. Current tax expense is based on the taxable profits for the year. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized based on differences in the financial statement carrying amount for assets and liabilities and the associated tax balance. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses to the extent that it is probable that there will be taxable profits against which deductible temporary differences can be utilized.

**g. Loss per share**

Basic loss per share ("LPS") is calculated by dividing the net loss for the year attributable to equity owners of the Company by the weighted average number of common shares outstanding during the year. Diluted LPS is calculated by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for dilutive instruments. The Company's potentially dilutive instruments are comprised of stock options granted and warrants issued.

**3. Summary of significant accounting policies (continued)**

**h. Financial instruments**

The classification for each class of the Company's financial assets and financial liabilities are summarize in the following table:

Financial Assets/Liabilities	Classification
Cash	Financial assets at amortized cost
Restricted cash	Financial assets at amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost
Subscription liability	Financial liabilities at amortized cost
Convertible debenture and promissory notes payable	Financial liabilities at amortized cost
Derivative liability	Fair value through profit or loss

*Measurement – initial recognition*

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

*Classification of financial assets*

Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

Fair value through other comprehensive income ("FVTOCI"):

Financial assets that meet the following conditions are measured at FVTOCI:

- (i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**3. Summary of significant accounting policies** *(continued)*

Financial assets measured subsequently at fair value through profit or loss (“FVTPL”):

By default, all other financial assets are measured subsequently at FVTPL. Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Classification of financial liabilities and equity:

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments

**i. Borrowing costs and discounts on issuance of new debt**

Borrowing costs that are related to the issuance of new debt are recorded net of the associated debt and recognized into income using the effective interest method over the life of the debt. Discounts where proceeds received are less than par value of the debt are recorded at a reduction to long-term debt and are amortized using the effective interest method and included in borrowing cost.

**i. Significant accounting judgments and estimates**

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Such estimates primarily relate to unsettled transactions and events at the statement of financial date which are based on information available to management at each statement date. Actual results could differ from those estimated.

Judgments, estimates, and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. **Summary of significant accounting policies** *(continued)*

**Estimates**

**Convertible debt**

Convertible debentures are separated into their liability and equity components on the statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability, using estimated interest rates based upon non-convertible debt issued by comparable issuers, and accounted for at amortized cost using the effective interest rate method.

**Derivative liability**

In determining the fair value for the convertible debenture conversion feature considered to be a derivative liability, the Company uses the Monte Carlo method and makes estimates of the expected volatility of the shares, risk-free interest rate, effective discount rate, share price, and major event expected date and probability (as the conversion feature is dependent on these estimates. The expected volatility is based on volatilities of comparable companies. The risk-free rate assumed in valuing the conversion feature is based on the Canadian treasury yield curve in effect at the time of grant for the expected term of the convertible debentures issued. The discount rate is based on the estimated rate for a debenture without a conversion feature. The major event expected date and probability are based on management's best estimate at the time of valuation based current internal company information and market conditions. Changes to these estimates could result in the fair value of the derivative liability being less than or greater than the amount recorded.

**Impairment of property and equipment**

The determination of the recoverable amount for value in use requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential, recent transactions involving similar projects, and future operating performance. An oil and gas property's fair value less cost to sell requires the use of estimates as to the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

**Depletion and depreciation and valuation of property and equipment**

The amounts recorded for depletion and depreciation of property and equipment and the valuation of property and equipment are based on estimates. These estimates include proved and probable reserves, production rates, future oil and natural gas prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

The Corporation's reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under *National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities*.

**3. Summary of significant accounting policies** *(continued)*

For impairment testing, property and equipment assets are aggregated into cash generating units ("CGUs"), based on management's judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

**Decommissioning provisions**

The value of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

**Fair value of common share**

As the Company's shares is not traded on a listed exchange, the Company is required to estimate the fair value of the common shares issued on debt, promissory notes and accounts payable and accrued liabilities settlements, issued in exchange for services, and used in the valuation of the conversion feature of the derivative liability. The Company estimated the fair value of common shares based on expected capital raises, history of debt conversions with third parties, and internal company information.

**Fair value of property and equipment**

The market value of property and equipment assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property and equipment) is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

The market value of other items of property and equipment is based on the quoted market prices for similar items.

**Warrants**

Estimating fair value for warrant requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the warrants. The fair value of warrants is evaluated using the Black-Scholes or the Monte Carlo valuation model at the date of grant. The Company has made estimates as to the expected volatility, share price and expected life of warrants. The expected volatility is based on the historical volatility of the Company, over the period of the expected life of the warrants. The expected life of the warrant is based on historical data. These estimates may not necessarily be indicative of future actual patterns. Share price is based on the price of shares issued in recent raises.

3. **Summary of significant accounting policies** *(continued)*

**Judgments**

**Derivative liability**

The fair value of financial liabilities not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select techniques and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

**Going concern**

The Company's ability to execute its strategy by seeking financing and funding of future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

**Deferred taxes**

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount and the tax basis of assets and liabilities. An estimate is required for both the timing and corresponding tax rate for this reversal. Should these estimates change, it may impact the measurement of asset or liability as well as deferred tax recovery or expense recognized to earnings. The Company only recognizes deferred tax assets arising from unused tax losses to the extent that the Company has sufficient taxable temporary differences, or it is probable that sufficient taxable profit will be available against which the unused tax losses can be utilized.. The Company has not recognized any deferred asset for the years ended December 31, 2020 and 2019.

**Impairment of oil and natural gas properties**

Management uses judgment to assess the existence of impairment indicators such as events or changes in circumstances that may indicate the carrying amount of oil and natural gas properties may not be recoverable.

**Decommissioning provisions**

Management uses judgment to assess the Corporation's legal obligations to decommission its oil and natural gas properties and restore property sites after closure. The Corporation's production activity is required to be in compliance with various environmental laws and regulations in Canada. The assessment of decommissioning provisions is based on management's understanding of the current legal and environmental requirements and third party engineering valuations.

**Business combinations**

The Company assesses whether an acquisition should be accounted for as an asset acquisition or a business combination under IFRS 3. This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as business and the Company obtains control of the business inputs and processes.

**3. Summary of significant accounting policies** *(continued)*

**Cash generating units**

Management makes judgments in determining its CGUs and evaluates the geography, geology, production profile and infrastructure of its assets in making such determinations. Based on this assessment, the Company's CGUs are generally composed of significant development areas. As at December 31 2020, the Company had one CGUs (2019– one). The Company reviews the composition of its CGU at each reporting date to assess whether any changes are required in light of new facts and circumstances.

**j. Business combinations**

Business combinations are accounted for using the acquisition method where the acquisition of companies and assets meet the definition of a business under IFRS. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Following initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in income. Associated transaction costs are expensed when incurred.

**k. Jointly controlled assets**

Many of the Company's oil and natural gas activities involve jointly controlled assets and are conducted under joint non-operating agreement. The financial statements include the Company's share of these jointly controlled assets and liabilities.

**l. Property and equipment**

*(i) Property and equipment*

All costs directly associated with the development of oil and natural gas interests are capitalized on an area-by- area basis as oil and natural gas interests and are measured at cost less accumulated depletion and depreciation and net impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning provisions and transfers from exploration and evaluation assets.

Costs of replacing parts of property and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in income (loss) as incurred. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in income (loss) as incurred.

Exchanges or swaps of property and equipment are measured at fair value unless the transaction does not lack commercial substance or the fair value of the asset received nor the asset given up can be reliably estimated. When fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. Any gains or losses from the divestiture of property and equipment are recognized in the statement of loss and comprehensive loss.

**3. Summary of significant accounting policies** *(continued)*

*(ii) Depletion and depreciation*

Oil and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior period adjustments and are dealt with on a prospective basis.

Processing facilities and well equipment are depleted using the unit-of-production method along with the related reserves when the assets are designed to have a life similar to the reserves of the related wells with little to no residual value. Where facilities and equipment, including major components, have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

**m. Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purposes of assessing impairment, property and equipment are grouped into separate CGUs. Goodwill, if any is allocated to the CGUs that are expected to benefit from the synergies of the business combination creating the goodwill.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the CGU in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in the statement of loss and comprehensive loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized. A goodwill impairment loss is not reversed.



**3. Summary of significant accounting policies** *(continued)*

**n. Decommissioning provisions**

Decommissioning provisions are recognized for decommissioning and restoration obligations associated with the Company's property and equipment. The best estimate of the expenditure required to settle the present obligation at the statement of financial position date is recorded on a discounted basis using the pre-tax risk-free interest rate. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated property and equipment and is depleted or amortized over the useful life of the asset. The provision is accreted over time through charges to financing expenses. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or the discount rate are recognized as changes in the decommissioning provision and the related asset.

Actual decommissioning expenditures up to the recorded liability at the time are charged against the provision as the costs are incurred. Any difference between the recorded provision and the actual costs incurred is recorded as a gain or loss in the statement of loss and comprehensive loss.

**o. Newly adopted accounting standards**

*IAS 1 "Presentation of Financial Statements" ("IAS 1")*

IAS 1 sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. IAS 1 has been revised to incorporate a new definition of "material" and IAS 8 has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. On January 1, 2020, the Company adopted IAS 1 and has concluded that, based on its current operations, the adoption of IAS 1 had no significant impact on the Company's consolidated financial statements.

*IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" ("IAS 8")*

IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendment is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. On January 1, 2020, the Company adopted IAS 8 and has concluded that, based on its current operations, the adoption of IAS 8 had no significant impact on the Company's consolidated financial statements.

**4. Restricted cash**

Upon closing of the Offering Memorandum (note 13) on November 5, 2020, \$935,500 received from the offering was placed in escrow until the conditions of the escrow were met. The condition for release was having the Company listed on the Canadian Stock Exchange (“CSE”). On March 5, 2021 the company was approved for listing on the CSE and these funds were subsequently released to the company. See Note 19.

**5. Other receivable**

During the year, the Company advanced \$382,465 to the operating company Avila Exploration and Development Canada Ltd. for expenditures to be incurred under a joint venture agreement dated December 9, 2019 to develop its property. The receivable is unsecured, interest-free and bears no terms of repayment.

**6. Business combination**

On December 9, 2019 the Company purchased an oil and gas property in west Central Alberta from a private company, consisting of production, pipelines, facilities and approximately 1,280 acres (net) of developed surface and mineral leases. Under the terms of the purchase agreement, the Company issued a debenture for \$500,000 on December 9, 2019 for the working interest on the oil and gas property. The additional terms and accounting of this debenture is described in note 10.

For accounting purposes, the Company has been identified as the acquirer and the non-operating working interest in Avila is deemed to be the acquiree. As the non-operating working interest described above meets the definition of a business and this transaction was accounted for as business combination under IFRS - 3 “Business Combinations”. The date on which the Company obtained control was determined to be December 9, 2019 - the date at which the Company issued the debenture.

<b>Net assets acquired</b>	<b>\$</b>
Property and equipment	921,900
Decommissioning liabilities	(31,443)
Deferred tax liability	(25,298)
Gain on acquisition	84,692
Fair value of the net assets acquired	780,467
<b>Consideration</b>	
Debenture issued and fair value of consideration	780,467

If the acquisition was effective on January 1<sup>st</sup> of 2019, it would have contributed revenues of \$153,178 and royalty and operating expenses totaling \$86,118 until closing on December 9<sup>th</sup>, 2019, resulting in net income of \$67,060.

The Company incurred no acquisition-related costs.

There was no income or loss subsequent to December 9, 2019 up to December 31, 2020.

**7. Property and equipment**

	<u>Natural gas and liquids interest</u>
<u>Cost</u>	
Balance at December 31, 2018	-
Decommissioning provisions	132,711
Acquisition (Note 6)	921,900
<u>Balance at December 31, 2019 and 2020</u>	<u>1,054,611</u>

There was no depletion and depreciation taken during the year as the property and equipment were temporarily not producing.

As at December 31, 2020, the Company identified indicators of impairment in relation to its CGU such as a decline in forward commodity prices and current challenging economic climate relating to the effect of the COVID-19 and performed an impairment test at December 31, 2020. Management estimated the recoverable amount of its CGU based on fair value less costs of disposal approach.

At December 31, 2020, the estimated recoverable amount of the CGU was determined to be higher than the December 31, 2020 carrying amount based on 15% discounted before-tax cash flows expected to be derived from the CGU's proved plus probable reserves from the externally prepared December 31, 2020 reserve report. Therefore, no impairment has been recognized in the statement of loss and comprehensive loss. A 5% increase in the discount rate would result in no impairment.

The 2020 impairment tests used the following commodity price estimates:

	<u>December 31, 2020</u>
	Natural gas, \$C/Mcf
2021	2.58
2022	2.64
2023	2.70
2024	2.76
2025	2.82
2026	2.94
2027	3.00
2028	3.06
2029	3.12
Escalation rate thereafter	+ 2% per year

**8. Decommissioning obligation**

The Company's estimated net present value of decommissioning liabilities is \$164,325 as at December 31, 2020 (2019 - \$164,325), based on an undiscounted total future liability of \$221,962 (2019 - \$184,520). These payments are expected to be incurred over a period of 17 years with the majority of costs to be incurred in 2038. At December 31, 2020, risk-free rate 1.21% (2019 - 1.55% - 1.90%) and an inflation rate of 2% (2019 - 2%) were used to calculate the net present value of the decommissioning liabilities.

**Petro Viking Energy Inc.**  
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**8. Decommissioning obligation (continued)**

	<b>2020</b>	2019
Balance - beginning of period	<b>164,325</b>	-
Liabilities acquired through business combination - Note 6	\$ -	31,443
Change in estimates	-	132,711
Accretion	-	171
	<b>\$ 164,325</b>	164,325

**9. Accounts payable and accrued liabilities**

<b>Significant components of Accounts Payable and Accrued Liabilities</b>	<b>December 31, 2020</b>	December 31, 2019
	\$	\$
Accounts payable and accrued liabilities - trade	<b>371,318</b>	205,066
Interest Payable (Note 10 and 11)	<b>54,990</b>	3,947
Accrued management fees	-	101,000
	<b>426,308</b>	310,014

**10. Reversal of payable**

On March 30, 2015 a supplier filed a claim against the Company for services rendered in August 24, 2014. The Company filed a dispute indicating that the claim related to the Company's wholly-owned subsidiary and was not directly responsible for the underlying outstanding debt. The Plaintiff subsequently issued a garnishee against the subsidiary which, at the time, had filed for Creditor Protection under the Bankruptcy and Insolvency Act. The amount garnisheed was recovered by the Trustee and returned the funds to the subsidiary. The Company does not anticipate further action by the Plaintiff and has reversed the amount of \$11,786.

**11. Promissory notes payable**

On September 15, 2020, the Company converted related party liabilities to unsecured promissory notes in the amount of \$217,195. The promissory notes bear simple interest at 5% per annum with principal and interest payable on maturity being two years from the date of issuance.

For accounting purposes, the promissory notes have been recorded at fair market value of \$168,220 was calculated as being equivalent to the discounted cash flows for the promissory notes assuming an effective interest rate of 20%.

A gain of \$48,975 was recognized a recognition of the promissory notes and the derecognition of the related party liabilities.

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**12. Convertible debentures**

	<b>December 31, 2020</b>	December 31, 2019
	<b>\$</b>	<b>\$</b>
Debenture (a)	29,898	28,753
Debenture (b)	411,764	355,511
Debenture (c)	261,864	-
<b>Total</b>	<b>703,526</b>	<b>384,264</b>
Short-term	29,898	-
Long-term	673,628	384,264

	<b>December 31, 2020</b>	December 31, 2019
	<b>\$</b>	<b>\$</b>
Derivative liability (b)	351,179	429,191
Derivative liability (c)	450,320	-
<b>Total</b>	<b>801,499</b>	<b>429,191</b>

(a) On November 20, 2018, the Company received cash proceeds of \$30,000 for the issuance of convertible debentures. As at December 31, 2018, the cash proceeds were considered to be subscription payables. The debentures certificates were issued on February 1, 2019. The debentures are unsecured and bear simple interest at 15% per annum with principal and interest payable on maturity being two years from the date of issuance. The debentures are convertible into units at a conversion price of \$0.05 per share at any time during the term of the debentures. Each unit will be comprised of one common share and one common share purchase warrants exercisable for common share at a price of \$0.05 per warrant for a period of 60 months.

For accounting purposes, the convertible debentures have been separated into liability and equity components using the effective interest rate method. The fair value of the liability component of the convertible debentures at the time of issue was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component. The value of the equity component was determined to be \$2,292. The value of the liability component was determined to be \$27,708.

**12. Convertible debentures** *(continued)*

(b) On December 9, 2019 the Company issued a debenture for \$500,000 as payment in the business combination in which the Company acquired 50% interest in non-operating assets (see Note 4). The debenture is unsecured and bears a compounded interest of 5% per annum. The debenture matures on July 31, 2022 at which time the debenture and any accrued interest is payable. The convertible debenture can be converted at the lower of \$0.50 or 80% of the major event price. The major event price means the price per common share that (i) a common share is being issued by the Company before the maturity date pursuant to an initial public offering of the common shares for listing on a recognized stock exchange; or (ii) a common share is being issued by the Company pursuant to a financing of no less than \$500,000 net of fees and commissions; or (iii) results from a purchase by a third party of substantially all the assets of the Company by dividing the said purchase price by the number of issued common shares on a fully diluted basis.

As a result of the conversion price of the debentures not being fixed at the time of issuance, the conversion feature is a derivative liability and is revalued at each period end. The value of the derivative liability at the date of issuance and the 2019 year-end date was determined using the Monte Carlo method with the following input:

Discount rate: 20%  
Volatility: 140%  
Risk-free rate: 1.66% - 1.69%

The value of the derivative liability as at December 31, 2020 was determined using the Monte Carlo method with the following input:

Discount rate: 20%  
Volatility: 120%  
Risk-free rate: 0.18 %

As a result of the convertible debenture being issued as consideration in the business combination (note 6), the convertible debenture was required to be measured at fair value on the date of acquisition, December 9, 2019. The fair value of the conversion feature which is considered a derivative liability, was measured using the method and estimates noted above. The fair value of the conversion feature on December 9, 2019 was determined to be \$429,191. The fair value of the liability component of the convertible debentures at the time of issue was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature. The fair value of the liability component was determined to be \$351,276 on the date of acquisition. The debenture value per note 6 of \$780,467 is made up of the fair value of the conversion feature of \$429,191 and liability component of \$351,276.

(c) On June 28, 2020 the Company issued a non-brokered private placement of \$400,000 by way of 400 debenture units, each unit being comprised of an aggregate \$1,000 principal amount of a 10% convertible unsecured subordinated debenture due on April 30, 2023 and one detachable common share purchase warrant entitling the holder to purchase 10,000 common shares at a price of \$0.125 for a period of 36 months following the closing. The debenture bears an interest rate of 10% per annum payable semi-annually, payable either in cash or common shares in the capital of the issuer at the option of the subscriber.

**12. Convertible debentures** *(continued)*

Each unit is convertible at the option of the holder into 10,000 common shares of the issuer at a price of \$0.10.

At maturity, each unit is convertible at the option of the holder at price being determined at the higher of the VWAP (Volume Weighted Average Price) in the common shares of the Company over the previous ten trading day period on a listed exchange prior to the maturity date or \$0.025.

The offering closed on July 7, 2020 for gross proceeds of \$400,000.

As a result of the conversion price at maturity of the debentures not being fixed at the time of issuance, the conversion feature is considered to be a derivative liability and is revalued at each period end. The value of the derivative liability at the date of issuance and at the 2020 year-end date was determined using the Monte Carlo method with the following input:

Volatility: 118% - 119%

Risk-free rate: 0.22% - 0.29%

The fair value of the liability component of the convertible debentures at the time of issue was initially calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature. As the fair value of the derivative liability component and the fair value of the liability component were determined to have a greater combined fair value than the face value of the debentures, the difference between the face value of the debenture and the fair value of the derivative liability was attributed to the debt component. The fair value of the derivative was \$ 151,800 and debt component was determined to be \$248,200 on the date of issuance.

The value of the warrants is determined by allocating the residual of the debenture units transaction price after all financial liabilities in the debenture units are recognized. As the financial liabilities and the derivative make up the full amount of the debenture unit transaction price, no value has been assigned to the warrants.

**13. Subscriptions received**

On August 13, 2020 the Company issued an Offering Memorandum (“OM”) in order to complete a raise consisting of units consisting of one (1) common share in the capital of the Company and one-half (1/2) of one common share purchase warrant where a full warrant entitles the holder to purchase one additional common share (Note 14), subscription receipts A convertible into units where each unit consists of one (1) common share in the capital of the Company and one-half (1/2) of one common share purchase warrant where a full warrant entitles the holder to purchase one (1) additional common share in the capital of the Company, and subscription receipts B convertible into flow-through shares in the capital of the Company.

**13. Subscriptions received** *(continued)*

At December 31, 2020 the Company had received subscriptions for 1,916,666 (Note 14) units at a price of \$0.15 per unit for gross proceeds of \$287,250, 3,833,333 subscription receipts A at a price of \$0.15 per units for gross proceeds of \$575,000 and 1,802,500 flow-through subscription receipts B at a price of \$0.20 per unit for gross proceeds of \$360,500.

The subscription receipts A and B were subject to escrow release conditions (Note 21) which were not fulfilled until after December 31, 2020. As such, funds received were classified as liabilities as at December 31, 2020 as the funds would be required to be returned if conditions were not met.

As at December 31, 2020, the Company has incurred \$160,998 of direct share issuance costs which a portion related to units issued, \$42,674, were recorded to share issuance while the portion related to subscription receipts, \$118,324, are considered to be prepaid expense and other assets as the Company has not issued any units at the end of the period.

Related to the OM, the Company issued 460,000 subscription A broker units warrants convertible at \$0.15 for a period of 3 years per unit into one (1) common share and one-half (1/2) warrant convertible into shares at a price of \$0.20 for a 3 year period starting at the date of the initial issuance of broker unit warrants.

Related to the OM, the Company issued 144,200 subscription B broker units warrants convertible at \$0.15 for a period of 3 years per unit into one (1) common share.

Total value of the broker warrants issued is \$62,230. The portion relating to the units issued by the December 31, 2020 year-end, \$17,021, was recorded to share issuance cost, while the portion relating to subscription receipts, \$45,209, was recorded to prepaid expense and other assets.

**14. Equity**

**Share capital**

**a. Authorized**

Unlimited number of common shares, without nominal or par value.

**b. Issued and outstanding common shares**

On April 8, 2019, the Company had a share consolidation on a 10:1 basis. All disclosure of shares in the financial statements is post-consolidation.

On August 25, 2020, the Company had a share consolidation on a 2:1 basis. All disclosure of shares in the financial statements is post-consolidation.

**2019 transactions**

On January 31, 2019 there were 300,000 issued related to settlement of debenture at \$1.00 per share.

In June 2019, the Company issued 4,786,831 shares of the Company at \$0.10 per share for partial settlement of debenture and full conversion of promissory notes.

In August 2019, the Company issued 125,000 shares of the Company at \$0.10 per share for partial settlement of debenture.



**14. Equity (continued)**

In September 2019, the Company issued 750,000 shares of the Company at \$0.20 per share for partial settlement of debenture.

In September 2019, the Company issued 990,236 shares of the Company at \$0.20 per share for full settlement of debenture. As the debt holders were acting in their capacity as shareholders, a shareholder benefit was recognized as a reduction of share capital of \$47,824

In September 2019, the Company issued 262,500 shares of the Company at \$0.30 per share for the settlement of accrued management fees.

In November 2019, the Company issued 75,000 shares of the Company at \$0.30 per share for the settlement of accrued management fees.

In November 2019, the Company issued 75,000 shares of the Company at \$0.20 per share for consulting services.

In November 2019, 250,000 shares of the Company were cancelled at \$0.10 per share and were reissued at the same price in December 2019.

**2020 transactions**

On January 8, 2020 the Company issued 83,334 units of the Company at \$0.30 for net proceeds of \$25,000. Each unit consists of one common share and one-half warrant with an 18 month terms exercisable at \$0.40. Based on the residual method, a value of \$19,955 was assigned to the common shares and \$5,045 to warrants.

On June 1, 2020, the Company entered into consulting agreement where the Company was required to issue 20,000 shares in June 2020, July 2020, August 2020, September 2020, October 2020 and November 2020 for a cumulative of 120,000 shares. On signing of the agreement, the Company was required to issue 550,000 common shares and 412,500 warrants at an exercise price of \$0.20 for a term of 3 years. These shares and warrants were formally issued after the year-end.

On November 5, 2020, the Company issued 1,916,666 (Note 13) units (one common share and one-half warrant) of the Company at \$0.15 per share for gross proceeds of \$287,500.

On December 15, 2020, the Company issued 350,000 common shares of the Company at \$0.15 per share for gross proceeds of \$52,500. Also on that date, the Company received a subscription for 67,000 common shares at \$0.15 per share for gross proceeds of \$10,050. These shares were issued after the year-end.

On December 21, 2020, the Company issued 333,334 common shares of the Company at \$0.15 per share for gross proceeds of \$50,000.

On December 23, 2020, the Company issued 333,333 common shares of the Company at \$0.15 per share for gross proceeds of \$50,000 and 175,000 flow-through shares at \$0.20 per share for gross proceeds of \$35,000. Also on that date, the Company received a subscription for 250,000 flow-through shares at \$0.20 per share for gross proceeds of \$50,000, these shares were issued after year-end. The flow-through shares were issued at a premium of \$0,05 per share to the most recent raise by the Company. The premium was recognized as a liability of \$21,250.

**Petro Viking Energy Inc.**  
**Notes to the Financial Statements**  
For the years ended December 31, 2020 and 2019

**14. Equity (continued)**

	<b>December 31, 2020</b>		December 31, 2019	
	<b>Number</b>	<b>Amount</b>	Number	Amount
		\$		\$
Balance, beginning of year	8,877,623	6,663,083	1,513,056	5,455,423
Issued for cash	3,191,667	429,004	-	-
Issued shares for debt	-	-	6,952,067	1,091,407
Issued shares for payables	-	-	337,500	101,250
Issued shares for services	-	-	75,000	15,000
Balance, end of year	<u>12,069,290</u>	<u>7,092,087</u>	<u>8,877,623</u>	<u>6,663,083</u>

**Share-based payments**

The Company has a stock option plan under which the Board of Directors may grant options to directors, officers, other employees and key consultants. The Company may also grant options to agents. Under the plan, the number of shares reserved for issuance pursuant to the exercise of all options under the plan may not exceed 10% of the issued and outstanding common shares at any time. The options expire not more than five years from the date of grant or earlier if the individual ceases to be associated with the Company, and vest over terms determined at the time of grant. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model.

There were no options issued or outstanding as at December 31, 2020 (2019 – none).

**Warrants**

A summary of the Company's warrant transactions follows:

	<b>Number of warrants</b>	<b>Exercise Price</b>
	#	\$
Balance, December 31, 2019	-	-
Issued - Jan 2020 raise (Note 14(b))	41,667	0.40
Issued - Debentures (Note 12 (c))	2,000,000	0.25
Issued – Warrants for services (Note 14(b))	412,500	0.40
Issued – November 2020 raise (Note 13)	958,333	0.20
Issued – Subscription A broker warrants	460,000	0.15
Issued – Subscription B broker warrants	144,200	0.15
<b>Balance, December 31, 2020</b>	<b>4,016,700</b>	<b>0.24</b>

**Petro Viking Energy Inc.**  
**Notes to the Financial Statements**  
For the years ended December 31, 2020 and 2019

**14. Equity (continued)**

At December 31, 2020, the following warrants were outstanding:

Expiry Date	Number of warrants	Exercise price (\$/share)
July 6, 2021	41,667	\$0.40
November 5, 2022	958,333	\$0.20
June 1, 2023	412,500	\$0.40
July 7, 2023	2,000,000	\$0.25
November 5, 2023	460,000	\$0.15
November 5, 2023	144,200	\$0.15
<b>Balance, December 31, 2020</b>	<b>4,016,700</b>	<b>0.24</b>

The value of the warrants we determined using the Black-Scholes option pricing model with the range of following assumptions:

Expected dividend yield: 0%

Expected volatility: 118% to 140%

Risk-free interest rate: 0.26% to 1.63%

Expected term: 18 months to 36 months

**15. Net loss per share**

Basic and diluted earnings per common share are calculated as follows:

	2020 \$	2019 \$
Net loss and comprehensive loss	(948,707)	(175,813)
Weighted average number of shares		
- Basic	9,307,679	8,519,053
- Diluted	9,307,679	8,519,053
Loss per share:		
Basic	(0.10)	(0.02)
Diluted	(0.10)	(0.02)

**Petro Viking Energy Inc.**  
**Notes to the Financial Statements**  
For the years ended December 31, 2020 and 2019

**16. Related party disclosures**

**Key management personnel compensation:**

	<b>2020</b>	<b>2019</b>
	<u>\$</u>	<u>\$</u>
Management and consulting fees	<b>340,773</b>	133,825

*(Key management personnel are comprised of the Company's directors and officer and a consultant who is a significant shareholder.)*

**Amount owing to related parties:**

	<b>2020</b>	<b>2019</b>
	<u>\$</u>	<u>\$</u>
Accounts payable and accrued liabilities including management and consulting fees	<b>93,903</b>	151,475
Unsecured promissory notes due September 15, 2022 bearing interest at 5% per annum compounded semi-annually.	<b>175,362</b>	-

A partner in a legal firm is also a director of the Company. For the year ended December 31, 2020, legal expense and share issuance cost related charges totalled \$118,280 (2019 - \$59,016). Amounts owed to the legal firm at December 31, 2020 were \$132,409 (2019 - \$97,199) and were included in accounts payable and accrued liabilities.

**17. Income taxes**

The provision for income tax reflects an effective income tax rate which differs from federal and provincial statutory income tax rates. The main differences are as follows:

	<b>2020</b>	<b>2019</b>
	<u>\$</u>	<u>\$</u>
Loss before taxes	(948,707)	(200,934)
Statutory tax rate	24.00%	26.5%
Expected income tax recovery	(227,690)	(53,248)
Gain on business combination	-	(22,490)
Permanent differences and other	(9,697)	-
Changes in tax benefits not recognized	237,387	50,617
Deferred tax recovery	-	(25,121)

The statutory tax rate declined from 26.5% to 24% (2019 - 27% to 26.5%) to due to a reduction of the Alberta tax rate on July 1, 2020.

**Petro Viking Energy Inc.**  
**Notes to the Financial Statements**  
For the years ended December 31, 2020 and 2019

**17. Income taxes (continued)**

The Company has recognized deferred tax assets and liabilities as follows:

	2020	2019
Property and equipment	(127,5621)	\$ (127,561)
Promissory note payable	(4,811)	-
Convertible debenture	(50,429)	(33,232)
Non-capital losses	182,800	160,793
Net deferred tax asset (liability)	-	-

The Company has not recognized a deferred tax asset in respect of the following deductible temporary differences:

	2020 \$	2019 \$
Derivative liability	801,499	429,191
Decommissioning liability	164,324	164,325
Share issuances costs and other	57,722	-
Non-capital losses	2,456,889	1,857,523
Capital losses	4,929,801	4,929,801
Unrecognized deductible temporary differences	8,410,235	7,380,840

The Company has non-capital losses of \$2,456,889 (2019 - \$1,875,523) for which no deferred tax asset has been recognized, which are available for carry forward against future taxable income that expires as follows:

	\$
2033	564,025
2034	306,960
2035	112,813
2036	98,122
2037	96,230
2038	269,590
2039	281,398
2040	727,751
Total	2,456,889

The Company has \$4,929,801 of capital losses which have an expiry date of 2040.

**18. Financial instruments and financial risk management**

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The Company's risk management policies are established by the Board of Directors to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's policy.

The Company's financial instruments include cash, restricted cash, accounts payable and accrued liabilities, promissory notes payable, convertible debentures, subscription liability and derivative liability. The carrying values of cash, restricted cash, accounts payable and accrued liabilities, subscription liability and convertible debentures approximate their fair values due to their relatively short periods to maturity. The carrying value of convertible debenture and promissory notes approximates its fair market value as the interest rates are based on market rates.

**Fair values**

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

Derivative liability is considered to be a Level 3 classification as inputs are not based on observable market data. Please see note 12 for details on inputs.

There were no transfers between levels during the year.

The Company has exposure to liquidity risk and market risk as a result of its financial instruments.

**a. Liquidity risk**

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. Accounts payable and accrued liabilities have an expected maturity of less than one year resulting in their current classification on the statement of financial position. The Company is dependant on equity financing and the future revenue generation in order to discharge its liabilities (Note 1)

**b. Market risk**

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's cash flows, net loss and comprehensive loss, liquidity or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures where considered appropriate and maximize returns.

**c. Interest rate risk:**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk on its debt as they bear a fixed interest rate.

**18. Financial instruments and financial risk management** *(continued)*

**d. Commodity price risk:**

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. Commodity prices for oil and natural gas are impacted by global economic events that dictate the levels of supply and demand. The Company's management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when it deems appropriate.

**19. Capital Management**

The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute its current strategy to get the Company listed again.

The Company considers its capital structure to include share capital and convertible debenture. In order to maintain or adjust the capital structure, from time to time the Company may issue common shares, debt or other securities, sell assets or adjust capital spending to manage current and projected debt levels.

At December 31, 2020, the Company's capital structure was not subject to external restrictions.

**20. Commitments**

On June 1, 2020, the Company entered into a 24-month term consulting agreement where it is to compensate the consultant \$6,000 per month. The consulting fee was settled with 120,000 shares for the initial 6 months.

On December 1, 2020, the Company entered into a 6-month term consulting agreement where it is to compensate the consultant \$22,500 per month.

The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian Development or Canadian Renewable Conservation expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusal of certain expenses by tax authorities would have negative consequences for investors. As of December 31, 2020, the Company has an obligation to incur \$445,500 of eligible expenses pursuant to the terms of the flow-through shares financing.

**21. Subsequent events**

On January 1, 2021 the Company issued 1,867,000 common shares (includes 67,000 of common shares subscribed but not issued in Note 14 (b)) in the capital of the Company at \$0.15 per share for gross proceeds of \$280,500 and 500,000 (includes 250,000 of flow-through shares subscribed but not issued in Note 14 (b)) common flow-through shares at \$0.20 per share for gross proceeds of \$100,000.

On February 8, 2021 the Company issued 660,000 common shares in the capital of the Company at \$0.15 per share for gross proceeds of \$99,000.

On March 5, 2021 the Company received approval from the CSE for listing its common shares and began trading on the CSE as of March 5, 2021 under the ticker symbol "VIK".

**21. Subsequent events** *(continued)*

On March 8, 2021 the Company received the funds being held in escrow subject to the listing of the Company on the CSE (Note 4 and 13).

On March 8, 2021 the Company acquired 50% participation in undeveloped mineral rights including 7,680 (3,840 net) acres (net) and associated infrastructure for \$747,640. The mineral rights acquired are economically producing from the Belly River, Viking, Ellerslie, Duvernay and Wababum regions. This acquisition will be accounted for as an asset acquisition.

On March 9, 2021 the Company issued 3,833,333 common shares in the Company at \$0.15 per share and 1,802,500 flow-through commons shares in the capital of the Company at \$0.20 per share in exchange of the sub-receipts issued in the November 5, 2020 Offering Memorandum (Note 13).

On March 15, 2021 the Company made a non-brokered private placement offering up to a maximum of \$1,250,000 by the issuance of 5,000,000 units. Each unit is comprised of one common share in the share capital of the Company as a price of \$0.25 per common share and one half warrant, each whole warrant entitling its holder to purchase one additional share at a price of \$0.35 for a period of 24 months following the closing. As at the date of this report date, there was a total of 1,753,333 units subscribed for gross proceeds of \$483,333. Share issuance costs of \$129,500 were incurred related to this placement.

On March 31, 2021 the holders of the 15% unsecured convertible debenture converted their debentures in exchange of 600,000 common shares in the capital of the Company at \$0.05 per. The Company also issued an additional 193,062 common shares at \$0.05 per share in the capital of the Company in settlement of outstanding interest accrued on the debentures. Upon conversion of these debentures, there were 600,000 common share warrants granted to the holders of the debentures. Each holder is entitled to purchase one common share in the share capital of the Company at a price of \$0.05 per share for a period of 60 months

On March 31, 2021 the Company issued 100,000 common shares at \$0.10 in the share capital of the company as a result of conversion of a 10% unsecured convertible debenture issued on July 7, 2020. There were also 95,344 shares at \$0.025 in the capital of the Company as settlement of outstanding interest.



# Independent Auditor's Report

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To the Shareholders of Petro Viking Energy Inc.:

## Opinion

We have audited the financial statements of Petro Viking Energy Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and December 31, 2018, and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$175,813 during the year ended December 31, 2019 and, as of that date, the Company had an accumulated deficit of \$7,575,550 and its current liabilities exceeded its current assets by \$299,152. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Anand Beejan.

Montréal, Québec

June 19, 2020

MNP<sup>1</sup> SENCRL, s.r.l.

<sup>1</sup> CPA auditor, CA, public accountancy permit no. A126822

**Petro Viking Energy Inc.**  
**Statements of Financial Position**

*As at December 31*  
*(in Canadian dollars)*

	<i>Notes</i>	<b>2019</b>	2018
		\$	\$
<b>Assets</b>			
Current assets			
Cash		1,315	5,291
Sales taxes receivable		2,047	8,112
Prepaid expenses		7,500	-
<b>Total current assets</b>		<b>10,862</b>	13,403
<b>Long term assets</b>			
Property and equipment	4,6	1,054,611	-
<b>Total assets</b>		<b>1,065,473</b>	13,403
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	7,10,12	310,014	294,151
Subscription to convertible debentures	9	-	30,000
Current portion of debenture and promissory notes payable	8	-	945,709
<b>Total current liabilities</b>		<b>310,014</b>	1,269,860
Non-current liabilities			
Convertible debenture	9	384,264	-
Asset retirement obligation	5	164,325	-
Derivative liability	9	429,191	-
<b>Total liabilities</b>		<b>1,287,794</b>	1,269,860
<b>Shareholders' equity</b>			
Share capital	10	5,733,177	4,525,520
Contributed surplus	10	1,617,760	1,617,760
Convertible debenture - equity component	9	2,292	-
Deficit		(7,575,550)	(7,399,737)
<b>Total shareholders' deficiency</b>		<b>(222,321)</b>	(1,256,457)
<b>Total liabilities and shareholders' deficiency</b>		<b>1,065,473</b>	13,403

*Going concern (Note 1)*

*Basis of presentation (Note 2)*

*Subsequent events (Note 15)*

Approved on behalf of the directors:

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Lars Glimhagen  
Chief Executive Officer

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Robert Rosner  
Director, Chief Financial Officer

*The accompanying notes are an integral part of the financial statements.*

**Petro Viking Energy Inc.**  
**Statements of Loss and Comprehensive Loss**  
*Years ended December 31*  
*(in Canadian dollars)*

	2019	2018
<b>Expenses</b>		
Consulting (note 12)	76,705	-
Professional fees	66,782	136,555
Management fees (Note 12)	56,000	28,000
Interest expense	55,713	99,573
Shareholder and trust services	21,032	-
Office and administration	4,499	293
Listing and filing fees	2,454	5,193
Travel	2,441	
	285,626	269,590
<b>Other income:</b>		
Gain on business combination (note 4)	84,692	-
<b>Loss before income taxes</b>	200,934	269,590
Deferred tax recovery (note 13)	25,121	-
<b>Net loss and comprehensive loss for the year</b>	175,813	269,590
Net loss per share, basic and diluted (Note 11)	(0.01)	(0.09)

*The accompanying notes are an integral part of the financial statements.*

**Petro Viking Energy Inc.**  
**Statements of Cash Flows**  
*Year ended December 31*  
*(in Canadian dollars)*

	Note	2019	2018
		\$	\$
<b>Operating activities</b>			
Net loss		(175,813)	(269,590)
Accrued interest expense	8	55,713	-
Consulting fees paid in shares	9	15,000	-
Gain on business combination	4	(84,692)	-
Deferred tax recovery		(25,121)	-
Change in prepaid expense		(7,500)	-
Change in sales tax receivable		6,065	(8,112)
Change in accounts payable and accrued payable		212,372	252,993
<b>Cash flow used in operating activities</b>		<b>(3,976)</b>	<b>(24,709)</b>
<b>Financing activity</b>			
Subscription to convertible debentures	8	-	30,000
<b>Cash flow from financing activity</b>		<b>-</b>	<b>30,000</b>
Change in Cash		(3,976)	5,291
Cash, beginning of the year		5,291	-
<b>Cash, end of the year</b>		<b>1,315</b>	<b>5,291</b>

*The accompanying notes are an integral part of the financial statements.*

**Petro Viking Energy Inc.**  
**Statements of Changes in Shareholders' Deficiency**  
*As at December 31*  
*(in Canadian dollars)*

	# Shares	Amount	Cost of Issued Shares	Contributed Surplus	Equity portion of debentures	Deficit	Total
Balance, December 31, 2017	3,025,978	5,455,426	(929,906)	1,617,760	-	(7,130,147)	(986,867)
Net loss and comprehensive loss for the year	-	-	-	-	-	(269,590)	(269,590)
Balance, December 31, 2018	3,025,978	5,455,426	(929,906)	1,617,760	-	(7,399,737)	(1,256,457)
Issued shares for debt (Note 10)	13,904,133	1,019,407	-	-	-	-	1,019,407
Issued shares for payables (Note 10)	675,000	101,250	-	-	-	-	101,250
Issued shares for services (Note 10)	150,000	15,000	-	-	-	-	15,000
Equity portion of debentures	-	-	-	-	2,292	-	2,292
Net loss and comprehensive loss for the year	-	-	-	-	-	(175,813)	(175,813)
<b>Balance, Decemeber 31, 2019</b>	<b>17,755,111</b>	<b>6,663,083</b>	<b>(929,906)</b>	<b>1,617,760</b>	<b>2,292</b>	<b>(7,575,550)</b>	<b>222,321</b>

*The accompanying notes are an integral part of the financial statements.*

**1. Corporate information and going concern**

Petro Viking Energy Inc. (“Petro Viking” or the “Company”) is incorporated under the laws of the province of Alberta with shares previously listed on the TSX Venture Exchange.

The records office and principal address is located at 5940 Macleod Trail, Suite 500, Calgary, Alberta, T2H 2G4.

During the year, the Company entered into a business combination transaction to acquire 50% of non-operating assets of a privately held company in the energy sector (see Note 4).

The financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to going concern, which assumes continuity of operation and realization of assets and settlement of liabilities in the normal course of business. As at December 31, 2019, the Company reported a loss of \$175,813, a cumulative deficit of \$7,575,550 and a negative working capital of \$299,152. The Company’s ability to continue as a going concern is dependent upon its ability to close the qualifying transaction and raise additional financing which will allow for acquiring assets that will provide the Company with a revenue stream. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

These factors indicate the existence of a material uncertainty that may cast significant doubt regarding the ability of the Company to continue as a going concern. These financial statements do not include any adjustments to the classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

**2. Basis of presentation**

*Statement of compliance*

These financial statements have been prepared in accordance to IFRS as issued by the International Accounting Standards Board (“IASB”) and in the interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”) in effect at the closing date of December 31, 2019.

The financial statements were authorized by the Board of Directors for issue on June 19, 2020.

*Basis of measurement*

The financial statements have been prepared under the historical cost method, except as otherwise noted below.

*Financial and presentation currency*

These financial statements are presented in Canadian Dollars, which is also the Company’s functional currency.

**3. Summary of significant accounting policies**

These accounting policies have been used throughout all years presented in the financial statements:

**a. Cash and cash equivalents**

Cash and cash equivalents are comprised of cash in banks or held in trust.

**b. Convertible debentures**

The Company has issued convertible debentures which, on conversion, must be satisfied entirely in common shares of the Company for an amount equal to the greater of the conversion value and the redemption value of the instrument.

**3. Summary of significant accounting policies (continued)**

**b. Convertible debentures (continued)**

The Company reviews the terms of its convertible debentures to determine whether there are embedded derivatives, including the embedded conversion option, that are required to be separated and accounted for as individual derivative financial instruments or equity components.

In circumstances where an equity component is identified, the liability component is recognized at the fair value of a similar liability that does not have a conversion option and the equity component is recognized as the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the initial carrying amounts. Subsequent to initial recognition, the liability component of the convertible debenture is measured at amortized cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition.

In circumstances where the convertible debentures contain embedded derivatives that are to be separated from the debenture host contracts, the total proceeds received are first allocated to the fair value of the derivative financial instruments determined using the Monte Carlo method. The remaining proceeds, if any, are then allocated to the debenture host contracts, usually resulting in those instruments being recorded at a discount from their principal amount. This discount is accreted over the expected life of the instruments to profit (loss) using the effective interest method. The Monte Carlo method uses inputs such as discount rates, volatility, share price and risk-free rate.

The debenture host contracts are subsequently recorded at amortized cost at each reporting date, using the effective interest method. The embedded derivatives are subsequently recorded at fair value at each reporting date, with changes in fair value recognized in profit (loss).

The Company presents its embedded derivative liability and related debenture host contracts as separate instruments on the statement of financial position.

**c. Shareholders' equity**

Share capital represents the amount received on the issue of shares, less issuance costs. Proceeds from unit placements are allocated between shares and warrants issued by: estimating the value of the warrants using the Black-Scholes options model; the fair value is allocated to warrants from the net proceeds and the balance is allocated to the shares. Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised. Deficit includes all current and prior year profits or losses.

**d. Equity-settled share-based payment transactions**

The Company operates equity-settled share-based remuneration plans (share option plans) for its eligible directors, officers and consultants. None of the Company's plans feature any options for a cash settlement. All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. This fair value is appraised at the grant date. All equity-settled share-based payments are ultimately recognized as an expense in net loss depending on the nature of the payment with a corresponding credit to contributed surplus. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates, any cumulative adjustment prior to vesting is recognized in the current year. No adjustment is made to any expense recognized in prior years if share options have already vested. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the share options recorded in contributed surplus are then transferred to capital.



**3. Summary of significant accounting policies (continued)**

**e. Income taxes**

Income tax expense represents the sum of current tax expense and deferred tax expense. Current tax expense is based on the taxable profits for the year. Income tax is recognized in the statement of operations, loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized based on differences in the financial statement carrying amount for assets and liabilities and the associated tax balance. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses to the extent that it is probable that there will be taxable profits against which deductible temporary differences can be utilized.

**f. Loss per share**

Basic loss per share (“LPS”) is calculated by dividing the net loss for the year attributable to equity owners of the Company by the weighted average number of common shares outstanding during the year. Diluted LPS is calculated by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for dilutive instruments. The Company’s potentially dilutive instruments are comprised of stock options granted and warrants issued.

**g. Financial instruments**

The classification for each class of the Company’s financial assets and financial liabilities are summarize in the following table:

Financial Assets/Liabilities	Classification
Cash	Financial assets at amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost
Subscriptions to convertible debentures	Financial liabilities at amortized cost
Convertible debenture and promissory notes payable	Financial liabilities at amortized cost
Derivative liability	Fair value through profit or loss

*Measurement – initial recognition*

Financial assets and financial liabilities are recognized in the Company’s statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss (“FVTPL”). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

*Classification of financial assets*

Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

**3. Summary of significant accounting policies (continued)**

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

Fair value through other comprehensive income ("FVTOCI"):

Financial assets that meet the following conditions are measured at FVTOCI:

- (i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured subsequently at fair value through profit or loss ("FVTPL"):

By default, all other financial assets are measured subsequently at FVTPL.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Classification of financial liabilities and equity:

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments

**h. Borrowing costs and discounts on issuance of new debt**

Borrowing costs that are directly related to the issuance of new debt are recorded net of the associated debt and recognized into income using the effective interest method over the life of the debt. Discounts where proceeds received are less than par value of the debt are recorded at a reduction to long-term debt and are amortized using the effective interest method and included in borrowing cost.

**3. Summary of significant accounting policies (continued)**

**i. Significant accounting judgments and estimates**

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Such estimates primarily relate to unsettled transactions and events at the statement of financial date which are based on information available to management at each statement date. Actual results could differ from those estimated.

Judgments, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Estimates**

**Convertible debt**

Convertible debentures are separated into their liability and equity components on the statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability, using estimated interest rates based upon non-convertible debt issued by comparable issuers, and accounted for at amortized cost using the effective interest rate method.

**Derivative liability**

In determining the fair value for the convertible debenture conversion feature considered to be a derivative liability, the Company uses the Monte Carlo method and makes estimates of the expected volatility of the shares, risk-free interest rate, effective discount rate, share price, and major event expected date and probability (as the conversion feature is dependent on these estimates – see Note 9). The expected volatility is based on volatilities of comparable companies. The risk-free rate assumed in valuing the conversion feature is based on the Canadian treasury yield curve in effect at the time of grant for the expected term of the convertible debentures issued. The discount rate is based on the estimated rate for a debenture without a conversion feature. The major event expected date and probability are based on management's best estimate at the time of valuation based current internal company information and market conditions. Changes to these estimates could result in the fair value of the derivative liability being less than or greater than the amount recorded.

**Impairment of property and equipment**

The determination of the recoverable amount for value in use requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential, recent transactions involving similar projects, and future operating performance. An oil and gas property's fair value less cost to sell requires the use of estimates as to the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

**Depletion and depreciation and valuation of property and equipment**

The amounts recorded for depletion and depreciation of property and equipment and the valuation of property and equipment are based on estimates. These estimates include proved and probable reserves, production rates, future oil and natural gas prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

The Corporation's reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under *National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities*.

**3. Summary of significant accounting policies (continued)**

For impairment testing, property and equipment and exploration and evaluation assets are aggregated into cash generating units ("CGUs"), based on management's judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

**Decommissioning provisions**

The value of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

**Fair value of common share**

As the Company's shares is not traded on a listed exchange, the Company is required to estimate the fair value of the common shares issued on debt, promissory notes and accounts payable and accrued liabilities settlements, issued in exchange for services, and used in the valuation of the conversion feature of the derivative liability. The company estimated the fair value of common shares based on expected capital raises, history of debt conversions with third parties, and internal company information.

**Fair value of property and equipment**

The market value of property and equipment assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property and equipment) is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

The market value of other items of property and equipment is based on the quoted market prices for similar items.

**Judgments**

**Derivative liability**

The fair value of financial liabilities not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select techniques and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The assumptions used for estimating the fair value of derivatives and financial instruments has been disclosed in Note 9.

**Going concern**

The Company's ability to execute its strategy by seeking financing and funding of future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances (Note 1).

**Deferred taxes**

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount and the tax basis of assets and liabilities. An estimate is required for both the timing and corresponding tax rate for this reversal. Should these estimates change, it may impact the measurement of asset or liability as well as deferred tax recovery or expense recognized to earnings. The Company only recognizes deferred tax assets arising from unused tax losses to the extent that the Company has sufficient taxable temporary differences, or it is probable that sufficient taxable profit will be available against which the unused tax losses can be utilized (Note 13). The Company has not recognized any deferred asset for the years ended December 31, 2019 and 2018.

**3. Summary of significant accounting policies (continued)**

**Impairment of oil and natural gas properties**

Management uses judgment to assess the existence of impairment indicators such as events or changes in circumstances that may indicate the carrying amount of oil and natural gas properties may not be recoverable.

**Decommissioning provisions**

Management uses judgment to assess the Corporation's legal obligations to decommission its oil and natural gas properties and restore property sites after closure. The Corporation's production activity is required to be in compliance with various environmental laws and regulations in Canada. The assessment of decommissioning provisions is based on management's understanding of the current legal and environmental requirements and third party engineering valuations.

**Business combinations**

The Company assesses whether an acquisition should be accounted for as an asset acquisition or a business combination under IFRS 3. This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as business and the Company obtains control of the business inputs and processes.

**Cash generating units**

Management makes judgments in determining its CGUs and evaluates the geography, geology, production profile and infrastructure of its assets in making such determinations. Based on this assessment, the Company's CGUs are generally composed of significant development areas. As at December 31 2019, the Company had one CGUs (2018 – none). The Company reviews the composition of its CGUs at each reporting date to assess whether any changes are required in light of new facts and circumstances.

**j. Business combinations**

Business combinations are accounted for using the acquisition method where the acquisition of companies and assets meet the definition of a business under IFRS. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Following initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in income. Associated transaction costs are expensed when incurred.

**k. Jointly controlled assets**

Many of the Corporation's oil and natural gas activities involve jointly controlled assets and are conducted under joint non-operating agreement. The financial statements include the Corporation's share of these jointly controlled assets and liabilities.

**l. Property and equipment**

*(i) Property and equipment*

All costs directly associated with the development of oil and natural gas interests are capitalized on an area-by-area basis as oil and natural gas interests and are measured at cost less accumulated depletion and depreciation and net impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning provisions and transfers from exploration and evaluation assets.

**3. Summary of significant accounting policies (continued)**

Costs of replacing parts of property and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in income (loss) as incurred. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in income (loss) as incurred.

Exchanges or swaps of property and equipment are measured at fair value unless the transaction lacks commercial substance or neither the fair value of the asset received nor the asset given up can be reliably estimated. When fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. Any gains or losses from the divestiture of property and equipment are recognized in the statement of loss and comprehensive loss.

*(ii) Depletion and depreciation*

Oil and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior period adjustments and are dealt with on a prospective basis.

Processing facilities and well equipment are depleted using the unit-of-production method along with the related reserves when the assets are designed to have a life similar to the reserves of the related wells with little to no residual value. Where facilities and equipment, including major components, have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

**m. Impairment of non-financial assets**

The carrying amounts of the Corporation's non-financial assets, other than deferred tax assets, are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purposes of assessing impairment, property and equipment are grouped into separate CGUs. Goodwill, if any is allocated to the CGUs that are expected to benefit from the synergies of the business combination creating the goodwill.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the CGU in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in the statement of loss and comprehensive loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized. A goodwill impairment loss is not reversed.

**3. Summary of significant accounting policies (continued)**

**n. Decommissioning provisions**

Decommissioning provisions are recognized for decommissioning and restoration obligations associated with the Company's property and equipment. The best estimate of the expenditure required to settle the present obligation at the statement of financial position date is recorded on a discounted basis using the pre-tax risk-free interest rate. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated property and equipment and is depleted or amortized over the useful life of the asset. The provision is accreted over time through charges to financing expenses. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or the discount rate are recognized as changes in the decommissioning provision and the related asset.

Actual decommissioning expenditures up to the recorded liability at the time are charged against the provision as the costs are incurred. Any difference between the recorded provision and the actual costs incurred is recorded as a gain or loss in the statement of loss and comprehensive loss.

**o. Newly adopted accounting standards**

**IFRS 16 Leases**

In January 2016, the IASB published IFRS 16 –Leases, which will replace IAS 17 –Leases. This IFRS eliminates the classification of an operating lease and requires lessees to recognise a right-of-use asset and a lease liability for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods, changes the accounting for sale and leaseback arrangements, and largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. As of January 1, 2019, the Company has adopted IFRS 16 and has concluded that, based on its current operations, the adoption of IFRS 16 had no significant impact on the Company's financial statements.

**IFRIC Interpretation 23 Uncertainty over Income Tax Treatments**

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments ("IFRIC 23") was issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. As of January 1, 2019, the Company has adopted IFRIC 23 and has concluded that, based on its current operations, the adoption of IFRIC 23 had no significant impact on the Company's financial statements.

**p. Accounting standards issued but not yet effective**

**IAS 1 Presentation of Financial Statements**

IAS 1 sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. IAS 1 has been revised to incorporate a new definition of "material" and IAS 8 has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. Management does not expect any material impact from the adoption of the standard.

**3. Summary of significant accounting policies (continued)**

**IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendment is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. Management does not expect any material impact from the adoption of the standard.

**4. Business combinations**

On December 9, 2019 the Company purchased a 50% non-operating interest in west Central Alberta from a private company, consisting of production, pipelines, facilities and approximately 1,280 acres (net) of developed surface and mineral leases. Under the terms of the purchase agreement, the Company issued a debenture for \$500,000 on December 9, 2019 for the 50% the above non-operating interest. The additional terms and accounting of this debenture is described in note 9.

For accounting purposes, the Company has been identified as the acquirer and the 50% non -operating interest in Avila is deemed to be the acquiree. As the non-operating interest described above meets the definition of a business and this transaction was accounted for as business combination under IFRS - 3 “Business Combinations”. The date on which the Company obtained control was determined to be December 9, 2019 - the date at which the company issued the debenture.

<b>Net assets acquired</b>	<b>\$</b>
Property and equipment	921,900
Decommissioning liabilities	(31,443)
Deferred tax liability	(25,298)
Gain on acquisition	84,692
Fair value of the net assets acquired	780,467
<b>Consideration</b>	
Debenture issued (note 9) and fair value of consideration	780,467

The acquisition if effective on January 1<sup>st</sup> of 2019 would have contributed revenues of \$153,178 and royalty and operating expenses totaling \$86,118 until closing on December 9<sup>th</sup>, 2019, resulting in net income of \$67,060.

The Company incurred no acquisition-related costs.

There was no income or loss subsequent to December 9, 2019 up to December 31, 2019.



**Petro Viking Energy Inc.**  
**Notes to the Financial Statements**  
Year ended December 31, 2019 and 2018  
(in Canadian Dollars)

**5. Liabilities acquired through business combinations**

The Company's estimated net present value of decommissioning liabilities is \$168,496 as at December 31, 2019 (2018 - \$0), based on an undiscounted total future liability of \$184,520 (2018 - \$0). These payments are expected to be incurred over a period of 7 to 10 years with the majority of costs to be incurred between 2027 and 2030. At December 31, 2019, risk-free rates between 1.55% - 1.90% (2018 - 1.77% - 2.23%) and an inflation rate of 2% (2018 - 2%) were used to calculate the net present value of the decommissioning liabilities.

	<b>2019</b>	2018
Balance - beginning of period	-	-
Liabilities acquired through business combinations - Note 4	\$ 31,443	-
Change in estimates	132,711	-
Accretion	171	-
	<b>\$ 164,325</b>	-

**6. Property and equipment**

	<b>Oil and natural gas interests</b>
<b>Cost</b>	
Balance at December 31, 2018	\$ -
Acquisition (note 4)	921,900
Decommissioning provisions (note 5)	132,711
Balance at December 31, 2019	<b>\$ 1,054,611</b>

There was no depletion and depreciation taken during the year as the property and equipment were temporarily not producing.

As at December 31, 2019, the Company did not identify any indicators of impairment due to the acquisition occurring close to year-end.

**7. Accounts payable and accrued liabilities**

<b>Significant components of Accounts Payable and Accrued Liabilities</b>	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Accounts payable - trade	<b>205,067</b>	97,912
Interest Payable (Note 8 and 9)	<b>3,948</b>	99,489
Accrued management fees	<b>101,000</b>	96,750
	<b>310,015</b>	294,151

**8. Debenture and promissory notes payable**

	2019	2018
	\$	\$
Debenture due July 31, 2019 bearing interest at 10% per annum compounded monthly. Secured by future assets of the Company. (See note 10 for settlement details)	-	895,080
Unsecured promissory notes due July 31, 2019 bearing interest at 10% per annum compounded monthly. (See note 9 for settlement details)	-	50,629
	-	945,709

**9. Convertible debentures**

On November 20, 2018, the Company received cash proceeds of \$30,000 for the issuance of convertible debentures. As at December 31, 2018, the cash proceeds were considered to be subscription payables. The debentures certificates were issued on February 1, 2019. The debentures are unsecured and bears simple interest at 15% per annum with principal and interest payable on maturity being two years from the date of issuance. The debentures are convertible into units at a conversion price of \$0.05 per share at any time during the term of the debentures. Each unit will be comprised of one common share and one common share purchase warrants exercisable for common share at a price of \$0.05 per warrant for a period of 60 months.

For accounting purposes, the convertible debentures have been separated into liability and equity components using the effective interest rate method. The fair value of the liability component of the convertible debentures at the time of issue was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component. The value of the equity component was determined to be \$2,292. The value of the liability component was determined to be \$27,708.

On December 9, 2019 the Company issued a debenture for \$500,000 as payment in the business combination in which the Company acquired 50% interest in non-operating assets (see Note 4). The debenture is unsecured and bears a compounded interest of 5% per annum. The debenture matures on July 31, 2022 at which time the debenture and any accrued interest is payable. The convertible debenture can be converted at the lower of \$0.25 or 80% of the major event price. The major event price means the price per common share that (i) a common share is being issued by the Company before the maturity date pursuant to an initial public offering of the common shares for listing on a recognized stock exchange; or (ii) a common share is being issued by the Company pursuant to a financing of no less than \$500,000 net of fees and commissions; or (iii) results from a purchase by a third party of substantially all the assets of the Company by dividing the said purchase price by the number of issued common shares on a fully diluted basis.

As a result of the conversion price of the debentures not being fixed at the time of issuance, the conversion feature is considered a derivative liability and is revalued at each period end. The value of the derivative liability at the date of issuance and the year-end date was determined using the Monte Carlo method with the following input:

Discount rate: 20%

Volatility: 140%

Risk-free rate: 1.66% - 1.69%

**9. Convertible debentures (continued)**

As a result of the convertible debenture being issued as consideration in the business combination (note 4), the convertible debenture was required to be measured at fair value on the date of acquisition, December 9, 2019. The fair value of the conversion feature which is considered a derivative liability, was measured using the method and estimates noted above. The fair value of the conversion feature on December 9, 2019 was determined to be \$429,191. There was no change in fair value as at December 31, 2019. The fair value of the liability component of the convertible debentures at the time of issue was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature. The fair value of the liability component was determined to be \$351,276 on the date of acquisition. The debenture value per note 4 of \$780,467 is made up of the fair value of the conversion feature of \$429,191 and liability component of \$351,276.

The above convertible debenture balance as at December 31, 2019 includes principal \$351,276 and \$27,708 of the convertible debentures on November 20, 2018 plus accrued interest of \$5,280.

**10. Equity**

**Share capital**

**a. Authorized**

Unlimited number of common shares, without nominal or par value

**b. Issued and outstanding common shares**

On April 8, 2019, the Company had a share consolidation on a 10:1 basis. All disclosure of shares in the financial statements is post-consolidation.

On January 31, 2019 there were 3,000,000 pre-consolidated shares issued related to settlement of debenture at \$0.05 (non-diluted) per share.

In June 2019, the Company issued 9,573,661 shares of the Company at \$0.05 per share for partial settlement of debenture (note 8) and full conversion of promissory notes (note 8).

In August 2019, the Company issued 250,000 shares of the Company at \$0.05 per share for partial settlement of debenture (note 8).

In September 2019, the Company issued 1,500,000 shares of the Company at \$0.10 per share for partial settlement of debenture (note 8).

In September 2019, the Company issued 1,980,472 shares of the Company at \$0.10 per share for full settlement of debenture (note 8). As the debt holders were acting in their capacity as shareholders, a shareholder benefit was recognized as a reduction of share capital of \$47,824

In September 2019, the Company issued 525,000 shares of the Company at \$0.15 per share for the settlement of accrued management fees (note 7).

In November 2019, the Company issued 150,000 shares of the Company at \$0.15 per share for the settlement of accrued management fees (note 7).

**Petro Viking Energy Inc.**  
**Notes to the Financial Statements**  
*Year ended December 31, 2019 and 2018*  
*(in Canadian Dollars)*

**10. Equity (continued)**

In November 2019, the Company issued 150,000 shares of the Company at \$0.10 per share for consulting services.

In November 2019, 500,000 shares of the Company were cancelled at \$0.05 per share and were reissued at the same price in December 2019.

**Share-based payments**

The Company has a stock option plan under which the Board of Directors may grant options to directors, officers, other employees and key consultants. The Company may also grant options to agents. Under the plan, the number of shares reserved for issuance pursuant to the exercise of all options under the plan may not exceed 10% of the issued and outstanding common shares at any time. The options expire not more than five years from the date of grant or earlier if the individual ceases to be associated with the Company, and vest over terms determined at the time of grant. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model.

The following table summarizes information about directors, officers and consultants stock options outstanding as at, and for the year ended December 31:

	2019		2018	
	Options	Weighted – average exercise price \$	Options	Weighted – average exercise price \$
Opening	-	-	15,817	0.20
Expired	-	-	(15,817)	(0.20)
Closing	-	-	-	-

No warrants issued and outstanding as at December 31, 2019 and 2018.

**11. Net loss per share**

Basic and diluted earnings per common share are calculated as follows:

	2019	2018
Net loss and comprehensive loss	\$ (175,813)	\$ (269,590)
Weighted average number of shares (basic and diluted)	9,842,825	3,025,971
Loss per share:	\$	\$
Basic	(0.01)	(0.09)
Diluted	(0.01)	(0.09)

**Petro Viking Energy Inc.**  
**Notes to the Financial Statements**  
Year ended December 31, 2019 and 2018  
(in Canadian Dollars)

**12. Related party disclosures**

	2019	2018
<b>Key management personnel compensation:</b>	\$	\$
Management and consulting fees <i>(Key management personnel are comprised of the Company's directors and officers.)</i>	117,705	28,000
<b>Other related party transactions:</b>		
Interest expense on debenture and promissory notes payable held by directors of the Company and companies controlled by directors of the Company <sup>(1)</sup>	-	64,368
<b>Amount owing to related parties</b>	<b>2019</b>	<b>2017</b>
	\$	\$
Accounts payable and accrued liabilities including management fees and interest	104,729	22,938
Promissory notes payable – Principal outstanding	-	50,629
	<b>104,729</b>	<b>73,567</b>

<sup>(1)</sup>Mr. Irvin Eisler, a former director of the company passed away on August 23, 2018 and the shares of his company Eisler Holdings Ltd. have been transferred to Mrs. Olga Eisler who is not related to the Company. As a result, all interest paid to Eisler Holdings Ltd. since August 24, 2018 and any amounts owing as at December 31, 2018 are not considered related-party items.

**13. Income taxes**

The provision for income tax reflects an effective income tax rate which differs from federal and provincial statutory income tax rates. The main differences are as follows:

	2019	2018
Loss before taxes	\$ (200,934)	\$ (269,590)
Statutory tax rate	26.5%	27%
Expected income tax recovery	(53,248)	(72,789)
Gain on business combination	(22,490)	
Changes in tax benefits not recognized	50,617	72,789
Deferred tax recovery	(25,121)	-

The statutory tax rate declined from 27% to 26.5% due to reduction of the Alberta tax rate on July 1, 2019.

**Petro Viking Energy Inc.**  
**Notes to the Financial Statements**  
*Year ended December 31, 2019 and 2018*  
*(in Canadian Dollars)*

**13. Income taxes (continued)**

The Company has recognized deferred tax assets and liabilities as follows:

	2019	2018
Property and equipment	\$ (127,561)	-
Convertible debenture	(33,232)	-
Non-capital losses	160,793	-
Net deferred tax asset (liability)	-	-

The Company has not recognized a deferred tax asset in respect of the following deductible temporary differences:

	2019	2018
Derivative liability	\$ 429,191	-
Asset retirement obligation	164,325	-
Non-capital losses	1,857,523	2,275,225
Capital losses	4,929,801	4,929,801
Unrecognized deductible temporary differences	7,380,840	7,205,026

The Company has non-capital losses of \$1,857,523 (2018 - \$2,275,225) for which no deferred tax asset has been recognized, which are available for carry forward against future taxable income that expire as follows:

	\$
2032	109,940
2033	582,470
2034	306,960
2035	112,813
2036	98,122
2037	96,230
2038	269,590
2039	281,398
Total	1,857,523

The Company has \$4,929,801 of capital losses which have on expiry date.

#### **14. Financial instruments and financial risk management**

The Company's risk management policies are established by the Board of Directors to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's policy.

The Company's financial instruments include cash, accounts payable and accrued liabilities, subscriptions to convertible debentures, debenture and promissory notes payable, derivative liability and convertible debentures. The carrying values of cash, accounts payable and accrued liabilities and subscriptions to convertible debentures approximate their fair values due to their relatively short periods to maturity. The carrying value of convertible debenture approximates its fair market value as the interest rates are based on market rates.

##### **Fair values**

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

Derivative liability is considered to be a Level 3 classification as inputs are not based on observable market data. Please see note 9 for details on inputs.

There were no transfers between levels during the year.

The Company has exposure to liquidity risk and market risk as a result of its financial instruments.

##### **a. Liquidity risk**

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. Accounts payable and accrued liabilities have an expected maturity of less than one year resulting in their current classification on the statement of financial position. The Company currently has minimal assets and is unable to discharge its liabilities until financing is obtained (Note 1).

##### **b. Market risk**

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's cash flows, net loss and comprehensive loss, liquidity or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures where considered appropriate and maximize returns.

###### Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk on its debt as they bear a fixed interest rate.

###### Commodity price risk:

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. Commodity prices for oil and natural gas are impacted by global economic events that dictate the levels of supply and demand. The Company's management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when it deems appropriate.

**14. Financial instruments and financial risk management (continued)**

**Capital Management**

The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute its current strategy to get the Company listed again.

The Company considers its capital structure to include share capital and convertible debenture.

In order to maintain or adjust the capital structure, from time to time the Company may issue common shares, debt or other securities, sell assets or adjust capital spending to manage current and projected debt levels.

At December 31, 2019, the Company's capital structure was not subject to external restrictions.

**15. Subsequent events**

**Issuances**

On January 23, 2020 the Company received \$25,000 for 166,667 units of the Company at \$0.15 per unit. Each unit consists of one common share of the Company and one half common share warrant entitling the holder to purchase common shares a price of \$0.20 per share 18 months after issuance.

In June 2020 the Company received net proceeds of \$85,000 for Debenture Units of the Company related to a Offering for Debenture unit maturing on April 30, 2023. Each unit being comprised of an aggregate principal amount of a 10% Convertible unsecured subordinated debenture and one detachable share common share warrant entitling its holder to purchase 10,000 common shares at a price of \$0.125 for a period of 36 months following the closing. The convertible debentures are convertible at the option of the holder into common shares of the Company at a conversion price of \$0.10.

**COVID-19**

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. The pandemic adversely impacted global commercial activity. The full extent of the impact of COVID-19 on operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. IFRS requires management to make estimates and assumptions that affect reported amounts and disclosures. These estimates and assumptions take into account historical and forward looking factors that the Company believes are reasonable, including but not limited to the potential impacts arising from COVID-19 and public and private sector policies and initiatives aimed at reducing its transmission. As the extent and duration of the impacts from COVID-19 remain unclear, the Company's estimates and assumptions may evolve as conditions change. Actual results could differ significantly from those estimates. The accounting policies applied in the preparation of these financial statements for the year ended December 31, 2019 are consistent.

In addition, the Company has experienced significant volatility with crude oil prices since year end due to macro-economic uncertainty, mainly due to OPEC and Russia abandoning production quotas and increasing production levels, along with demand destruction for crude oil products as a result of the COVID-19 outbreak and potential lack of storage forcing production shut-ins. The duration and impact of these global events remain uncertain and could impact cash flow and the Company's financial condition in the future.



**16. Comparative figures**

Comparative figures have been reclassified to conform with current year's presentation.



# **AVILA ENERGY CORPORATION**

## **Amended Interim Financial Statements**

**For the three months ended March 31, 2022 and 2021**  
(Unaudited - Expressed in Canadian Dollars)

- Statements of Financial Position
- Statements of Changes in Shareholders' Equity (Deficiency)
- Statements of Loss and Comprehensive Loss
- Statements of Cash Flows
- Notes to the Financial Statements

# Avila Energy Corporation

## Amended Statements of Financial Position

As at March 31, 2022 and 2021

(Unaudited - Expressed in Canadian Dollars)

	Note	2022 \$	2021 \$
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		196,018	413,337
Advances	5	1,216,931	1,586,601
Joint Venture Receivable		347,429	158,565
Sales Tax Receivable		19,305	21,506
Prepaid Expense		21,484	28,646
		1,801,167	2,208,655
<b>NON-CURRENT</b>			
Property and Equipment	6	1,196,482	837,875
Exploration and Evaluation Assets	7	1,616,201	1,537,296
<b>TOTAL ASSETS</b>		<b>4,613,850</b>	<b>4,583,826</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts Payable and Accrued Liabilities	9	266,167	305,699
Flow-Through Share Premium Liability	10	-	-
Promissory Notes	11	67,429	67,429
Total current liabilities		333,596	373,128
<b>NON-CURRENT</b>			
Convertible Debentures	12	537,281	521,039
Derivative Liability	12	721,865	729,318
Decommissioning Provision	8	284,882	282,594
Total Non-Current Liabilities		1,544,028	1,532,951
<b>TOTAL LIABILITIES</b>		<b>1,877,624</b>	<b>1,906,079</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share Capital	14	9,023,278	9,023,278
Contributed Surplus		3,358,412	3,358,412
Convertible Debentures – Equity Portion		235,500	235,500
Shares to Be Issued		-	-
Deficit		(9,880,964)	(9,939,443)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,736,226</b>	<b>2,677,747</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,613,850</b>	<b>4,583,826</b>
Going Concern (Note 1(a))			
Commitments (Note 19)			

Approved on behalf of the Board:

**“Leonard Van Betuw”**

Leonard Van Betuw, Director and CEO

**“Lars Glimhagen”**

Lars Glimhagen, CFO

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

# Avila Energy Corporation

## Amended Statements of Changes in Shareholders' Equity (Deficiency)

For the Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital \$	Share Issuance Costs \$	Contributed Surplus \$	Convertible Debentures - Equity Portion \$	Shares to be Issued \$	Deficit \$	Total \$
Balance, December 31, 2020		13,056,290	7,092,087	(1,013,939)	1,767,125	2,292	127,950	(8,524,257)	(548,742)
Issued Shares for Cash	14(a)	2,660,000	479,050	-	-	-	(60,500)	-	419,000
Issued Shares for Services	14(a)	-	80,400	-	-	-	(80,400)	-	-
Conversion of Subscription Receipts	14(a)	-	-	(178,056)	178,056	-	-	-	-
Conversion Of Debentures	14(a)	700,000	40,000	-	-	(2,292)	-	-	37,708
Conversion of Interest on Debentures	14(a)	288,406	12,037	-	-	-	-	-	12,037
Flow-Through Share Premium		-	8,750	-	-	-	12,500	-	21,250
Net Loss for the Period		-	-	-	-	-	-	(214,847)	(214,847)
<b>Balance, March 31, 2021</b>		<b>23,340,531</b>	<b>8,647,824</b>	<b>(1,088,779)</b>	<b>1,767,125</b>	<b>-</b>	<b>-</b>	<b>(8,739,104)</b>	<b>587,066</b>
Balance, December 31, 2021		35,651,341	10,569,147	(1,545,869)	3,358,412	235,500	-	(9,939,443)	2,677,747
Net Income for the Period		-	-	-	-	-	-	58,479	58,479
<b>Balance, March 31, 2022</b>		<b>35,651,341</b>	<b>10,569,147</b>	<b>(1,545,869)</b>	<b>3,358,412</b>	<b>235,500</b>	<b>-</b>	<b>(9,880,964)</b>	<b>2,736,226</b>

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

# Avila Energy Corporation

## Amended Statements of Income (Loss) and Comprehensive Income (Loss)

For the Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

	Note	2022 \$	2021 \$
<b>OIL AND NATURAL GAS REVENUE</b>	15	513,110	19,013
<b>OPERATING COSTS</b>		(256,452)	(2,699)
<b>ROYALTY EXPENSE</b>		(67,794)	(10,931)
		<u>188,864</u>	<u>5,383</u>
<b>EXPENSES</b>			
Accretion		12,659	-
Consulting Fees	13(a)	34,888	116,117
Depletion	6	11,063	-
Interest		20,018	19,997
Listing Fees		1,500	10,750
Management Fees	13(a)	10,500	10,500
Office and Administration		2,111	1,197
Professional Fees	13(a)	36,947	60,049
Shareholder and Trust Services		699	1,621
		<u>130,385</u>	<u>220,231</u>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>		<u>58,479</u>	<u>(214,847)</u>
Basic and Diluted Loss Per Share		<u>0.00</u>	<u>(0.01)</u>
Weighted Average Number of Common Shares Outstanding, Basic and Diluted		<u>25,541,590</u>	<u>16,015,753</u>

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

# Avila Energy Corporation

## Amended Statements of Cash Flows

As at March 31, 2022 and 2021

(Expressed in Canadian Dollars)

	2022 \$	2021 \$
<b>OPERATING ACTIVITIES</b>		
Net Loss and Comprehensive Loss for the Period	58,479	(214,847)
Items Not Affecting Cash:		
Interest Expense	20,018	19,997
Accretion	12,659	
Depletion	11,063	
	<u>102,219</u>	<u>(194,850)</u>
Changes in Non-Cash Working Capital Accounts:		
Sales Tax Receivable	2,201	(23,455)
Prepayments and Other Receivables	187,969	(159,954)
Accounts Payables and Accrued Liabilities	(61,133)	91,175
	<u>231,256</u>	<u>(92,234)</u>
<b>INVESTING ACTIVITIES</b>		
Increase in Advances	-	(320,000)
Acquisition of PPE	(369,670)	-
Acquisition of E&E Assets	(78,905)	(739,832)
	<u>(448,575)</u>	<u>(1,059,832)</u>
<b>FINANCING ACTIVITIES</b>		
Shares Issued for Cash	-	1,289,506
	<u>-</u>	<u>1,289,506</u>
<b>CHANGE IN CASH</b>	<u>(217,319)</u>	<u>(57,410)</u>
CASH, BEGINNING OF YEAR	413,337	136,072
<b>CASH, MARCH 31</b>	<u>196,018</u>	<u>78,662</u>

The accompanying notes are integral part of these financial statements.

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# Avila Energy Corporation

(Formerly Petro Viking Energy Inc.)

## Amended Notes to the Financial Statements

For the Three Months Ended March 31, 2022 and 2021  
(Expressed in Canadian Dollars, unless otherwise stated)

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### NOTE 1 - CORPORATION INFORMATION

Avila Energy Corporation (formerly Petro Viking Energy Inc.) (“the Company”) was incorporated under the laws of the province of Alberta on January 13, 2010. The Company’s common shares are listed for trading on the Canadian Securities Exchange with the ticker symbol “VIK”. On December 3, 2021, the Company changed its name to Avila Energy Corporation from Petro Viking Energy Inc. as approved by the Company’s shareholders.

The records office and principal address is located at 5940 Macleod Trail, Suite 500, Calgary, Alberta, T2H 2G4.

These amended interim financial statements have been amended and refiled on June 20, 2022.

#### a) Going concern

The financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to going concern, which assumes continuity of operation and realization of assets and settlement of liabilities in the normal course of business. As of March 31, 2022, the Company reported a net income of \$58,479 (2021 – net loss of \$214,847), a cumulative deficit of \$9,880,964 (2021 - \$8,739,104) and a working capital of \$1,467,571 (2021 – working deficit of \$214,847). The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing that will provide the Company with a revenue stream. Even if the Company has been successful in the past, there is no assurance that it will manage to obtain additional financing in the future.

These conditions indicate a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to the classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

#### b) COVID-19

The outbreak of the COVID-19 virus and the worldwide pandemic has impacted the Company’s plans and activities. The Company may face disruption to operations, supply chain delays, travel and trade restrictions, and impacts on economic activity in affected countries or regions can be expected and are difficult to quantify. Regional disease outbreaks and pandemics represent a serious threat to hiring and maintaining a skilled workforce and could be a major health-care challenge for the Company. There can be no assurance that the Company’s personnel will not be impacted by these regional disease outbreaks and pandemics and ultimately that the Company would see its workforce productivity reduced or incur increased medical costs and insurance premiums as a result of these health risks.

In addition, the pandemic has created a dramatic slowdown in the global economy. The duration of the outbreak and the resulting travel restrictions, social distancing recommendations, government response actions, business disruptions and business closures may have an impact on the Company’s exploration operations and access to capital. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic’s impact on global industrial and financial markets which may reduce metal prices, share prices and financial liquidity thereby severely limiting access to essential capital.

In addition, the Company has experienced significant volatility with crude oil prices due to macro-economic uncertainty, due to (a) OPEC and Russia abandoning production quotas and increasing production levels; (b) demand reduction for crude oil products as a result of the COVID-19 outbreak and potential lack of storage forcing production shut-ins, and (c) the effects of the current war between Russia and Ukraine, which include significant sanctions having been imposed (and likely more to come) on Russia by NATO members, which are anticipated to reduce the supply of oil and natural gas from Russia to other countries, thereby reducing supply to the existing demand and presumptively increasing the global prices of oil and natural gas. The duration and impact of these global events remain uncertain and could impact cash flow and the Company’s financial condition in the future.

# Avila Energy Corporation

(Formerly Petro Viking Energy Inc.)

## Amended Notes to the Financial Statements

For the Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### NOTE 2 - BASIS OF PREPARATION

#### a) Statement of Compliance

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

These interim condensed financial statements were approved and authorized for issue by the Chief Financial Officer and Board of Directors on May 27, 2022.

#### b) Basis of Measurement

**These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All financial information in these financial statements is presented in Canadian dollars, except as otherwise stated.**

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgments and estimates are required. Changes in these judgments and estimates may materially affect the financial position or financial results reported in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and in the relevant notes to the financial statements.

### NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

#### a) Convertible Debentures

Convertible debentures are separated into their liability and equity components on the statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability, using estimated interest rates based upon non-convertible debt issued by comparable issuers, and accounted for at amortized cost using the effective interest rate method.

#### b) Derivative Liability

The Company measures the fair value of the derivative by reference to the fair value on the convertible debenture issuance date with an estimated life ending on the convertible debenture maturity date and revalues them at each reporting date. In determining the fair value for the derivative liability, the Company used the Black-Scholes option pricing model with the following assumptions: average volatility rate; market price at the reporting date; risk-free interest rate; the remaining expected life of the embedded derivatives and an exchange rate at the reporting date. The inputs used in the Black-Scholes model are taken from observable markets. Changes to these estimates could result in the fair value of the derivative liability being less than or greater than the amount recorded.

#### c) Property and Equipment

##### ***Valuation of Plant and Equipment***

The amounts recorded for depletion and depreciation of property and equipment and the valuation of property and equipment are based on estimates. These estimates include proved and probable reserves, production rates, future oil and natural gas prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

The Corporation’s reserve estimates are evaluated annually pursuant to the parameters and guidelines stipulated under National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.



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# Avila Energy Corporation

(Formerly Petro Viking Energy Inc.)

## Amended Notes to the Financial Statements

For the Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

For impairment testing, property and equipment assets are aggregated into cash generating units ("CGUs"), based on management's judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

#### Fair Value of Plant and Equipment

The market value of property and equipment assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property and equipment) is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

The market value of other items of property and equipment is based on the quoted market prices for similar items.

#### Impairment of Plant and Equipment

The determination of the recoverable amount for value in use requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential, recent transactions involving similar projects, and future operating performance. An oil and gas property's fair value less costs to sell requires the use of estimates as to the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

#### c) **Decommissioning Provision**

The value of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

Management uses judgment to assess the Corporation's legal obligations to decommission its oil and natural gas properties and restore property sites after closure. The Corporation's production activity is required to follow various environmental laws and regulations in Canada. The assessment of decommissioning provisions is based on management's understanding of the current legal and environmental requirements and third-party engineering valuations.

#### d) **Deferred Tax Assets**

Judgment is required to determine which types of arrangements are a tax on income in contrast to an operating cost. Judgment is also required in determining whether deferred income tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate enough taxable earnings in future periods, in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecasted cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and reclamation costs, capital expenditures, dividends and other capital management transactions) and judgment about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differs significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

In addition, future changes in income tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain income tax deductions in future periods.

#### e) **Warrants**

Estimating fair value for warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, and dividend yield of the warrants. The fair value of warrants is evaluated using the Black-Scholes valuation model at the date of grant. The Company has made estimates as to the expected volatility, share price and expected life of warrants. The expected volatility is based on the historical volatility of the Company, over the period of the expected life of the warrants. The expected life of the warrants is based on historical data. These estimates may not necessarily be indicative of future actual patterns. Share price is based on the price of shares issued in recent raises.

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# Avila Energy Corporation

(Formerly Petro Viking Energy Inc.)

## Amended Notes to the Financial Statements

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### NOTE 3 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

#### f) Common Shares

As the Company's shares has been temporarily halted for trading on a listed exchange, the Company is required to estimate the fair value of the common shares issued on debt, promissory notes, and accounts payable and accrued liabilities settlements, issued in exchange for services, and used in the valuation of the conversion feature of the derivative liability. The Company estimated the fair value of common shares based on expected capital raises, history of debt conversions with third parties, and internal company information.

#### g) Business Combination

The Company assesses whether an acquisition should be accounted for as an asset acquisition or a business combination under IFRS 3. This assessment requires management to make judgements on whether the assets acquired, and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as business and the Company obtains control of the business inputs and processes.

#### h) Cash Generating Units

Management makes judgments in determining its CGUs and evaluates the geography, geology, production profile and infrastructure of its assets in making such determinations. Based on this assessment, the Company's CGUs are generally composed of significant development areas. As of March 31 2022, the Company had one CGU (2021 – one). The Company reviews the composition of its CGU at each reporting date to assess whether any changes are required considering new facts and circumstances.

### NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash in banks or held in trust.

Restricted cash relates to funds held in escrow until the escrow conditions are met for the subscription receipts issued during the year. The funds will be released once the escrow conditions are met.

#### b) Convertible Debentures

The Company has issued convertible debentures which, on conversion, must be satisfied entirely in common shares of the Company for an amount equal to the greater of the conversion value and the redemption value of the instrument.

The Company reviews the terms of its convertible debentures to determine whether there are embedded derivatives, including the embedded conversion option, that are required to be separated and accounted for as individual derivative financial instruments or equity components.

The debenture host contracts are subsequently recorded at amortized cost at each reporting date, using the effective interest method. The embedded derivatives are subsequently recorded at fair value at each reporting date, with changes in fair value recognized in profit (loss).

The Company presents its embedded derivative liability and related debenture host contracts as separate instruments on the statement of financial position.

#### c) Revenue Recognition

The Company principally generates revenue from the sale of commodities, which primarily consist of natural gas. Revenue associated with the sale of commodities is recognized when control is transferred from the Company to its customers. The Company's commodity sale contracts represent a series of distinct transactions. The Company considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

- The Company has transferred title and physical possession of the commodity to the buyer;
- The Company has transferred significant risks and rewards of ownership of the commodity to the buyer; and,
- The Company has the present right to payment.

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### NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue is measured based on the consideration specified in a contract with the customer. Payment terms for the Company's commodity sales contracts are on the 25th of the month following delivery.

#### d) Plant and Equipment

All costs directly associated with the development of oil and natural gas interests are capitalized on an area-by-area basis as oil and natural gas interests and are measured at cost less accumulated depletion and depreciation and net impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning provisions and transfers from exploration and evaluation assets.

##### i) Depletion

Oil and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, considering estimated future development costs. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior period adjustments and are dealt with on a prospective basis.

Processing facilities and well equipment are depleted using the unit-of-production method along with the related reserves when the assets are designed to have a life similar to the reserves of the related wells with little to no residual value. Where facilities and equipment, including major components, have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

#### d) Share Capital

Share capital represents the amount received on the issue of shares, less issuance costs. Proceeds from unit placements are allocated between shares and warrants issued by estimating the value of the warrants using the Black-Scholes options pricing model; the fair value is allocated to warrants from the net proceeds and the balance is allocated to the shares. Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised. Deficit includes all current and prior year profits or losses.

#### e) Financial Instruments

##### i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the original classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Classification</b>
Cash	Amortized cost
Restricted Cash	Amortized cost
Accounts Payable and Accrued Liabilities	Amortized cost
Subscription Liability	Amortized cost
Convertible Debenture	Amortized cost
Derivative Liability	FVTPL
Promissory Notes Payable	Amortized cost

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### NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ii) Measurement

##### Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

##### Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

##### Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

#### iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses.

### NOTE 5 – ADVANCES

As at March 31, 2022, the Company has advanced a total of \$1,216,931 to its joint partner, 611890 Alberta Inc. for the continuing development of assets and expenditures to be incurred under a joint venture agreement dated December 9, 2019. These expenditures may qualify as eligible flow-through expenditures for which the flow-through tax credits are passed on to its flow-through investors.

### NOTE 6 - PROPERTY AND EQUIPMENT

	<b>Natural Gas and Liquids Interests</b>
	<b>\$</b>
<b>COST</b>	
Balance, December 31, 2020	773,011
Change in Estimates in Asset Retirement Obligation	109,116
Balance, December 31, 2021	882,127
Additions	369,670
<b>Balance, March 31, 2022</b>	<b>1,251,797</b>

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**ACCUMULATED DEPLETION**

Balance, December 31, 2020	-
Depletion	44,252
Balance, December 31, 2021	44,252
Depletion	11,063
<b>Balance, March 31, 2022</b>	<b>55,315</b>

**NET BOOK VALUE**

<b>Balance, December 31, 2021</b>	<b>837,875</b>
<b>Balance, March 31, 2022</b>	<b>1,196,482</b>

**NOTE 7 – EXPLORATION AND EVALUATION (“E&E”) ASSETS**

Balance, December 31, 2020	281,600
Acquisition	1,255,696
Balance, December 31, 2021	1,537,296
Additions	78,905
<b>Balance, March 31, 2022</b>	<b>1,616,201</b>

**NOTE 8 – DECOMMISSIONING OBLIGATION**

The Company’s estimated net present value of decommissioning liabilities is \$282,594 as at March 31, 2022 (2021 - \$164,325), based on an undiscounted total future liability of \$412,682 (2021 – \$221,962). These payments are expected to be incurred over a period of 17 years with the majority of costs to be incurred in 2038. At March 31, 2022, risk-free rate 1.66% (2021 – 1.34%) and an inflation rate of 3.4% (2020 – 1.69%) were used to calculate the net present value of the decommissioning liabilities.

As at March 31, 2022 and 2021, the Company has the following reclamation provision:

	2022	2021
	\$	\$
Balance, December 31,	282,594	164,325
Accretion Expenses	2,288	9,153
Change in Estimates	-	109,116
<b>Balance, March 31, 2022</b>	<b>284,882</b>	<b>282,594</b>

**NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts Payable – trade	168,204	357,902
Interest Payable	97,961	56,245
Balance	266,167	537,480

**NOTE 10 – FLOW-THROUGH SHARE PREMIUM LIABILITY**

Opening Balance	-	21,250
Flow-Through Share Premium Liability obligation due to issuance of Flow-Through	-	102,625
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	-	(123,875)
Balance	-	-

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**NOTE 11 – PROMISSORY NOTES**

On September 15, 2020, the Company converted related party liabilities to unsecured promissory notes in the amount of \$217,195. The promissory notes bear simple interest at 5% per annum with principal and interest payable on maturity being two years from the date of issuance.

For accounting purposes, the promissory notes were recorded at a fair market value of \$168,220 that was calculated as being equivalent to the discounted cash flows for the promissory notes assuming an effective interest rate of 20%.

As of March 31, 2022, there is an amount owing to a related party in the amount of \$67,429.

**NOTE 12 – CONVERTIBLE DEBENTURES**

	Convertible Debenture - Liability Component	Derivative Liability	Equity Component	Total
<b>Balance, December 31, 2020</b>	<b>703,526</b>	<b>801,499</b>	<b>2,292</b>	<b>1,507,317</b>
Conversions	(100,209)	(230,934)	(2,292)	(333,435)
Fair value change	(138,937)	158,753	235,500	255,316
Accretion expense	56,659	-	-	56,659
<b>Balance, December 31, 2021</b>	<b>521,039</b>	<b>729,318</b>	<b>235,500</b>	<b>1,485,875</b>
Conversions	5,871	-	-	5,871
Fair value change	-	(7,453)	-	(7,453)
Accretion expense	10,371	-	-	10,371
<b>Balance, March 31, 2022</b>	<b>537,281</b>	<b>721,865</b>	<b>235,500</b>	<b>1,494,664</b>
			2022	2021
			\$	\$
Debenture (a)			288,499	282,628
Debenture (b)			248,782	234,411
			537,281	521,039
Long-term			537,281	521,039
Derivative liability (b)			721,865	729,318

- (a) On December 9, 2019, the Company issued a debenture for \$500,000 as payment for the business combination in which the Company acquired 50% interest in non-operating assets. The debenture is unsecured and bears a compounded interest of 5% per annum. The debenture matures on July 31, 2027, at which time the debenture and any accrued interest is payable. The convertible debenture can be converted at the lower of \$0.25 or 80% of the major event price. The major event price means the price per common share that (i) a common share is being issued by the Company before the maturity date pursuant to an initial public offering of the common shares for listing on a recognized stock exchange; or (ii) a common share is being issued by the Company pursuant to a financing of no less than \$500,000 net of fees and commissions; or (iii) results from a purchase by a third party of substantially all the assets of the Company by dividing the said purchase price by the number of issued common shares on a fully diluted basis.

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### NOTE 12 – CONVERTIBLE DEBENTURES (Continued)

The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability. As a result of the conversion price of the debenture not being fixed at the time of issuance, the conversion feature is considered a derivative liability and is revalued each month. The value of the derivative liability as at December 31, 2020 was determined using a fair value estimation method with the following inputs: discount rate - 20%; volatility - 120%; risk-free rate - 0.18 %.

During the year ended December 31, 2021, the Company obtained a waiver for the convertible debenture conversion clause of conversion at the lower of \$0.25 or 80% of the major event price to be fixed to \$0.25 effective March 1, 2021. As a result of the conversion price of the debentures being fixed at the time of change, the convertible debentures have been separated into liability and equity components using the effective interest rate method. The fair value of the liability component of the convertible debentures at the time of change was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of change as the difference between the face value of the convertible debenture and the fair value

of the liability component. The value of the equity component was determined to be \$235,500. The value of the liability component was determined to be \$265,000. The loss on fair market value change was determined to be \$88,236.

- (b) On June 28, 2020, the Company offered a non-brokered private placement of \$400,000 debenture units, each unit being comprised of an aggregate \$1,000 principal amount of a 10% convertible unsecured subordinated debenture due on April 30, 2023, and one detachable common share purchase warrant entitling the holder to purchase 10,000 common shares at a price of \$0.10 for a period of 36 months following the closing. The debenture bears an interest rate of 10% per annum payable semi-annually, payable either in cash or common shares in the capital of the issuer at the option of the subscriber. The offering closed on July 7, 2020, for gross proceeds of \$400,000.

The fair value of the liability component of the convertible debentures at the time of issue was initially calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature. As the fair value of the derivative liability component and the fair value of the liability component were determined to have a greater combined fair value than the face value of the debentures, the difference between the face value of the debentures and the fair value of the derivative liability was attributed to the debt component. The fair value of the derivative was determined to be \$151,800 and the fair value of the debt component was determined to be \$248,200 on the date of issuance.

The value of the warrants is determined by allocating the residual of the debenture units transaction price after all financial liabilities in the debenture units are recognized. As the financial liabilities make up the full amount of the debenture unit transaction price, no value has been assigned to the warrants.

During the year ended December 31, 2021, it was determined that the probability of the Holder waiting until maturity to convert was 0% which results in the value of the derivative liability to be \$729,318 using Black-Scholes option pricing model fair value estimation method with the following inputs: expected stock price - \$0.32; risk free interest rate - 0.81%; expected stock price volatility - 107.59%; expected dividend yield - Nil; expected option life in months - 16.

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**NOTE 13 - RELATED PARTY TRANSACTIONS**

Key management includes directors (executive and non-executive) and senior management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). The amounts paid by the Company for the services provided by related parties have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions are in the normal course of operations. Details of transactions between the Company and related parties, in addition to those transactions disclosed elsewhere in these financial statements, are described below.

**a) Compensation of Key Management Personnel**

All related party transactions were in the ordinary course of business and were measured at their exchange amount.

	2022	2021
	\$	\$
Management fees	10,500	39,543
Interest on promissory note	816	-
	11,316	39,543

**b) Amounts Due to Related Parties**

Amounts due to related parties are in the normal course of business, unsecured, non-interest bearing, and have no specific terms of repayment.

As at March 31, 2022 and 2021, the Company has the following amounts due to related parties.

	2022	2021
	\$	\$
Accounts payable and accrued liabilities including management fees and interest <sup>(1)</sup>	21,734	85,409
Unsecured promissory notes due September 15, 2022, bearing interest at 5% per annum compounded semi-annually <sup>(2)</sup>	67,429	175,362
Convertible secured debenture due July 31, 2027, bearing interest at 5% per annum, compounded semi-annually <sup>(3)</sup>	500,000	500,000
	589,163	760,771

1. A partner in a legal firm is also a director of the Company. For the three months ended March 31, 2022, legal expense and share issuance cost related charges totaled \$36,947 (2021 - \$57,995). Amounts owed to the legal firm as at March 31, 2022 was \$72,442 (2020 - \$57,995).
2. Promissory note issued on September 13, 2020 in the amount of \$102,415 was issued to a company in which the director is also an officer of the Company.
3. The Convertible secured debenture is held by 611890 Alberta Inc. in which the President and Chief Executive Officer is also the President and Chief Executive Officer of the Company.

**c) Participation in Private Placements**

	Price	Number of Units	Proceeds
	\$		
January 2021 Private Placement	0.15	1,600,000	240,000
September 2021 Private Placement	0.25	124,000	31,000
		1,724,000	271,000



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### NOTE 14 - SHARE CAPITAL AND RESERVES

As at March 31, 2022, there were 35,651,341 (2021 – 22,340,531) common shares issued and outstanding.

#### a) Common Shares

##### Authorized

Unlimited number of common shares, without nominal or par value.

##### Issued and outstanding common shares

###### i.) During the Three Months Ended March 31, 2021

- On January 18, 2021, the Company issued 1,867,000 common shares at a price of \$0.15 per share for gross proceeds of \$280,050 (includes 267,000 of common shares subscribed but not issued in prior year) and 500,000 flow-through shares at a price of \$0.20 per share for gross proceeds of \$100,000 (includes 50,000 of flow-through shares subscribed but not issued in prior year) pursuant to the non-brokered private placement offering initiated on November 11, 2020. An additional premium was recognized as a liability for \$12,500.
- On February 2, 2021, the Company issued 670,000 common shares at a price of \$0.30 per share in connection with the consulting agreement dated June 1, 2020. The Company recorded a corresponding gain on the settlement of debt of \$27,771.
- On February 10, 2021, the Company issued 660,001 common shares at a price of \$0.15 per common share for gross proceeds of \$99,000 pursuant to the non-brokered private placement offering initiated on November 11, 2020.
- On March 9, 2021, the Company exchanged the subscription receipts in the amount of \$935,500 from the November 5, 2020 Offering Memorandum as the conditions for the shares being released were met by the completed listing of the Company on the CSE on March 5, 2021. As a result of this exchange, the Company issued 3,833,333 common shares at a price of \$0.15 and 1,916,667 warrants at an exercise price of \$0.20 in the Company and 1,802,500 flow-through shares at a price of \$0.20 per share. The premium was recognized as a liability of \$90,125.
- On March 15, 2021 the Company made a non-brokered private placement offering up to a maximum of \$1,250,000 by the issuance of 5,000,000 units. Each unit is comprised of one common share in the share capital of the Company as a price of \$0.25 per common share and one half warrant, each whole warrant entitling its holder to purchase one additional share at a price of \$0.35 for a period of 24 months following the closing.
- On March 31, 2021 the Company issued 988,406 common shares for debt. Of these Shares, 100,000 Shares were issued at \$0.10, 793,062 shares were issued at \$0.05 per share and 95,344 shares were issued at \$0.025 per share. Each of the shares was priced in accordance with the conversion price as determined in each debt instrument.

###### ii.) During the Three Months Ended March 31, 2022

There were no shares issued during the here months ended March 31, 2022

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**NOTE 14 - SHARE CAPITAL AND RESERVES (continued)**

**b) Stock Options**

The Company grants stock options to employees, directors, officers, and consultants as compensation for services pursuant to its Stock Option Plan (the "Plan"). Options issued pursuant to the Plan must have an exercise price greater than or equal to the market price of the Company's stock on the grant date less applicable discounts. Options have a maximum expiry period of up to five years from the grant date and are subject to the minimum vesting requirements, as determined by the Board of Directors. The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. Stock options granted to management, employees, and directors vest immediately on the grant date.

	<b>Number of Options</b>	<b>Weighted average exercise price \$</b>
Outstanding and Exercisable, December 31, 2021	-	-
Issued	200,000	0.35
<b>Outstanding and Exercisable, March 31, 2022</b>	<b>200,000</b>	<b>0.35</b>

During the year ended December 31, 2021, the Company recognized share-based compensation of \$44,993 (2020 - \$nil) using the Black-Scholes option pricing model for stock options granted and vested during the period. The stock options are exercisable at \$0.35 per common share and expire on October 31, 2024.

**c) Share Purchase Warrants**

The following table summarizes the continuity of the Company's share purchase warrants:

	<b>Number of Warrants</b>	<b>Weighted average exercise price \$</b>
Outstanding and Exercisable, December 31, 2019	-	-
Issued	4,016,700	0.24
<b>Outstanding and Exercisable, December 31, 2020</b>	<b>4,016,700</b>	<b>0.24</b>
Issued	9,382,961	0.29
Exercised	(373,300)	0.18
Expired	(41,667)	0.40
<b>Outstanding and Exercisable, December 31, 2021</b>	<b>12,984,694</b>	<b>0.28</b>
<b>Outstanding and Exercisable, March 31, 2022</b>	<b>12,984,694</b>	<b>0.28</b>

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**NOTE 14 - SHARE CAPITAL AND RESERVES (continued)**

As at March 31, 2022, the Company had the following share purchase warrants outstanding and exercisable:

Expiry date	Number of Warrants	Exercise Price \$
November 5, 2022	2,874,998	0.20
May 6, 2023	876,666	0.35
June 1, 2023	412,500	0.40
July 7, 2023	1,850,000	0.25
August 26, 2023	168,200	0.35
September 9, 2023	1,160,000	0.35
September 13, 2023	4,088,680	0.35
September 20, 2023	100,000	0.35
September 23, 2023	309,200	0.35
November 5, 2023	444,450	0.15
January 31, 2024	100,000	0.20
February 1, 2026	600,000	0.05
	12,984,694	0.28

The value of the warrants determined using the Black-Scholes option pricing model with the range of the following assumptions:

	2022 <sup>(1)</sup>	2021
Risk free interest rate	-	0.29% - 0.91%
Expected stock price volatility	-	112%-128%
Expected dividend yield	-	Nil
Expected option life in months	-	24-58

Note1 – There were no warrants issued during the three months ending March 31, 2022

**NOTE 15 – OIL AND NATURAL GAS SALES**

The following table represents the Company's 50% interest in oil and natural gas sales for the year ended March 31, 2022 and 2021:

	2022 \$	2021 \$
Oil	166,761	609
Gas	313,890	15,497
Liquids	32,459	2,907
	513,110	19,013

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# Avila Energy Corporation

(Formerly Petro Viking Energy Inc.)

## Amended Notes to the Financial Statements

For the Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### NOTE 16 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - inputs for the asset or liability that are not based on observable market data.

The Company's risk management policies are established by the Board of Directors to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's policy.

The Company's financial instruments include cash, accounts payable and accrued liabilities, subscriptions to convertible debentures, debenture and promissory notes payable, derivative liability and convertible debentures. The carrying values of cash, accounts payable and accrued liabilities and subscriptions to convertible debentures approximate their fair values due to their relatively short periods to maturity.

The carrying value of convertible debentures approximates its fair market value as the interest rates are based on market rates.

#### Fair values

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

- Derivative liability is considered to be a Level 3 classification as inputs are not based on observable market data. Please see note 12 for details on inputs.
- There were no transfers between levels during the year.
- The Company has exposure to liquidity risk and market risk because of its financial instruments.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financing to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will be able to secure additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financing.

The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities.

#### Liquidity Risk continued

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

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# Avila Energy Corporation

(Formerly Petro Viking Energy Inc.)

## Amended Notes to the Financial Statements

For the Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### NOTE 16 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

#### *Market risk*

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's cash flows, net loss and comprehensive loss, liquidity, or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures to appropriate level and to maximize returns.

Currently, the Company's long-term debts all have fixed interest rates.

#### *Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk on its debt as they bear a fixed interest rate.

### NOTE 17 - CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financing is dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments.

There were no changes to the Company's approach to capital management during the period ended March 31, 2022.

### NOTE 18 - COMMITMENTS

On June 1, 2020, the Company entered into a 24-month term consulting agreement where it is to compensate the consultant \$6,000 per month. The consulting fee was settled with 120,000 shares for the initial 6 months.

On September 16, 2021, the Company entered into a 12-month term consulting agreement for marketing services for a monthly remuneration of \$22,500.

### NOTE 19 - PROPOSED TRANSACTION

On June 14, 2021, the Company entered into a binding agreement for the purchase of interest in 53,835 acres (net 43,935 acres) of mineral rights (the "Acquisition").

Under the terms of the agreement, the Purchase Price for the Acquisition will be satisfied by way of the issuance of 44,440,000 Class "A" common shares (the "Common Shares") at \$0.60 per share and 30,000,000 convertible preferred shares (the "Convertible Shares") convertible at a price of \$0.80 per share.

The Convertible Shares will have a term of five years and earn an accruing annual dividend at a rate of two percent payable upon conversion. The Conversion of the Convertible Shares at the election of the holder can only occur after one of three milestones have been achieved: (i) the Company exceeds the production rate of 3,000 BOE/d, (ii) the Common Shares trade at a volume weighted average price (VWAP) of more than \$1.00 per share for twenty consecutive business days, and (iii) the second-year anniversary since the issuance of the Common Shares has occurred. At maturity upon the fifth anniversary of their issuance, the Convertible Shares shall automatically be redeemed on a 1:1 basis along with any accrued dividends by the issuance of Common shares.

An independent valuation based on capital commitment of \$14,300,000 for drilling determined the fair value of the Acquisition to be approximately \$26,900,000.

As of the Auditor's report date, the Company has received conditional regulatory approval on the Acquisition; final regulatory approval has not yet been received.

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# Avila Energy Corporation

(Formerly Petro Viking Energy Inc.)

## Amended Notes to the Financial Statements

For the Three Months Ended March 31, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### NOTE 20 - SUBSEQUENT EVENTS

On April 8, 2022 the Company filed a price reservation for the issuance of up to 5,000 Debenture Units of the Corporation (“Unit” or “Units”), being a total of \$5,000,000 in principal. Each Unit is comprised of an aggregate \$1,000 principal amount of a 4% convertible unsecured subordinated debenture (“**Debenture**”) due on April 1, 2025 (the “**Maturity Date**”). Further, conditional to full conversion (1 Unit converts into 2,000 Class A Common Shares) of the entire principal of the Units held by the holder (the “**Holder**”), the subsequent issuance of Class A Common Share purchase warrants by the Issuer (the “**Conditional Warrants**”) to the Holder entitling the Holder to purchase one (1) Class A Common Share per each Class A Common Share received on the Conversion at a price of \$0.75 for a period of two (2) years following the conversion date of the Debenture (the “**Private Placement**”). This is a non-brokered private placement for 5,000 units for gross proceeds of \$5,000,000.

An initial closing of the partially brokered Private Placement of \$2,512,000 was completed on May 11, 2022.

**SCHEDULE "B" – PVE MD&A FOR THE YEAR ENDED DECEMBER 31, 2021, DECEMBER 31, 2020 AND DECEMBER 31, 2019 AND FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**



**Avila Energy Corporation**  
*(Formerly known as Petro Viking Energy Inc.)*

**Form 51-102F1**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2021 and 2020**



## **GENERAL**

Management's Discussion and Analysis ("MD&A" or "Report") of the financial condition of Avila Energy Corporation. ("Avila" or the "Company") and results of operations of the Company for the year ended December 31, 2021, has been prepared by management in accordance with the requirements under National Instrument 51-102 as of April 30, 2022 (the "Report Date"). The Report should be read in conjunction with the Condensed Audited Financial Statements for the years ended December 31, 2021, and 2020 (collectively, the "Financial Statements"). The Financial Statements are presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and Avila's accounting policies as described in the notes to the Financial Statements. All dollar amounts in the Report are in Canadian dollars unless otherwise noted.

This MD&A has been prepared by management and approved by the Board of Directors on April 30, 2022.

The Financial Statements, together with the MD&A, are intended to provide investors with a reasonable basis for assessing the performance and potential future performance of the Company and are not necessarily indicative of the results that may be expected in future periods. The information in the MD&A may contain forward looking statements by the Company are not guarantee of future performance, as they are subject to significant risks and uncertainties that may cause projected results or events to differ materially from actual results or events. Please refer to the risks and cautionary notices of this MD&A.

Additional information about the Company and its business activities is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **FORWARD LOOKING INFORMATION**

Some statements contained in this MD&A constitute forward looking statements including, without limitation, anticipated developments in the Company's operations in future periods and other events or conditions that may occur in the future. These statements are about the future and are inherently uncertain and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties, and other factors, including, without limitation, those mentioned herein under heading "RISKS AND UNCERTAINTIES". Management believes that the expectations reflected in those statements are reasonable, but no assurance can be given that these expectations will prove to be correct. It is recommended not to place undue reliance on forward looking statements as the plans, intentions, or expectations upon which they are based might not occur. The Company undertakes to update any forward-looking information should the material factors or assumptions change resulting in a material change to the statements made.

For the purposes of calculating unit revenues and costs, natural gas is converted to a barrel of oil equivalent (BOE) using six thousand cubic feet equal to one BOE unless otherwise stated. A BOE is a very approximate comparative measure that, in some cases, could be misleading if used in isolation.

## **DESCRIPTION OF BUSINESS**

The Company is reporting company registered in Alberta under the Business Corporations Act and has its records and principal address located at 5940 Macleod Trail, Suite 500, Calgary, Alberta.

On December 3, 2021, the Company changed its name to Avila Energy Corporation, formerly known as Petro Viking Energy Inc.

On March 17, 2021, the Company completed the acquisition of mineral rights that resulted in the Company holding a 50% interest in 7,680 acres of mineral rights, (3,840 acres net) within its currently held mineral rights in West Central Alberta. After the completion of this acquisition, in the 4<sup>th</sup> quarter of 2021, the Company advanced its evaluation of the assets, identifying an additional 15 possible drilling locations of which 5 locations (2.5 Net) have been booked, increasing significantly both Proven and Probable reserves. The Gross Purchase Price was \$285 per acre, with the total net cost to Petro Viking, being \$747,640 including administrative fees from its Joint Venture partner of approximately \$10,000. The mineral rights acquired are strategically located within a proven region where the mineral rights acquired are economically producing from the Belly River, Viking, Ellerslie, Duvernay and Wabamun.

On June 14, 2021, the Company entered into a binding agreement for the purchase of interest in 53,835 Acres, 43,935 (Net) of mineral rights (the "Acquisition").

The Purchase Price for the Acquisition is being satisfied by way of the issuance of 44,440,000 Class A common shares (the “Common Shares”) at \$0.60 per share and 30,000,000 convertible preferred shares (the “Convertible Shares”) convertible at a price of \$0.80 per share. The Convertible Shares will have a term of five years (5) and earn an accruing 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 only occur after one of three milestones has been achieved: a) the Company exceeds the production rate of 3,000 BOE/d, b) the Common Shares trade at a volume weighted average price (VWAP) of more than \$1.00 per share for twenty (20) consecutive business days or c) the second-year anniversary since the issuance of the Common Shares has occurred. At maturity upon the fifth anniversary of their issuance, the Convertible Shares shall automatically be redeemed on a 1:1 basis along with any accrued dividends by the issuance of Common shares.

It was subsequently determined that the Transaction was considered a “fundamental change” within the meaning of Canadian Securities Exchange (“CSE”). As a result, the Company’s stock was suspended by the CSE on September 9, 2021, while the Company provided additional information relating to the Transaction

On November 24, 2021, the Company received conditional approval for the closing of the Acquisition announced on June 14, 2021 from the CSE. The Company anticipates all remaining conditions to be achieved including the delivery of shareholders’ consent resolution to approve the Acquisition

The Company as of the date of this report in accordance with the standards as set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the “COGE Handbook”) has received from its Independent Evaluator Deloitte LLP the Company’s its NI 51-101 for the year ended December 31, 2021 as follows;

Independent qualified reserves evaluator or auditor	Effective date of evaluation report	Location of reserves (country or foreign geographic area)	Net present value of future net revenue (before income taxes; 10% discount rate)			
			Audited \$M	Evaluated \$M	Reviewed \$M	Total \$M
Deloitte LLP	December 31, 2021	Canada	-	<b>3,801.60</b>	-	<b>3,801.60</b>

The NPV 10% discounted evaluation of \$3,801,600 compared to yearend December 31, 2020 - \$2,859,800 represents a year over year increase of 133%. For more detailed analysis the reader is encouraged to review the Oil and gas annual disclosure filing for the Company (Form 51-101 F1 and F2) filed on SEDAR.COM

In addition in accordance with requirements of the “fundamental change” associated with the Acquisition announced on June 14<sup>th</sup> 2021 the Company commissioned its QRE Deloitte LLP per the regulatory requirements and conditions of the Canadian Stock Exchange “the CSE” and the Alberta Securities Commission “the ASC” an additional Independent Qualified Evaluation of the Acquisition underway whereby an audit of reserves and future net revenues derived therefrom, of the Petroleum and Natural Gas assets of the interests being Acquired in accordance with the Canadian Oil and Gas Evaluation Handbook (“**COGE Handbook**”). As required, these reserves and future net revenues were estimated using forecast prices and costs (before and after income taxes) according to the requirements of National Instrument 51-101 (“**NI 51-101**”). The effective date of this evaluation is December 31, 2021. This Evaluation was performed by the Company’s QRE, Deloitte LLP who determined that under NI 51-101 only 18 (net) drilling locations of the proposed 147 locations currently met the criteria of either Proven or Probable reserves as defined in the current COGE handbook. The Acquisition including these 18 wells costing a total of \$14.3 million was determined to have a net present value discounted at 10 percent (NPV10%) of \$26.866 million. The Company as a Joint Venture partner with the seller and continues to participate in the operation as a partner while it completes the review and final approval of the Acquisition.

In the first half of 2022 the Company will become the benefactor of these operations including the consolidation of its natural gas facilities in the region the tie-in of 1 cased and standing natural gas well and the completion of two oil wells and the construction and tie in the associated facility which went into production, March 15, 2022. The initial results 30 days results for the two wells being more than 300 boe/d (or 150 boe/d per well ) with average production being 50% oil and 50% natural gas and liquids at a capital cost of \$1,500,000 net for the activities either completed or currently in progress.

To date, the Company has promptly prepared and advance all additional materials requested to the Alberta Securities Commission (ASC) for their review and approval, one of the remaining conditions for the closing of the Acquisition conditional approved by the Canadian Stock Exchange (CSE). The Company continues to proceed with the development of its business while it continues to seek the final approval.

At the date of this Report, the Company believes that the remaining conditions in accordance to Policy MI 61-101, are nearing there completion, including an Independent Evaluation of the Acquisition by a Certified Business Evaluator. Upon the current submitted draft documentation review by the ASC has been completed, these materials are to be incorporated into an Information Circular to be delivered to shareholders for their review and consent prior to the fundamental change being approved by the Alberta Securities Commission.

Management is anticipating the suspension from trading to be lifted shortly after all remaining conditions have been addressed in accordance with various regulatory bodies.

## DISCUSSION OF OPERATIONS

The following is a summary of the significant events and transactions that occurred during the year ended December 31, 2021:

### Results of operations for the year ended December 31, 2021:

Net loss for the year ending December 31, 2021, was 1,415,186 (2020 – 948,707). The increase in net loss for the period was primarily an increase in professional and consulting fees.

Oil and gas revenue and volume for the year ended December 31, 2021, was \$301,340 (2020 – nil <sup>(1)</sup>). While the volume produced was 12,900 boe prior to shrinkage due to processing and transportation resulting in net sales volumes of 10,801 BOE for an average of \$27.91 per boe or \$4.58 per mcf. (2020 – nil)

Gross profit for the year ended December 31, 2021, was \$150,171 (2020 – nil).

Details related to the Company's oil and gas operations, please refer to the *Summary of Quarterly Results* section.

### Other

The Company has advanced 611890 Alberta Inc. as follows:

May 21, 2020	611890 Alberta Inc.	224,966	Participation in developed and undeveloped mineral rights
November 6, 2020	611890 Alberta Inc.	122,500	Participation in developed and undeveloped mineral rights
December 3, 2020	611890 Alberta Inc.	35,000	Participation in developed and undeveloped mineral rights
January 18, 2021	611890 Alberta Inc.	250,000	Participation in developed and undeveloped mineral rights
January 22, 2021	611890 Alberta Inc.	50,000	Participation in developed and undeveloped mineral rights
February 20, 2011	611890 Alberta Inc.	20,000	Participation in developed and undeveloped mineral rights
March 8, 2021	611890 Alberta Inc.	(747,640)	Applied to 50% Acquisition of undeveloped mineral rights in March 2021 RFP
March 11, 2021	611890 Alberta Inc.	500,000	Participation in developed and undeveloped mineral rights
March 12, 2021	611890 Alberta Inc.	247,640	Participation in developed and undeveloped mineral rights
September 7, 2021	611890 Alberta Inc.	200,000	Participation in developed and undeveloped mineral rights
September 7, 2021	611890 Alberta Inc.	200,000	Cash Call – Sept 20, 2021
September 15, 2021	611890 Alberta Inc.	100,000	Cash Call – Sept 20, 2021
September 21, 2021	611890 Alberta Inc.	300,000	Cash Call – Oct 4, 2021
October 1, 2021	611890 Alberta Inc.	100,000	Participation in developed and undeveloped mineral rights
October 5, 2021	611890 Alberta Inc.	300,000	Participation in developed and undeveloped mineral rights
October 29, 2021	611890 Alberta Inc.	200,000	Participation in developed and undeveloped mineral rights
December 31, 2021	611890 Alberta Inc.	(515,863)	Capitalized expenditures incurred as at December 31, 2021

At year end the Independent Evaluation of the Acquisition prepared by the Company's QRE Deloitte LLP was determined to be on 10% discounted NPV of \$26.9 million. This evaluation was based on a Capital Commitment of \$ 14,300,000 for the drilling of in capital being allocated to the acquisition in 2022. At December 31, 2021, the Company had advanced \$1.587 million dollars in the Joint Venture with the Company posting closing expecting to be producing 700 boe/d (net) prior to the commencement of any additional activities or new drilling.

The advances will be used for the Company's participation in mineral rights pursuant to the Joint Venture Agreement dated January 1, 2020, between the Company and 611890 Alberta Inc. and expenditures related to the Acquisition dated June 14, 2021, between the Company and 611890 Alberta Inc.

#### ISSUED AND OUTSTANDING SHARE DATA AT THE REPORT DATE

At the Report date, the Company had the following securities outstanding:

	For the year ending December 31,			
	2021		2020	
	#	\$	#	\$
Common shares	35,651,341	10,569,147	13,056,290	7,092,087
Warrants	12,984,694	3,635,714	4,016,700	16,667
Compensation Options <sup>(4)</sup>	200,000	49,993	-	-

During the year ending December 31, 2021, the Company issued common shares of the Company as follows:

Date Issued	# Shares	\$/share	Gross Proceeds	Reason for issue
January 18, 2021	1,867,000	0.15	280,050	Private placement
January 18, 2021	500,000	0.20	100,000	Flow-through placement
February 2, 2021	670,000	0.30	201,000	For services
February 8, 2021	660,001	0.15	99,000	Private placement
March 9, 2021	3,833,333	0.15	575,000	Exchange of subscription receipts <sup>(1)</sup>
March 9, 2021	1,802,500	0.20	360,500	Exchange of subscription receipts <sup>(1)</sup>
March 31, 2021	793,062	0.05	39,653	Conversion of debenture interest <sup>(2)</sup>
March 31, 2021	95,344	.025	2,384	Conversion of debenture interest <sup>(2)</sup>
March 31, 2021	100,000	0.10	10,000	Conversion of debenture
May 6, 2021	1,753,333	0.25	438,333	Private placement
June 14, 2021	73,698	0.18	13,265	Conversion of debenture interest <sup>(3)</sup>
June 17, 2021	24,000	0.15	3,600	Conversion of broker warrants
June 23, 2021	103,100	0.15	15,465	Conversion of broker warrants
June 28, 2021	51,050	0.15	7,657	Conversion of broker warrants
July 7, 2021	150,000	0.25	37,500	Conversion of warrants
July 15, 2021	45,150	0.15	6,772	Conversion of warrants
August 19, 2021	100,000	0.10	10,000	Conversion of debenture
August 25, 2021	290,000	0.25	72,500	Private placement – first tranche
September 9, 2021	2,000,000	0.25	500,000	Private placement – second tranche
September 13, 2021	7,710,000	0.25	1,927,500	Private placement – third tranche
September 20, 2021	200,000	0.25	50,000	Private placement – final tranche
October 1, 2021	500,000	0.10	50,000	Conversion of debenture
November 12, 2021	250,000	0.10	25,000	Conversion of debenture
November 12, 2021	10,480	0.10	1,048	Conversion of debenture interest
<b>Total</b>	<b>23,582,051</b>		<b>4,826,227</b>	

**Notes:**

1. The Company exchanged the subscription receipts in the amount of \$935,500 pursuant to the November 5, 2020, Offering Memorandum as the condition for the shares being released was met by the completed listing of the Company on the Canadian Securities Exchange on March 5, 2021. As a result of this exchange, the Company issued 3,833,333 common shares of the Company at a price of \$0.15 and 1,802,500 flow-through shares of the Company at a price of \$0.20.
2. The debenture agreements provide for the holder to convert to shares priced in accordance with the conversion price as determined in each debenture
3. The debenture agreement provides for the holder of each debenture to convert outstanding interest at a price equivalent to the ten-day Weighted Volume Average Price at the date of conversion.
4. On October 14, 2021, the company signed an Agency Agreement with an unrelated party that provides for the issuance of Compensation Options that will entitle the holder to purchase 200,000 Common Shares of the Company at a price of \$0.35, expiring October 14, 2024.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any special purpose entities, nor is it a party to any transactions or arrangements that would be excluded from the statement of financial position.

**COMMITMENTS**

The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian Development or Canadian Renewable Conservation Expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusal of certain expenses by tax authorities would have negative consequences for investors. On December 31, 2021, the Company had met all of its obligation to incur eligible expenses pursuant to the terms of the flow-through shares financing. A total of \$515,893 was spent development expenditures from which \$495,500 has been renounced to shareholders holding flow-through shares.

**COMPENSATION OF KEY MANAGEMENT PERSONNEL AND RELATED PARTIES**

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of a member of the Company's Board of Directors, corporate officers, and special advisory personnel.

The Company incurred the following transactions with directors and key management personnel during the year ended December 31,

	<b>2021</b>	<b>2020</b>
	\$	\$
Management and consulting fees	202,725 <sup>(1,2)</sup>	340,773
Interest payable on a promissory note	6,632 <sup>(2)</sup>	-
Legal costs	218,936 <sup>(3)</sup>	122,681
Convertible secured debenture	500,000 <sup>(4)</sup>	500,000
Joint venture receivables	158,565 <sup>(5)</sup>	-
Advances	1,586,601 <sup>(6)</sup>	-

<sup>(1)</sup> A total of \$89,163 was owed to various related parties on December 31, 2021.

<sup>(2)</sup> On September 15, 2020, the Company issued promissory notes bearing interest at 5% compounded semi-annually in the amount of \$217,195 maturing on September 15, 2022, in settlement of debt with a company of which an officer of the Company is also a director. On December 31, 2021, the balance due on the promissory notes is \$67,429.

- (3) A partner in the company's legal firm is also a director of the Company. For the year ended December 31, 2021, legal expenses and share issuance cost related charges totaled \$218,936. Amount owed to the legal firm on December 31, 2021, was \$78,648.
- (4) On September 30, 2019, the Company entered into an Asset Purchase Agreement for the acquisition of a 50% non-operating in 50% interest in a producing oil and gas property with 611890 Alberta Inc. by issuing a \$500,000 convertible secured debenture bearing and interest rate of 5% compounded semi-annually with an asset acquisition between Avila Energy Corporation. ("AEC" or the "Company") and Avila Exploration & Development Canada LTD. ("Avila") whereby AEC will acquire a non-operating interest of fifty percent (50%) interest into a producing oil & gas property with a current NI 51-101- *Standards of Disclosure for Oil and Gas Activities* compliant Technical Report, as more fully described in Schedule A hereto (the "Property") by issuing a \$500,000 convertible debt instrument in the share capital of Petro to Avila.
- (5) The director of the Company is also a director of the joint venture partner 611890 Alberta Inc.
- (6) Funds have been advanced in respect to a joint venture agreement with 611890 Alberta Inc. having a common director with the Company.

## CHANGES IN ACCOUNTING POLICIES

The same accounting policies used in the preparation of the Financial Statements is the same as those used in the most recent audited annual financial statements and in the opinion of management reflects all the adjustments considered necessary for the fair presentation in accordance with IFRS of the result of the years presented.

## FINANCIAL INSTRUMENTS

On December 31, 2021, the Company's financial instruments consist of cash, other receivables, accounts payable and accrued liabilities, due to related parties, and convertible debenture liabilities. IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of hierarchy are:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

As of December 31, 2021, the Company believes that the carrying values of other receivables, accounts payable and accrued liabilities, and due to related parties approximate their fair values because of their nature and relatively short maturity dates or durations.

## RISK FACTORS AND UNCERTAINTIES

Avila Energy Corporation continues to work towards becoming a carbon neutral energy producer based in Calgary Alberta. To attain this goal, the Company initially acquired a 50% non-working interest in a property located in Western Alberta consisting of production, pipelines, facilities and approximately 1,280 acres of developed surface and mineral leases in December 2019. An additional undeveloped property consisting of 3,840 acres was acquired during the first quarter of 2021. The proved and probable reserves are estimated to be \$3,801,600 (according to the independent evaluation report provided by Deloitte, LLP dated December 31, 2021).

Avila Energy Corporation is exposed to several risks in the normal course of its business that have the potential to affect its operating performance. The Company's risk exposures and the impact of the Company's financial instruments are summarized in Note 14 of the December 31, 2021, Condensed Audited Financial Statements.

## Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

### a. Interest risk

The Company does not have any current term debt or cash equivalents. Therefore, the Company believes it is not exposed to interest risk.

### b. Foreign currency risk

The Company conducts its activities in Canada with Canadian dollars. Therefore, the Company believes it is not exposed to any foreign currency risk.

### c. Price risk

The Company has exposure to price risk with regards to commodity prices. Commodity price risk is the risk that future cash flows will fluctuate as a result in commodity prices. Commodity prices for oil, and gas and liquids are impacted by world and continental/regional economic and other events that dictate the level of supply and demand.

Regarding the Company's oil and gas revenues, management has based the gross profit variances on the revenues in the last 12 months (*see Summary of Quarterly Results*).

## CORONAVIRUS (COVID-19)

Since March 2020, several governmental measures have been implemented in Canada and the rest of the world in response to the coronavirus (COVID-19) pandemic. While the impact of COVID-19 and these measures are expected to be temporary, the current circumstances are dynamic. Workforces, economies, and financial markets have all been significantly affected. As at the date of this Report, it is not possible for the Company to determine the effects of the pandemic on the Company's business or operations in the ensuing year, nor predict the duration, impact, or magnitude of the pandemic in the future. The Company continues to operate its business and adheres to Canadian Federal and Provincial emergency measures as those are developed. The Company continues to evaluate and adjust its operation activities accordingly.

## RELIANCE ON KEY PERSONNEL

The Company relies on a relatively small number of directors, officers, and senior personnel. Loss of any one of those persons could have an adverse effect on the Company. The Company does not currently maintain "key employee" insurance in respect of any of its senior management.

## SELECTED ANNUAL INFORMATION

The following table provides a summary of the Company's financial operations. For more detailed information refer to the financial statements.

	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
	\$	\$	\$
Total net revenue	150,171	-	-
Total other items	(102,620)	(159,747)	84,692
Loss before income taxes	1,415,186	948,707	200,934
Basic and diluted earnings (loss) per share	(0.06)	(0.10)	(0.01)
Comprehensive income (loss)	(1,415,186)	(948,707)	(175,813)
Total assets	4,583,826	2,679,028	1,065,473
Working capital (deficit)	1,835,527	211,461	(299,152)

## SUMMARY OF QUARTERLY RESULTS

Selected quarterly information for the eight most recently completed quarters is presented below in Canadian currency (\$), and in accordance with the International Financial Reporting Standards (“IFRS”).

Reporting Period	Q4 – 2021 December 31	Q3 – 2021 September 30	Q2 – 2021 June 30	Q1 – 2021 March 31
Total assets	4,583,826	\$4,732,866	2,829,143	2,929,359
Property and equipment	837,875	773,011	773,011	773,011
Exploration and evaluation assets	1,537,296	281,600	281,600	281,600
Working capital (deficit)	1,835,527	2,277,030	323,334	(204,063)
Equity	2,677,747	3,222,363	1,186,714	587,066
Total revenues (net)	38,876	59,152	46,762	5,381
Gross revenues <sup>(1)</sup>	90,457	109,182	82,688	19,013 <sup>(1)</sup>
Oil and condensates per boe/d	0.28	0.48	0.37	0.11
Natural gas and liquids per mcf/d	119.2	292.4	236.1	42.1
Revenue per BOE	47.85	23.89	22.44	29.32 <sup>(1)</sup>
Production costs	72,748	22,890	17,524	3,177 <sup>(1)</sup>
Total other items	(429,476)	-	326,856	-
Operating expenses	659,753	269,150	302,673	231,161
Income (loss) before income taxes	(1,280,237)	(14,307)	100,324	(220,966)
Basic and diluted income (loss) per share	(0.06)	(0.01)	0.00	(0.01)

### Notes:

- The Company’s 50% interest in revenues commenced March 2021.

Reporting Period	Q4 – 2020 December 31	Q3 – 2020 September 30	Q2 – 2020 June 30	Q1 – 2020 March 31
Total assets	2,679,028	1,424,418	1,178,142	1,069,384
Property and equipment	773,011	773,011	773,011	773,011
Exploration and evaluation property	281,600	281,600	281,600	281,600
Working capital (deficit)	(211,461)	(88,374)	(160,454)	(296,704)
Equity	(548,742)	(208,855)	(393,622)	(219,872)
Total revenues (net)	-	-	-	-
Gross revenues	-	-	-	-
Oil and condensates per M3/d	-	-	-	-
Natural gas and liquids E3M3/d	-	-	-	-
Revenue per BOE	-	-	-	-
Production costs	-	-	-	-
Total other items	(159,747)	-	-	11,786
Operating expenses	473,067	107,807	173,748	34,338
Income (loss) before income taxes	(368,895)	(36,488)	(173,748)	(22,552)
Basic and diluted income (loss) per share	(0.10)	(0.01)	(0.01)	(0.00)



In the event of an increase or decrease in the unit prices, the effects on gross revenue of \$301,340 based on the year ended December 31, 2021, would be as follows:

Product	Total production (BOE)	Price per BOE \$	Change in unit price \$	Increase / (Decrease) \$
Oil and condensates (bbls)	113.31	\$68.99	\$1.00 / BOE	113 / (113)
Natural gas and liquids (mcf)	10,687.7	\$27.48	\$1.00 / BOE	10,688 / (10,688)
<b>Total effect on gross profit</b>				<b>10,801/ (10,801)</b>

Production per Quarter	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Oil and condensates (boe)	25.7	43.9	34.0	9.7	Nil	Nil	Nil	Nil
Natural gas and liquids (mcf)	11,189.0	27,160.2	21,943.7	3,833.7	Nil	Nil	Nil	Nil
Total (BOE)	1,890.5	4,570.6	3,691.3	648.54	0.0	0.0	0.0	0.0

A barrel of oil equivalent (BOE) is determined by converting a volume of natural gas to barrels using the ratio of six (six) mcf to one (1) barrel. BOEs may be misleading, particularly if used in isolation.

#### LIQUIDITY, FINANCIAL CONDITION AND GOING CONCERN

The Company's cash and cash equivalents are comprised of bank deposits. On December 31, 2021, the Company had cash, amounts receivable, prepaid expenses, and short-term advances in the amount of \$2,208,655. Accounts payable and accrued liabilities in the amount of \$305,699 are due On January 31, 2022. Promissory note with a fair value of \$67,429 is due on September 15, 2022, to a related party. On December 31, 2021, the Company had a working capital of 1,835,527 (December 31, 2020 - \$211,461).

#### SUBSEQUENT EVENTS

There are no subsequent events to report as of December 31, 2021.

#### DIRECTORS AND OFFICERS

Leonard Van Betuw, President and Chief Executive Officer, and Director

Kyle Appleby, Director

Thomas Valentine, Director

Daniel Lucero, Director

Michel Lebeuf, Corporate Secretary and Director

Lars Glimhagen, Chief Financial Officer



**Form 51-102F1**  
**Management's Discussion and Analysis**  
**For the Twelve Months Ended December 31, 2020 and 2019**

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## GENERAL

This Management's Discussion and Analysis ("MD&A" or "Report") of the financial condition of Petro Viking Energy Inc. ("Petro Viking" or the "Company") and results of operations of the Company for the year ended December 31, 2020 has been prepared by management in accordance with the requirements under National Instrument 51-102 as at April 30, 2021 (the "Report Date"). The Report should be read in conjunction with the audited financial statements including notes thereto for the years ended December 31, 2020 and 2019 (collectively, the "Financial Statements"). The Financial Statements are presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and Petro Viking's accounting policies as described in the notes to the Financial Statements. All dollar amounts in the Report are in Canadian dollars unless otherwise noted.

The Financial Statements, together with the MD&A, are intended to provide investors with a reasonable basis for assessing the performance and potential future performance of the Company and are not necessarily indicative of the results that may be expected in future periods. The information in the MD&A may contain forward looking statements by the Company are not guarantee of future performance, as they are subject to significant risks and uncertainties that may cause projected results or events to differ materially from actual results or events. Please refer to the risks and cautionary notices of this MD&A.

Additional information about the Company and its business activities is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## FORWARD LOOKING INFORMATION

Some statements contained in this MD&A constitute forward looking statements including, without limitation, anticipated developments in the Company's operations in future periods and other events or conditions that may occur in the future. These statements are about the future and are inherently uncertain and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those mentioned herein under heading "RISKS AND UNCERTAINTIES". Management believes that the expectations reflected in those statements are reasonable but no assurance can be given that these expectations will prove to be correct. It is recommended not to place undue reliance on forward looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company undertakes to update any forward looking information should the material factors or assumptions change resulting in a material change to the statements made.

## OVERALL PERFORMANCE

### Business Description

The Company is reporting company registered in Alberta under the Business Corporations Act and has its records and principal address located at 5940 Macleod Trail, Suite 500, Calgary, Alberta.

Petro Viking is an energy company based and operating in the province of Alberta, Canada with a goal to becoming an integrated energy company. In 2019 the Company acquired a 50% non-working interest west Central Alberta from a private company, consisting of production, pipelines, facilities and approximately 1,280 acres (net) of developed surface and mineral leases. This acquisition is described in Note 6 of the audited Financial Statements at December 31, 2020.

The Company has not generated any income for the twelve months ending December 31, 2020.

For the twelve months ended December 30, 2020, operating costs increased to \$788,960 from \$285,626 in the same period last year. Generally, expenditures for consulting and professional fees have increased as a result of financing activity and filing an application for listing on the Canadian Stock Exchange. Financing is also ongoing for the Company's contribution to non-operated working interest in property to provide the Company with revenue streams.

### **Highlights During the Year**

In March 2020, the World Health Organization declared the coronavirus (COVID-19) a global pandemic. Workforces, economies and financial markets have all been significantly affected. As at the date of this Report, it is not possible for the Company to determine the effects of the pandemic on the Company's business or operations during the year ended December 31, 2020, nor to predict the duration or magnitude of the pandemic in the ensuing year.

### **Share Consolidation**

The Company's shareholders at the Annual General Meeting held on August 4, 2020, the Consolidation of the shares in the Company's capital was consolidated on the basis of two pre-consolidated shares for one post-consolidated share. Following the consolidation, the total issued and outstanding common shares of the Company was 8,960,889. All the information relating to securities and per share amounts in the Financial Statements and this Report have been adjusted retrospectively to reflect the share consolidation.

### **Securities Transactions during the Year**

- On January 8, 2020 the Company issued 83,334 common shares at \$0.30 per unit (one share and one-half warrant) in a private placement with \$2,500 paid in cash as a finder's fee.
- On July 7, 2020 the Company closed a private placement for gross proceeds of \$400,000 by issuing an unsecured convertible debenture bearing interest rate at 10% and 400 (pre-Consolidation) warrants. Each warrant entitles the holder to purchase 10,000 common shares in the capital of the Company at a price of \$0.125 (pre-Consolidation) per share for a period of

Announced		August 17, 2020		
Closing Date		November 5, 2020		
Date of Issuance of Securities		November 5, 2020		
Gross Proceeds	\$287,500	\$575,000	\$360,500	\$1,223,000
Shares Issued	1,916,666	3,833,333	1,802,500	7,552,499
Warrants Issued	958,333	1,916,667	-	2,875,000
Warrant Exercise Price	\$0.20	\$0.20	\$0.20	
Warrant Expiry Date		November 5, 2022		
Broker Fees - Cash	\$42,690	\$39,375	\$24,685	\$106,750
• Broker Warrants	-	460,000	144,200	604,200
Broker Warrant Exercise Price	-	\$0.15	\$0.15	
Broker Warrant Expiry Date		November 5, 2023		

IN

November 5, 2020 the Company closed a private placement a brokered private placement for total gross proceeds of \$1,223,500, pursuant to which it issued units ("Units") and Sub Receipts, comprised of common shares ("CMS"), flow-through shares ("FTS") and warrants, and paid broker's fees in cash, and warrants as follows:

- Related to the raise mentioned above, the Company issued 460,000 subscription A broker units warrants convertible at \$0.15 for a period of 3 years per unit into one (1) common share and one-half (1/2) warrant convertible into shares at a price of \$0.20 for a 3 year period starting at the date of the initial issuance of broker unit warrants.
- Related to the raise mentioned above, the Company issued 144,200 subscription B broker units warrants convertible at \$0.15 for a period of 3 years per unit into one (1) common share.
- Total value of the broker warrants issued is \$62,230. The portion relating to the units issued by the December 31, 2020 year-end, \$17,021, was recorded to share issuance cost, while the portion relating to subscription receipts, \$45,209, was recorded to prepaid expense and other assets.
- Related to the raise mentioned above, the Company has incurred \$160,998 of direct share issuance costs which a portion related to units issued, \$42,674, were recorded to share issuance while the portion related to subscription receipts, \$118,324, are considered to be prepaid expense and other assets as the Company has not issued any units at the end of the period.
- On December 15, 2020, the Company issued 350,000 common shares of the Company at \$0.15 per share for gross proceeds of \$52,500. Also on that date, the Company received a subscription for 67,000 common shares at \$0.15 per share for gross proceeds of \$10,050. These shares were issued after the year-end. The Company paid \$6,200 cash in commission.
- On December 21, 2020, the Company issued 333,334 common shares of the Company at \$0.15 per share for gross proceeds of \$50,000.
- On December 23, 2020, the Company issued 333,333 common shares of the Company at \$0.15 per share for gross proceeds of \$50,000 and 175,000 flow-through shares at \$0.20 per share for gross proceeds of \$35,000. Also on that date, the Company received a subscription for 250,000 flow-through shares at \$0.20 per share for gross proceeds of \$50,000, these shares were issued after year-end. The flow-through shares were issued at a premium of \$0.05 per share to the most recent raise by the Company. The premium was recognized as a liability of \$21,250.
- On June 1, 2020, the Company entered into consulting agreement where the Company was required to issue 20,000 shares in June 2020, July 2020, August 2020, September 2020, October 2020 and November 2020 for a cumulative of 120,000 shares. On signing of the agreement, the Company was required to issue 550,000 common shares and 412,500 warrants at an exercise price of \$0.20 for a term of 3 years. These shares and warrants were formally issued after the year-end

**ISSUED AND OUTSTANDING SHARE DATA AT THE REPORT DATE**

At the Report date, the Company had the following securities outstanding:

			<u>#</u>
Common shares			22,295,185
	<u>Expiry date</u>	<u>\$/sh</u>	<u>#</u>
Warrants	July 6, 2021	0.40	41,667
	November 5, 2022	0.20	2,874,998
	June 1, 2023	0.40	412,500
	July 7, 2023	0.13	2,000,000
	November 5, 2023	0.15	<u>604,200</u>
			5,933,365
			<u>28,228,550</u>

On August 25, 2020 the Company had a share consolidation on a 2:1 basis. All disclosure of shares in the Management Discussion and Analysis is on a post-consolidated basis.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any special purpose entities, nor is it a party to any transactions or arrangements that would be excluded from the statement of financial position.

**COMMITMENTS**

On June 1, 2020, the Company entered into a 24-month term consulting agreement where it is to compensate the consultant \$6,000 per month. The consulting fee was settled with 120,000 shares for the initial 6 months.

On December 1, 2020, the Company entered into a 6-month term consulting agreement where it is to compensate the consultant \$22,500 per month.

The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian Development or Canadian Renewable Conservation expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusal of certain expenses by tax authorities would have negative consequences for investors. As of December 31, 2020, the Company has an obligation to incur \$445,500 of eligible expenses pursuant to the terms of the flow-through shares financing.

**COMPENSATION OF KEY MANAGEMENT PERSONNEL**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of a member of the Company's Board of Directors, corporate officers and special advisory personnel.

The Company incurred the following transactions with directors and key management personnel during the twelve months ended December 31, 2020 and 2019.

	<b>2020</b>	<b>2019</b>
	\$	\$
Management fees	54,910	56,000
Consulting fees	286,613	77,825
	<b>340,773</b> <sup>(1)(2)</sup>	<b>133,825</b>

<sup>(1)</sup> A total of \$93,903 was owed to various parties at December 31, 2020.

<sup>(2)</sup> On September 15, 2020 the Company issued promissory notes bearing interest at 5% compounded semi-annually in the amount of \$217,195 maturing on September 15, 2022 in settlement of debt.

A partner in a legal firm is also a director of the Company. For the year ended December 31, 2020, legal expense and share issuance cost related charges totaled \$118,280 (2019 - \$59,016). Amounts owed to the legal firm at December 31, 2020 were \$132,409 (2019 - \$97,199) and were included in accounts payable and accrued liabilities.

## **CHANGES IN ACCOUNTING POLICIES**

The same accounting policies used in the preparation of the Financial Statements is the same as those used in the most recent audited annual financial statements and in the opinion of management reflects all the adjustments considered necessary for the fair presentation in accordance with IFRS of the result of the interim periods presented.

## **FINANCIAL INSTRUMENTS**

As at December 31, 2020, the Company's financial instruments consist of cash, other receivables, accounts payable and accrued liabilities, due to related parties, and convertible debenture liabilities. IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of hierarchy are:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

As at December 31, 2020, the Company believes that the carrying values of other receivables, accounts payable and accrued liabilities, and due to related parties approximate their fair values because of their nature and relatively short maturity dates or durations.

## **RISK FACTORS AND UNCERTAINTIES**

Petro Viking is a Carbon Neutral Energy Producer based and operating in the province of Alberta. To attain this goal, the Company has acquired a 50% non-working interest in a property located in Western Alberta consisting of production, pipelines, facilities and approximately 1,280 acres of developed surface and mineral leases in December 2019. An additional undeveloped property consisting of 3,840 acres was acquired during the first quarter of 2021. Petro Viking's proven and undeveloped lands are anticipated to result in approximately 2,000,000 BOE (net) beginning in the



first quarter of 2021.

Petro Viking is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. The Company's risk exposures and the impact of the Company's financial instruments are summarized below:

***Credit Risk***

The Company's credit risk is primarily attributable to cash. The maximum exposure of credit risk is best represented by the carrying amount of the financial instruments. The Company considers credit risk negligible as cash is held in reputable financial institutions.

***Liquidity Risk***

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis. At December 31, 2020, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

***Market Risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates. The Company has no interest-bearing assets and only fixed interest debts and considers the market risk negligible.

***Additional Financing***

As there is no revenue generated from operations, the Company relies on the equity and debt financing to pursue business opportunities. Failure to obtain such financing could result in delay or the ability to complete proposed business opportunities.

***Coronavirus (COVID-19)***

Since March 2020, several governmental measures have been implemented in Canada and the rest of the world in response to the coronavirus (COVID-19) pandemic. While the impact of COVID-19 and these measures are expected to be temporary, the current circumstances are dynamic. Workforces, economies and financial markets have all been significantly affected. As at the date of this Report, it is not possible for the Company to determine the effects of the pandemic on the Company's business or operations in the ensuing year, nor predict the duration, impact or magnitude of the pandemic in the future. The Company continues to operate its business, and adheres to Canadian Federal and Provincial emergency measures as those are developed. The Company continues to evaluate and adjust its operation activities accordingly.

***Reliance on Key Personnel***

The Company relies on a relatively small number of directors, officers and senior personnel. Loss of any one of those persons could have an adverse effect on the Company. The Company does not currently maintain "key employee" insurance in respect of any of its senior management.

## SELECTED ANNUAL INFORMATION

Year ended	Net loss \$	Loss per share \$	Total assets \$	Non-current liabilities \$
December 31, 2020	948,707	0.10	2,679,028	2,214,454
December 31, 2019	175,813	0.02	1,065,473	310,014
December 31, 2018	269,590	0.18	13,403	1,269,860

## SUPPLEMENTAL QUARTERLY INFORMATION

Selected quarterly information for the eight most recently completed quarters is presented below in Canadian currency (\$), and in accordance with the International Financial Reporting Standards (“IFRS”).

Reporting Period	Q4 – 2020 December 31	Q3 – 2020 September 30	Q2 – 2020 June 30	Q1 - 2020 March 31
Net Income/(Loss)	(626)	\$000's (36)	\$000's (264)	\$000's (23)
	\$	\$	\$	\$
Income/loss per share	(0.10)	(0.00)	(0.02)	(0.01)

Reporting Period	Q4 – 2019 December 31	Q3 – 2019 September 30	Q2 – 2019 June 30	Q1 - 2019 March 31
Net Income/Loss	\$000's 37	\$000's (38)	\$000's (96)	\$000's (79)
	\$	\$	\$	\$
Income/loss per share	(0.01)	(0.01)	(0.02)	(0.01)

## LIQUIDITY, FINANCIAL CONDITION AND GOING CONCERN

The Company’s cash and cash equivalents are comprised of bank deposits. At December 31, 2020, the Company had cash of \$136,072. Accounts payable and accrued liabilities of \$426,308 are due in the first quarter of 2021 fiscal year. At December 31, 2020, the Company had a working capital deficit of 590,037 (December 31, 2019 working capital deficit of \$299,152). The working capital deficit at December 31, 2020 includes a derivative liability of \$801,499.

The Company does not have commercial production on any of its non-working interests in oil and gas properties as at December 31, 2020. Production of oil and gas on these properties are expected to generate revenue in the first quarter of 2021 fiscal year. The wells included in the property have been shut-in by the operator of the joint venture partner until the Company is in a financial position to participate in the operation of the wells. To achieve this position, the Company has completed a number of offering and is now in a position to participate in the joint venture operation.

## SUBSEQUENT EVENTS

Please refer to note 20 of the audited financial statements.

## DIRECTORS AND OFFICERS

Greg Doucette, Chief Executive Officer

Lars Glimhagen, Chief Financial Officer

Michel Lebeuf, Corporate Secretary and Director

Thomas Valentine, Director  
Daniel Lucero, Director  
Kyle Appleby, Director

**Management's Discussion and Analysis**  
**For the Twelve Months Ended December 31, 2019 and 2018**

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Petro Viking Energy ("PVE" or "the Company") and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the Company's audited financial statements related notes thereto for the twelve month ended December 31, 2019 and 2018.

The effective date of this MD&A is June 19, 2020.

Additional information about the Company and its business activities is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **FORWARD LOOKING INFORMATION**

Some statements contained in this MD&A constitute forward looking statements including, without limitation, anticipated developments in the Company's operations in future periods and other events or conditions that may occur in the future. These statements are about the future and are inherently uncertain and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those mentioned herein under heading "RISKS AND UNCERTAINTIES". Management believes that the expectations reflected in those statements are reasonable but no assurance can be given that these expectations will prove to be correct. It is recommended not to place undue reliance on forward looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company undertakes to update any forward looking information should the material factors or assumptions change resulting in a material change to the statements made.

## **DESCRIPTION OF THE COMPANY**

Petro Viking Energy Inc. ("Petro Viking" or the "Company") is incorporated under the laws of the province of Alberta with shares previously listed on the TSX Venture Exchange.

The records office and principal address is located at 5940 Macleod Trail, Suite 500, Calgary, Alberta, T2H 2G4.

On May 8, 2015, the Executive Director of the British Columbia Securities Commission ("BCSC") issued an order (the "Cease Trade Order" or "CTO") under section 164(1) of the Securities Act, R.S.B.C. 1996, c. 418 (the "Act") that all trading in securities of the Company cease until it files the required records referred to in the Order. On January 30, 2019, the Executive Director ordered the cease trade order be revoked under section 171 of the Act.

The company completed a business acquisition which is described in on Note 4 of the audited financial statements

## **BASIS OF PRESENTATION**

The annual audited financial statements referred to above, including comparatives, and the financial data presented in the MD&A are in Canadian dollars which is also the Company's functional currency.

## RESULTS OF OPERATIONS

The Company has not generated any income for the twelve months ending December 31, 2019.

For the twelve months ended December 31, 2019, operating costs increased to \$285,803 from \$269,590 in the same period last year. Generally, expenditures for consulting and audit fees have increased as a result of increased activity in bringing the Company in good standing with the regulatory agencies, including the filing of delinquent disclosures as required by the BCSC. This entailed significant time spent on preparing draft financial reports, auditing of the most recent yearend financial statements and filing the completed reports on SEDAR.

1. Management and consulting fees increased to \$ 132 705 from \$103,000 in the same period last year mainly attributable to the Company's Chief Executive Officer ("CEO") of \$56,000 and to Company's Chief Financial Officer ("CFO") of \$61,705. On October 13, 2019 the previous CEO resigned from the Company's Board of Directors. The current CEO resigned as the Company's CFO and the current CFO was appointed to fill the vacancy as a result of the previous CFO's resignation.
2. Professional fees decreased by \$66,782 from \$136,555 in the same period as last year. These costs relate primarily to audit and legal fees. The \$136,554 was a result of bringing the financial records up to date and the audit of the annual financial statements as a requirement to have the CTO revoked.
3. Administrative costs increased to \$4,499 from 293 nil in the same period as last year as a result of increased activity during the year.
4. Interest charges decreased to \$ 55,713 from \$99,573 in the period as last year as a result of converting related party overdue liabilities to long term debt, and the re-negotiating of the debenture in favor of a company controlled by a former director of the company.

## ISSUED AND OUTSTANDING SHARE DATA

	December 31, 2019		December 31, 2018	
	Number	Amount	Number	Amount
		\$		\$
Balance, beginning of year	3,025,978	5,455,426	3,325,978	5,455,426
Issued shares	14,723,133	1,207,656	-	-
Balance, end of year	17,755,111	6,663,083	3,025,978	5,455,426

As a result of shareholder approval at the Company's Annual General Meeting held on April 8, 2019, the shares have been consolidated on a 10:1 basis resulting in 3,625,971 post-consolidated shares outstanding as at April 25, 2019. All reference to number of shares in this document are post consolidation unless otherwise specified.

On January 31, 2019 there were 3,000,000 pre-consolidated shares issued related to settlement of debenture at \$0.05 (non-diluted) per share.

In June 2019, the Company issued 9,573,661 shares of the Company at \$0.05 per share for partial settlement of debenture and full conversion of promissory notes.

In August 2019, the Company issued 250,000 shares of the Company at \$0.05 per share for partial settlement of debenture.

In September 2019, the Company issued 1,500,000 shares of the Company at \$0.10 per share for partial settlement of debenture.

In September 2019, the Company issued 1,980,472 shares of the Company at \$0.10 per share for full settlement of debenture. As the debt holders were acting in their capacity as shareholders, a shareholder benefit was recognized as a reduction of share capital of \$47,824

In September 2019, the Company issued 525,000 shares of the Company at \$0.15 per share for the settlement of accrued management fees.

In November 2019, the Company issued 150,000 shares of the Company at \$0.15 per share for the settlement of accrued management fees.

In November 2019, the Company issued 150,000 shares of the Company at \$0.10 per share for consulting services.

In November 2019, 500,000 shares of the Company were cancelled at \$0.05 per share and were reissued at the same price in December 2019.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2019 the Company had \$1,315 in cash in bank, and \$2,047 in input tax it receivables (GST).

At December 31, 2019, the Company has a working capital deficit of \$299,152 comprised of the following:

	\$
Cash	1,315
Sales taxes receivable	2,047
Prepaid expenses	7,500
Accounts payable and accrued liabilities	(310,014)
	<u>(299 152)</u>

The Company's ability to continue as a going concern is dependent upon its ability to close a qualifying transaction) and obtain additional financing which will allow for settlement of debts as detailed above and to have future operations. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain financing in the future.

These factors indicate the existence of a material uncertainty regarding the ability of the Company to continue as a going concern.

## FINANCIAL INSTRUMENTS

Refer to Note 3(g) of the financial statements for the twelve months ended December 31, 2019 and 2018 regarding the Company's financial instruments.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any special purpose entities, nor is it a party to any transactions or arrangements that would be excluded from the statement of financial position.

## **RELATED PARTY TRANSACTIONS**

Refer to note 12 of the financial statements for the twelve months ended December 31, 2019 and 2018 for related party information.

## **CRITICAL ACCOUNTING ESTIMATES**

The Company's significant accounting judgements and estimates are described in note 3(i) to the annual audited financial statements for the year ended December 31, 2019 and 2018.

## **CHANGES IN ACCOUNTING POLICIES**

The changes to the accounting policies are described in Note 3 (o) to the financial statements.

## **RISKS AND UNCERTAINTIES**

Petro Viking is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. The Company's risk exposures and the impact of the Company's financial instruments are summarized below:

### ***Credit Risk.***

The Company's credit risk is primarily attributable to cash. The maximum exposure of credit risk is best represented by the carrying amount of the financial instruments. The Company considers credit risk negligible as cash is held in reputable financial institutions.

### ***Liquidity Risk***

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis. At December 31, 2019, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

### ***Market Risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates. The Company has no interest-bearing assets and only fixed interest debts and considers the market risk negligible.

### ***Going Concern***

To date, the Company has not achieved a sustainable stream of revenue. There can be no assurance that significant additional losses will not occur in the near future, or that the Company will be profitable in the future. In particular, the Company's operating expenses and capital expenditures are likely to increase significantly.

The Company expects to continue to incur losses until such time a sustainable revenue source can be developed. There can be no assurance that the Company will generate any revenues or achieve profitability.



### ***Additional Financing***

As there is no revenue generated from operations, the Company relies on the equity and debt financing to pursue business opportunities. Failure to obtain such financing could result in delay or the ability to complete proposed business opportunities.

### ***COVID-19***

Refer to note 15 of the financial statements for the twelve months ended December 31, 2019 and 2018 for COVID-19 information.

## **SUPPLEMENTAL QUARTERLY INFORMATION**

Selected quarterly information for the eight most recently completed quarters is presented below in Canadian currency (\$), and in accordance with the International Financial Reporting Standards (“IFRS”).

Reporting Period	2019			
	Q4 – 2019	Q3 – 2019	Q2 – 2019	Q1 – 2019
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
	\$000's	\$000's	\$000's	\$000's
Revenue	-	-	-	-
Management fees	32	9	9	6
Professional fees	14	3	33	17
Interest expense	(58)	76	17	21
	\$	\$	\$	\$
Income/loss per share		(0.01)	(0.01)	(0.01)

Reporting Period	2018			
	Q4 – 2018	Q3 – 2018	Q2 – 2018	Q1 – 2018
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
	\$000's	\$000's	\$000's	\$000's
Revenue	-	-	-	-
Management fees	84	19	-	-
Professional fees	32	29	-	-
Interest expense	26	25	24	28
	\$	\$	\$	\$
Income/loss per share	(0.05)	(0.03)	(0.01)	(0.00)

## **SUBSEQUENT EVENTS**

Please refer to note 15 of the audited financial statements

## **DIRECTORS AND OFFICERS**

Lars Glimhagen, Chief Executive Officer

Robert Rosner, Chief Financial Officer and Director

Michel Lebeuf, Corporate Secretary and Director

Thomas Valentine, Director

Daniel Lucerno,



**Avila Energy Corporation**

**Form 51-102F1  
Amended Management's Discussion and Analysis  
For The Three Months Ended March 31, 2022 and 2021**

## GENERAL

Management's Discussion and Analysis ("MD&A" or "Report") of the financial condition of Avila Energy Corporation. ("Avila" or the "Company") and results of operations of the Company for the three months ended March 31, 2022, has been prepared by management in accordance with the requirements under National Instrument 51-102 as of May 27, 2022 (the "Report Date"). The Report should be read in conjunction with the Condensed Audited Financial Statements for the years ended December 31, 2021, and 2020 (collectively, the "Financial Statements"). The Financial Statements are presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and Avila's accounting policies as described in the notes to the Financial Statements. All dollar amounts in the Report are in Canadian dollars unless otherwise noted.

This MD&A has been prepared by management and approved by the Board of Directors on May 27, 2022.

The Financial Statements, together with the MD&A, are intended to provide investors with a reasonable basis for assessing the performance and potential future performance of the Company and are not necessarily indicative of the results that may be expected in future periods. The information in the MD&A may contain forward looking statements by the Company are not guarantee of future performance, as they are subject to significant risks and uncertainties that may cause projected results or events to differ materially from actual results or events. Please refer to the risks and cautionary notices of this MD&A.

Additional information about the Company and its business activities is available on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A has been amended and refiled on June 20, 2022.

## FORWARD LOOKING INFORMATION

Some statements contained in this MD&A constitute forward looking statements including, without limitation, anticipated developments in the Company's operations in future periods and other events or conditions that may occur in the future. These statements are about the future and are inherently uncertain and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties, and other factors, including, without limitation, those mentioned herein under heading "RISKS AND UNCERTAINTIES". Management believes that the expectations reflected in those statements are reasonable, but no assurance can be given that these expectations will prove to be correct. It is recommended not to place undue reliance on forward looking statements as the plans, intentions, or expectations upon which they are based might not occur. The Company undertakes to update any forward-looking information should the material factors or assumptions change resulting in a material change to the statements made.

For the purposes of calculating unit revenues and costs, natural gas is converted to a barrel of oil equivalent (BOE) using six thousand cubic feet equal to one BOE unless otherwise stated. A BOE is a very approximate comparative measure that, in some cases, could be misleading if used in isolation.

## DESCRIPTION OF BUSINESS

The Company is reporting company registered in Alberta under the Business Corporations Act and has its records and principal address located at 5940 Macleod Trail, Suite 500, Calgary, Alberta.

On December 3, 2021, the Company changed its name to Avila Energy Corporation, formerly known as Petro Viking Energy Inc.

On March 17, 2021, the Company completed the acquisition of mineral rights that resulted in the Company holding a 50% interest in 7,680 acres of mineral rights, (3,840 acres net) within its currently held mineral rights in West Central Alberta. Upon the completion of this acquisition in the 4<sup>th</sup> quarter of 2021 the Company advanced its evaluation of the assets, identifying an additional 15 possible drilling locations of which 5 locations (2.5 Net) have been booked, increasing significantly both Proven and Probable reserves. The Gross Purchase Price was \$285 per acre, with the total net cost to Petro Viking, being \$747,640 including administrative fees from its Joint Venture partner of approximately \$10,000. The mineral rights acquired are strategically located within a proven region where the mineral rights acquired are economically producing from the Belly River, Viking, Ellerslie, Duvernay and Wabamun.

On June 14, 2021, the Company entered into a binding agreement for the purchase of interest in 53,835 Acres, 43,935 (Net) of mineral rights (the "Acquisition").

The Purchase Price for the Acquisition is being satisfied by way of the issuance of 44,440,000 Class A common shares (the “Common Shares”) at \$0.60 per share and 30,000,000 convertible preferred shares (the “Convertible Shares”) convertible at a price of \$0.80 per share. The Convertible Shares will have a term of five years (5) and earn an accruing 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 only occur after one of three milestones has been achieved: a) the Company exceeds the production rate of 3,000 BOE/d, b) the Common Shares trade at a volume weighted average price (VWAP) of more than \$1.00 per share for twenty (20) consecutive business days or c) the second-year anniversary since the issuance of the Common Shares has occurred. At maturity upon the fifth anniversary of their issuance, the Convertible Shares shall automatically be redeemed on a 1:1 basis along with any accrued dividends by the issuance of Common shares.

It was subsequently determined that the Transaction was considered a “fundamental change” within the meaning of Canadian Securities Exchange (“CSE”). As a result, the Company’s stock was suspended by the CSE on September 9, 2021, while the Company provided additional information relating to the Transaction

On November 24, 2021, the Company received conditional approval for the closing of the Acquisition announced on June 14, 2021 from the CSE. The Company anticipates all remaining conditions to be achieved including the delivery of shareholders’ consent resolution to approve the Acquisition.

At yearend December 31, 2021, the NPV 10% discounted evaluation of \$3,801,600 compared to yearend December 31, 2020 - \$2,859,800 represents a year over year increase of 133%. For more detailed analysis the reader is encouraged to review the Oil and gas annual disclosure filing for the Company (Form 51-101 F1 and F2) filed on SEDAR.COM

In addition in accordance with requirements of the “fundamental change” associated with the Acquisition announced on June 14<sup>th</sup> 2021 the Company commissioned its QRE Deloitte LLP per the regulatory requirements and conditions of the Canadian Stock Exchange “the CSE” and the Alberta Securities Commission “the ASC” an additional Independent Qualified Evaluation of the Acquisition underway whereby an audit of reserves and future net revenues derived therefrom, of the Petroleum and Natural Gas assets of the interests being Acquired in accordance with the Canadian Oil and Gas Evaluation Handbook (“**COGE Handbook**”). As required, these reserves and future net revenues were estimated using forecast prices and costs (before and after income taxes) according to the requirements of National Instrument 51-101 (“**NI 51-101**”). The effective date of this evaluation is December 31, 2021. This Evaluation was performed by the Company’s QRE, Deloitte LLP who determined that under NI 51-101 only 18 (net) drilling locations of the proposed 147 locations currently met the criteria of either Proven or Probable reserves as defined in the current COGE handbook. The Acquisition including these 18 wells costing a total of \$14.3 million was determined to have a net present value discounted at 10 percent (NPV10%) of \$26.866 million. The Company as a Joint Venture partner with the seller and continues to participate in the operation as a partner while it completes the review and final approval of the Acquisition.

In the first half of 2022 the Company will become the benefactor of these operations including the consolidation of its natural gas facilities in the region the tie-in of 1 cased and standing natural gas well and the completion of two oil wells and the construction and tie in the associated facility which went into production, March 15, 2022. The initial results 30 days results for the two wells being more than 300 boe/d (or 150 boe/d per well ) with average production being 50% oil and 50% natural gas and liquids at a capital cost of \$1,500,000 net for the activities either completed or currently in progress.

To date, the Company has promptly prepared and advance all additional materials requested to the Alberta Securities Commission (ASC) for their review and approval, one of the remaining conditions for the closing of the Acquisition conditional approved by the Canadian Stock Exchange (CSE). The Company continues to proceed with the development of its business while it continues to seek the final approval.

At the date of this Report, the Company believes that the remaining conditions in accordance to Policy MI 61-101, are nearing there completion, including an Independent Evaluation of the Acquisition by a Certified Business Evaluator. Upon the current submitted draft documentation review by the ASC has been completed, these materials are to be incorporated into an Information Circular to be delivered to shareholders for their review and consent prior to the fundamental change being approved by the Alberta Securities Commission.

Management is anticipating the suspension from trading to be lifted shortly after all remaining conditions have been addressed in accordance with various regulatory bodies.

## DISCUSSION OF OPERATIONS

The following is a summary of the significant events and transactions that occurred during the three months ended March 31, 2022:

### Results of operations for the three months ended March 31, 2022:

Net income (loss) for the three months ending March 31, 2022, was 58,479 (2020 – (214,847)). The increase in net income for the period was primarily an increase in oil and gas revenues.

Oil and gas revenue and volume for the year ended March 31, 2022, was \$513,110 (2020 – nil <sup>(1)</sup>). While the volume produced was 149.4 BOE/d prior to shrinkage due to processing and transportation resulting in net sales volumes of 13,445.65 BOE for an average of \$38.16 per BOE or \$6.36 per mcf. (2020 – nil)

Gross profit for the year ended March 31, 2022, was \$188,864 (2020 – nil).

Details related to the Company's oil and gas operations, please refer to the *Summary of Quarterly Results* section.

### Other

The Company has advanced 611890 Alberta Inc. as follows:

May 21, 2020	611890 Alberta Inc.	224,966	Participation in developed and undeveloped mineral rights
November 6, 2020	611890 Alberta Inc.	122,500	Participation in developed and undeveloped mineral rights
December 3, 2020	611890 Alberta Inc.	35,000	Participation in developed and undeveloped mineral rights
January 18, 2021	611890 Alberta Inc.	250,000	Participation in developed and undeveloped mineral rights
January 22, 2021	611890 Alberta Inc.	50,000	Participation in developed and undeveloped mineral rights
February 20, 2011	611890 Alberta Inc.	20,000	Participation in developed and undeveloped mineral rights
March 8, 2021	611890 Alberta Inc.	(747,640)	Applied to 50% Acquisition of undeveloped mineral rights in March 2021 RFP
March 11, 2021	611890 Alberta Inc.	500,000	Participation in developed and undeveloped mineral rights
March 12, 2021	611890 Alberta Inc.	247,640	Participation in developed and undeveloped mineral rights
September 7, 2021	611890 Alberta Inc.	200,000	Participation in developed and undeveloped mineral rights
September 7, 2021	611890 Alberta Inc.	200,000	Cash Call – Sept 20, 2021
September 15, 2021	611890 Alberta Inc.	100,000	Cash Call – Sept 20, 2021
September 21, 2021	611890 Alberta Inc.	300,000	Cash Call – Oct 4, 2021
October 1, 2021	611890 Alberta Inc.	100,000	Participation in developed and undeveloped mineral rights
October 5, 2021	611890 Alberta Inc.	300,000	Participation in developed and undeveloped mineral rights
October 29, 2021	611890 Alberta Inc.	200,000	Participation in developed and undeveloped mineral rights
December 31, 2021	611890 Alberta Inc.	(515,863)	Capitalized expenditures incurred as at December 31, 2021
March 31, 2022	611890 Alberta Inc.	(369,670)	Allocation of funds to P&NG

At December 31, 2021 the Independent Evaluation of the Acquisition prepared by the Company's QRE Deloitte LLP was determined to be on 10% discounted NPV of \$26.9 million. This evaluation was based on a Capital Commitment of \$ 14,300,000 for the drilling of in capital being allocated to the acquisition in 2022. At March 31, 2022, the Company had advanced \$1.217 million dollars in the Joint Venture with the Company posting closing expecting to be producing 700 BOE/d (net) prior to the commencement of any additional activities or new drilling.

The advances will be used for the Company's participation in mineral rights pursuant to the Joint Venture Agreement dated January 1, 2020, between the Company and 611890 Alberta Inc, and expenditures related to the Acquisition dated June 14, 2021, between the Company and 611890 Alberta Inc.

**ISSUED AND OUTSTANDING SHARE DATA AT THE REPORT DATE**

At the Report date, the Company had the following securities outstanding:

	For the three months ending March 31,			
	2022		2021	
	#	\$	#	\$
Common shares	35,651,341	10,569,147	22,390,531	8,778,734
Warrants	12,984,694	3,635,714	5,953,365	1,351,296
Compensation Options <sup>(4)</sup>	200,000	49,993	-	-

During the year ending December 31, 2021, the Company issued common shares of the Company as follows:

Date Issued	# Shares	\$/share	Gross Proceeds	Reason for issue
January 18, 2021	1,867,000	0.15	280,050	Private placement
January 18, 2021	500,000	0.20	100,000	Flow-through placement
February 2, 2021	670,000	0.30	201,000	For services
February 8, 2021	660,001	0.15	99,000	Private placement
March 9, 2021	3,833,333	0.15	575,000	Exchange of subscription receipts <sup>(1)</sup>
March 9, 2021	1,802,500	0.20	360,500	Exchange of subscription receipts <sup>(1)</sup>
March 31, 2021	793,062	0.05	39,653	Conversion of debenture interest <sup>(2)</sup>
March 31, 2021	95,344	.025	2,384	Conversion of debenture interest <sup>(2)</sup>
March 31, 2021	100,000	0.10	10,000	Conversion of debenture
May 6, 2021	1,753,333	0.25	438,333	Private placement
June 14, 2021	73,698	0.18	13,265	Conversion of debenture interest <sup>(3)</sup>
June 17, 2021	24,000	0.15	3,600	Conversion of broker warrants
June 23, 2021	103,100	0.15	15,465	Conversion of broker warrants
June 28, 2021	51,050	0.15	7,657	Conversion of broker warrants
July 7, 2021	150,000	0.25	37,500	Conversion of warrants
July 15, 2021	45,150	0.15	6,772	Conversion of warrants
August 19, 2021	100,000	0.10	10,000	Conversion of debenture
August 25, 2021	290,000	0.25	72,500	Private placement – first tranche
September 9, 2021	2,000,000	0.25	500,000	Private placement – second tranche
September 13, 2021	7,710,000	0.25	1,927,500	Private placement – third tranche
September 20, 2021	200,000	0.25	50,000	Private placement – final tranche
October 1, 2021	500,000	0.10	50,000	Conversion of debenture
November 12, 2021	250,000	0.10	25,000	Conversion of debenture
November 12, 2021	10,480	0.10	1,048	Conversion of debenture interest
Total	23,582,051		4,826,227	

**Notes:**

1. The Company exchanged the subscription receipts in the amount of \$935,500 pursuant to the November 5, 2020, Offering Memorandum as the condition for the shares being released was met by the completed listing of the Company on the Canadian Securities Exchange on March 5, 2021. As a result of this exchange, the Company issued 3,833,333 common shares of the Company at a price of \$0.15 and 1,802,500 flow-through shares of the Company at a price of \$0.20.
2. The debenture agreements provide for the holder to convert to shares priced in accordance with the conversion price as determined in each debenture
3. The debenture agreement provides for the holder of each debenture to convert outstanding interest at a price equivalent to the ten-day Weighted Volume Average Price at the date of conversion.
4. On October 14, 2021, the company signed an Agency Agreement with an unrelated party that provides for the issuance of Compensation Options that will entitle the holder to purchase 200,000 Common Shares of the Company at a price of \$0.35, expiring October 14, 2024.

During the period ending March 31, 2022, the Company did not issue common shares.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any special purpose entities, nor is it a party to any transactions or arrangements that would be excluded from the statement of financial position.

#### COMMITMENTS

The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian Development or Canadian Renewable Conservation Expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusal of certain expenses by tax authorities would have negative consequences for investors. On December 31, 2021, the Company had met all of its obligation to incur eligible expenses pursuant to the terms of the flow-through shares financing. A total of \$515,893 was spent development expenditures from which \$495,500 has been renounced to shareholders holding flow-through shares.

#### COMPENSATION OF KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of a member of the Company's Board of Directors, corporate officers, and special advisory personnel.

The Company incurred the following transactions with directors and key management personnel during the three months ended March 31,

	2022	2021
	\$	\$
Management and consulting fees <sup>(1)</sup>	10,500	39,543
Interest payable on a promissory note <sup>(2)</sup>	816	-
Interest on convertible debenture <sup>(3)</sup>	6,160	
Legal costs <sup>(4)</sup>	36,947	122,681
Joint venture receivables <sup>(5)</sup>	188,864	-
Advances <sup>(6)</sup>	80,330	-

1. A total of \$144,362 was owed to various related parties on March 31, 2022.
2. On September 15, 2020, the Company issued promissory notes bearing interest at 5% compounded semi-annually in the amount of \$217,195 maturing on September 15, 2022, in settlement of debt with a company of which an officer of the Company is also a director. On March 31, 2022, the balance due on the promissory notes is \$67,429.
3. On September 30, 2019, the Company entered into an Asset Purchase Agreement for the acquisition of a 50% non-operating in 50% interest in a producing oil and gas property with 611890 Alberta Inc. by issuing a \$500,000 convertible secured debenture bearing and interest rate of 5% compounded semi-annually with an asset acquisition between Avila Energy Corporation. ("AEC" or the "Company") and Avila Exploration & Development Canada LTD. ("Avila") whereby AEC will acquire a non-operating interest of fifty percent

(50%) interest into a producing oil & gas property with a current NI 51-101- *Standards of Disclosure for Oil and Gas Activities* compliant Technical Report, as more fully described in Schedule A hereto (the “**Property**”) by issuing a \$500,000 convertible debt instrument in the share capital of Petro to Avila.

4. A partner in the company’s legal firm is also a director of the Company. Amount owed to the legal firm on March 31, 2022, was \$72,442.
5. The director of the Company is also a director of the joint venture partner 611890 Alberta Inc.
6. Funds have been advanced in respect to a joint venture agreement with 611890 Alberta Inc. having a common director with the Company.

## CHANGES IN ACCOUNTING POLICIES

The same accounting policies used in the preparation of the Financial Statements is the same as those used in the most recent audited annual financial statements and in the opinion of management reflects all the adjustments considered necessary for the fair presentation in accordance with IFRS of the result of the years presented.

## FINANCIAL INSTRUMENTS

On March 31, 2022, the Company’s financial instruments consist of cash, other receivables, accounts payable and accrued liabilities, due to related parties, and convertible debenture liabilities. IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of hierarchy are:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

As of March 31, 2022, the Company believes that the carrying values of other receivables, accounts payable and accrued liabilities, and due to related parties approximate their fair values because of their nature and relatively short maturity dates or durations.

## RISK FACTORS AND UNCERTAINTIES

Avila Energy Corporation continues to work towards becoming a carbon neutral energy producer based in Calgary Alberta. To attain this goal, the Company initially acquired a 50% non-working interest in a property located in Western Alberta consisting of production, pipelines, facilities and approximately 1,280 acres of developed surface and mineral leases in December 2019. An additional undeveloped property consisting of 3,840 acres was acquired during the first quarter of 2021. The proved and probable reserves are estimated to be \$3,801,600, according to the independent evaluation report provided by Deloitte, LLP dated December 31, 2021.

Avila Energy Corporation is exposed to several risks in the normal course of its business that have the potential to affect its operating performance. The Company’s risk exposures and the impact of the Company’s financial instruments are summarized in Note 14 of the December 31, 2021, Condensed Audited Financial Statements.



**Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

*a. Interest risk*

The Company does not have any current term debt or cash equivalents. Therefore, the Company believes it is not exposed to interest risk.

*b. Foreign currency risk*

The Company conducts its activities in Canada with Canadian dollars. Therefore, the Company believes it is not exposed to any foreign currency risk.

*c. Price risk*

The Company has exposure to price risk with regards to commodity prices. Commodity price risk is the risk that future cash flows will fluctuate as a result in commodity prices. Commodity prices for oil, and gas and liquids are impacted by world and continental/regional economic and other events that dictate the level of supply and demand.

Regarding the Company's oil and gas revenues, management has based the gross profit variances on the revenues in the last 12 months (*see Summary of Quarterly Results*).

**CORONAVIRUS (COVID-19)**

Since March 2020, several governmental measures have been implemented in Canada and the rest of the world in response to the coronavirus (COVID-19) pandemic. While the impact of COVID-19 and these measures are expected to be temporary, the current circumstances are dynamic. Workforces, economies, and financial markets have all been significantly affected. As at the date of this Report, it is not possible for the Company to determine the effects of the pandemic on the Company's business or operations in the ensuing year, nor predict the duration, impact, or magnitude of the pandemic in the future. The Company continues to operate its business and adheres to Canadian Federal and Provincial emergency measures as those are developed. The Company continues to evaluate and adjust its operation activities accordingly.

**Russia and Ukraine Conflict**

In addition, the Company has experienced significant volatility with crude oil prices since year end due to macro-economic uncertainty, due to (a) OPEC and Russia abandoning production quotas and increasing production levels; (b) demand reduction for crude oil products as a result of the COVID-19 outbreak and potential lack of storage forcing production shut-ins, and (c) the effects of the current war between Russia and Ukraine, which include significant sanctions having been imposed (and likely more to come) on Russia by NATO members, which are anticipated to reduce the supply of oil and natural gas from Russia to other countries, thereby reducing supply to the existing demand and presumptively increasing the global prices of oil and natural gas. The duration and impact of these global events remain uncertain and could impact cash flow and the Company's financial condition in the future.

**RELIANCE ON KEY PERSONNEL**

The Company relies on a relatively small number of directors, officers, and senior personnel. Loss of any one of those persons could have an adverse effect on the Company. The Company does not currently maintain "key employee" insurance in respect of any of its senior management.

**SELECTED ANNUAL INFORMATION**

The following table provides a summary of the Company's financial operations. For more detailed information refer to the financial statements.

	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
	\$	\$	\$
Total net revenue	266,510	-	-
Total other items	(102,620)	(159,747)	84,692
Loss before income taxes	1,415,186	948,707	200,934
Basic and diluted earnings (loss) per share	(0.06)	(0.10)	(0.01)
Comprehensive income (loss)	(1,415,186)	(948,707)	(175,813)
Total assets	4,583,826	2,679,028	1,065,473
Working capital (deficit)	1,835,527	211,461	(299,152)

**SUMMARY OF QUARTERLY RESULTS**

Selected quarterly information for the eight most recently completed quarters is presented below in Canadian currency (\$), and in accordance with the International Financial Reporting Standards (“IFRS”).

Reporting Period	Q1 – 2022 March 31	Q4 – 2021 December 31	Q3 – 2021 September 30	Q2 – 2021 June 30
Total assets	4,613,850	4,583,826	\$4,732,866	2,829,143
Property and equipment	1,196,482	837,875	773,011	773,011
Exploration and evaluation assets	1,616,201	1,537,296	281,600	281,600
Working capital (deficit)	1,467,571	1,835,527	2,277,030	323,334
Equity	2,736,226	2,677,747	3,222,363	1,186,714
Total revenues (net)	445,316	38,876	59,152	46,762
Gross revenues <sup>(1)</sup>	513,110	90,457	109,182	82,688
Oil and condensates per boe/d	19.56	0.28	0.48	0.37
Natural gas and liquids per mcf/d	779.0	119.2	292.4	236.1
Revenue per BOE	38.16	47.85	23.89	22.44
Production costs	256,452	72,748	22,890	17,524
Total other items	-	(429,476)	-	326,856
Operating expenses	106,404	659,753	269,150	302,673
Income (loss) before income taxes	58,479	(1,280,237)	(14,307)	100,324
Basic and diluted income (loss) per share	0.00	(0.06)	(0.01)	0.00

Notes:

1. The Company’s 50% interest in revenues commenced March 2021.

Reporting Period	Q1 – 2021 March 31	Q4 – 2020 December 31	Q3 – 2020 September 30	Q2 – 2021 June 30
Total assets	2,929,359	2,679,028	1,424,418	1,178,142
Property and equipment	773,011	773,011	773,011	773,011
Exploration and evaluation property	281,600	281,600	281,600	281,600
Working capital (deficit)	(204,063)	(211,461)	(88,374)	(160,454)
Equity	587,066	(548,742)	(208,855)	(393,622)
Total revenues (net)	5,381	-	-	-
Gross revenues	19,013	-	-	-
Oil and condensates per boe/d	0.11	-	-	-
Natural gas and liquids mcf/d	42.1	-	-	-
Revenue per BOE	29.32	-	-	-
Production costs	3,177	-	-	-
Total other items	-	(159,747)	-	-
Operating expenses	231,161	473,067	107,807	173,748
Income (loss) before income taxes	(220,966)	(368,895)	(36,488)	(173,748)
Basic and diluted income (loss) per share	(0.01)	(0.10)	(0.01)	(0.01)

In the event of an increase or decrease in the unit prices, the effects on gross revenue of \$513,110 based on the three months ended March 31, 2022, would be as follows:

Product	Total production (BOE)	Price per BOE \$	Change in unit price \$	Increase / (Decrease) \$
Oil and condensates (boe)	1,760.4	\$94.73	\$25.74 / BOE	158,944.7
Natural gas and liquids (boe)	11,685.2	\$29.64	\$2.16 / BOE	52,695.5
<b>Total effect on gross profit</b>				<b>211,640.1</b>

	2022	2021				2020		
Production per Quarter	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Oil and condensates (boe)	1760 .4	25.7	43.9	34.0	9.7	Nil	Nil	Nil
Natural gas and liquids (mcf)	70,1 11.2 9	11,189	27,160.2	21,943.7	3,833.7	Nil	Nil	Nil

A barrel of oil equivalent (BOE) is determined by converting a volume of natural gas to barrels using the ratio of six (six) mcf to one (1) barrel. BOEs may be misleading, particularly if used in isolation.

#### LIQUIDITY, FINANCIAL CONDITION AND GOING CONCERN

The Company's cash and cash equivalents are comprised of bank deposits. On March 31, 2022, the Company had cash, accounts receivable, prepaid expenses, and short-term advances in the amount of \$1,801,167. Accounts payable and accrued liabilities in the amount of \$266,167 are due On April 30, 2022. Promissory note with a fair value of \$67,429 is due on September 15, 2022, to a related party. On March 31, 2022, the Company had a working capital of 1,467,571 (March 31, 2021 - \$(204,063)).

#### SUBSEQUENT EVENTS

On April 8, 2022 the Company filed a price reservation for the issuance of up to 5,000 Debenture Units of the Corporation ("Unit" or "Units"), being a total of \$5,000,000 in principal. Each Unit is comprised of an aggregate \$1,000 principal amount of a 4% convertible unsecured subordinated debenture ("Debenture") due on April 1, 2025 (the "Maturity Date"). Further, conditional to full conversion (1 Unit converts into 2,000 Class A Common Shares) of the entire principal of the Units held by the holder (the "Holder"), the subsequent issuance of Class A Common Share purchase warrants by the Issuer (the "Conditional Warrants") to the Holder entitling the Holder to purchase one (1) Class A Common Share per each Class A Common Share received on the Conversion at a price of \$0.75 for a period of two (2) years following the conversion date of the Debenture (the "Private Placement"). This is a non-brokered private placement for 5,000 units for gross proceeds of \$5,000,000.

An initial closing of the partially brokered Private Placement of \$2,512,000 was completed on May 11, 2022.

**DIRECTORS AND OFFICERS**

Leonard Van Betuw, President and Chief Executive Officer, and Director

Kyle Appleby, Director

Thomas Valentine, Director

Daniel Lucero, Director

Michel Lebeuf, Corporate Secretary and Director

Lars Glimhagen, Chief Financial Officer

**SCHEDULE "C" – 611 AUDITED CARVE-OUT FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2021, MARCH 31, 2020, MARCH 31, 2019 AND UNAUDITED INTERIM CARVE-OUT FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS PERIOD ENDED DECEMBER 31, 2021 AND 2020**



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**611890 ALBERTA INC.**

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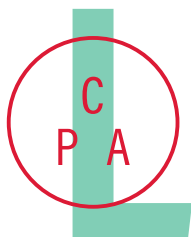
**CARVE-OUT FINANCIAL STATEMENTS**

**For the years ended March 31, 2021 and 2020**

**611890 ALBERTA INC.**  
**CARVE-OUT FINANCIAL STATEMENTS**  
**For the years ended March 31, 2021 and 2020**

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## Independent Auditor's report

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To the Shareholders of 611890 Alberta Inc.

### Opinion

I have audited the carve-out financial statements of 611890 Alberta Inc. (the "Company"), which comprise the carve-out statements of financial position as at March 31, 2021 and March 31, 2020, and the carve-out statements of Income and comprehensive Income, carve-out statements of changes in equity and carve-out statements of cash flows for the years then ended, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying carve-out financial statements present fairly, in all material respects, the carve-out financial position of the Company as at March 31, 2021 and March 31, 2020, and its carve-out financial performance and its carve-out cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Carve-out Financial Statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audits of the carve-out financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

My opinion on the carve-out financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the carve-out financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the carve-out financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

I obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work I have performed on this other information, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.



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3030 boul. Curé-Labelle, bureau #204  
Laval (Québec) H7P 0H9

## **Responsibilities of Management and Those Charged with Governance for the Carve-out Financial Statements**

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

In preparing the carve-out financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Carve-Out Financial Statements**

My objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Veronique Laberge CPA Inc.



1

Laval, Quebec  
June 10, 2022

<sup>1</sup> CPA auditor, CGA, public accountancy permit no. A136224

**611890 ALBERTA INC.**  
**CARVE-OUT STATEMENTS OF FINANCIAL POSITION**  
*As at March 31,*  
*(Expressed in Canadian dollars)*

	<i>Notes</i>	<b>2021</b>	2020
		\$	\$
<b>Assets</b>			
<b>Long term assets</b>			
Properties and equipment	5	<b>3,697,665</b>	359,686
<b>Total assets</b>		<b>3,697,665</b>	359,686
<b>Liabilities</b>			
Non-current liabilities			
Deferred tax liabilities	8	<b>2,178,008</b>	218,393
Decommissioning obligation	6	<b>2,043,384</b>	151,365
Total non-current liabilities		<b>4,221,392</b>	369,758
<b>Total liabilities</b>		<b>4,221,392</b>	369,758
<b>Parent's Net Investment</b>			
Parent's Net Investment	4, 10	<b>(523,727)</b>	(10,072)
<b>Total liabilities and Parent's Net Investment</b>		<b>3,697,665</b>	359,686

**Approved by:**

/s/ Leonard B. Van Betuw

Leonard B. Van Betuw, President and  
director

*The accompanying notes are an integral part of the carve-out financial statements*

**611890 ALBERTA INC.**  
**CARVE-OUT STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
*Years ended March 31,*  
*(Expressed in Canadian dollars)*

	<i>Notes</i>	<b>2021</b>	2020
<b>Expenses</b>		<b>\$</b>	<b>\$</b>
Depletion and depreciation	5	<b>14,995</b>	4,034
Accretion expense	6	<b>39,045</b>	2,893
<b>Income (loss) before income taxes</b>		<b>(54,040)</b>	(6,927)
Deferred tax recovery (expense)	8	<b>(1,959,615)</b>	1,870
<b>Net Income (loss) and comprehensive Income (loss) for the year</b>		<b>(2,013,655)</b>	(5,057)

*The accompanying notes are an integral part of the carve-out financial statements*

**611890 ALBERTA INC.**  
**CARVE-OUT STATEMENTS OF CASH FLOWS**  
*For the years ended March 31,*  
*(Expressed in Canadian dollars)*

	<i>Notes</i>	<b>2021</b>	2020
		\$	\$
<b>Operating activities</b>			
Net Income (loss)		<b>(2,013,655)</b>	(5,057)
Depletion and depreciation	5	<b>14,995</b>	4,034
Accretion expense	6	<b>39,045</b>	2,893
Deferred tax recovery	8	<b>1,959,615</b>	(1,870)
<b>Cash flow used by operating activities</b>		-	-
Change in Cash		-	-
Cash, beginning of the year		-	-
<b>Cash, end of the year</b>		-	-

*The accompanying notes are an integral part of the carve-out financial statements*

**1. Corporate information**

Avila Energy ("Avila" or the "Company") was incorporated as 611890 Alberta Inc. pursuant to the provisions of the Business Corporations Act of Alberta on May 19, 1994. The Company is a privately owned corporation which operates as an explorer, developer, and producer of energy through the application of proven, geological, geophysical, engineering, and production techniques on its owned and operated, developed and undeveloped mineral rights.

The Company's current management chose to focus on only being the operator of 100% of its production and facilities so that it could become an integrated supplier of Carbon Neutral Energy, to have an established financial capacity prior to increase production, processing, and mid-stream operations as an integrated energy provider.

The Company in parallel continues to focus on the generation of high impact results through exploration, development, production and sale of energy to Private and Public consumers.

**2. Basis of presentation**

*Statement of compliance*

These carve-out financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretation Committee ("IFRIC") in effect at the closing date of March 31, 2021.

The carve-out financial statements were authorized by the Board of Directors for issue on June 10, 2022.

*Basis of measurement*

These carve-out financial statements have been prepared under the historical cost method, except as otherwise noted below.

*Financial and presentation currency*

These carve-out financial statements are presented in Canadian Dollars, which is also the Company's functional currency.

**3. Summary of significant accounting policies**

These accounting policies have been used throughout all years presented in the carve-out financial statements:

**a. Cash and cash overdraft**

Cash and cash overdraft are comprised of cash in banks or held in trust.

**3. Summary of significant accounting policies (continued)**

**b. Shareholders' equity**

Share capital represents the amount received on the issue of shares, less issuance costs. Deficit includes all current and prior year profits or losses.

**c. Income taxes**

Income tax expense represents the sum of current tax expense and deferred tax expense. Current tax expense is based on the taxable profits for the year. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized based on differences in the carve-out financial statement carrying amount for assets and liabilities and the associated tax balance. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses to the extent that it is probable that there will be taxable profits against which deductible temporary differences can be utilized.

**d. Financial instruments**

The classification for each class of the Company's financial assets and financial liabilities are summarize in the following table:

Financial Assets/Liabilities	Classification
Cash overdraft	Financial liabilities at amortized cost

*Measurement – initial recognition*

Financial liabilities are recognized in the Company's carve-out statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

*Classification of financial liabilities and equity:*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.



**3. Summary of significant accounting policies (continued)**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments

**i. Significant accounting judgments and estimates**

The preparation of the carve-out financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Such estimates primarily relate to unsettled transactions and events at the statement of financial date which are based on information available to management at each statement date. Actual results could differ from those estimated.

Judgments, estimates, and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. **Summary of significant accounting policies** *(continued)*

**Estimates**

**Impairment of properties and equipment**

The determination of the recoverable amount for value in use requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential, recent transactions involving similar projects, and future operating performance. An oil and gas property's fair value less cost to sell requires the use of estimates as to the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

**Depletion and depreciation and valuation of property and equipment**

The amounts recorded for depletion and depreciation of property and equipment and the valuation of property and equipment are based on estimates. These estimates include proved and probable reserves, production rates, future oil and natural gas prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

For impairment testing, property and equipment assets are aggregated into cash generating units ("CGUs"), based on management's judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

**Decommissioning provisions**

The value of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

**Fair value of common share**

As the Company's shares is not traded on a listed exchange, the Company is required to estimate the fair value of the common shares issued on debt, promissory notes and accounts payable and accrued liabilities settlements, issued in exchange for services, and used in the valuation of the conversion feature of the derivative liability. The Company estimated the fair value of common shares based on expected capital raises, history of debt conversions with third parties, and internal company information.

**Fair value of property and equipment**

The market value of property and equipment assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property and equipment) is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

3. **Summary of significant accounting policies** *(continued)*

**Judgments**

**Going concern**

The Company's ability to execute its strategy by seeking financing and funding of future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

**Deferred taxes**

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carve-out financial statement carrying amount and the tax basis of assets and liabilities. An estimate is required for both the timing and corresponding tax rate for this reversal. Should these estimates change, it may impact the measurement of asset or liability as well as deferred tax recovery or expense recognized to earnings. The Company only recognizes deferred tax assets arising from unused tax losses to the extent that the Company has sufficient taxable temporary differences, or it is probable that sufficient taxable profit will be available against which the unused tax losses can be utilized. The Company has not recognized any deferred asset for the years ended March 31, 2021 and 2020.

**Impairment of oil and natural gas properties**

Management uses judgment to assess the existence of impairment indicators such as events or changes in circumstances that may indicate the carrying amount of oil and natural gas properties may not be recoverable.

**Decommissioning provisions**

Management uses judgment to assess the Corporation's legal obligations to decommission its oil and natural gas properties and restore property sites after closure. The Corporation's production activity is required to be in compliance with various environmental laws and regulations in Canada. The assessment of decommissioning provisions is based on management's understanding of the current legal and environmental requirements and third party engineering valuations.

**Business combinations**

The Company assesses whether an acquisition should be accounted for as an asset acquisition or a business combination under IFRS 3. This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as business and the Company obtains control of the business inputs and processes.

3. **Summary of significant accounting policies** *(continued)*

**Cash generating units**

Management makes judgments in determining its CGUs and evaluates the geography, geology, production profile and infrastructure of its assets in making such determinations. Based on this assessment, the Company's CGUs are generally composed of significant development areas. As at March 31 2021, the Company had one CGUs (2020– one). The Company reviews the composition of its CGU at each reporting date to assess whether any changes are required in light of new facts and circumstances.

**j. Business combinations**

Business combinations are accounted for using the acquisition method where the acquisition of companies and assets meet the definition of a business under IFRS. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Following initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in income. Associated transaction costs are expensed when incurred.

**k. Property and equipment**

*(i) Property and equipment*

All costs directly associated with the development of oil and natural gas interests are capitalized on an area-by- area basis as oil and natural gas interests and are measured at cost less accumulated depletion and depreciation and net impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning provisions and transfers from exploration and evaluation assets.

Costs of replacing parts of property and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in income (loss) as incurred. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in income (loss) as incurred.

Exchanges or swaps of property and equipment are measured at fair value unless the transaction does not lack commercial substance or the fair value of the asset received nor the asset given up can be reliably estimated. When fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. Any gains or losses from the divestiture of property and equipment are recognized in the statement of loss and comprehensive loss.

**3. Summary of significant accounting policies** *(continued)*  
*(ii) Depletion and depreciation*

Oil and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior period adjustments and are dealt with on a prospective basis.

Processing facilities and well equipment are depleted using the unit-of-production method along with the related reserves when the assets are designed to have a life similar to the reserves of the related wells with little to no residual value. Where facilities and equipment, including major components, have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

**I. Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purposes of assessing impairment, property and equipment are grouped into separate CGUs. Goodwill, if any is allocated to the CGUs that are expected to benefit from the synergies of the business combination creating the goodwill.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the CGU in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in the statement of loss and comprehensive loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized. A goodwill impairment loss is not reversed.

**3. Summary of significant accounting policies** *(continued)*

**m. Decommissioning provisions**

Decommissioning provisions are recognized for decommissioning and restoration obligations associated with the Company's property and equipment. The best estimate of the expenditure required to settle the present obligation at the statement of financial position date is recorded on a discounted basis using the pre-tax risk-free interest rate. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated property and equipment and is depleted or amortized over the useful life of the asset. The provision is accreted over time through charges to financing expenses. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or the discount rate are recognized as changes in the decommissioning provision and the related asset.

Actual decommissioning expenditures up to the recorded liability at the time are charged against the provision as the costs are incurred. Any difference between the recorded provision and the actual costs incurred is recorded as a gain or loss in the statement of loss and comprehensive loss.

**4. Business combination**

In September 2020, the Company acquired oil and gas properties from an Alberta based Company. The acquired oil and gas properties were valued at \$3,078,941 and a facility for \$274,033; the purchase was of \$1,500,000 and the assumption of \$1,852,975 in decommissioning liabilities. This acquisition contributed no revenues, royalties or direct operating expense, resulting in no net income. The transaction was accounted for as a business combination under IFRS 3, "Business Combinations" as the assets met the definition of a business. The fair value of the oil and natural gas properties is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on the evaluations prepared by the Company. This acquisition contributed no revenues, royalties or direct operating expense, resulting in no net income due to operational limitations imposed on the assets owned by the seller of the assets by a 3rd party (a distressed sale). The identified limitations associated with the assets after being acquired by the Company were overcome by the Company through a combination of reconfigurations and consolidations of operations in the region operated by the Company post-closing of the sale, which after completion as anticipated removed the limitations imposed on the acquired assets.

<b>Net assets acquired</b>	<b>\$</b>
Properties and equipment	3,078,941
Facility	274,033
Less: Decommissioning liabilities	(1,852,974)
611890 Parent's Net Investment in the Forge Acquisition	<b>(1,500,000)</b>

**5. Properties and equipment**

	Natural gas interest
Cost	\$
Balance at March 31, 2019	367,754
Acquisitions through business combinations	3,352,974
Balance at March 31, 2020 and 2021	3,720,728
<hr/>	
Accumulated amortization	\$
Balance at March 31, 2019	(4,034)
Amortization	(4,034)
Balance at March 31, 2020	(8,068)
Amortization	(14,995)
Balance at March 31, 2021	(23,063)
<b>Net</b>	<b>3,697,665</b>

Amortization is provided using the straight-line method over a period of years at rates intended to amortize the cost of the assets over their estimated useful lives.

	Method	Years
Facilities and production equipment	straight line	25

In the year of acquisition, the amortization is pro-rated for the numbers of the months owned in the year.

**6. Decommissioning obligation**

The Company's estimated net present value of decommissioning liabilities is \$2,043,384 as at March 31, 2021 (2020 - \$151,365), based on an undiscounted total future liability of \$3,232,888 (2020 - \$231,396). These payments are expected to be incurred over a period of 4 to 10 years with the majority of costs to be incurred between 2027 and 2028. At March 31, 2021, risk-free rate between 0.92% - 1.95% (2020 - 0.92% - 1.95%) and an inflation rate of 2% (2020 - 2%) were used to calculate the net present value of the decommissioning liabilities.

	2021	2020
	\$	\$
Balance - beginning of period	151,365	148,472
Liabilities acquired through business combination	1,852,974	-
Accretion	39,045	2,892
	<b>2,043,384</b>	151,365

**7. Income taxes**

The provision for income tax reflects an effective income tax rate which differs from federal and provincial statutory income tax rates. The main differences are as follows:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Income (Loss) before taxes	<u>7,257,834</u>	(6,927)
Add back: Temporary differences	<u>(7,257,834)</u>	6,927
Net Taxable income	-	-
Statutory tax rate	<u>27.0%</u>	<u>27.0%</u>
Expected income tax (recovery)	-	-
Total income tax expense (recovery)	<u>-</u>	<u>-</u>

The Company has recognized deferred tax assets and liabilities as follows:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Deferred tax liability, beginning of period	<u>(218,393)</u>	(220,263)
Deferred tax (recovery) expense	<u>(1,959,615)</u>	1,870
Deferred tax liability, end of period	<u>(2,178,008)</u>	(218,393)

**8. Financial instruments and financial risk management**

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The Company's risk management policies are established by the Board of Directors to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's policy.

The Company's financial instruments include cash overdraft. The carrying values of cash overdraft approximate their fair values due to their relatively short periods to maturity. The carrying value of convertible debenture and promissory notes approximates its fair market value as the interest rates are based on market rates.

The Company has exposure to liquidity risk and market risk as a result of its financial instruments.



**8. Financial instruments and financial risk management (continued)**

**a. Liquidity risk**

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. Accounts payable and accrued liabilities have an expected maturity of less than one year resulting in their current classification on the statement of financial position.

**b. Market risk**

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's cash flows, net loss and comprehensive loss, liquidity or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures where considered appropriate and maximize returns.

**c. Interest rate risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk on its debt as they bear a fixed interest rate.

**9. Parent's Net Investment**

To record the Parent Company's 611890 Alberta Inc. in the investment in the Carveout. The amounts recorded in the balance of the investment consist of the net profit or loss of the carveout.

	\$
Balance Opening, 2019	-
Net Income/(Loss)	(5,015)
Balance at March 31, 2019	(5,015)
Net Income/(Loss)	(5,057)
Balance at March 31, 2020	<b>(10,072)</b>
Net Income/(Loss)	<b>(2,013,655)</b>
611890 Parent Investment in Forge Acquisition	1,500,000
Balance at March 31, 2021	<b>(523,727)</b>



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**611890 ALBERTA INC.**

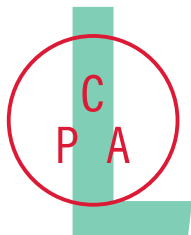
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**CARVE-OUT FINANCIAL STATEMENTS**

**For the years ended March 31, 2020 and 2019**

**611890 ALBERTA INC.**  
**CARVE-OUT FINANCIAL STATEMENTS**  
**For the years ended March 31, 2020 and 2019**

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## Independent Auditor's report

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To the Shareholders of 611890 Alberta Inc.

### Opinion

I have audited the carve-out financial statements of 611890 Alberta Inc. (the "Company"), which comprise the carve-out statements of financial position as at March 31, 2020 and March 31, 2019, and the carve-out statements of Income and comprehensive Income, carve-out statements of changes in equity and carve-out statements of cash flows for the years then ended, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying carve-out financial statements present fairly, in all material respects, the carve-out financial position of the Company as at March 31, 2020 and March 31, 2019, and its carve-out financial performance and its carve-out cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Carve-out Financial Statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audits of the carve-out financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

My opinion on the carve-out financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the carve-out financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the carve-out financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

I obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work I have performed on this other information, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.



VÉRONIQUE LABERGE CPA inc.

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3030 boul. Curé-Labelle, bureau #204  
Laval (Québec) H7P 0H9

## **Responsibilities of Management and Those Charged with Governance for the Carve-out Financial Statements**

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

In preparing the carve-out financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Carve-Out Financial Statements**

My objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Veronique Laberge CPA Inc.



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Laval, Quebec  
June 10, 2022

<sup>1</sup> CPA auditor, CGA, public accountancy permit no. A136224

**611890 ALBERTA INC.**  
**CARVE-OUT STATEMENTS OF FINANCIAL POSITION**  
*As at March 31,*  
*(Expressed in Canadian dollars)*

	<i>Notes</i>	<b>2020</b>	2019
<b>Assets</b>		<b>\$</b>	<b>\$</b>
<b>Long term assets</b>			
Properties and equipment	4	<b>359,686</b>	363,720
<b>Total assets</b>		<b>359,686</b>	363,720
<b>Liabilities</b>			
Non-current liabilities			
Deferred tax liabilities	6	<b>218,393</b>	220,263
Decommissioning obligation	5	<b>151,365</b>	148,472
Total non-current liabilities		<b>369,758</b>	368,735
<b>Total liabilities</b>		<b>369,758</b>	368,735
<b>Parent's Net Investment</b>			
Parent's Net Investment	8	<b>(10,072)</b>	(5,015)
<b>Total liabilities and Parent's Net Investment</b>		<b>359,686</b>	363,720

**Approved by:**

/s/ Leonard B. Van Betuw

Leonard B. Van Betuw, President and  
director

*The accompanying notes are an integral part of the carve-out financial statements*

**611890 ALBERTA INC.**  
**CARVE-OUT STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
*Years ended March 31,*  
*(Expressed in Canadian dollars)*

	<i>Notes</i>	<b>2020</b>	2019
<b>Expenses</b>		<b>\$</b>	<b>\$</b>
Depletion and depreciation	4	<b>4,034</b>	4,034
Accretion expense	5	<b>2,893</b>	2,836
<b>Net loss before the following items</b>		<b>(6,927)</b>	(6,870)
<b>Income (loss) before income taxes</b>		<b>(6,927)</b>	(6,870)
Deferred tax recovery (expense)	6	<b>1,870</b>	1,855
<b>Net Income (loss) and comprehensive Income (loss) for the year</b>		<b>(5,057)</b>	(5,015)

*The accompanying notes are an integral part of the carve-out financial statements*



**611890 ALBERTA INC.**  
**CARVE-OUT STATEMENTS OF CASH FLOWS**  
*For the years ended March 31,*  
*(Expressed in Canadian dollars)*

	<i>Notes</i>	<b>2020</b>	2019
		\$	\$
<b>Operating activities</b>			
Net Income (loss)		<b>(5,057)</b>	(5,015)
Depletion and depreciation	4	<b>4,034</b>	4,034
Accretion expense	5	<b>2,893</b>	2,836
Deferred tax recovery	6	<b>(1,870)</b>	(1,855)
<b>Cash flow used by operating activities</b>		-	-
Change in Cash		-	-
Cash, beginning of the year		-	-
<b>Cash, end of the year</b>		-	-

*The accompanying notes are an integral part of the carve-out financial statements*

**1. Corporate information**

Avila Energy ("Avila" or the "Company") was incorporated as 611890 Alberta Inc. pursuant to the provisions of the Business Corporations Act of Alberta on May 19, 1994. The Company is a privately owned corporation which operates as an explorer, developer, and producer of energy through the application of proven, geological, geophysical, engineering, and production techniques on its owned and operated, developed and undeveloped mineral rights.

The Company's current management chose to focus on only being the operator of 100% of its production and facilities so that it could become an integrated supplier of Carbon Neutral Energy, to have an established financial capacity prior to increase production, processing, and mid-stream operations as an integrated energy provider.

The Company in parallel continues to focus on the generation of high impact results through exploration, development, production and sale of energy to Private and Public consumers.

**2. Basis of presentation**

*Statement of compliance*

These carve-out financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretation Committee ("IFRIC") in effect at the closing date of March 31, 2020.

The carve-out financial statements were authorized by the Board of Directors for issue on June 10, 2022.

*Basis of measurement*

These carve-out financial statements have been prepared under the historical cost method, except as otherwise noted below.

*Financial and presentation currency*

These carve-out financial statements are presented in Canadian Dollars, which is also the Company's functional currency.

**3. Summary of significant accounting policies**

These accounting policies have been used throughout all years presented in the carve-out financial statements:

**a. Shareholders' equity**

Share capital represents the amount received on the issue of shares, less issuance costs. Deficit includes all current and prior year profits or losses.

**3. Summary of significant accounting policies (continued)**

**b. Income taxes**

Income tax expense represents the sum of current tax expense and deferred tax expense. Current tax expense is based on the taxable profits for the year. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized based on differences in the carve-out financial statement carrying amount for assets and liabilities and the associated tax balance. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses to the extent that it is probable that there will be taxable profits against which deductible temporary differences can be utilized.

**c. Financial instruments**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments

**i. Significant accounting judgments and estimates**

The preparation of the carve-out financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Such estimates primarily relate to unsettled transactions and events at the statement of financial date which are based on information available to management at each statement date. Actual results could differ from those estimated.

Judgments, estimates, and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. **Summary of significant accounting policies** *(continued)*

**Estimates**

**Impairment of properties and equipment**

The determination of the recoverable amount for value in use requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential, recent transactions involving similar projects, and future operating performance. An oil and gas property's fair value less cost to sell requires the use of estimates as to the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

**Depletion and depreciation and valuation of property and equipment**

The amounts recorded for depletion and depreciation of property and equipment and the valuation of property and equipment are based on estimates. These estimates include proved and probable reserves, production rates, future oil and natural gas prices, future development costs, remaining lives and periods of future benefits of the related assets and other relevant assumptions.

For impairment testing, property and equipment assets are aggregated into cash generating units ("CGUs"), based on management's judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

**Decommissioning provisions**

The value of decommissioning provisions depends on estimates of current risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures.

**Fair value of common share**

As the Company's shares is not traded on a listed exchange, the Company is required to estimate the fair value of the common shares issued on debt, promissory notes and accounts payable and accrued liabilities settlements, issued in exchange for services, and used in the valuation of the conversion feature of the derivative liability. The Company estimated the fair value of common shares based on expected capital raises, history of debt conversions with third parties, and internal company information.

**Fair value of property and equipment**

The market value of property and equipment assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property and equipment) is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

**3. Summary of significant accounting policies (continued)**

**Judgments**

**Going concern**

The Company's ability to execute its strategy by seeking financing and funding of future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

**Deferred taxes**

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carve-out financial statement carrying amount and the tax basis of assets and liabilities. An estimate is required for both the timing and corresponding tax rate for this reversal. Should these estimates change, it may impact the measurement of asset or liability as well as deferred tax recovery or expense recognized to earnings. The Company only recognizes deferred tax assets arising from unused tax losses to the extent that the Company has sufficient taxable temporary differences, or it is probable that sufficient taxable profit will be available against which the unused tax losses can be utilized.. The Company has not recognized any deferred asset for the years ended March 31, 2020 and 2019.

**Impairment of oil and natural gas properties**

Management uses judgment to assess the existence of impairment indicators such as events or changes in circumstances that may indicate the carrying amount of oil and natural gas properties may not be recoverable.

**Decommissioning provisions**

Management uses judgment to assess the Corporation's legal obligations to decommission its oil and natural gas properties and restore property sites after closure. The Corporation's production activity is required to be in compliance with various environmental laws and regulations in Canada. The assessment of decommissioning provisions is based on management's understanding of the current legal and environmental requirements and third party engineering valuations.

**3. Summary of significant accounting policies (continued)**

**j. Property and equipment**

*(i) Property and equipment*

All costs directly associated with the development of oil and natural gas interests are capitalized on an area-by- area basis as oil and natural gas interests and are measured at cost less accumulated depletion and depreciation and net impairment losses. These costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning provisions and transfers from exploration and evaluation assets.

Costs of replacing parts of property and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in income (loss) as incurred. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in income (loss) as incurred.

Exchanges or swaps of property and equipment are measured at fair value unless the transaction does not lack commercial substance or the fair value of the asset received nor the asset given up can be reliably estimated. When fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. Any gains or losses from the divestiture of property and equipment are recognized in the statement of loss and comprehensive loss.

*(ii) Depletion and depreciation*

Oil and natural gas interests are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior period adjustments and are dealt with on a prospective basis.

Processing facilities and well equipment are depleted using the unit-of-production method along with the related reserves when the assets are designed to have a life similar to the reserves of the related wells with little to no residual value. Where facilities and equipment, including major components, have differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful life of the facilities and equipment and other related components.

**3. Summary of significant accounting policies (continued)**

**k. Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purposes of assessing impairment, property and equipment are grouped into separate CGUs. Goodwill, if any is allocated to the CGUs that are expected to benefit from the synergies of the business combination creating the goodwill.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's length transaction between knowledgeable and willing parties. Fair value less costs to sell may be determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the CGU in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in the statement of loss and comprehensive loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized. A goodwill impairment loss is not reversed.

**l. Decommissioning provisions**

Decommissioning provisions are recognized for decommissioning and restoration obligations associated with the Company's property and equipment. The best estimate of the expenditure required to settle the present obligation at the statement of financial position date is recorded on a discounted basis using the pre-tax risk-free interest rate. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated property and equipment and is depleted or amortized over the useful life of the asset. The provision is accreted over time through charges to financing expenses. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or the discount rate are recognized as changes in the decommissioning provision and the related asset.

Actual decommissioning expenditures up to the recorded liability at the time are charged against the provision as the costs are incurred. Any difference between the recorded provision and the actual costs incurred is recorded as a gain or loss in the statement of loss and comprehensive loss.

**4. Properties and equipment**

	Natural gas interest
Cost	\$
Balance at March 31, 2018 and 2019	367,754
Additions	-
Balance at March 31, 2020	367,754
	Natural gas interest
Accumulated amortization	\$
Balance at March 31, 2018	-
Amortization	(4,034)
Balance at March 31, 2019	(4,034)
Amortization	(4,034)
Balance at March 31, 2020	(8,068)
<b>Net</b>	<b>359,686</b>

Amortization is provided using the straight-line method over a period of years at rates intended to amortize the cost of the assets over their estimated useful lives.

	Method	Years
Facilities and production equipment	straight line	25

In the year of acquisition, the amortization is pro-rated for the numbers of the months owned in the year.

**5. Decommissioning obligation**

The Company's estimated net present value of decommissioning liabilities is \$151,365 as at March 31, 2020 (2019 - \$148,472), based on an undiscounted total future liability of \$231,396 (2019 - \$231,396). These payments are expected to be incurred over a period of 4 to 10 years with the majority of costs to be incurred between 2027 and 2028. At March 31, 2020, risk-free rate between 0.92% - 1.95% (2019 - 1.55% - 1.90%) and an inflation rate of 2% (2019 - 2%) were used to calculate the net present value of the decommissioning liabilities.

	2020	2019
	\$	\$
Balance - beginning of period	148,472	145,636
Accretion	2,892	2,836
	151,365	148,472



**6. Income taxes**

The provision for income tax reflects an effective income tax rate which differs from federal and provincial statutory income tax rates. The main differences are as follows:

	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
Income (Loss) before taxes	<b>(6,927)</b>	(6,870)
Add back: Temporary differences	<b>6,927</b>	6,870
Net Taxable income	-	-
Statutory tax rate	<b>27.0%</b>	27.0%
Expected income tax (recovery)	-	-
Total income tax expense (recovery)	-	-

The Company has recognized deferred tax assets and liabilities as follows:

	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
Deferred tax liability, beginning of period	<b>(220,263)</b>	(222,118)
Deferred tax (recovery) expense	<b>1,870</b>	1,855
Deferred tax liability, end of period	<b>(218,393)</b>	(220,263)

**7. Financial instruments and financial risk management**

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The Company's risk management policies are established by the Board of Directors to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's policy.

The Company's financial instruments include cash overdraft. The carrying values of cash overdraft approximate their fair values due to their relatively short periods to maturity. The carrying value of convertible debenture and promissory notes approximates its fair market value as the interest rates are based on market rates.

The Company has exposure to liquidity risk and market risk as a result of its financial instruments.

**7. Financial instruments and financial risk management (continued)**

**a. Liquidity risk**

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. Accounts payable and accrued liabilities have an expected maturity of less than one year resulting in their current classification on the statement of financial position.

**b. Market risk**

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's cash flows, net loss and comprehensive loss, liquidity or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures where considered appropriate and maximize returns.

**c. Interest rate risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk on its debt as they bear a fixed interest rate.

**8. Parent's Net Investment**

To record the Parent Company's 611890 Alberta Inc. in the investment in the Carveout. The amounts recorded in the balance of the investment consist of the net profit or loss of the carveout.

	\$
Balance Opening, 2019	-
Net Income/(Loss)	(5,015)
Balance at March 31, 2019	(5,015)
Net Income/(Loss)	(5,057)
<b>Balance at March 31, 2020</b>	<b>(10,072)</b>



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**611890 ALBERTA INC.**

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**CARVE-OUT INTERIM FINANCIAL STATEMENTS**

**For the three and nine months period ended December 31, 2021 and  
2020**

**611890 ALBERTA INC.**

**CARVE-OUT INTERIM FINANCIAL STATEMENTS**

**For the three and nine months period ended December 31, 2021 and 2020**

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## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited carve-out interim financial statements of 611890 Alberta Inc. (the "Company") are the responsibility of management and the Board of Directors.

The unaudited carve-out interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited carve-out interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the carve-out statement of financial position date. In the opinion of management, the unaudited carve-out interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence in that (i) the unaudited carve-out interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited carve-out interim financial statements and (ii) the unaudited carve-out interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited carve-out interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited carve-out interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

**611890 ALBERTA INC.**  
**CARVE-OUT INTERIM STATEMENTS OF FINANCIAL POSITION**  
*As at December 31, 2021 and March 31, 2021*  
*(Unaudited - Expressed in Canadian dollars)*

<b>Assets</b>	<i>Notes</i>	<b>December 31, 2021</b>	March 31, 2021
		\$	\$
<b>Current Assets</b>			
Cash		<b>1,895,337</b>	
<b>Long term assets</b>			
Properties and equipment	3	<b>3,666,476</b>	3,697,665
<b>Total assets</b>		<b>5,561,813</b>	3,697,665
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current tax liability	9	<b>9,716</b>	-
Joint Venture Payable	8	<b>158,565</b>	-
Operated Cash Call Payable	7	<b>1,586,601</b>	-
Total current liabilities		<b>1,754,882</b>	-
<b>Non-current liabilities</b>			
Deferred tax liabilities	9	<b>2,178,008</b>	2,178,008
Decommissioning obligation	4	<b>2,126,380</b>	2,043,384
Total non-current liabilities		<b>4,304,388</b>	4,221,392
<b>Total liabilities</b>		<b>6,059,270</b>	4,221,392
<b>Parent's Net Investment</b>			
Parent's Net Investment	6	<b>(497,457)</b>	(523,727)
<b>Total liabilities and Parent's Net Investment</b>		<b>5,561,813</b>	3,697,665

**Approved by:**

*/s/ Leonard B. Van Betuw*

Leonard B. Van Betuw, President and  
director

The accompanying notes are an integral part of the carve-out interim financial statements

**611890 ALBERTA INC.**  
**CARVE-OUT INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
For the three and nine month periods ended December 31, 2021 and 2020  
(Unaudited - Expressed in Canadian dollars)

<i>Notes</i>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>(3 months)</b>	<b>(3 months)</b>	<b>(9 months)</b>	<b>(9 months)</b>
<b>Revenue</b>				
Oil and natural gas revenue	256,111	-	301,340	-
Royalty expenses	(26,522)	-	(34,830)	-
<b>Revenue, net of royalties</b>	<b>229,589</b>	<b>-</b>	<b>266,510</b>	<b>-</b>
<b>Expenses</b>				
Operating expenses	98,855	-	116,339	-
Depletion and depreciation	3 4,076	3,749	31,189	4,034
Accretion	4 82,996	-	82,996	2,893
<b>Income (loss) before the following items</b>	<b>43,662</b>	<b>(3,749)</b>	<b>(230,524)</b>	<b>(6,927)</b>
<b>Income (loss) before income taxes</b>	<b>43,662</b>	<b>(3,749)</b>	<b>35,986</b>	<b>(6,927)</b>
<b>Income taxes</b>				
Income tax expense	9 (5,015)	-	(9,716)	-
Deferred tax recovery (expense)	9 -	-	-	1,870
	<b>(5,015)</b>	<b>-</b>	<b>(9,716)</b>	<b>1,870</b>
<b>Net Income (loss) and comprehensive Income (loss) for the period</b>	<b>38,648</b>	<b>(3,749)</b>	<b>26,270</b>	<b>(5,057)</b>

The accompanying notes are an integral part of the carve-out interim financial statements

**611890 ALBERTA INC.**  
**CARVE-OUT INTERIM STATEMENTS OF CASH FLOWS**  
*For the nine month period ended December 31, 2021 and 2020,*  
*(Unaudited - Expressed in Canadian dollars)*

	<i>Notes</i>	<b>2021</b>	2020
		\$	\$
<b>Operating activities</b>			
Net Income (loss)		<b>26,270</b>	(5,057)
Operated Cash Calls Payable	7	<b>1,586,601</b>	-
Joint Venture Payable	8	<b>158,565</b>	
Depletion and depreciation	3	<b>31,189</b>	4,034
Accretion	4	<b>82,996</b>	2,893
Income tax expense	9	<b>9,716</b>	-
Deferred tax recovery		-	(1,870)
<b>Cash flow used by operating activities</b>		<b>1,895,337</b>	-
Change in Cash		<b>1,895,337</b>	-
Cash, beginning of the year		-	-
<b>Cash , end of the period</b>		<b>1,895,337</b>	-



**1. Corporate information**

Avila Energy ("Avila" or the "Company") was incorporated as 611890 Alberta Inc. pursuant to the provisions of the Business Corporations act of Alberta on May 19, 1994. The Company is a privately owned corporation which operates as a explorer, developer, and producer of energy through the application of proven, geological, geophysical, engineering, and production techniques on its owned and operated, developed and undeveloped mineral rights.

The Company's current management chose to focus on only being the operator of 100% of its production and facilities so that it could become an integrated supplier of Carbon Neutral Energy, to have an established financial capacity prior to increase production, processing, and mid-stream operations as an integrated energy provider.

The Company in parallel continues to focus on the generation of high impact results through exploration, development, production and sale of energy to Private and Public consumers.

**2. Basis of presentation**

*Statement of compliance*

These carve-out interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretation Committee ("IFRIC") in effect at the closing date of December 31, 2021.

The carve-out interim financial statements were authorized by the Board of Directors for issue on April 7, 2022.

*Basis of measurement*

These carve-out interim financial statements have been prepared under the historical cost method, except as otherwise noted below.

*Financial and presentation currency*

These carve-out interim financial statements are presented in Canadian Dollars, which is also the Company's functional currency.

**3. Properties and equipment**

	Natural gas interest
Cost	\$
Balance at March 31, 2021	3,720,728
Balance at December 31, 2021	3,720,728
Accumulated amortization	\$
Balance at March 31, 2021	(23,063)
Amortization	(31,189)
Balance at December 31, 2021	(54,252)
<b>Net</b>	<b>3,666,476</b>

Amortization is provided using the straight-line method over a period of years at rates intended to amortize the cost of the assets over their estimated useful lives.

	Method	Years
Facilities and production equipment	straight line	25

In the year of acquisition, the amortization is pro-rated for the numbers of the months owned in the year.

**4. Decommissioning obligation**

The Company's estimated net present value of decommissioning liabilities is \$2,126,380 as December 31, 2021, based on an undiscounted total future liability of \$4,696,333. These payments are expected to be incurred over a period of 4 to 10 years with the majority of costs to be incurred between 2027 and 2028. At December 31, 2021, risk-free rate between 0.92% - 1.95% and an inflation rate of 2% were used to calculate the net present value of the decommissioning liabilities.

	<b>December 31, 2021</b>	March 31, 2021
Balance - beginning of period	\$ <b>2,043,384</b>	\$ 2,004,339
Accretion	<b>82,996</b>	39,045
	<b>2,126,380</b>	2,043,384

**5. Financial instruments and financial risk management**

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The Company's risk management policies are established by the Board of Directors to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's policy.

The Company's financial instruments include cash overdraft. The carrying values of cash overdraft approximate their fair values due to their relatively short periods to maturity. The carrying value of convertible debenture and promissory notes approximates its fair market value as the interest rates are based on market rates.

The Company has exposure to liquidity risk and market risk as a result of its financial instruments.

**a. Liquidity risk**

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. Accounts payable and accrued liabilities have an expected maturity of less than one year resulting in their current classification on the statement of financial position.

**b. Market risk**

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's cash flows, net loss and comprehensive loss, liquidity or the value of financial instruments. The objective of market risk management is to mitigate market risk exposures where considered appropriate and maximize returns.

**c. Interest rate risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk on its debt as they bear a fixed interest rate.

**6. Parent's Net Investment**

To record the Parent Company's 611890 Alberta Inc. in the investment in the Carveout. The amounts recorded in the balance of the investment consist of the net profit or loss of the carveout.

	\$
Balance Opening, 2019	-
Net Income/(Loss)	(5,015)
Balance at March 31, 2019	(5,015)
Net Income/(Loss)	(5,057)
Balance at March 31, 2020	<b>(10,072)</b>
Net Income/(Loss)	(2,013,655)
611890 Parent Investment in Forge Acquisition	1,500,000
Balance at March 31, 2021	(523,727)
Net Income/(Loss)	26,270
Balance at March 31, 2021	<b>(497,457)</b>

**7. Operated Cash Call Payable**

Cash Called during 2021 from Joint Venture Partner, Avila Energy Corporation in the amount of \$1,586,601 which is comprised of the following:

- Cash Call issued on April 15<sup>th</sup>, 2021 for \$247,640 with the remaining balance of \$186,601
- Cash Call issued on September 9th, 2021 for \$500,000
- Cash Call issued on October 4th, 2021 for \$900,000

**8. Joint Venture Payable**

- \$158,565 payable to joint venture partner Avila Energy Corporation for their share of revenues in jointly held assets.

**9. Income taxes**

The provision for income tax reflects an effective income tax rate which differs from federal and provincial statutory income tax rates. The main differences are as follows:

	<b>December 31, 2021</b>	December
	\$	31, 2020
		\$
Income (Loss) before taxes	<b>35,986</b>	(6,927)
Add back: Temporary differences	-	6,927
Net Taxable income	<b>35,986</b>	-
Statutory tax rate	<b>27.0%</b>	27.0%
Expected income tax (recovery)	<b>9,716</b>	-
Total income tax expense (recovery)	<b>9,716</b>	-

The Company has recognized deferred tax assets and liabilities as follows:

	<b>December 31, 2021</b>	December 31, 2020
	\$	\$
Deferred tax liability, beginning of period	<b>2,178,008</b>	(220,263)
Deferred tax (recovery) expense	-	1,870
Deferred tax liability, end of period	<b>(2,178,008)</b>	(218,393)

**SCHEDULE "D" – 611 MD&A FOR THE YEARS ENDED MARCH 31, 2021, MARCH 31, 2020,  
MARCH 31, 2019**



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**611890 ALBERTA INC.**

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**Form 51-102F1  
Management's Discussion and Analysis**

**For the Twelve Months Ended March 31, 2021 and 2020**

## **GENERAL**

This Management's Discussion and Analysis ("MD&A") or "Report" of the financial condition of 611890 Alberta Inc. ("611890 Alberta Inc" or the "Company") and results of operations of the Company for the year ended March 31, 2021 has been prepared by management in accordance with the requirements under National Instrument 51-102 as at April 30, 2021 (the "Report Date"). The Report should be read in conjunction with the audited financial statements including notes thereto for the years ended March 31, 2021 and 2020 (collectively, the "Financial Statements"). The Financial Statements are presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and 611890 Alberta Inc.'s accounting policies as described in the notes to the Financial Statements. All dollar amounts in the Report are in Canadian dollars unless otherwise noted.

## **FORWARD LOOKING INFORMATION**

Some statements contained in this MD&A constitute forward looking statements including, without limitation, anticipated developments in the Company's operations in future periods and other events or conditions that may occur in the future. These statements are about the future and are inherently uncertain and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those mentioned herein under heading "RISKS AND UNCERTAINTIES". Management believes that the expectations reflected in those statements are reasonable but no assurance can be given that these expectations will prove to be correct. It is recommended not to place undue reliance on forward looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company undertakes to update any forward looking information should the material factors or assumptions change resulting in a material change to the statements made.

## **OVERALL PERFORMANCE**

### **Business Description**

The Company is reporting company registered in Alberta under the Business Corporations Act and has its records and principal address located in 20 Silverstone Pl. Calgary NE., Alberta T3B 4Y9

611890 Alberta Inc. was incorporated as pursuant to the provisions of the Business Corporations act of Alberta on May 19, 1994. The Company is a privately owned corporation which operates as a explorer, developer, and producer of energy through the application of proven, geological, geophysical, engineering, and production techniques on its owned and operated, developed and undeveloped mineral rights.

The Company's current management in 2021 chose to focus on only being the operator of 100% of its production and facilities so that it could become an integrated supplier of Carbon Neutral Energy, to have an established financial capacity prior to increasing production, processing, and mid-stream operations as an integrated energy provider. In carrying out the strategy of being the 100% operator, the Company acquired oil and gas property from an Alberta based Company. This acquisition is described in Note 4 of the audited Financial Statements at March 31, 2020.

The Company in parallel continues to focus on the generation of high impact results through exploration, development, production and sale of energy to Private and Public consumers.

The Company has not generated any income for the twelve months ending March 31, 2020 as the assets were not producing. The Company has generated income for the twelve months ending March 31, 2021 due to the gain on acquisition as the assets were still not producing.



## **Property**

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any special purpose entities, nor is it a party to any transactions or arrangements that would be excluded from the statement of financial position.

### **CHANGES IN ACCOUNTING POLICIES**

The same accounting policies used in the preparation of the Financial Statements is the same as those used in the most recent audited annual financial statements and in the opinion of management reflects all the adjustments considered necessary for the fair presentation in accordance with IFRS of the result of the interim periods presented.

### **FINANCIAL INSTRUMENTS**

As at March 31, 2021, the Company's financial instruments consist of cash and accrued liabilities. IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of hierarchy are:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

As at March 31, 2021, the Company believes that the carrying values of accrued liabilities are approximate their fair values because of their nature and relatively short maturity dates or durations.

### **RISK FACTORS AND UNCERTAINTIES**

611890 Alberta Inc. is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. The Company's risk exposures and the impact of the Company's financial instruments are summarized below:

#### ***Credit Risk***

The Company's credit risk is primarily attributable to cash. The maximum exposure of credit risk is best represented by the carrying amount of the financial instruments. The Company considers credit risk negligible as cash is held in reputable financial institutions.

#### ***Liquidity Risk***

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis. At March 31, 2021, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

#### ***Market Risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates. The Company has no interest-bearing assets and only fixed interest debts and considers the market risk negligible.

### ***Additional Financing***

As there is no revenue generated from operations, the Company relies on the equity and cash to pursue business opportunities.

### ***Coronavirus (COVID-19)***

Since March 2020, several governmental measures have been implemented in Canada and the rest of the world in response to the coronavirus (COVID-19) pandemic. While the impact of COVID-19 and these measures are expected to be temporary, the current circumstances are dynamic. Workforces, economies and financial markets have all been significantly affected. As at the date of this Report, it is not possible for the Company to determine the effects of the pandemic on the Company's business or operations in the ensuing year, nor predict the duration, impact or magnitude of the pandemic in the future. The Company continues to operate its business, and adheres to Canadian Federal and Provincial emergency measures as those are developed. The Company continues to evaluate and adjust its operation activities accordingly.

### ***Reliance on Key Personnel***

The Company relies on a relatively small number of directors, officers and senior personnel. Loss of any one of those persons could have an adverse effect on the Company. The Company does not currently maintain "key employee" insurance in respect of any of its senior management.

**SELECTED ANNUAL INFORMATION**

<b>Year Ended</b>	<b>Net (Loss)/Income \$</b>	<b>Total Assets \$</b>	<b>Non-current liabilities \$</b>
March 31, 2021	5,298,219	11,610,081	4,971,392
March 31, 2020	(5,057)	960,228	369,758



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**611890 ALBERTA INC.**

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**Form 51-102F1  
Management's Discussion and Analysis  
For the Twelve Months Ended March 31, 2020 and 2019**

## **GENERAL**

This Management's Discussion and Analysis ("MD&A" or "Report") of the financial condition of 611890 Alberta Inc. ("611890 Alberta Inc." or the "Company") and results of operations of the Company for the year ended March 31, 2020 has been prepared by management in accordance with the requirements under National Instrument 51-102 as at April 30, 2020 (the "Report Date"). The Report should be read in conjunction with the audited financial statements including notes thereto for the years ended March 31, 2020 and 2019 (collectively, the "Financial Statements"). The Financial Statements are presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and 611890 Alberta Inc.'s accounting policies as described in the notes to the Financial Statements. All dollar amounts in the Report are in Canadian dollars unless otherwise noted.

## **FORWARD LOOKING INFORMATION**

Some statements contained in this MD&A constitute forward looking statements including, without limitation, anticipated developments in the Company's operations in future periods and other events or conditions that may occur in the future. These statements are about the future and are inherently uncertain and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those mentioned herein under heading "RISKS AND UNCERTAINTIES". Management believes that the expectations reflected in those statements are reasonable but no assurance can be given that these expectations will prove to be correct. It is recommended not to place undue reliance on forward looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company undertakes to update any forward looking information should the material factors or assumptions change resulting in a material change to the statements made.

## **OVERALL PERFORMANCE**

### **Business Description**

The Company is reporting company registered in Alberta under the Business Corporations Act and has its records and principal address located in 20 Silverstone Pl. Calgary NE., Alberta T3B 4Y9

611890 Alberta Inc. was incorporated as pursuant to the provisions of the Business Corporations act of Alberta on May 19, 1994. The Company is a privately owned corporation which operates as an explorer, developer, and producer of energy through the application of proven, geological, geophysical, engineering, and production techniques on its owned and operated, developed and undeveloped mineral rights.

The Company's current management in 2020 chose to focus on only being the operator of 100% of its production and facilities so that it could become an integrated supplier of Carbon Neutral Energy, to have an established financial capacity prior to increasing production, processing, and mid-stream operations as an integrated energy provider.

The Company in parallel continues to focus on the generation of high impact results through exploration, development, production and sale of energy to Private and Public consumers.

The Company has not generated any income for the twelve months ending March 31, 2019. The Company has not generated any income for the twelve months ending March 31, 2020.

## **Property**

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any special purpose entities, nor is it a party to any transactions or arrangements that would be excluded from the statement of financial position.

### **CHANGES IN ACCOUNTING POLICIES**

The same accounting policies used in the preparation of the Financial Statements is the same as those used in the most recent audited annual financial statements and in the opinion of management reflects all the adjustments considered necessary for the fair presentation in accordance with IFRS of the result of the interim periods presented.

### **FINANCIAL INSTRUMENTS**

As at March 31, 2020, the Company's financial instruments consist of cash and accrued liabilities. IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of hierarchy are:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (ie.e derived from prices; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

As at March 31, 2020, the Company believes that the carrying values of the accrued liabilities are approximate their fair values because of their nature and relatively short maturity dates or durations.

### **RISK FACTORS AND UNCERTAINTIES**

611890 Alberta Inc. is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. The Company's risk exposures and the impact of the Company's financial instruments are summarized below:

#### ***Credit Risk***

The Company's credit risk is primarily attributable to cash. The maximum exposure of credit risk is best represented by the carrying amount of the financial instruments. The Company considers credit risk negligible as cash is held in reputable financial institutions.

#### ***Liquidity Risk***

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis. At March 31, 2020, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

#### ***Market Risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates. The Company has no interest-bearing assets.

### ***Additional Financing***

As there is no revenue generated from operations, the Company relies on the equity and cash to pursue business opportunities.

### ***Coronavirus (COVID-19)***

Since March 2020, several governmental measures have been implemented in Canada and the rest of the world in response to the coronavirus (COVID-19) pandemic. While the impact of COVID-19 and these measures are expected to be temporary, the current circumstances are dynamic. Workforces, economies and financial markets have all been significantly affected. As at the date of this Report, it is not possible for the Company to determine the effects of the pandemic on the Company's business or operations in the ensuing year, nor predict the duration, impact or magnitude of the pandemic in the future. The Company continues to operate its business, and adheres to Canadian Federal and Provincial emergency measures as those are developed. The Company continues to evaluate and adjust its operation activities accordingly.

### ***Reliance on Key Personnel***

The Company relies on a relatively small number of directors, officers and senior personnel. Loss of any one of those persons could have an adverse effect on the Company. The Company maintains "key employee" insurance in respect to particular senior management.

**SELECTED ANNUAL INFORMATION**

<b>Year Ended</b>	<b>Net (Loss)/Income \$</b>	<b>Total Assets \$</b>	<b>Non-current liabilities \$</b>
March 31, 2020	(5,057)	960,228	369,758
March 31, 2019	(5,015)	964,262	368,735





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**611890 ALBERTA INC.**

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**Form 51-102F1  
Management's Discussion and Analysis  
For the Three and Nine Months Ended  
December 31, 2021 and 2020**

## **GENERAL**

This Management's Discussion and Analysis ("MD&A") or "Report") of the financial condition of 611890 Alberta Inc. ("611890 Alberta Inc" or the "Company") and results of operations of the Company for the interim period ended September, 2021 has been prepared by management in accordance with the requirements under National Instrument 51-102 as at January 31, 2022 (the "Report Date"). The Report should be read in conjunction with the reviewed financial statements including notes thereto for the interim period of December 31, 2021 (collectively, the "Financial Statements"). Also, the Report should be read in conjunction with the audited financial statements including notes thereto for the years ended March 31, 2021 (collectively, the "Financial Statements"). The Financial Statements are presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and 611890 Alberta Inc.'s accounting policies as described in the notes to the Financial Statements. All dollar amounts in the Report are in Canadian dollars unless otherwise noted.

## **FORWARD LOOKING INFORMATION**

Some statements contained in this MD&A constitute forward looking statements including, without limitation, anticipated developments in the Company's operations in future periods and other events or conditions that may occur in the future. These statements are about the future and are inherently uncertain and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those mentioned herein under heading "RISKS AND UNCERTAINTIES". Management believes that the expectations reflected in those statements are reasonable but no assurance can be given that these expectations will prove to be correct. It is recommended not to place undue reliance on forward looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company undertakes to update any forward looking information should the material factors or assumptions change resulting in a material change to the statements made.

## **OVERALL PERFORMANCE**

### **Business Description**

The Company is reporting company registered in Alberta under the Business Corporations Act and has its records and principal address located in 20 Silverstone Pl. Calgary NE., Alberta T3B 4Y9

611890 Alberta Inc. was incorporated as pursuant to the provisions of the Business Corporations act of Alberta on May 19, 1994. The Company is a privately owned corporation which operates as a explorer, developer, and producer of energy through the application of proven, geological, geophysical, engineering, and production techniques on its owned and operated, developed and undeveloped mineral rights.

The Company's current management in 2021 chose to focus on only being the operator of 100% of its production and facilities so that it could become an integrated supplier of Carbon Neutral Energy, to have an established financial capacity prior to increase production, processing, and mid-stream operations as an integrated energy provider. In carrying out the strategy of being the 100% operator, the Company acquired oil and gas properties from one Alberta based Companies. These acquisitions are described in Note 8 of the interim Financial Statements at December 31, 2021.

The Company in parallel continues to focus on the generation of high impact results through exploration, development, production and sale of energy to Private and Public consumers.

## DISCUSSION OF OPERATIONS

The following is a summary of the significant events and transactions that occurred during the interim period of April 1, 2021 to December 31, 2021 and year ended March 31, 2021:

### Results of operations for the year ended March 31, 2021:

The Company has not generated any income for the twelve months ending March 31, 2021.

### Results of operations for the interim period of April 1, 2020 to December 31, 2021:

Starting October 1, 2021, for the 3 months to December 31, 2021, the Company generated after tax income of \$38,648 from revenues of \$256,111, less royalties of \$26,522 operating expenses of \$98,855 and depletion and amortization of \$4,076 resulting in net operating income before tax of \$43,662 minus a provision for taxes of \$5,015 for the operating income ending in net income after taxes of \$38,648.

During the nine months period starting April 1, 2021, the Company generated after tax income of \$26,270 from revenues of \$301,340, less royalties of \$34,830 operating expenses of \$116,339 and depletion and amortization of \$31,189 resulting in net income before tax of \$35,986 minus a provision for taxes of \$9,716.

While the volume produced was 12,900 boe prior to shrinkage due to processing and transportation resulting in net sales volumes of 10,801 BOE for an average of \$27.91 per boe or \$4.58 per mcf.

Details related to the Company's oil and gas operations, please refer to the *Summary of Quarterly Results* section.

## SELECTED ANNUAL INFORMATION

The following table provides a summary of the Company's financial operations. For more detailed information refer to the financial statements.

	Interim Period December 31, 2021	Year ended March 31, 2021	Year ended March 31, 2020
	\$	\$	\$
Total net revenue	266,510	-	-
Other Income: Gain on Acquisition	-	7,311,874	
Income before income taxes	230,524	7,257,834	200,934
Comprehensive income (loss)	26,270	5,298,219	(175,813)
Total assets	12,724,229	11,610,081	1,065,473
Working capital (deficit)	(609,545)	(750,000)	(299,152)

## SUMMARY OF QUARTERLY RESULTS

Selected quarterly information for the eight most recently completed quarters is presented below in Canadian currency (\$), and in accordance with the International Financial Reporting Standards (“IFRS”).

Reporting Period	Q3 – 2021 December 31	Q2 – 2021 September 30	Q1 – 2021 June 30	Q4 – 2021 March 31
Total assets	12,724,229	4,732,866	11,610,081	11,610,081
Property and equipment	11,578,892	11,606,005	11,610,081	11,610,081
Working capital (deficit)	(609,545)	(653,207)	(750,000)	(750,000)
Equity	5,914,959	5,881,012	5,888,689	5,888,689
Total revenues (net)	229,589	36,921	-	-
Gross revenues <sup>(1)</sup>	256,111	45,229	-	-
Oil and condensates per boe/d	0.28	0.48	-	-
Natural gas and liquids per mcf/d	119.2	292.4	-	-
Revenue per BOE	47.85	23.89	-	-
Operating expenses	98,855	17,484	-	-
Income (loss) before income taxes	43,662	(7,677)	-	-

Reporting Period	Q3 – 2020	Q2 – 2020	Q1 – 2020	Q4 – 2020
	December 31	September 30	June 30	March 31
Total assets	11,641,212	11,641,212	11,641,212	11,641,212
Property and equipment	11,641,212	11,641,212	11,641,212	11,641,212
Working capital (deficit)	(750,000)	(750,000)	-	-
Equity	6,638,689	6,638,689	590,470	590,470
Total revenues (net)	-	-	-	-
Gross revenues	-	-	-	-
Oil and condensates per boe/d	-	-	-	-
Natural gas and liquids mcf/d	-	-	-	-
Revenue per BOE	-	-	-	-
Operating expenses	-	-	-	-
Other Income: Gain on Acquisition		7,311,874		
Income (loss) before income taxes	(3,749)	7,261,582	-	(6,927)

In the event of an increase or decrease in the unit prices, the effects on gross revenue of \$301,340 based on the interim period of April 1 to December 31, 2021, would be as follows:

Product	Total production (BOE)	Price per BOE \$	Change in unit price \$	Increase / (Decrease) \$
Oil and condensates (bbls)	113.31	\$68.99	\$1.00 / BOE	113 / (113)
Natural gas and liquids (mcf)	10,687.7	\$27.48	\$1.00 / BOE	10,688 / (10,688)
<b>Total effect on gross profit</b>				<b>10,801 / (10,801)</b>

Production per Quarter	2021				2020			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Oil and condensates (boe)	25.7	43.9	Nil	Nil	Nil	Nil	Nil	Nil
Natural gas and liquids (mcf)	11,189.0	27,160.2	Nil	Nil	Nil	Nil	Nil	Nil
Total (BOE)	1,890.5	4,570.6	0.0	0.0	0.0	0.0	0.0	0.0

A barrel of oil equivalent (BOE) is determined by converting a volume of natural gas to barrels using the ratio of six (six) mcf to one (1) barrel. BOEs may be misleading, particularly if used in isolation.

## Property

### OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any special purpose entities, nor is it a party to any transactions or arrangements that would be excluded from the statement of financial position.

### CHANGES IN ACCOUNTING POLICIES

The same accounting policies used in the preparation of the Financial Statements is the same as those used in the most recent audited annual financial statements and in the opinion of management reflects all the adjustments considered necessary for the fair presentation in accordance with IFRS of the result of the interim periods presented.

### FINANCIAL INSTRUMENTS

As at December 31, 2021, the Company's financial instruments consist of cash and accrued liabilities. IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of hierarchy are:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

As at December 31, 2021, the Company believes that the carrying values of accrued liabilities are approximate their fair values because of their nature and relatively short maturity dates or durations.

## **RISK FACTORS AND UNCERTAINTIES**

611890 Alberta Inc. is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. The Company's risk exposures and the impact of the Company's financial instruments are summarized below:

### ***Credit Risk***

The Company's credit risk is primarily attributable to cash. The maximum exposure of credit risk is best represented by the carrying amount of the financial instruments. The Company considers credit risk negligible as cash is held in reputable financial institutions.

### ***Liquidity Risk***

The Company monitors the expected settlement of financial assets and liabilities on an ongoing basis. At December 31, 2021, the carrying value and fair value amounts of the Company's financial instruments are approximately equal.

### ***Market Risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates. The Company has no interest-bearing assets and only fixed interest debts and considers the market risk negligible.

### ***Additional Financing***

As there is no revenue generated from operations, the Company relies on the equity and cash to pursue business opportunities.

### ***Coronavirus (COVID-19)***

Since March 2020, several governmental measures have been implemented in Canada and the rest of the world in response to the coronavirus (COVID-19) pandemic. While the impact of COVID-19 and these measures are expected to be temporary, the current circumstances are dynamic. Workforces, economies and financial markets have all been significantly affected. As at the date of this Report, it is not possible for the Company to determine the effects of the pandemic on the Company's business or operations in the ensuing year, nor predict the duration, impact or magnitude of the pandemic in the future. The Company continues to operate its business, and adheres to Canadian Federal and Provincial emergency measures as those are developed. The Company continues to evaluate and adjust its operation activities accordingly.

### ***Reliance on Key Personnel***

The Company relies on a relatively small number of directors, officers and senior personnel. Loss of any one of those persons could have an adverse effect on the Company. The Company does not currently maintain "key employee" insurance in respect of any of its senior management.

**SCHEDULE "E" – UNAUDITED PRO FORMA FINANCIAL STATEMENTS FOR THE  
COMPANY, TO GIVE EFFECT TO THE ASSET PURCHASE AS IF THEY HAD TAKEN  
PLACE AS OF MARCH 31, 2022**



**AVILA ENERGY CORPORATION**  
**(formerly Petro Viking Energy Inc.)**

March 31, 2022

Pro Forma Consolidated Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

- Pro Forma Consolidated Statement of Financial Position
- Pro Forma Consolidated Statement of Operations
- Notes to the Pro Forma Consolidated Financial Statements



# Avila Energy Corporation (formerly Petro Viking Energy Inc.)

## Pro forma Consolidated Statement of Financial Position

As at March 31, 2022

(Unaudited)

	Avila Energy Corp. March 31, 2022	611890 Alberta Inc. (Carve Out) December 31, 2021	Subsequent Transactions for 611890 Alberta Inc. (Carve Out)	Note	Pro Forma Adjustments	Pro Forma Consolidated
<b>Assets</b>						
Cash	196,018	1,895,337	(739,340)	3	-	1,352,015
Sales tax receivable	19,305	-	-		-	19,305
Joint Venture Receivable	347,429	-	-	3, 4 a) i, 4a)ii	(347,429)	-
Pre-paid expenses	21,485	-	-		-	21,485
Advances	1,216,931	-	-	3, 4 a) i, 4a)ii	(1,216,931)	-
<b>Total current assets</b>	<b>1,801,167</b>	<b>1,895,337</b>	<b>(739,340)</b>		<b>(1,564,359)</b>	<b>1,392,805</b>
<b>Non-current assets</b>						
Property and equipment	1,196,482	3,666,476	369,670	3, 4 a) i, 4a)ii	16,376,624	21,609,252
Exploration and evaluation assets	1,616,201	-	-	3	9,176,000	10,792,201
<b>Total Assets</b>	<b>\$ 4,613,850</b>	<b>5,561,813</b>	<b>(369,670)</b>		<b>23,988,265</b>	<b>33,794,258</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable and accrued liabilities	266,167	9,716	-	3	-	275,883
Joint Venture Payable	-	158,565	188,864	3, 4 a) i, 4a)ii	(347,429)	-
Operated Cash Call Payable	-	1,586,601	(369,670)	3, 4 a) i, 4a)ii	(1,216,931)	-
Promissory note	67,429	-	-		-	67,429
<b>Total current liabilities</b>	<b>333,596</b>	<b>1,754,882</b>	<b>(180,806)</b>		<b>(1,564,360)</b>	<b>343,312</b>
<b>Non-current liabilities</b>						
Promissory note	-	-	-		-	-
Convertible debenture	537,281	-	-		-	537,281
Derivative liability	721,865	-	-		-	721,865
Deferred tax liabilities/(assets)	-	2,178,008	-	3	(1,670,277)	507,731
Decommissioning provision	284,882	2,126,380	-	3	984,788	3,396,050
<b>Total non-current liabilities</b>	<b>1,544,028</b>	<b>4,304,388</b>	<b>-</b>		<b>(685,489)</b>	<b>5,162,928</b>
<b>Total liabilities</b>	<b>1,877,624</b>	<b>6,059,270</b>	<b>(180,806)</b>		<b>(2,249,849)</b>	<b>5,506,240</b>
<b>Shareholders' equity (deficit)</b>						
Share Capital	9,023,278	-	-	5	23,820,800	32,844,078
Contributed surplus	3,358,412	-	-		-	3,358,412
Convertible debenture - equity portion	235,500	-	-		-	235,500
Earnings (deficit)	(9,880,964)	-	(188,864)	3	1,919,856	(8,149,972)
Parent's Net Investment	-	(497,457)	-	3	497,457	-
<b>Total shareholders' equity (deficit)</b>	<b>2,736,225</b>	<b>(497,457)</b>	<b>(188,864)</b>		<b>26,238,113</b>	<b>28,288,018</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,613,850</b>	<b>5,561,813</b>	<b>(369,670)</b>		<b>23,988,264</b>	<b>33,794,258</b>

# Avila Energy Corporation (formerly Petro Viking Energy Inc.)

## Pro forma Consolidated Statement of Operations

For the Periods Ended March 31, 2022

(Unaudited)

	Avila Energy Corp. 3 months ended March 31, 2022	611890 Alberta Inc. (Carve Out) 3 months ended December 31, 2021	Subsequent Transactions for 611890 Alberta Inc. (Carve Out)	Note	Pro Forma Adjustments	Pro Forma Consolidated
<b>Revenues</b>						
Oil and natural gas revenue	\$ 513,110	256,111	(188,864)	3, 4 a) i	-	\$ 580,357
Royalty expense	(67,794)	(26,522)	-		-	(94,316)
Operating costs	(256,452)	(98,855)	-		-	(355,307)
<b>Net revenue</b>	<b>188,864</b>	<b>130,734</b>	<b>(188,864)</b>		<b>-</b>	<b>130,734</b>
<b>General administration expenses</b>						
Management fees	10,500	-	-		-	10,500
Professional fees	36,947	-	-		-	36,947
Consulting fees	34,888	-	-		-	34,888
Interest expense	20,018	-	-		-	20,018
Outside services	-	-	-		-	-
Listing fees	1,500	-	-		-	1,500
Shareholder trust services	699	-	-		-	699
Office and administration	2,111	-	-		-	2,111
Accretion expense	12,659	82,996	-		-	95,655
Depletion & Depreciation	11,063	4,076	-		-	15,139
<b>Total Expenses</b>	<b>130,385</b>	<b>87,072</b>	<b>-</b>		<b>-</b>	<b>217,457</b>
<b>Gain (Loss) before the following items</b>	<b>58,479</b>	<b>43,662</b>	<b>(188,864)</b>		<b>-</b>	<b>(86,723)</b>
Gain (loss) on acquisition of assets	-	-	-	3	2,238,723	2,238,723
Income tax (expense) recovery	-	(5,015)	-	3	-	(5,015)
Future income tax (expense) recovery	-	-	-	3	(507,731)	(507,731)
<b>Net and comprehensive income (loss) for the period</b>	<b>\$ 58,479</b>	<b>\$ 38,648</b>	<b>\$ (188,864)</b>		<b>\$ 1,730,992</b>	<b>\$ 1,639,255</b>
Class A Common Shares - Basic Outstanding (post Acquisition)	35,651,342				44,440,000	80,091,342
<b>Basic and diluted earnings per share</b>						<b>\$0.02</b>

# Avila Energy Corporation (formerly Petro Viking Energy Inc.)

## Pro forma Consolidated Statement of Operations For the Periods Ended December 31, 2021 (Unaudited)

	Avila Energy Corp. Year ended December 31, 2021	611890 Alberta Inc. (Carve Out) 9 months ended December 31, 2021	Subsequent Transactions for 611890 Alberta Inc. (Carve Out)	Note	Pro Forma Adjustments	Pro Forma Consolidated
<b>Revenues</b>						
Oil and natural gas revenue	\$ 301,340	301,340	(188,864)	3, 4 a) i	-	\$ 413,816
Royalty expense	(34,830)	(34,830)	-		-	(69,660)
Operating costs	(116,339)	(116,339)	-		-	(232,678)
<b>Net revenue</b>	<b>150,171</b>	<b>150,171</b>	<b>(188,864)</b>		<b>-</b>	<b>111,478</b>
<b>General administration expenses</b>						
Management fees	42,000	-	-		-	42,000
Professional fees	294,371	-	-		-	294,371
Consulting fees	756,863	-	-		-	756,863
Interest expense	68,751	-	-		-	68,751
Listing fees	44,667	-	-		-	44,667
Share-based Compensation	44,993	-	-		-	
Shareholder trust services	25,139	-	-		-	25,139
Office and administration	31,040	-	-		-	31,040
Accretion expense	110,661	82,996	-		-	193,657
Depletion & Depreciation	44,252	31,189	-		-	75,441
<b>Total Expenses</b>	<b>1,462,737</b>	<b>114,185</b>	<b>-</b>		<b>-</b>	<b>1,531,929</b>
<b>Gain (Loss) before the following items</b>	<b>(1,312,566)</b>	<b>35,986</b>	<b>(188,864)</b>		<b>-</b>	<b>(1,465,444)</b>
Gain (loss) on acquisition of assets	-	-	-	3	2,238,723	2,238,723
Income tax (expense) recovery	-	(9,716)	-	3	-	(9,716)
Future income tax (expense) recovery	-	-	-	3	(507,731)	(507,731)
<b>Net and comprehensive income (loss) for the period</b>	<b>\$ (1,312,566)</b>	<b>\$ 26,270</b>	<b>\$ (188,864)</b>		<b>\$ 1,730,992</b>	<b>\$ 255,832</b>
Class A Common Shares - Basic Outstanding (post Acquisition)	35,651,342				44,440,000	80,091,342
<b>Basic and diluted earnings per share</b>						<b>\$0.00</b>

# AVILA ENERGY CORPORATION (formerly Petro Viking Energy Inc.)

## Notes to the Pro Forma Consolidated Financial Statements

March 31, 2022

(Unaudited)

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### NOTE 1 – BASIS OF PRESENTATION

#### *Statement of Compliance*

The interim financial statements for Avila Energy Corporation (formerly Petro Viking Energy Inc.) (the “Company”) that are utilized have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting of International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”). The interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS.

#### *COVID-19*

The duration and extent of the impact from the COVID-19 pandemic remains uncertain and depends on future developments that cannot be accurately predicted at this time. This situation is changing rapidly, and future impacts may materialize that are not yet known. There are no comparable recent events that provide guidance as to the effect the COVID-19 pandemic may have, and, as a result, the ultimate impact and lasting effects that provide guidance as to the effects on the Company’s business, operations, and financial condition, and on the energy industry as a whole, are highly uncertain.

Estimates and judgments made by management in the preparation of the Company’s December 31, 2021 audited financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

#### *Basis of Measurement*

The financial statements have been prepared under the historical cost method, except as otherwise noted below.

#### *Financial and presentation currency*

These financial statements are presented in Canadian Dollars, which is also the Company’s functional currency.

The unaudited pro forma consolidated financial statements have been prepared from information derived from and should be read in conjunction with the following:

1. The unaudited interim financial statements of Avila Energy Corporation for the three months period of March 31, 2022. The audited financial statements for the Company as at December 31, 2021 and the audited financial statements of Petro Viking Energy Inc. for the years as at December 31, 2020 and 2019.
2. The unaudited interim carve-out financial statements of 611890 Alberta Inc. for the three and nine months period of December 31, 2021 and the audited carve-out financial statements of 611890 Alberta Inc. for the years end as at March 31, 2021 and 2020 as disclosed and provide here within the management information circular.

The constructed interim consolidated statement of financial position of 611890 Alberta Inc. for the three and nine months period of December 31, 2021, the twelve months ended March 31, 2021 and 2020 were prepared for the purpose of the pro forma financial statements and do not conform with the financial statements of 611890 Alberta Inc. included elsewhere.

The unaudited pro forma consolidated statement of financial position of Avila Energy Corporation (formerly Petro Viking Energy Inc.) and the Acquisition of the Assets from 611890 Alberta Inc. have presented assuming the closing had been on March 31, 2022.

The unaudited pro forma consolidated financial statements have been prepared for illustration purposes only and may not be indicative of the combined results or financial position that would have occurred if the proposed transactions had been in effect at the date indicated as set out in Note 3 and 4.

Management of Avila Energy Corporation (formerly Petro Viking Energy Inc.) believes that the assumptions used provide a reasonable basis for presenting all of the significant effects of the proposed transactions and that the pro forma

# AVILA ENERGY CORPORATION (formerly Petro Viking Energy Inc.)

## Notes to the Pro Forma Consolidated Financial Statements

March 31, 2022

(Unaudited)

adjustments give appropriate effect to those assumptions and are appropriately applied in the unaudited pro forma consolidated statement of financial position.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited pro forma consolidated financial statements have been compiled in accordance with International Financial Reporting Standards, using the significant accounting policies as set out in the audited consolidated financial statements of Petro Viking Energy Inc. for the three months ended March 31, 2022 and for the years ended December 31, 2021, - 2019. 611890 Alberta Inc. for the 9 months ended December 31, 2021 and the years ended March 31, 2021 – 2020.

The unaudited pro forma consolidated financial statements should be read in conjunction with the historical financial statements and the notes thereto of Avila Energy Corporation (formerly Petro Viking Energy Inc.) included in the management information circular and other public disclosure documents that are incorporated by reference, or are incorporated within the management information circular prepared by Avila Energy Corporation (formerly Petro Viking Energy Inc.) (“the Company”).

### NOTE 3 – PROPOSED TRANSACTION

On June 14, 2021, Avila Energy Corporation (formerly Petro Viking Energy Inc.) entered into a binding agreement to acquire properties from 611890 Alberta Inc. oil and natural gas interests located in West Central Alberta. by way of a Purchase and Sale Agreement (the "Agreement").

The Purchase Price for the Acquisition is being satisfied by way of the issuance of 44,440,000 Class A common shares (the “**Common Shares**”) at \$0.60 per share and 30,000,000 convertible preferred shares (the “**Convertible Shares**”) convertible at a price of \$0.80 per share. The Convertible Shares shall have a term of five years (5) and earn an accruing 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 only occur after one of three milestones has been achieved: a) the Company exceeds the production rate of 3,000 boe/d, b) the Common Shares trade at a volume weighted average price (VWAP) of more than \$1.00 per share for twenty (20) consecutive business days or c) the second year anniversary since the issuance of the Common Shares has occurred. At maturity upon the fifth anniversary of their issuance, the Convertible Shares shall automatically be redeemed on a 1:1 basis along with any accrued dividends by the issuance of Common shares.

The completion of the purchase is subject to a number of conditions, including receipt of applicable regulatory and shareholder approvals. There can be no assurance that the purchase will be completed as proposed.

At the time of the preparation of this Pro Forma the market price for the Class A common shares of the Company (Petro Viking Energy Inc.) was \$ 0.32 per share, which has been accepted by the seller to be the fair market value of the shares at the time of closing.

**The Petroleum and Oil assets purchased by Avila Energy Corporation (formerly Petro Viking Energy Inc.) have been independently evaluated by a Qualified Reserves Evaluator, namely the Advisory Services of Deloitte LLP who completed a NI 51-101 evaluation effective December 31, 2021 that was determined to have a Net Present Value discounted at 10% (NPV10%) of CDN \$26,686,800 funded from cash on hand and projected future cash flow.**

This acquisition has been accounted for in accordance to IFRS 3: Business Combinations. The total purchase consideration for this acquisition is determined to be \$23,820,800 which is shares issued by The Company comprised as follows:

Shares	Number	Price	Total Amount CDN \$
Common Shares	44,440,000	\$0.32	\$14,220,800
Preferred Shares	30,000,000	\$0.32	\$9,600,000
		<b>Total</b>	<b>\$23,820,800</b>

# AVILA ENERGY CORPORATION (formerly Petro Viking Energy Inc.)

## Notes to the Pro Forma Consolidated Financial Statements

March 31, 2022

(Unaudited)

### NOTE 3 – PROPOSED TRANSACTION (continued)

Upon completion of the acquisition, the fair value of all identifiable assets and liabilities acquired have been determined. The preliminary purchase price allocation as of March 31, 2022 is summarized as follows:

	Fair Value	(A) 611890 Book Value	(B) Fair Value Differential	(C) The Company March 31, 2022	(A)+(B)+(C) Consolidated Proforma
Cash	1,155,997	1,155,997	-	196,018	1,352,015
Petroleum and Natural Gas Properties and Equipment	20,412,770	4,036,146	16,376,624	1,196,482	21,609,252
Exploration and evaluation assets	9,176,000	-	9,176,000	1,616,201	10,792,201
Accounts Payable	(9,716)	(9,716)	-	(266,167)	(275,883)
Joint Venture Payable	-	(347,429)	347,429	-	-
Operated Cash Call Payable	-	(1,216,931)	1,216,931	-	-
Decommissioning Liability	(3,111,168)	(2,126,380)	(984,788)	(284,882)	(3,396,050)
Deferred Tax Liability/(assets)	(507,731)	(2,178,008)	1,670,277	-	(507,731)
Total	27,116,152	(686,321)	27,802,473	2,457,652	29,753,804

Ending Retained Earnings are calculated as the following:

Retained Earnings (Deficit):	
Retained Earnings (Deficit), Beginning	\$ (9,880,964)
Add: Proforma net and comprehensive income adjustments	1,730,992
Retained Earnings (Deficit), Ending	(8,149,972)

Deferred taxes are calculated as the following:

Deferred tax assets (liabilities):	
Deferred tax asset (liability), Beginning	\$ 0
Add; temporary tax difference P&NG assets	(1,880,484)
Tax rate	27%
Deferred tax asset (liability), Ending	(507,731)

### NOTE 4 – PRO FORMA ADJUSTMENTS AND ASSUMPTIONS

The unaudited pro forma consolidated financial statements have been presented giving effect to the following assumptions and pro forma adjustments:

#### a) Business Acquisition by Avila Energy Corporation (formerly Petro Viking Energy Inc.) of the assets from 611890 Alberta Inc.

The unaudited pro forma consolidated financial statements give effect to the acquisition and the share issuances by Petro Viking Energy Inc. per the Purchase and Sale Agreement as if they had occurred on March 31, 2022.

- i) Subsequent Transactions for 611890 Alberta Inc. consists of an increase to “joint venture payable” of \$347,429 and a decrease to “Revenue” of \$347,429 for Avila Energy Corporation’s joint venture share of revenue for jointly held assets and a decrease to “operating cash calls payable” of \$369,670 and a decrease to “cash” of \$369,670. Avila Energy Corporation’ interim balance sheet for March 31, 2022, (see note 6), properly reflects this transaction with an increase to Property and Equipment of \$369,670 bringing the balance to \$1,251,797. An adjustment of \$369,670 for 611890 Alberta Inc. is added to Property and Equipment and deducted from cash to reflect their 50% joint venture in the assets which increases their assets from \$11,578,892 to \$11,948,562.
- ii) Elimination entries for “joint ventures receivable” and “joint venture payable” totaling \$ 347,429 and “advances” and “operating cash calls payable” totaling \$1,216,931 as these are related party transactions.

# AVILA ENERGY CORPORATION (formerly Petro Viking Energy Inc.)

## Notes to the Pro Forma Consolidated Financial Statements

March 31, 2022

(Unaudited)

### NOTE 4 – PRO FORMA ADJUSTMENTS AND ASSUMPTIONS (continued)

- iii) To record the cash generating units of the business unit from 611890 Alberta Inc. through the issuance of shares as supported by the Resource Evaluation (NI 51-101 Deloitte Report) and described in note 3.
- iv) Management determined the acquirer as Avila Energy Corporation (formerly known as Petro Viking Inc.) by analyzing pertinent facts and circumstances outlined in paragraphs IFRS 3.B15 (a) through (e) and paragraph IFRS 3.B16 which is summarized below:
  - 1. Avila Energy Corporation will hold >50% controlling interest. The remaining shareholder of 611890 Inc is Leonard Van Betuw who will have 18% of voting rights and ownership in the new combined entity. The existing preferred shareholders of 611890 Inc are exchanging their preferred shares in 611890 Inc for 32,260,000 shares of the new combined entity, Avila Energy Corp.
  - 2. The Governing body of the combined entity will remain the same as it is with PetroViking prior to the acquisition.
  - 3. The management composition of the combined entity will remain the same as it is with PetroViking prior to the acquisition.

### NOTE 5 – PRO FORMA SHARE CAPITAL

#### Common Shares

The number of common shares issued and outstanding as of March 31, 2022 giving effect to the issuance of the acquisition shares is as shown below.

	Number of Common Shares	\$
Shares issued and outstanding as at March 31, 2022	35,651,341	9,023,278
Shares issued per the Purchase and Sale Agreement at March 31, 2022	44,440,000	14,220,800
<b>Pro Forma Share Capital</b>	<b>80,091,341</b>	<b>23,244,078</b>

#### Preferred Shares

The number of preferred shares per the Purchase and Sale Agreement at March 31, 2022:

	Number of Shares	Price	Amount	Notes:
Preferred base price	30,000,000	0.26	7,800,000	1
Preferred variable	30,000,000	0.06	1,800,000	1
<b>Total</b>		<b>0.32</b>	<b>9,600,000</b>	

#### Notes:

- 1. Used Black Scholes model to determine the call price to be 0.26 using a risk free rate of 1.65% which is equivalent to a 5 term Canada Savings bond, taken from the Bank of Canada website.

### NOTE 6 – PRO FORMA EQUITY INSTRUMENTS

# AVILA ENERGY CORPORATION (formerly Petro Viking Energy Inc.)

## Notes to the Pro Forma Consolidated Financial Statements

March 31, 2022

(Unaudited)

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### a) Pro Forma Stock Options

The number of pro forma stock options as at March 31, 2022 has been determined as follows:

	Number of Stock Options	Weighted Average Exercise Price
Outstanding and Exercisable on March 31, 2022	200,000	\$0.35
Stock options issued under Purchase and Sale Agreement	nil	nil
<b>Pro Forma Stock Options</b>	<b>200,000</b>	<b>\$0.35</b>

### b) Pro Forma Share Purchase Warrants

The number of pro forma share purchase warrants as at March 31, 2022 has been determined as follows:

	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding on March 31, 2022	12,984,694	\$0.28
Warrants issued under Purchase and Sale Agreement	0	nil
<b>Pro Forma Warrants</b>	<b>12,984,694</b>	<b>\$0.28</b>



**SCHEDULE "F" – STATEMENT OF EXECUTIVE COMPENSATION FOR THE YEAR  
ENDED DECEMBER 31, 2021**

**AVILA ENERGY CORPORATION**  
**(formerly Petro Viking Energy Inc.)**  
**(the “Company”)**

**STATEMENT OF EXECUTIVE COMPENSATION – Venture Issuers**

The following information is presented in accordance with National Instrument Form 51-102F6V *Statement of Executive Compensation – Venture Issuers* (the “Form”) of the Company for the financial year ended on December 31, 2021. All amounts represented in this form are in Canadian dollars unless stated otherwise.

**1. GENERAL**

For the purposes of this Form, the terms below have the following meaning:

“**Company**” includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

“**Compensation Securities**” includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted share units granted or issued by the Company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the Company or any of its subsidiaries.

“**External Management Company**” includes a subsidiary, affiliate or associate of the external management company.

“**Named Executive Officer**” or “**NEO**” means each of the following individuals:

- a) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer (“CEO”);
- b) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer (“CFO”);
- c) in respect of the Company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000, as determined in accordance with subsection 1.3(5) of National Instrument 51-102, for that financial year; and
- d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the Company, and was not acting in a similar capacity, at the end of that financial year.

“**Plan**” includes any plan, contract, authorization, or arrangement, whether or not set out in any formal document, where cash, securities, similar instruments or any other property may be received, whether for one or more persons.

“**Underlying Securities**” means any securities issuable on conversion, exchange or exercise of compensation securities. Director and Named Executive Officer compensation, excluding compensation securities. The following table provides a summary of compensation paid, directly or indirectly, for each of the three most recently completed financial years, to the directors and NEOs of the Company, other than compensation securities:

Based on the foregoing definitions, during the financial year ended December 31, 2021, the Company had four (4) NEOs.

## 2. **DIRECTOR & NAMED EXECUTIVE OFFICER COMPENSATION**

### a. **Oversight and description of director and NEO compensation**

The Company has not, as of yet, generated any income or cash flows and operates with limited financial resources. The Board of Directors (the “**Board**”), through informal discussion without any formal objectives, criteria or analysis, is responsible for determining the final compensation to be granted to the Company’s executive officers and directors to ensure that such arrangements reflect the responsibilities and risks associated with each position.

The Board’s compensation philosophy is aimed at attracting and retaining quality and experienced people which is critical to the success of the Company and may include a "pay-for-performance" element which supports the Company’s commitment to delivering strong performance for the Shareholders.

The Board annually reviews the corporate goals and objectives relevant to executive compensation; evaluates each executive officer’s performance in light of those goals and objectives and sets the executive officer’s compensation level based, in part, on this evaluation. The Board also takes into consideration the Company’s overall performance, shareholder returns, the value of similar incentive awards to executive officers at comparable companies and the awards given to executive officers in past years.

The Company has no arrangements, standard or otherwise, under which Directors are compensated for their services in their capacity as Directors or NEO, or for committee participation or involvement in special assignments during the most recently completed financial year or subsequently, up to and including the date of this Form.

During the financial year ended December 31, 2021, the Company had five (5) NEOs and five (5) directors:

- Leonard B. Van Betuw, President CEO & Director
- Lars E. Glimhagen (CFO).
- Michel Lebeuf (Corporate Secretary & Director)
- Peter Nesveda, VP, Corporate Affairs and Investor Relations.
- Daniel Lucero (Director)
- Thomas Valentine (Director)
- Kyle Appleby (Director)
- Gregory Doucette, (past President & CEO)

## Director and Named Executive Officer compensation, excluding compensation securities

The following table provides a summary of compensation paid, directly or indirectly, for each of the three most recently completed financial years, to the directors and NEOs of the Company, other than compensation securities:

Table of Compensation Excluding Compensation Securities							
Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Leonard B. Van Betuw CEO <sup>(1)</sup>	2021	Nil	Nil	Nil	Nil	Nil	Nil
Lars Glimhagen, CFO	2021	42,000	Nil	Nil	Nil	Nil	42,000
	2020	54,160	Nil	Nil	Nil	Nil	54,160
	2019	56,000	Nil	Nil	Nil	Nil	56,000
Peter Nesveda <sup>(2)</sup> VP, Corporate Affairs and Investor Relations	2021	72,000	Nil	Nil	Nil	Nil	72,000
	2020	12,000	Nil	Nil	Nil	111,423 <sup>(8)</sup>	123,423
Michel Lebeuf <sup>(3)</sup>	2021	Nil	Nil	Nil	Nil	Nil	Nil
	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Thomas Valentine <sup>(4)</sup>	2021	Nil	Nil	Nil	Nil	Nil	Nil
	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Daniel Lucero <sup>(5)</sup>	2021	Nil	Nil	Nil	Nil	Nil	Nil
	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Kyle Appleby <sup>(6)</sup>	2021	Nil	Nil	Nil	Nil	Nil	Nil
	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Greg Doucette <sup>(7)</sup> Interim CEO	2021	Nil	Nil	Nil	Nil	Nil	Nil
	2020	Nil	Nil	Nil	Nil	Nil	Nil
Robert Rosner <sup>(8)</sup>	2020	23,210	Nil	Nil	Nil	Nil	23,210
	2019	61,705	Nil	Nil	Nil	Nil	61,705

(1) Leonard B. Van Betuw was named President, CEO & Director on July 17, 2021.

(2) Upon commencement of Mr. Nesveda's appointment, he received 300,000 common shares and 300,000 warrants with a fair value of \$111,423.

(3) Mr. Lebeuf was named as director of the Company on March 16, 2018.

(4) Mr. Valentine was named a director of the Company on March 16, 2018.

(5) Mr. Lucero was named as director of the Company on December 12, 2019.

(6) Mr. Appleby was named a director of the Company on November 9, 2020.

(7) Mr. Doucette was appointed President and CEO on July 2, 2020 and resigned on July 17, 2021.

(8) Mr. Rosner was named as director of the Company on March 16, 2018 and Resigned on July 6, 2020.

In the above, all amounts of compensation were paid to directors or NEOs in their capacity as directors or NEOs of the Company, in their capacity as members of a committee of the board of directors of the Company, or as consultants or experts, during the Company's past two fiscal years.

### **External Management Companies**

As of the date of this statement, there are no contracts with external management companies in effect.

### **Stock Options and Other Compensation Securities**

There were no compensation securities granted or issued to, or held by, any Named Executive Officer or director of the Company during the most recently completed financial year ended December 31, 2019 for services provided or to be provided, directly or indirectly, to the Company or any of its subsidiaries and no compensation securities were re-priced, cancelled and replaced, extended or otherwise materially modified during the Company's most recently completed financial year. No compensation securities were exercised by any Named Executive Officer or director of the Company during the most recently completed financial year ended December 31, 2019.

### **Stock Option Plans and Other Incentive Plans**

The Stock Option Plan is an important part of the Company's incentive strategy for its directors and officers, permitting them to participate in any appreciation of the market value of the Company's shares over a stated period of time, and is intended to reinforce commitment to long-term growth and shareholder value.

The Stock Option Plan of the Company is administered by the Board and provides that stock options may be issued to directors, officers, employees, consultants and other personnel of the Company. The Stock Option Plan also provides that the number of common shares issuable under the plan, may not exceed 10% of the issued and outstanding common shares of the Company at anytime. All stock options granted under the Stock Option Plan expire on a date not later than five years after the date of grant of such option, and are exercisable at an exercise price set by the Board in its sole discretion which price may not be less than the Discounted Market Price (as defined in the Option Plan).

Stock options grants may be made periodically to ensure that the number of options granted to any particular officer or director is commensurate with the officer's level of ongoing responsibility within the Company. The Board will evaluate the number of options an officer has been granted, the exercise price of the options and the term remaining on those options when considering further grants.

The Company did not grant any compensation securities to a director or NEO during the financial year ended December 31, 2021.

### **Employment, Consulting and Management Agreements.**

Unless indicated otherwise herein, management functions of the Company are substantially performed by directors or NEO (or private companies controlled by them, either directly or indirectly) of the Company and not, to any substantial degree, by any other person with whom the Company has contracted.

### **Termination and Change of Control Benefits**

As of the date of this Statement, there is no compensatory plan, contract or arrangement whereby a Named Executive Officer or director is entitled to receive any severance or termination payment from the Company

or its subsidiaries, including periodic payments or installments, in the event of the termination or constructive dismissal of the officer's or director's employment or engagement with the Company or its subsidiaries or following a change of control of the Company.

## **Oversight and Description of Director and Named Executive Officer Compensation**

### *Director Compensation*

At present, the Company has no arrangement in place pursuant to which directors are compensated by the Company for their services in their capacity as directors but are entitled to be reimbursed for actual expenses reasonably incurred by them in the performance of their duties as directors.

### *Named Executive Officer Compensation*

As of the date of this Statement, the Board as a whole is responsible for setting and administering the compensation paid to the Named Executive Officers and reviewing the Company's compensation policies, compensation matrix and guidelines generally from time to time.

While the Company has not yet adopted a formal compensation program, the Board believes it is critical to create and maintain a compensation program that will attract and retain committed, highly qualified personnel by providing appropriate rewards and incentives, motivate their performance to achieve the Company's strategic objectives and align the interests of executive officers with the long-term interests of the Company's shareholders and enhancement in share value.

Currently, the Company compensates its Named Executive Officers through a combination of (i) base salary; and (ii) discretionary cash bonuses based on performance. At present, the Company does not have a long-term incentive compensation program.

### *Base Salary*

Base salaries are designed to compensate each Named Executive Officer's core competencies, skills, experience, and contribution to the Company. To date, the Company has deliberately kept base salaries below market rates due to the Company's present stage of operations.

Going forward, the Board intends to review and select a compensation peer group of companies operating in areas with an operational and risk profile similar to the area in which the Company operates. Base salaries will be compared to the Company's industry peer group through publicly available information and available compensation surveys prepared by compensation consultants. Consideration has been and will be given to the Company's growth plans, area of operations and its objective of attracting and retaining highly talented individuals from within the industry.

### *Cash Bonus*

Discretionary cash bonuses will be intended to motivate and reward the accomplishment of specific business and operating objectives within a defined period. Given the relatively early stage of development of the Company and its lack of sustained cash flow, no cash bonus payments were paid in 2019 or as of the date of this Statement. At this point, it is contemplated that cash bonuses will only be paid to the executive officers of the Company if the Company achieves a positive cash flow position. Similar to the determination of base salaries, consideration will be given to the Company's compensation peer group when determining the final amount of any cash bonuses to be paid. Other than as described above there are no other prerequisites provided to the Named Executive Officers.

### **Pension Disclosure**

The Company does not have any pension, retirement or deferred compensation plans, including defined contribution plans in place for its Named Executive Officers or directors.

**SCHEDULE "G" – *AUDIT COMMITTEE CHARTER***



**AVILA ENERGY CORPORATION  
(FORMERLY PETRO VIKING ENERGY INC.)**

**(the “Company”)**

**AUDIT COMMITTEE CHARTER**

**1        Purpose**

- 1.1. The Audit Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; and compliance with policies and laws. Within this mandate, the Audit Committee’s role is to:
  - (a) support the Board of Directors in meeting its responsibilities to shareholders;
  - (b) enhance the independence of the external auditor;
  - (c) facilitate effective communications between management and the external auditor and provide a link between the external auditor and the Board of Directors;
  - (d) increase the credibility and objectivity of the Company’s financial reports and public disclosure.
- 1.2. The Audit Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal controls following the execution of the Committee’s responsibilities as described herein.
- 1.3. The Audit Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board of Directors from time to time prescribe.

**2        Membership**

- 2.1. Each member of the Audit Committee must be a director of the Company.
- 2.2. The Audit Committee will consist of at least three members, the majority of whom are neither officers nor employees of the Company or any of its affiliates.
- 2.3. The members of the Audit Committee will be appointed annually by and will serve at the discretion of the Board of Directors.

### **3**      **Authority**

- 3.1. In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:
- (a) engage, and set and pay the compensation for, independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities; and
  - (b) communicate directly with management and any internal auditor, and with the external auditor without management involvement.
  - (c) Approve interim financial statements and interim MD&A on behalf of the Board of Directors.

### **4**      **Duties and Responsibilities**

- 4.1. The duties and responsibilities of the Audit Committee include:
- (a) recommending to the Board of Directors the external auditor to be nominated by the Board of Directors;
  - (b) recommending to the Board of Directors the compensation of the external auditor;
  - (c) reviewing the external auditor's audit plan, fee schedule and any related services proposals;
  - (d) overseeing the work of the external auditor;
  - (e) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board and will enquire if there are any sanctions imposed by the CPAB on the external auditor;
  - (f) ensuring that the external auditor meets the rotation requirements for partners and staff on the Company's audits;
  - (g) reviewing and discussing with management and the external auditor the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, as well as the external auditor's written communications to the Committee and to management;
  - (h) reviewing the external auditor's report, audit results and financial statements prior to approval by the Board of Directors;
  - (i) reporting on and recommending to the Board of Directors the annual financial statements and the external auditor's report on those financial statements, prior to

Board approval and dissemination of financial statements to shareholders and the public;

- (j) reviewing financial statements, MD&A and annual and interim earnings press releases prior to public disclosure of this information;
- (k) ensuring adequate procedures are in place for review of all public disclosure of financial information by the Company, prior to its dissemination to the public;
- (l) overseeing the adequacy of the Company's system of internal accounting controls and internal audit process obtaining from the external auditor summaries and recommendations for improvement of such internal accounting controls;
- (m) ensuring the integrity of disclosure controls and internal controls over financial reporting;
- (n) resolving disputes between management and the external auditor regarding financial reporting;
- (o) establishing procedures for:
  - i. the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practices relating thereto; and
  - ii. the confidential, anonymous submission by employees of the Company or concerns regarding questionable accounting or auditing matters.
- (p) reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
- (q) pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor;
- (r) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities.

4.2. The Audit Committee will report, at least annually, to the Board regarding the Committee's examinations and recommendations.

## **5 Meetings**

5.1. The quorum for a meeting of the Audit Committee is a majority of the members of the

Committee who are not officers or employees of the Company or of an affiliate of the Company.

- 5.3. The members of the Audit Committee must elect a chair from among their number and may determine their own procedures.
- 5.4. The Audit Committee may establish its own schedule that it will provide to the Board of Directors in advance.
- 5.5. The external auditor is entitled to receive reasonable notice of every meeting of the Audit Committee and to attend and be heard thereat.
- 5.6. A member of the Audit Committee or the external auditor may call a meeting of the Audit Committee.
- 5.7. The Audit Committee will meet separately with the President and separately with the Chief Financial Officer of the Company at least annually to review the financial affairs of the Company.
- 5.8. The Audit Committee will meet with the external auditor of the Company at least once each year, at such time(s) as it deems appropriate, to review the external auditor's examination and report.
- 5.9. The chair of the Audit Committee must convene a meeting of the Audit Committee at the request of the external auditor, to consider any matter that the auditor believes should be brought to the attention of the Board of Directors or the shareholders.

## **6      Reports**

The Audit Committee will record its recommendations to the Board in written form which will be incorporated as a part of the minutes of the Board of Directors' meeting at which those recommendations are presented.

## **7.      Minutes**

The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board of Directors.

**SCHEDULE "H" – NI 51-101F1 – STATEMENT OF RESERVES DATA AND OTHER OIL AND  
GAS INFORMATION**



# AVILA ENERGY

**AVILA ENERGY CORPORATION**  
**Section 1 - ALBERTA**

**STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION**  
**(COMPLYING WITH FORM NI51-101F1)**

**AS OF FISCAL YEAR-END, DECEMBER 31, 2021**

**DATA AS OF DECEMBER 31, 2021**

**APPROVED BY RESERVES COMMITTEE ON APRIL 27, 2022**

**ABBREVIATIONS & DEFINITIONS**

**Abbreviations**

AECO	EnCana Corp.'s natural gas facility located at Suffield, Alberta
API	American Petroleum Institute
°API	An indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specific gravity of 28°API or higher is generally referred to as light crude oil.
ARTC	Alberta Royalty Tax Credit
boe	barrels of oil equivalent of natural gas and crude oil on the basis of 1 bbl of crude oil for 6 Mcf of natural gas
boe/d	barrel of oil equivalent per day
Corporation	Avila Energy Corporation
ITA	Income Tax Act (Canada)
\$000s	thousands of dollars
\$M	thousands of dollars
\$MM	millions of dollars
McfGE	thousand cubic feet of gas equivalent
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade.

Crude Oil

Natural Gas

Bbl	barrel	Mcf	thousand cubic feet
bbls	barrels	MMcf	million cubic feet
m3	cubic meters	Bcf	billion cubic feet
Mbbls	thousand barrels	Mcf/d	thousand cubic feet per day
MMbbls	million barrels	bbls/d	barrels per day
BOPD	barrels of oil per day	MMcf/d	million cubic feet per day
NGLs	natural gas liquids	MMBTU	million British Thermal Units
STB	stock tank barrels	GJ	gigajoule
		Gigajoule	billion joules

**Definitions**

The meaning of many of the key definitions used in this Statement are mandated by NI 51-101. Some of the definitions mandated by NI 51-101 through its incorporation of definitions from: (a) the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society) and (b) the Canadian Institute of Chartered Accountants Handbook (the "**CICA Handbook**"), are as follows:

**"Accumulation"** means an individual body of Petroleum in a Reservoir.

**"Analogous Information"** means information about an area outside the area Avila Energy Corporation has an interest or intends to acquire an interest, which is referenced by Avila Energy Corporation for the purpose of drawing a comparison or conclusion to an area in which Avila Energy Corporation has an interest or intends to acquire an interest, which comparison or conclusion is reasonable, and includes without limitation:

- (a) historical information concerning reserves;
- (b) estimates of the volume or value of reserves;
- (c) historical information concerning resources;
- (d) estimates of the volume or value of resources;
- (e) historical production amounts;
- (f) production estimates; or
- (g) information concerning a field, well, basin or reservoir.

**"Anticipated Results"** means information which may, in the opinion of a reasonable person, indicate the potential value or quantities of Resources in respect of Avila's Resources or a portion of Avila's Resources and includes without limitation:

- (a) estimates of volume;
- (b) estimates of value;
- (c) areal extent;
- (d) pay thickness;
- (e) flow rates; or
- (f) hydrocarbon content.

**"Associated Gas"** means the Gas cap overlying a Crude Oil Accumulation in a reservoir.

**"Audit"** means, in relation to Reserves Data, the process whereby an Independent qualified Reserves auditor carries out procedures designed to allow the Independent qualified Reserves auditor to provide reasonable assurance, in the form of an opinion that the Avila's Reserves Data (or specific parts thereof) have, in all Material respects, been determined and presented in accordance with the COGE Handbook and are, therefore, free of Material misstatement. Because of

- (a) the nature of the subject matter (estimates of future results with many uncertainties);
  - (b) the fact that the Independent qualified Reserves auditor assesses the qualifications and experience of the Avila's staff, assesses the Avila's systems, procedures and controls and relies on the competence of the Avila's staff and the appropriateness of the Avila's systems, procedures and controls; and
  - (c) the fact that tests and samples (involving examination of underlying documentation supporting the determination of the Reserves and Future Net Revenue) as opposed to complete Evaluations, are involved;
- the level of assurance is designed to be high, though not absolute. The level of assurance cannot be described with numeric precision. It will usually be less than, but reasonably close to, that of an independent evaluation and considerably higher than that of a review.

**"Bitumen"** means a naturally occurring viscous mixture consisting mainly of pentanes and heavier Hydrocarbons. Its viscosity is greater than 10,000 mPa-s (cp) measured at original temperature in the Reservoir and atmospheric pressure, on a gas-free basis. Crude bitumen may contain sulphur and other non-hydrocarbon compounds.

**"IFRS"** means generally accepted accounting principles determined with reference to the CICA Handbook. **"CICA"** means the Canadian Institute of Chartered Accountants.

**"CICA Accounting Guideline 16"** means Accounting Guideline AcG-16 "Oil and gas accounting - full cost" included in the CICA Handbook, as amended from time to time.

**"Commercial"** when a project is commercial this implies that the essential social, environmental, and economic conditions are met, including political, legal, regulatory, and contractual conditions. Considerations with regard to determining commerciality include

- (a) economic viability of the related development project;
- (b) a reasonable expectation that there will be a market for the expected sales quantities of production required to justify development;
- (c) evidence that the necessary production and transportation facilities are available or can be made available;
- (d) evidence that legal, contractual, environmental, governmental, and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated;
- (e) a reasonable expectation that all required internal and external approvals will be forthcoming. Evidence of this may include items such as signed contracts, budget approvals, and approvals for expenditures, etc.
- (f) evidence to support a reasonable timetable for development. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. Although five years is recommended as a maximum time frame for classification of a project as commercial, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons or to meet contractual or strategic objectives.

**"Constant Prices and Costs"** means prices and costs used in an estimate that are: (a) Avila's prices and costs as at the Effective Date of the estimation, held constant throughout the estimated lives of the Properties to which the estimate applies, (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which Avila Energy Corporation is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a). For the purpose of paragraph (a), Avila's prices will be the posted price for oil and the spot price for gas, after historical adjustments for transportation, gravity and other factors.

**"Contingent Resources"** means those quantities of Petroleum estimated, as of a given date, to be potentially recoverable from Known Accumulations using established technology or technology under development, but which are not currently considered to be Commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage.

**"Company" or "Corporation"** means Avila Energy Corporation (Avila).

**"Crude Oil" or "Oil"** means a mixture consisting mainly of pentanes and heavier Hydrocarbons that exists in the liquid phase in Reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain small amounts of sulphur and other non-hydrocarbons but does not include liquids obtained from the processing of Natural Gas.

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

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



resumption of Production must be known with reasonable certainty. The developed category may be subdivided into producing and non-producing.

**"Developed Reserves"** are those Reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the Reserves on Production.

**"Development Costs"** means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable Operating Costs of Support Equipment and Facilities and other costs of development activities, are costs incurred to: (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves; (b) drill and equip Development Wells, development type Stratigraphic Test Wells and Service Wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly; (c) acquire, construct and install Production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and Production storage tanks, Natural Gas cycling and processing plants, and central utility and waste disposal systems; and (d) provide improved recovery systems.

**"Development Well"** means a well drilled inside the established limits of an Oil or Gas Reservoir, or in close proximity to the edge of the Reservoir, to the depth of a stratigraphic horizon known to be productive.

**"Discovered Petroleum Initially-In-Place"** or **"Discovered Resources"** means that quantity of petroleum that is estimated, as of a given date, to be contained in known Accumulations prior to Production. The recoverable portion of Discovered Petroleum Initially-In-Place includes Production, Reserves and Contingent Resources; the remainder is unrecoverable.

**"Discovered Unrecoverable Petroleum Initially-In-Place"** or **"Discovered Unrecoverable Resources"** means that portion of Discovered Petroleum Initially-In-Place which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

**"Evaluation"** means, in relation to Reserves Data, the process whereby an economic analysis is made of a Property to arrive at an estimate of a range of Net present values of the estimated Future Net Revenue resulting from the Production of the Reserves associated with the Property.

**"Exploration Costs"** means Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have Prospects that may contain Oil and Gas Reserves, including costs of drilling Exploratory Wells and exploratory type Stratigraphic Test Wells. Exploration Costs may be incurred both before acquiring the related Property (sometimes referred to in part as "prospecting costs") and after acquiring the Property. Exploration Costs, which include applicable Operating Costs of Support Equipment and Facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to Properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs");
- (b) costs of carrying and retaining unproved Properties, such as delay rentals, taxes (other than income and capital taxes) on Properties, legal costs for title defense, and the maintenance of land and Lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping Exploratory Wells; and
- (e) costs of drilling exploratory type Stratigraphic Test Wells.

**"Exploratory Well"** means a well that is not a Development Well, a Service Well or a Stratigraphic Test Well.

**"Field"** means a defined geographical area consisting of one or more pools.

**"Forecast Prices and Costs"** means future prices and costs that are: (a) generally accepted as being a reasonable outlook of the future; (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which Avila Energy Corporation is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

**"Future Income Tax"** means future income tax expenses estimated (generally, year-by-year): (a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between Oil and Gas activities and other business activities; (b) without deducting estimated future costs (for example, Crown royalties) that are not deductible in computing taxable income; (c) taking into account estimated tax credits and allowances (for example, royalty tax credits); and (d) applying to the future pre-tax net cash flows relating to Avila's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.

**"Future Net Revenue"** means the estimated Net amount to be received with respect to the development and Production of Reserves (including Synthetic Oil, coal bed methane and other non-conventional Reserves) estimated using: (a) forecast prices and costs, and (b) at the option of Avila Energy Corporation, constant prices and costs. This net amount is computed by deducting, from estimated future

revenues: (i) estimated amounts of future royalty obligations; (ii) costs related to the development and Production of Reserves; (iii) abandonment and reclamation costs; and (iv) future income tax expenses, unless otherwise specified in NI-51-101, Form 51-101F1 or Forms 51-101F2. Corporate general and administrative expenses and financing costs are not deducted. Net present values of Future Net Revenue may be calculated using a discount rate or without discount.

**"Gas"** or **"Natural Gas"** means a mixture of lighter hydrocarbons that exist either: in gaseous phase, or in solution in Crude Oil in Reservoirs but are gaseous at atmospheric conditions. Natural gas may include sulphur and other non-hydrocarbon compounds.

**"Gross"** means: (a) in relation to Avila's interest in Production or Reserves, Avila's "company Gross Reserves", which are Avila's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of Avila Energy Corporation, (b) in relation to wells, the total number of wells in which Avila Energy Corporation has an interest, and (c) in relation to Properties, the total area of properties in which Avila Energy Corporation has an interest.

**"Heavy Oil"** in respect of Reserves or Production means: (a) in a Jurisdiction that has a royalty regime specific to heavy oil, "heavy oil" is oil that qualifies for royalties specific to heavy oil; or (b) in a Jurisdiction that has no royalty regime specific to heavy oil, "heavy oil" is oil with a density between 10 to 22.3 degrees API (as that term is defined by the American Petroleum Institute).

**"Hydrocarbons"** means solid, liquid, or Gas made up of compounds of carbon and hydrogen in varying proportions

**"Jurisdiction"** for the purposes of NI 51-101, means a province or territory of Canada.

**"Known Accumulation"** means an Accumulation that has been penetrated by a well, in general, the well must have demonstrated the existence of Hydrocarbons by flow testing in order for the Accumulation to be classified as "known". However, where log and/or core data exist and there is a good analogy to a nearby and geologically comparable known accumulation, this may suffice.

**"Lease"** means an agreement granting to the lessee rights to explore, develop and exploit a Property.

**"Marketable"** means in respect of reserves or sales of Oil, Gas or associated by-products, the volume of Oil, Gas or associated by-products measured at the point of sale to a third party, or of transfer to another division of the issuer for treatment prior to sale to a third party. For Gas, this may occur either before or after removal of Natural Gas liquids. For Heavy Oil or Bitumen, this is before the addition of diluents.

**"Material"** or **"Materiality"** for the purposes of NI 51-101, information is Material, in respect of Avila Energy Corporation, if it would be likely to influence a decision by a reasonable investor to buy, hold or sell a security of Avila Energy Corporation. This meaning differs from the definitions of "material change" and "material fact" in Securities Legislation, but is consistent with the meaning of the term as used, for accounting purposes, in the CICA Handbook.

**"Natural Gas Liquids"** means those hydrocarbon components that can be recovered from Natural Gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and small quantities of non-hydrocarbons.

**"Net"** means: (a) in relation to Avila's interest in Production or Reserves, Avila's working interest (operating or non-operating) share after deduction of royalty obligations, plus Avila's royalty interests in Production or Reserves, (b) in relation to Avila's interest in wells, the number of wells obtained by aggregating Avila's working interest in each of Avila's gross wells, and (c) in relation to Avila's interest in a Property, the total area in which Avila Energy Corporation has an interest multiplied by the working interest owned by Avila Energy Corporation.

**"Non-Associated Gas"** means an Accumulation of Natural Gas in a reservoir where there is no Crude Oil.

**"Oil"** means crude oil or synthetic oil.

**"Oil and Gas Activities"** (a) include: (i) the search for Crude Oil or Natural Gas in their natural states and original locations; (ii) the acquisition of Property Rights or Properties for the purpose of further exploring for or removing Oil or Gas from Reservoirs on those properties; (iii) the construction, drilling and Production activities necessary to recover Oil and Gas from Reservoirs, and the acquisition, construction, installation and maintenance of Field gathering and storage systems, including lifting Oil and Gas to the surface and gathering, treating, Field processing and Field storage; and (iv) the extraction of Hydrocarbons from Oil sands, shale, coal or other non-conventional sources and activities similar to those referred to in clauses (i), (ii) and (iii) undertaken with a view to such extraction; but (b) do not include: (i) transporting, refining or marketing Oil or Gas; (ii) activities relating to the extraction of natural Resources other than Oil and Gas and their by-products; or (iii) the extraction of geothermal steam or of Hydrocarbons as a by-product of the extraction of geothermal steam or associated geothermal resources.

**"Petroleum"** means a naturally occurring mixture consisting predominantly of Hydrocarbons in the gaseous, liquid, or solid phase.

**"Possible Reserves"** are those additional Reserves that are less certain to be recovered than Probable Reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated Proved plus Probable plus Possible Reserves.

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

**"Product Types"** means one of the following:

- (a) in respect of conventional Oil and Gas activities:
  - (i) Light and medium Crude Oil (combined);
  - (ii) Heavy Oil;
  - (iii) Natural Gas excluding Natural Gas Liquids; or
  - (iv) Natural Gas Liquids; and
- (b) in respect of non-conventional Oil and Gas activities:
  - (i) Synthetic Oil;
  - (ii) Bitumen;
  - (iii) coal bed methane;
  - (iv) hydrates;
  - (v) shale oil; or
  - (vi) shale gas.

**"Production"** means recovering, gathering, treating, Field or plant processing (for example, processing gas to extract Natural Gas Liquids) and Field storage of oil and gas. The Oil production function is usually regarded as terminating at the outlet valve on the Lease or Field production storage tank. The Gas production function is usually regarded as terminating at the plant gate. In some circumstances, it may be more appropriate to regard the production function as terminating at the first point at which Oil, Gas or their by-products are delivered to a main pipeline, a common carrier, a refinery or a marine terminal.

**"Production Costs"** or **"Operating Costs"** means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of Support Equipment and Facilities and other costs of operating and maintaining those wells and related equipment and facilities. Lifting costs become part of the cost of Oil and Gas produced. Examples of production costs are: (a) costs of labor to operate the wells and related equipment and facilities; (b) costs of repairs and maintenance; (c) costs of materials, supplies and fuel consumed, and supplies utilized, in operating the wells and related equipment and facilities; (d) costs of workovers; (e) Property taxes and insurance costs applicable to properties and wells and related equipment and facilities; and (f) taxes, other than income and capital taxes.

**"Production Group"** means one of the following together, in each case, with associated byproducts: (a) light and medium Crude Oil (combined); (b) Heavy Oil; (c) Associated Gas and Non-Associated Gas (combined); and (d) Bitumen, Synthetic Oil or other products from non-conventional Oil and Gas activities.

**"Property"** includes: (a) fee ownership or a lease, concession, agreement, permit, license or other interest representing the right to extract Oil or Gas subject to such terms as may be imposed by the conveyance of that interest; (b) royalty interests, Production payments payable in Oil or Gas, and other non-operating interests in Properties operated by others; and (c) an agreement with a foreign government or authority under which Avila Energy Corporation participates in the operation of Properties or otherwise serves as "producer" of the underlying Reserves (in contrast to being an Independent purchaser, broker, dealer or importer). A property does not include supply agreements, or contracts that represent a right to purchase, rather than extract, oil or gas.

**"Property Acquisition Costs"** means costs incurred to acquire a Property (directly by purchase or Lease, or indirectly by acquiring another corporate entity with an interest in the Property), including: (a) costs of Lease bonuses and options to purchase or Lease a Property; (b) the portion of the costs applicable to Hydrocarbons when land including rights to hydrocarbons is purchased in fee; (c) brokers' fees, recording and registration fees, legal costs and other costs incurred in acquiring properties.

**"Prospect"** means a geographic or stratigraphic area, in which Avila Energy Corporation owns or intends to own one or more Oil and Gas interests, which is geographically defined on the basis of geological data and which is reasonably anticipated to contain at least one Reservoir or part of a Reservoir of Oil and Gas.

**"Prospective Resources"** means those quantities of Petroleum estimated, as of a given date, to be potentially recoverable from undiscovered Accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development.

**"Proved Property"** means a Property or part of a Property to which Reserves have been specifically attributed.

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

**"Reserves"** are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed.

**"Reserves Data"** means estimates of proved reserves and probable reserves and related future net revenue estimated using forecast prices and costs.

**"Reservoir"** means a porous and permeable subsurface rock formation that contains a separate accumulation of petroleum that is confined by impermeable rock or water barriers and is characterized by a single pressure system.

**"Resources"** is a general term that may refer to all or a portion of Total Resources.

**"Service Well"** means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for combustion.

**"Solution Gas"** means Gas dissolved in Crude Oil.

**"Stratigraphic Test Well"** means a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon Production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as (a) "exploratory type" if not drilled into a proved Property; or (b) "development type", if drilled into a proved Property. Development type stratigraphic wells are also referred to as "evaluation wells".

**"Support Equipment and Facilities"** means equipment and facilities used in Oil and Gas Activities, including seismic equipment, drilling equipment, construction and grading equipment, vehicles, repair shops, warehouses, supply points, camps, and division, district or field offices.

**"Synthetic Oil"** means a mixture of hydrocarbons derived by upgrading crude bitumen from oil sands or kerogen from oil shales or other substances such as coal.

**"Total Petroleum Initially-In-Place"** or **"Total Resources"** means that quantity of Petroleum that is estimated to exist originally in naturally occurring Accumulations. It includes that quantity of Petroleum that is estimated, as of a given date, to be contained in Known Accumulations, prior to Production, plus those estimated quantities in Accumulations yet to be discovered.

**"Undeveloped Reserves"** are those reserves expected to be recovered from Known Accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the Reserves classification (Proved, Probable, Possible) to which they are assigned. In multi-well pools it may be appropriate to allocate total pool Reserves between the Developed and Undeveloped categories or to subdivide the Developed Reserves for the pool between Developed Producing and Developed Non-Producing. This allocation is based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

**"Undiscovered Petroleum Initially-In-Place"** or **"Undiscovered Resources"** means that quantity of Petroleum that is estimated, on a given date, to be contained in Accumulations yet to be discovered. The recoverable portion of Undiscovered Petroleum Initially-In-Place is referred to as Prospective Resources; the remainder is unrecoverable.

**"Undiscovered Unrecoverable Petroleum Initially-In-Place"** or **"Undiscovered Unrecoverable Resources"** means that portion of Undiscovered Petroleum Initially-In-Place which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and Reservoir rocks.

**"Unproved Property"** means a Property or part of a Property to which no Reserves have been specifically attributed.

**"Well Abandonment Costs"** means costs of abandoning a well (net of salvage value) and of disconnecting the well from the surface gathering system. They do not include costs of abandoning the gathering system or reclaiming the wellsite.

### ***Levels of Certainty for Reported Reserves***

The qualitative certainty levels referred to in the reserve definitions above are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported reserves estimates are required to target the following levels of certainty under a specific set of economic conditions:

- (a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated Proved Reserves;
- (b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated Proved Reserves plus Probable Reserves; and
- (c) at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated Proved Reserves plus Probable Reserves plus Possible Reserves.

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 1 BOE for each 6 Mcf is based on an energy equivalent conversion method primarily applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead.

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgement combined with geological and engineering knowledge to assess whether or not specific reserve classification criteria have been satisfied. Knowledge of concepts including uncertainty of risk, probability and statistics, and deterministic and probabilistic estimation methods are required to properly use and apply reserve definitions.

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AVILA ENERGY CORPORATION (“the Corporation” or “Company”)

STATEMENT OF RESERVE DATA AND OTHER OIL AND GAS INFORMATION

April 27, 2022

PART 1

RELEVANT DATES

The effective date of the information being provided in this statement is December 31, 2021. The preparation date of the information being provided in this statement is April 27, 2021. For a glossary of terminology and definitions relating to the information included in this report, readers are referred to National policy Instrument 51-101 “Standards for Disclosure for Oil and Gas Activities” (“NI 510101”).

RESERVES AND FUTURE NET REVENUE

The following is a summary of the oil and natural gas reserves and the net present values of future net revenue of Avila Energy Corporation (Avila) as evaluated by Deloitte LLP (Deloitte) in March, 2022. Deloitte LLP. are independent qualified reserves evaluators appointed by the Corporation pursuant to NI 51-101. Deloitte independently evaluated all of the Corporation’s Oil and Gas properties.

**The estimated future net revenue figures contained in the following tables do not necessarily represent the fair market value of the Corporation’s reserves. There is no assurance that the forecast price and costs assumptions contained in the Deloitte report will be attained and variances could be material. Other assumptions relating to costs and other matters are included in the Deloitte report. The recovery and reserves estimate attributed to the Corporation’s properties described herein are estimates only. The actual reserves attributable to the Corporation’s properties may be greater or less than those calculated.**

PART 2

DISCLOSURE OF RESERVES DATA

The following tables provide information regarding the estimated Canadian reserves and net present value of future net revenue based on forecast prices and cost information with respect to the interests held by Avila Energy Corporation for each of the product types that Avila Energy Corporation has interests in for proved developed producing, proved developed non-producing, proved undeveloped, all proved in total, probable and all proved plus probable. Due to rounding certain columns may not add exactly.

Reserves Data (Forecast Prices and Costs)

The following tables provide information regarding the estimated Canadian reserves and net present value of future net revenue based on forecast prices and cost information with respect to the interests held by the Corporation for each of the product types that Avila Energy Corporation has interests in for proved developed producing, proved developed non-producing, proved undeveloped, all proved in total, probable and all proved plus probable. As required by NI 51-101 the estimates of reserves and future net revenue are estimated assuming that the development of each property in respect of which the estimate is made will occur, without regard to the likely availability to Avila Energy Corporation of funding required for that development.

The following tables provide a breakdown of various elements of future net revenue (undiscounted) attributable to Proved reserves and Proved plus Probable (in total) of the Corporation estimated using forecast prices and costs and calculated without discount:

**TABLE 1**  
**Avila Energy Corp.**  
**Total Reserves and NPV - Before Tax**  
**Prices in Deloitte December 31, 2021 Forecast Pricing as of January 1, 2022**  
**Canada**

	Remaining Reserves			Net Revenue NPV (M\$C)					
	WI	RI	Net	0.00 %	5.00 %	8.00 %	10.00 %	15.00 %	20.00 %
<b>Proved Developed Producing</b>									
Gas (MMcf)	604.2	-	515.1	1,878.4	1,406.2	1,219.7	1,120.9	934.1	803.9
Propane (Mbbbl)	5.6	-	4.7	143.6	108.0	93.9	86.5	72.5	62.7
Butane (Mbbbl)	3.5	-	2.9	124.0	93.0	80.8	74.4	62.2	53.7
Pentane Plus (Mbbbl)	1.8	-	1.5	116.1	86.5	74.8	68.6	57.0	48.9
<b>Total</b>				<b>2,262.1</b>	<b>1,693.7</b>	<b>1,469.3</b>	<b>1,350.4</b>	<b>1,125.8</b>	<b>969.2</b>
				<b>Before Tax Cash Flow NPV (1) (M\$C)</b>					
				623.5	539.8	497.1	471.9	419.0	377.7
				<b>Net Revenue NPV (M\$C)</b>					
<b>Proved Developed Non-Producing</b>									
Gas (MMcf)	480.9	-	377.4	1,398.2	1,014.2	864.1	785.6	640.0	541.9
Propane (Mbbbl)	4.5	-	3.5	109.7	80.5	69.1	63.1	52.0	44.5
Butane (Mbbbl)	2.8	-	2.2	94.7	69.3	59.3	54.1	44.5	37.9
Pentane Plus (Mbbbl)	1.4	-	1.1	90.0	65.4	55.8	50.8	41.4	35.1
<b>Total</b>				<b>1,692.6</b>	<b>1,229.4</b>	<b>1,048.4</b>	<b>953.6</b>	<b>778.0</b>	<b>659.4</b>
				<b>Before Tax Cash Flow NPV (1) (M\$C)</b>					
				493.3	392.7	344.7	317.0	260.2	217.0
				<b>Net Revenue NPV (M\$C)</b>					
<b>Proved Undeveloped</b>									
Gas (MMcf)	2,483.5	-	2,116.0	7,897.2	5,704.0	4,923.9	4,528.6	3,811.3	3,328.6
Propane (Mbbbl)	23.1	-	18.7	599.6	438.4	381.1	352.0	299.2	263.7
Butane (Mbbbl)	14.4	-	12.0	533.0	388.4	336.9	310.8	263.3	231.3
Pentane Plus (Mbbbl)	7.5	-	6.2	496.5	359.3	310.4	285.5	240.4	210.0
<b>Total</b>				<b>9,526.4</b>	<b>6,890.1</b>	<b>5,952.2</b>	<b>5,476.9</b>	<b>4,614.3</b>	<b>4,033.7</b>
				<b>Before Tax Cash Flow NPV (1) (M\$C)</b>					
				3,106.1	2,251.6	1,886.3	1,686.9	1,299.3	1,020.1
				<b>Net Revenue NPV (M\$C)</b>					
<b>Total Proved</b>									
Gas (MMcf)	3,568.6	-	3,008.5	11,173.8	8,124.4	7,007.7	6,435.0	5,385.5	4,674.4
Propane (Mbbbl)	33.2	-	26.9	852.9	626.9	544.1	501.7	423.8	370.9
Butane (Mbbbl)	20.7	-	17.1	751.7	550.7	477.1	439.3	370.0	323.0
Pentane Plus (Mbbbl)	10.7	-	8.8	702.7	511.2	441.0	404.9	338.8	294.0
<b>Total</b>				<b>13,481.0</b>	<b>9,813.2</b>	<b>8,469.8</b>	<b>7,780.9</b>	<b>6,518.0</b>	<b>5,662.3</b>
				<b>Before Tax Cash Flow NPV (1) (M\$C)</b>					
				4,222.9	3,184.0	2,728.0	2,475.8	1,978.5	1,614.8
				<b>Net Revenue NPV (M\$C)</b>					
<b>Total Probable</b>									
Heavy Oil (Mbbbl)	33.1	-	31.4	2,022.0	1,654.7	1,492.1	1,400.8	1,216.8	1,078.1
Gas (MMcf)	1,099.4	-	935.1	3,988.0	2,144.3	1,640.4	1,418.0	1,070.9	876.6
Propane (Mbbbl)	10.7	-	8.6	305.8	168.1	130.1	113.3	86.7	71.8
Butane (Mbbbl)	6.8	-	5.7	276.7	153.0	118.6	103.2	78.9	65.1
Pentane Plus (Mbbbl)	3.6	-	3.0	269.2	150.5	117.0	101.9	77.7	63.7
Sulphur (MLT)	0.0	-	0.0	0.6	0.5	0.4	0.4	0.3	0.2
<b>Total</b>				<b>6,862.2</b>	<b>4,271.1</b>	<b>3,498.6</b>	<b>3,137.5</b>	<b>2,531.5</b>	<b>2,155.5</b>
				<b>Before Tax Cash Flow NPV (1) (M\$C)</b>					
				2,609.7	1,793.4	1,484.6	1,325.8	1,035.5	840.0
				<b>Net Revenue NPV (M\$C)</b>					
<b>Total Proved + Probable</b>									
Heavy Oil (Mbbbl)	33.1	-	31.4	2,022.0	1,654.7	1,492.1	1,400.8	1,216.8	1,078.1
Gas (MMcf)	4,667.9	-	3,943.5	15,161.7	10,268.7	8,648.1	7,853.0	6,456.4	5,550.9
Propane (Mbbbl)	43.9	-	35.5	1,158.7	795.0	674.2	614.9	510.5	442.7
Butane (Mbbbl)	27.5	-	22.8	1,028.4	703.7	595.7	542.5	448.9	388.1
Pentane Plus (Mbbbl)	14.4	-	11.8	971.8	661.7	557.9	506.8	416.5	357.7
Sulphur (MLT)	0.0	-	0.0	0.6	0.5	0.4	0.4	0.3	0.2
<b>Total</b>				<b>20,343.3</b>	<b>14,084.4</b>	<b>11,968.5</b>	<b>10,918.4</b>	<b>9,049.5</b>	<b>7,817.8</b>
				<b>Before Tax Cash Flow NPV (1) (M\$C)</b>					
				6,832.5	4,977.4	4,212.7	3,801.6	3,014.0	2,454.8
				<b>Remaining Equivalent Reserves (2) (MBOE)</b>					
<b>Proved</b>									
Proved Developed Producing	111.6	-	94.9	5.6	4.8	4.5	4.2	3.8	3.4
Proved Developed Non-Producing	88.9	-	69.7	5.6	4.4	3.9	3.6	2.9	2.4
Proved Undeveloped	458.9	-	389.6	6.8	4.9	4.1	3.7	2.8	2.2
<b>Total Proved</b>	<b>659.4</b>	<b>-</b>	<b>554.2</b>	<b>6.4</b>	<b>4.8</b>	<b>4.1</b>	<b>3.8</b>	<b>3.0</b>	<b>2.4</b>
<b>Total Probable</b>	<b>237.4</b>	<b>-</b>	<b>204.6</b>	<b>11.0</b>	<b>7.6</b>	<b>6.3</b>	<b>5.6</b>	<b>4.4</b>	<b>3.5</b>
<b>Total Proved + Probable</b>	<b>896.7</b>	<b>-</b>	<b>758.8</b>	<b>7.6</b>	<b>5.6</b>	<b>4.7</b>	<b>4.2</b>	<b>3.4</b>	<b>2.7</b>

(1) Before Tax Cash Flow NPV is not available per product.  
(2) Oil Equivalent based on 6:1 Mcf/bbl Gas, 1:1 bbl/bbl Liquids.

Avila Energy Corp.  
NI 51-101 FORECAST CASE  
TOTAL FUTURE NET REVENUE - WITH CORPORATE TAX POOLS  
Deloitte December 31, 2021 Price Forecast  
Canada

Effective January 1, 2022

CATEGORY	Revenue*	Royalties	Operating Costs	Investment Costs	Well Abandonment Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
	M\$	M\$	M\$	M\$	M\$	M\$	M\$	M\$
Proved Developed Producing	2,656.0	393.9	1,475.8	0.0	162.9	623.5	0.0	623.5
Proved Developed Non-Producing	2,141.7	449.1	1,054.4	125.0	19.9	493.3	0.0	493.3
Proved Undeveloped	11,283.1	1,756.8	4,735.1	1,462.5	222.7	3,106.1	0.0	3,106.1
Proved	16,080.8	2,599.8	7,265.2	1,587.5	405.4	4,222.9	0.0	4,222.9
Probable	7,827.6	965.3	3,370.0	750.0	132.6	2,609.7	0.0	2,609.7
Proved Plus Probable	23,908.4	3,565.1	10,635.2	2,337.5	538.0	6,832.5	0.0	6,832.5

\* Revenue includes product revenue and other income from facilities, wells and corporate if specified.

Avila Energy Corp.  
NI 51-101 FORECAST CASE  
FUTURE NET REVENUE BY PRODUCTION TYPE  
Deloitte December 31, 2021 Price Forecast  
Canada

Effective January 1, 2022

	FUTURE NET REVENUE BEFORE INCOME TAXES*	UNIT VALUE
	10% M\$	Primary Product Only
<b>TOTAL PROVED</b>		
Conventional Natural Gas	2,475.8	0.82 \$/Mcf
Total	2,475.8	4.94 \$/BOE
<b>TOTAL PROVED + PROBABLE</b>		
Conventional Natural Gas	3,436.5	0.88 \$/Mcf
Heavy Crude Oil	365.1	11.63 \$/bbl
Total	3,801.6	5.56 \$/BOE

\*Primary product type and all associated by-products are included

The following table details by production group the net present value of future net revenue (discounted 10% before deducting future income tax expenses) estimated using forecast prices and costs.

Avila Energy Corp.  
NI 51-101 FORECAST CASE  
SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE  
Deloitte December 31, 2021 Price Forecast  
Canada

Effective January 1, 2022

RESERVES CATEGORY	Before Income Tax					After Income Tax					Unit Value
	0% M\$	5% M\$	10% M\$	15% M\$	20% M\$	0% M\$	5% M\$	10% M\$	15% M\$	20% M\$	Before Income Tax Discounted at 10% \$/boe
Proved Developed Producing	623.5	539.8	471.9	419.0	377.7	623.5	539.8	471.9	419.0	377.7	4.97
Proved Developed Non-Producing	493.3	392.7	317.0	260.2	217.0	493.3	392.7	317.0	260.2	217.0	4.55
Proved Undeveloped	3,106.1	2,251.6	1,686.9	1,299.3	1,020.1	3,106.1	2,251.6	1,686.9	1,299.3	1,020.1	4.33
Proved	4,222.9	3,184.0	2,475.8	1,978.5	1,614.8	4,222.9	3,184.0	2,475.8	1,978.5	1,614.8	4.47
Probable	2,609.7	1,793.4	1,325.8	1,035.5	840.0	2,609.7	1,793.4	1,325.8	1,035.5	840.0	6.48
Proved Plus Probable	6,832.5	4,977.4	3,801.6	3,014.0	2,454.8	6,832.5	4,977.4	3,801.6	3,014.0	2,454.8	5.01

\*Unit value calculation based on Net BOE reserves



**Avila Energy Corp.**  
**NI 51-101 FORECAST CASE**  
**OIL AND GAS RESERVES SUMMARY**  
**Deloitte December 31, 2021 Price Forecast**  
Canada

Effective January 1, 2022

VOLUMES IN IMPERIAL UNITS														
CATEGORY	Oil				Natural Gas				Natural Gas Liquids		Sulphur		Total BOE	
	Light/Medium Crude		Heavy Crude		Conventional		Gross Mstb	Co. Share Net Mstb	Gross Mstb	Co. Share Net Mstb	Gross Mlt	Co. Share Net Mlt	Gross Mboe	Co. Share Net Mboe
	WI Gross Mstb	Co. Share Net Mstb	WI Gross Mstb	Co. Share Net Mstb	WI Gross MMcf	Co. Share Net MMcf								
PDP	0.0	0.0	0.0	0.0	604.2	515.1	10.9	9.0	0.0	0.0	111.6	94.9		
PDNP	0.0	0.0	0.0	0.0	480.9	377.4	8.7	6.8	0.0	0.0	88.9	69.7		
PUD	0.0	0.0	0.0	0.0	2,483.5	2,116.0	45.0	36.9	0.0	0.0	458.9	389.6		
TP	0.0	0.0	0.0	0.0	3,568.6	3,008.5	64.6	52.8	0.0	0.0	659.4	554.2		
PB	0.0	0.0	33.1	31.4	1,099.4	935.1	21.1	17.3	0.0	0.0	237.4	204.6		
P+P	0.0	0.0	33.1	31.4	4,667.9	3,943.5	85.7	70.1	0.0	0.0	896.7	758.8		

VOLUMES IN METRIC UNITS														
CATEGORY	Oil				Natural Gas				Natural Gas Liquids		Sulphur		Total BOE	
	Light/Medium Crude		Heavy Crude		Conventional		Gross E <sup>3</sup> m <sup>3</sup>	Co. Share Net E <sup>3</sup> m <sup>3</sup>	Gross E <sup>3</sup> m <sup>3</sup>	Co. Share Net E <sup>3</sup> m <sup>3</sup>	Gross E <sup>3</sup> t	Co. Share Net E <sup>3</sup> t	Gross E <sup>3</sup> m <sup>3</sup> e	Co. Share Net E <sup>3</sup> m <sup>3</sup> e
	WI Gross E <sup>3</sup> m <sup>3</sup>	Co. Share Net E <sup>3</sup> m <sup>3</sup>	WI Gross E <sup>3</sup> m <sup>3</sup>	Co. Share Net E <sup>3</sup> m <sup>3</sup>	WI Gross E <sup>6</sup> m <sup>3</sup>	Co. Share Net E <sup>6</sup> m <sup>3</sup>								
PDP	0.0	0.0	0.0	0.0	17.0	14.5	1.7	1.4	0.0	0.0	17.7	15.1		
PDNP	0.0	0.0	0.0	0.0	13.5	10.6	1.4	1.1	0.0	0.0	14.1	11.1		
PUD	0.0	0.0	0.0	0.0	70.0	59.6	7.1	5.9	0.0	0.0	72.9	61.9		
TP	0.0	0.0	0.0	0.0	100.5	84.8	10.3	8.4	0.0	0.0	104.8	88.1		
PB	0.0	0.0	5.3	5.0	31.0	26.3	3.4	2.8	0.0	0.0	37.7	32.5		
P+P	0.0	0.0	5.3	5.0	131.5	111.1	13.6	11.1	0.0	0.0	142.5	120.6		

**PART 3**

**PRICING ASSUMPTIONS**

The following table detail the benchmark reference prices for the regions in which the Corporation operated as at December 31, 2021 reflected in the reserves data disclosed above under "Disclosure of Reserves Data". These pricing assumptions were provided by Deloitte.

Canadian domestic forecast				Crude Oil Pricing										Natural Gas Liquids Pricing Edmonton Par Prices					Natural Gas Pricing					Sulphur
Forecast effective: December 31 2021				WTI at Cushing	WTI at Cushing	Edmonton	Edmonton	WCS	Bow River	Heavy Oil	Ethane	Propane	Butane	Pentanes +	Alberta Reference	Alberta AECO	Alberta AECO	B.C. Direct	NYMEX	NYMEX	NYMEX	Alberta		
	Price Inflation Rate	Cost Inflation Rate	CAD to USD Exchange Rate	Okla/US\$/bbl	Okla/US\$/bbl	City Gate	City Gate	20.5 Deg. API	25 Deg. API	12 Deg. API	CS/bbl	CS/bbl	CS/bbl	CS/mcf	CS/mcf	CS/mcf	Stn. 2 Sales	Hub	Hub	Hub	Plant Gate			
				Real	Current	Real	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current	Current			
H 2011	2.9%	2.9%	1.012	\$111.96	\$94.88	\$112.74	\$95.54	\$77.12	\$78.42	\$69.60	\$10.30	\$52.41	\$86.98	\$105.24	\$3.46	\$4.28	\$3.63	\$3.34	\$4.72	\$4.00	\$101.60			
i 2012	1.5%	1.5%	1.001	\$107.81	\$94.11	\$99.17	\$86.57	\$73.10	\$74.41	\$64.07	\$6.73	\$30.80	\$75.47	\$99.67	\$2.25	\$2.74	\$2.39	\$2.29	\$3.15	\$2.75	\$126.81			
s 2013	0.9%	0.9%	0.972	\$110.46	\$97.91	\$105.33	\$93.36	\$74.97	\$76.29	\$65.49	\$8.68	\$38.54	\$77.44	\$103.52	\$2.98	\$3.58	\$3.17	\$3.11	\$4.21	\$3.73	\$62.17			
t 2014	1.9%	1.9%	0.906	\$104.23	\$93.26	\$105.05	\$94.00	\$81.06	\$81.49	\$73.70	\$12.46	\$42.93	\$59.43	\$101.47	\$4.22	\$5.03	\$4.50	\$4.16	\$4.91	\$4.39	\$88.99			
o 2015	1.1%	1.1%	0.783	\$53.38	\$48.69	\$62.49	\$57.00	\$44.80	\$45.23	\$39.63	\$7.49	\$5.35	\$33.70	\$55.15	\$2.56	\$2.95	\$2.69	\$1.81	\$2.88	\$2.63	\$107.45			
r 2016	1.4%	1.4%	0.755	\$46.77	\$43.15	\$56.60	\$52.22	\$38.90	\$39.23	\$34.08	\$6.04	\$8.71	\$31.45	\$52.43	\$1.93	\$2.34	\$2.16	\$1.75	\$2.73	\$2.52	\$45.40			
i 2017	1.6%	1.6%	0.771	\$54.35	\$50.88	\$66.10	\$61.88	\$49.51	\$50.86	\$45.01	\$6.11	\$27.92	\$40.98	\$63.65	\$2.13	\$2.34	\$2.19	\$1.56	\$3.19	\$2.99	\$41.85			
c 2018	2.3%	2.3%	0.772	\$68.26	\$64.94	\$72.63	\$69.10	\$49.89	\$50.00	\$45.34	\$6.90	\$29.76	\$46.17	\$75.74	\$1.36	\$1.62	\$1.54	\$1.26	\$3.33	\$3.17	\$89.25			
a 2019	1.9%	1.9%	0.754	\$58.53	\$56.98	\$70.90	\$69.02	\$57.33	\$59.10	\$55.11	\$5.00	\$15.82	\$21.40	\$67.57	\$1.48	\$1.86	\$1.81	\$1.02	\$2.64	\$2.57	\$37.54			
l 2020	0.7%	0.7%	0.746	\$39.52	\$39.23	\$46.03	\$45.69	\$36.09	\$35.93	\$31.48	\$6.20	\$16.11	\$20.93	\$47.14	\$2.00	\$2.27	\$2.25	\$2.20	\$2.06	\$2.04	\$2.60			
20 Mths F	3.3%	3.3%	0.798	\$67.65	\$67.65	\$79.80	\$79.80	\$67.65	\$67.18	\$64.04	\$10.06	\$45.92	\$40.30	\$81.87	\$3.20	\$3.61	\$3.61	\$3.30	\$3.92	\$3.92	\$65.37			
0 Mths F	0.0%	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2021 Avg.	N/A	N/A	0.798	\$67.65	\$67.65	\$79.80	\$79.80	\$67.65	\$67.18	\$64.04	\$10.06	\$45.92	\$40.30	\$81.87	\$3.20	\$3.61	\$3.61	\$3.30	\$3.92	\$3.92	\$65.37			
F 2022	0.0%	0.0%	0.800	\$69.00	\$69.00	\$81.25	\$81.25	\$67.50	\$70.25	\$63.00	\$10.05	\$44.70	\$56.90	\$85.30	\$3.25	\$3.65	\$3.65	\$3.55	\$4.00	\$4.00	\$75.00			
o 2023	2.0%	2.0%	0.800	\$64.00	\$65.30	\$73.75	\$75.25	\$62.50	\$64.00	\$57.90	\$9.00	\$33.85	\$45.15	\$79.00	\$2.85	\$3.20	\$3.25	\$3.15	\$3.50	\$3.55	\$51.00			
r 2024	2.0%	2.0%	0.800	\$59.00	\$61.40	\$67.50	\$70.25	\$57.20	\$58.80	\$52.55	\$8.75	\$31.65	\$42.15	\$73.75	\$2.75	\$3.05	\$3.15	\$3.05	\$3.25	\$3.40	\$52.00			
e 2025	2.0%	2.0%	0.800	\$59.00	\$62.60	\$67.50	\$71.65	\$58.35	\$59.95	\$53.60	\$8.90	\$32.25	\$43.00	\$75.25	\$2.80	\$3.05	\$3.25	\$3.15	\$3.25	\$3.45	\$53.05			
c 2026	2.0%	2.0%	0.800	\$59.00	\$63.85	\$67.50	\$73.05	\$59.55	\$61.15	\$54.65	\$9.10	\$32.90	\$43.85	\$76.75	\$2.85	\$3.05	\$3.30	\$3.20	\$3.25	\$3.50	\$54.10			
a 2027	2.0%	2.0%	0.800	\$59.00	\$65.15	\$67.50	\$74.55	\$60.70	\$62.40	\$55.75	\$9.25	\$33.55	\$44.70	\$78.30	\$2.95	\$3.05	\$3.35	\$3.25	\$3.25	\$3.60	\$55.20			
s 2028	2.0%	2.0%	0.800	\$59.00	\$66.45	\$67.50	\$76.00	\$61.95	\$63.65	\$56.85	\$9.45	\$34.25	\$45.60	\$79.85	\$3.00	\$3.05	\$3.45	\$3.30	\$3.25	\$3.65	\$56.30			
t 2029	2.0%	2.0%	0.800	\$59.00	\$67.75	\$67.50	\$77.55	\$63.20	\$64.90	\$58.00	\$9.65	\$34.90	\$46.50	\$81.45	\$3.05	\$3.05	\$3.50	\$3.40	\$3.25	\$3.75	\$57.45			
2030	2.0%	2.0%	0.800	\$59.00	\$69.15	\$67.50	\$79.10	\$64.45	\$66.20	\$59.15	\$9.85	\$35.60	\$47.45	\$83.05	\$3.10	\$3.05	\$3.55	\$3.45	\$3.25	\$3.80	\$58.60			
2031	2.0%	2.0%	0.800	\$59.00	\$70.50	\$67.50	\$80.65	\$65.75	\$67.50	\$60.35	\$10.05	\$36.35	\$48.40	\$84.75	\$3.15	\$3.05	\$3.65	\$3.55	\$3.25	\$3.90	\$59.75			
2032	2.0%	2.0%	0.800	\$59.00	\$71.90	\$67.50	\$82.30	\$67.05	\$68.85	\$61.55	\$10.25	\$37.05	\$49.35	\$86.45	\$3.25	\$3.05	\$3.70	\$3.60	\$3.25	\$3.95	\$60.95			
2033	2.0%	2.0%	0.800	\$59.00	\$73.35	\$67.50	\$83.95	\$68.40	\$70.25	\$62.80	\$10.45	\$37.80	\$50.35	\$88.15	\$3.30	\$3.05	\$3.80	\$3.65	\$3.25	\$4.05	\$62.15			
2034	2.0%	2.0%	0.800	\$59.00	\$74.85	\$67.50	\$85.60	\$69.75	\$71.65	\$64.05	\$10.65	\$38.55	\$51.35	\$89.90	\$3.35	\$3.05	\$3.85	\$3.75	\$3.25	\$4.10	\$63.40			
2035	2.0%	2.0%	0.800	\$59.00	\$76.30	\$67.50	\$87.30	\$71.15	\$73.10	\$65.35	\$10.85	\$39.35	\$52.40	\$91.70	\$3.45	\$3.05	\$3.95	\$3.80	\$3.25	\$4.20	\$64.70			
2036	2.0%	2.0%	0.800	\$59.00	\$77.85	\$67.50	\$89.05	\$72.55	\$74.55	\$66.65	\$11.10	\$40.10	\$53.45	\$93.55	\$3.50	\$3.05	\$4.00	\$3.90	\$3.25	\$4.30	\$65.95			
2037	2.0%	2.0%	0.800	\$59.00	\$79.40	\$67.50	\$90.85	\$74.00	\$76.05	\$67.95	\$11.30	\$40.90	\$54.50	\$95.40	\$3.55	\$3.05	\$4.10	\$3.95	\$3.25	\$4.35	\$67.30			
2038	2.0%	2.0%	0.800	\$59.00	\$81.00	\$67.50	\$92.65	\$75.50	\$77.55	\$69.35	\$11.55	\$41.75	\$55.60	\$97.35	\$3.65	\$3.05	\$4.20	\$4.05	\$3.25	\$4.45	\$68.65			
2039	2.0%	2.0%	0.800	\$59.00	\$82.60	\$67.50	\$94.50	\$77.00	\$79.10	\$70.70	\$11.75	\$42.55	\$56.70	\$99.30	\$3.70	\$3.05	\$4.25	\$4.15	\$3.25	\$4.55	\$70.00			
2040	2.0%	2.0%	0.800	\$59.00	\$84.25	\$67.50	\$96.40	\$78.55	\$80.70	\$72.15	\$12.00	\$43.40	\$57.85	\$101.25	\$3.80	\$3.05	\$4.35	\$4.20	\$3.25	\$4.65	\$71.40			
2041	2.0%	2.0%	0.800	\$59.00	\$85.95	\$67.50	\$98.35	\$80.10	\$82.30	\$73.55	\$12.25	\$44.30	\$59.00	\$103.30	\$3.85	\$3.05	\$4.45	\$4.30	\$3.25	\$4.75	\$72.85			
2041+	2.0%	2.0%	0.800	0.0%	2.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	2.0%	2.0%	0.0%	2.0%	2.0%				

Notes: - Data sources include: EIA, DOB, NRC, Flint Hills Resources, Alberta Government  
 - All prices are in Canadian dollars except WTI and NYMEX gas which are in U.S. dollars  
 - Edmonton city gate prices based on historical light oil par prices posted by the government of Alberta and Net Energy differential futures (40 Deg. API < 0.5% Sulphur)  
 - Natural Gas Liquid prices are forecasted at Edmonton therefore an additional transportation cost must be included to plant gate sales point  
 - 1 Mcf is equivalent to 1 mmbtu  
 - Real prices listed in 2022 dollars with no escalation considered  
 - Alberta gas prices, except AECO, include an average cost of service to the plant gate  
 - NGL prices have been switched from a mix reference to a spec reference



**PART 4**  
**RECONCILIATIONS OF CHANGES IN RESERVES**

The following table set forth a reconciliation of the Company's Proved Developed Producing, Total Proved, Probable, and Proved plus Probable oil reserves in Canada as at December 31, 2021, against such reserves as at December 31, 2020, based on forecast prices and cost assumptions.

	Proved Developed Producing				Total Proved				Probable				Proved + Probable			
	Conventional		NGL	BOE	Conventional		NGL	BOE	Conventional		NGL	BOE	Conventional		NGL	BOE
	Heavy Oil	Gas			Heavy Oil	Gas			Heavy Oil	Gas			Heavy Oil	Gas		
	Mstb	MMcf	Mstb	Mboe	Mstb	MMcf	Mstb	Mboe	Mstb	MMcf	Mstb	Mboe	Mstb	MMcf	Mstb	Mboe
Opening Balance	0.0	0.0	0.0	0.0	0.0	1,267.5	34.6	245.9	0.0	1,212.7	33.1	235.2	0.0	2,480.2	67.7	481.1
Production	0.0	-69.3	-1.3	-12.9	0.0	-69.3	-1.3	-12.9	0.0	0.0	0.0	0.0	0.0	-69.3	-1.3	-12.9
Technical Revisions																
Technical Revisions	0.0	673.5	12.2	124.5	0.0	70.7	-9.9	1.9	0.0	-177.3	-6.7	-36.3	0.0	-106.6	-16.6	-34.4
Working Interest Errors	0.0	0.0	0.0	0.0	0.0	-56.1	-1.5	-10.9	0.0	-825.3	-22.6	-160.2	0.0	-881.4	-24.1	-171.0
Extensions & Improved Recovery																
Drilling Extensions	0.0	0.0	0.0	0.0	0.0	2,350.2	42.5	434.2	33.1	888.3	17.3	198.5	33.1	3,238.5	59.8	632.7
Infill Drilling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recompletion Workover	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Category Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Improved Recovery	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discoveries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dispositions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Factors	0.0	0.0	0.0	0.0	0.0	5.6	0.2	1.1	0.0	0.9	0.0	0.2	0.0	6.5	0.2	1.3
Closing Balance	0.0	604.2	10.9	111.6	0.0	3,568.6	64.6	659.4	33.1	1,089.3	21.1	237.4	33.1	4,667.9	85.7	896.8

- **Technical Revisions - Technical revisions:** It mainly relates to a production resumption of 4 Glauconite wells at Ferrybank, Alberta. Reserves category for these wells changed from Proved Developed Non-Producing to Proved Developed Producing.
- **Technical Revisions - Working Interest Errors:** One location and one recompletion have been removed from the Company reserves due to an error found on the Company's mineral interests at the Ferrybank area. The Company doesn't hold the rights of the targeted Formation in the section of land where the two entities were located.
- **Extensions & Improved Recovery – Drilling Extensions:** Primary relates to new locations at Ferrybank and Honeysuckle, Alberta, described under "Oil and Gas Properties".

**PART 5**  
**ADDITIONAL INFORMATION RELATING TO RESERVES DATA**  
**Undeveloped Reserves**  
**History of Attribution of Undeveloped Reserves**

HISTORY OF ATTRIBUTION OF UNDEVELOPED OIL AND GAS RESERVES								
2020 - 2022								
YEAR	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	Mbbbl		Mbbbl		MMcf		Mbbbl	
	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
<b>PROVED UNDEVELOPED RESERVES</b>								
Attributed at								
Prior December 31, 2020	Nil	Nil	Nil	Nil	832.8	832.8	Nil	Nil
Effective January 1st, 2021	Nil	Nil	Nil	Nil	483.0	483.0	13.2	13.2
Effective January 1st, 2022	Nil	Nil	Nil	Nil	2483.5	Nil	45	Nil
<b>PROBABLE UNDEVELOPED RESERVES</b>								
Attributed at								
Prior December 31, 2020	Nil	Nil	Nil	Nil	75	75	Nil	Nil
Effective January 1st, 2021	Nil	Nil	Nil	Nil	654	654	17.9	17.9
Effective January 1st, 2022	Nil	Nil	33.1	Nil	543.4	Nil	11	Nil

In General, the company is planning to develop all Proved Undeveloped and Probable Undeveloped reserves during 2022. There are a number of factors that could result in delayed or canceled development, including the following: (i) a change in the economic conditions due to commodity pricing, operating and capital expenditure fluctuations; (ii) a change in the technical conditions, including production anomalies; (iii) surface access issues related to weather conditions, regulatory and landowners.

**SIGNIFICANT FACTORS OR UNCERTAINTIES**

The production rates, Oil and Gas reserves and cash flow information contained in the Deloitte Report are only estimates and the actual production and ultimate reserves may be greater or less than the estimates prepared by Reliance. Factors, consideration and assumptions that the independent evaluator used to develop these estimates include, but are not limited to:

- : Historical production;
- : Government regulation;
- : Assumptions regarding commodity prices, production, development costs, taxes and capital expenditures;
- : Timing of capital expenditures;
- : Effectiveness of enhanced recovery schemes;
- : Marketability of production;
- : Operating costs and royalties;
- : Initial production rates;
- : Production decline rates;
- : Ultimate recovery of reserves; and
- : Future oil and gas prices.

Currently, Avila Energy Corporation does not anticipate any unusually high development costs or operating costs, the need to construct a major pipeline or other major facilities before production of reserves can begin. The Company does not anticipate any significant economic factors or significant uncertainties that could affect any particular components of the Reserves. However, reserves can be significantly affected by fluctuations in product pricing, capital expenditures, operating costs, royalty regimes and well performance, and subsequent drilling results that are beyond the Company's control.

**FUTURE DEVELOPMENT COSTS**

The Corporation's source of funding for future development costs of the Corporation's reserves will be derived from a combination of cash flow, debt and new equity. Management of the Corporation does not anticipate that the costs of funding referred to above will materially affect the Corporation's disclosed reserves and future net revenues or will make the development of any of the Corporation's properties uneconomic.

The Corporation's petroleum and natural gas investing activities have been funded to date primarily through the issuance of common shares and expects that it will continue to be able to utilize this source of financing until it develops additional cash flow from operations.

For additional information regarding the future development of the Corporation's properties, see Part 6 – Oil and Gas Properties and Wells.

The following table details the development costs deducted in the estimation of future net revenue attributable to proved reserves of the Corporation (estimated and forecast prices and costs) and proved plus probable reserves of the Corporation (estimated using forecast prices and costs and constant prices and costs):

FUTURE DEVELOPMENT COSTS FORECAST PRICES AND COSTS DECEMBER 31, 2021		
Year	Total Proven Capital (M\$C)	Proven Plus Probable Capital (M\$C)
2022	1,587.5	2,337.5
2023	-	-
2024	-	-
2025	-	-
Remainder	-	-
Total (M\$C)	1,587.5	2,337.5

**ABANDONMENT AND RECLAMATION COSTS**

Additional Information Concerning Abandonment and Reclamation Costs on producing wells.

The Corporation bases its estimates for the costs of abandonment and reclamation of surface leases, wells, facilities and pipelines on previous experience of management with similar well sites and facility locations, the table below summarizes the abandonments associated with wells producing or capable to produce at yearend 2021 on both Proven and Proven Plus Probable categories.

<b>FUTURE ABANDONMENT COSTS FORECAST PRICES AND COSTS DECEMBER 31, 2021</b>		
<b>Year</b>	<b>Total Proven Abandonment Net</b>	<b>Proven Plus Probable Abandonment Net</b>
2022	-	-
2023	-	-
2024	-	-
Remainder	405.4	538.0
Total Wells (WI)	4.31	5.31
<b>Total (M\$C)</b>	<b>405.4</b>	<b>538.0</b>

**PART 6****OTHER OIL AND GAS INFORMATION****Producing and Non-Producing Wells**

The following table summarizes Avila's interests as at December 31, 2021 in producing wells and in non-producing wells which Avila Energy Corporation believes are capable of producing oil or gas or both. The stated interests are working interests on a "before payout" basis and, in certain cases, are subject to lessor's and other royalties, in addition to usual Crown royalties or mineral taxes. All wells are "onshore" unless specifically identified as "offshore".

<b>OIL AND GAS WELLS</b>								
<b>PROVINCE</b>	<b>Producing</b>				<b>Non-Producing</b>			
	<b>Oil Wells</b>		<b>Gas Wells</b>		<b>Shut-In Oil Wells</b>		<b>Shut-In Gas Wells</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
<b>Alberta</b>	Nil	Nil	4	1.81	Nil	Nil	Nil	Nil
<b>Total</b>	Nil	Nil	4	1.81	Nil	Nil	Nil	Nil

### **Production Forecasts**

The following table represents sales gas production forecast for the Corporation's interest before royalties as at December 31, 2021 for total Proven Developed Producing reserves.

<b>PRODUCTION FORECAST - COMPANY WORKING INTEREST BEFORE ROYALTIES PROVEN DEVELOPED PRODUCING RESERVES 31-Dec-21</b>				
<b>Year</b>	<b>Natural Gas</b>		<b>Natural Gas Liquids</b>	
	<b>Daily mcf/d</b>	<b>Annual MMcf</b>	<b>Daily bbl/d</b>	<b>Annual Mbbl</b>
2022	207.5	75.7	3.8	1.4
2023	188.6	68.8	3.4	1.2
2024	172.3	62.9	3.1	1.1
2025	156.5	57.1	2.8	1.0
2026	142.6	52.1	2.6	0.9
2027	130.0	47.4	2.4	0.9
2028	118.8	43.4	2.1	0.8
2029	76.7	28.0	1.4	0.5
2030	67.3	24.6	1.2	0.4
2031	61.6	22.5	1.1	0.4
2032	56.4	20.6	1.0	0.4

### **Oil and Gas Properties**

Avila Energy Corporation is focused on the conventional exploration and development of oil and natural gas reserves in Western Canada.

#### **Producing Properties**

##### **Ferrybank, Alberta**

The Ferrybank property is located in Townships 44 and 45, Range 27 W4M, approximately 45 miles south of Edmonton, Alberta. At Ferrybank, Avila Energy Corporation currently holds a non-operated working interest ranging between 31.3 and 50 percent in four producing natural gas wells. The Company also has plans for one recompletion and four proposed Natural Gas locations. Ferrybank has potential to produce Natural Gas and Natural Gas Liquids from the Basal Belly River, Viking and Glauconitic Formations. During 2022, the company expects to drill four proposed locations targeting the Basal Belly River and the Glauconite Sandstone.

#### **Non-Producing Properties**

##### **Honeysuckle, Alberta**

The Honeysuckle property is located in Townships 46, Ranges 25 and 26 W4M, approximately 40 miles south of Edmonton, Alberta. At Honeysuckle, Avila Energy Corporation holds 50% on two Heavy Oil Rex Locations. Currently, there are two horizontal oil wells in the immediate area that produce heavy oil from the Rex Formation offsetting these two locations. Due to the limited well control in the area, probable undeveloped reserves were assigned to the two Rex locations at this time. Reserves were assigned by Deloitte based on volumetric analysis, as well as comparison to analogous well review of Rex producing wells.

The Company also is planning to drill a vertical location targeting the Mannville Formation at Honeysuckle in 2022. Proven Undeveloped Reserves were assigned by Deloitte based on a review of analogous wells in the area, in conjunction with volumetric analysis.

### Land Holdings

The following table sets forth the Company's developed and undeveloped oil and gas lease and mineral acreage as of December 31, 2021.

**AVILA ENERGY CORPORATION**  
**Developed and Undeveloped Land (Acres)**  
**as of December 31, 2021**

<b>Developed Gross</b>	<b>Developed Net</b>	<b>Undeveloped Gross</b>	<b>Undeveloped Net</b>	<b>Total Gross</b>	<b>Total Net</b>
4,461.0	1,043.5	3,200.0	1,600.0	7,661.0	2,643.5

In March 2021, Avila Energy Corporation acquired 2,560 acres of undeveloped mineral rights in West Central Alberta (net to the company). From this acquisition, 960 acres expired in 2021.

### Undeveloped Land and Expiring Rights

The following table presents the undeveloped land held by Avila Energy Corporation by December 31<sup>st</sup> 2021.

<b>PROVINCE</b>	<b>DECEMBER 31, 2021</b>			
	<b>Undeveloped Properties (Acres)</b>		<b>Expiring in 2022 (Acres)</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Alberta	3,200	1,600	1,920	960
<b>Total</b>	<b>3,200</b>	<b>1,600</b>	<b>1,920</b>	<b>960</b>

### Exploration and Development Activities

For the year ended December 31, 2021 the Corporation completed the following exploratory and development activities:

<b>EXPLORATION AND DEVELOPMENT ACTIVITIES</b>		
<b>YEAR ENDED DECEMBER 31, 2021</b>		
	<b>Gross</b>	<b>Net</b>
Oil	Nil	Nil
Gas	Nil	Nil
Service	4	1.81
Dry	Nil	Nil
<b>Total</b>	<b>4</b>	<b>1.81</b>

The Corporation's most important current and likely exploration and development activities are described under "Oil and Gas Properties".



### **Petroleum and Natural Gas Interest – Summary of Costs Incurred**

The following table sets out Avila's property acquisition costs, exploration costs and development costs for the year ended December 31, 2021. This table includes all costs irrespective of whether such costs were capitalized or charged to expense.

	Years ended December 31,		January 1 to
	2021	2020	December 31, 2021 Totals
Land, leases, property, & acquisitions	\$ 1,750,191	\$ 1,054,611	\$ 695,580
Deferred costs:			
Geological expenditures	-	-	-
Intangible drilling expenditures	-	-	-
Intangible completion costs	-	-	-
Intangible carbon capture and sequestration	515,864	-	515,864
Well equipping	-	-	-
Plant and gathering equipment	-	-	-
Asset retirement obligations	109,116	-	109,116
Well abandonment	-	-	-
Pipeline & gathering	-	-	-
Royalties received	-	-	-
<b>Total</b>	<b>\$ 2,375,171</b>	<b>\$ 1,054,611</b>	<b>\$ 1,320,560</b>

### **Forward Contracts**

Avila Energy Corporation may use certain derivative financial instruments to manage its commodity prices. These financial instruments are entered into solely for hedging purposes and are not used for trading or other speculative purposes. At December 31, 2021 there were no contracts or options outstanding.

### **Tax Horizon**

As at December 31, 2021 the Corporation has the following exploration and development expenditures, undepreciated capital costs and non-capital loss carry forwards which may be carried forward indefinitely to reduce future Canadian taxable income.

	Thousands \$	Depreciation rate %
COGPE	0	10
CDE	0	30
CEE	0	100
CCA	0	30
Loss carry forward	8,335.0	

**Production History**

The table below summarizes the Natural Gas working interest production of Avila Energy Corporation during the year ended at December 31<sup>st</sup> 2021.

<b>Historical Production Summary</b>			
January - December 2021 Production			
<b>Date</b>	<b>Well Count</b>	<b>Raw Natural Gas</b>	<b>Sales Natural Gas</b>
		<b>MMcf</b>	<b>MMcf</b>
Jan-21	-	0	0
Feb-21	1.31	4.4	4.0
Mar-21	1.81	6.1	5.6
Apr-21	1.81	5.8	5.3
May-21	1.81	5.9	5.5
Jun-21	1.81	2.9	2.7
Jul-21	1.81	10.2	9.3
Aug-21	1.81	8.8	8.1
Sep-21	1.81	8.3	7.6
Oct-21	1.81	7.6	7.0
Nov-21	1.81	7.6	7.0
Dec-21	1.81	7.8	7.2
<b>Total</b>		<b>75.3</b>	<b>69.3</b>

**SCHEDULE "I" – NI 51-101F2 – REPORT ON RESERVES DATA BY INDEPENDENT  
QUALIFIED RESERVES EVALUATOR OR AUDITOR**



NI 51-101 Form F2  
**Report on reserves data by  
Independent qualified reserves evaluator or auditor**

To the Board of Directors of Avila Energy Corp. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2021. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2021, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2021, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management/Board of Directors:

Independent qualified reserves evaluator or auditor	Effective date of evaluation report	Location of reserves (country or foreign geographic area)	Net present value of future net revenue (before income taxes; 10% discount rate)			
			Audited \$M	Evaluated \$M	Reviewed \$M	Total \$M
Deloitte LLP	December 31, 2021	Canada	-	<b>3,801.60</b>	-	<b>3,801.60</b>

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.
8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Deloitte LLP  
700, 850 – 2<sup>nd</sup> Street S.W.  
Calgary, Alberta  
T2P 0R8

Original signed by: "Andrew Botterill"  
Andrew Botterill, P. Eng.

Execution date: March 11, 2022

**SCHEDULE "J" – NI 51-101F3 – REPORT OF MANAGEMENT AND DIRECTORS ON  
RESERVES DATA AND OTHER INFORMATION**

## FORM 51-101F3 REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Report of Management and Directors on Reserves Data and Other Information Management of Avila Energy Corporation (previously known as Petro Viking Energy Inc.) (the “Company”) are responsible for the preparation and disclosure of information with respect to the Company’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserve data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2021, estimated using forecast prices and costs. An independent qualified reserves evaluator evaluated and reviewed the Company’s reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report. The board of directors of the Company has (a) reviewed the Company’s procedures for providing information to the independent qualified reserves evaluator; (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The board of directors has reviewed the Company’s procedures for assembling and reporting other information associated with and gas activities and has reviewed that information with management. The board of directors has approved (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information; (b) the filing of Form 51-1-1F2 which is the report of the independent qualified reserves evaluator on the reserves data; and (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

“Leonard B. Van Betuw”

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Leonard B. Van Betuw  
Director

“Kyle Appleby”

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Kyle Appleby  
Director

“Tom Valentine”

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Tom Valentine  
Director

“Daniel Lucero”

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Daniel Lucero  
Director

“Michel Lebeuf”

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Michel Lebeuf, Jr.  
Director

**SCHEDULE “K” – EVALUATION PREPARED BY AN INDEPENDENT QRE OF THE  
PROPOSED ASSETS BEING ACQUIRED FROM 611890 ALBERTA INC. AS OF  
DECEMBER 31, 2021**

***CAUTION: THE SCHEDULE IS NOT THE COMPANY’S RESERVES. IT IS AN EVALUATION  
PREPARED BY AN INDEPENDENT QRE OF THE PROPOSED ASSETS BEING ACQUIRED FROM  
611890 ALBERTA INC. AS OF DECEMBER 31, 2021 AND IS NOT THE COMPANY’S INTERNAL  
STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION AS OF DECEMBER  
31, 2021***

Summary of Reserves

The following tables provide information regarding the estimated Canadian reserves and net present value of future net revenue based on forecast prices and cost information with respect to the interests of the proposed Avila Asset acquisition from 611890 Alberta Inc., as prepared by an independent QRE, held by the Company for each of the product types that the Company has interests in for proved developed producing, proved developed non-producing, proved undeveloped, all proved in total, probable and all proved plus probable. Due to rounding certain columns may not add exactly. As required by NI 51-101 the estimates of reserves and future net revenue are estimated assuming that the development of each property in respect of which the estimate is made will occur, without regard to the likely availability to the Company of funding required for that development.

**Avila Energy Corp.**  
**Total Reserves and NPV - Before Tax**  
**Prices in Deloitte December 31, 2021 Forecast Pricing as of January 1, 2022**  
**Canada**

	Remaining Reserves		Net Revenue NPV (MSC)						
	WI	RI	Net	0.00 +/4	5.00"-	8.00 +,-	10.00o/,	15.00o/,	20.00 +,-
<b>Proved Developed Producing</b>									
Heavy Oil (Mbbbl)	18.8		16.2	1,039.3	901.1	835.7	797.7	718.0	655.0
Gas (MMcry)	1,182.3		1,015.9	3,682.0	2,821.4	2,480.2	2,298.3	1,951.2	1,705.6
Coal Bed Methane (MMcry)	1,646.8		1,542.3	4,788.7	3,495.1	2,998.4	2,739.1	2,257.0	1,927.6
Propane (Mbbbl)	13.8		11.4	350.8	276.6	246.6	230.5	199.2	176.7
Butane (Mbbbl)	9.2		7.6	321.7	254.6	227.2	212.4	183.7	163.0
Pentane Plus (Mbbbl)	5.6		4.6	345.8	274.8	245.5	229.5	198.3	175.5
Sulphur (MLT)	0.1		0.1	3.8	3.3	3.1	2.9	2.6	2.4
<b>Total</b>				10,532.1	8,027.0	7,036.7	6,510.4	5,510.1	4,805.7
				4,729.5	3,934.9	3,579.8	3,380.1	2,977.5	2,674.0
				<b>Before Tax Cash Flow NPV(1) JMSCI</b>					
				<b>Net Revenue NPV JMSCI</b>					
<b>Proved Developed Non-Producing</b>									
Light and Medium Oil (Mbbbl)	7.4		7.1	597.8	392.8	331.1	301.8	251.8	220.0
Heavy Oil (Mbbbl)	94.6		83.6	5,487.5	4,830.7	4,525.3	4,349.1	3,982.1	3,693.3
Gas (MMcry)	2,746.4		2,381.4	9,321.8	6,517.4	5,597.2	5,143.2	4,336.1	3,802.6
Coal Bed Methane (MMcfc)	410.8		362.1	1,107.5	828.0	718.4	660.4	550.8	474.3
Propane (Mbbbl)	31.3		25.4	830.6	615.8	542.9	506.3	439.9	394.8
Butane (Mbbbl)	20.7		17.2	775.2	575.1	506.9	472.5	410.0	367.4
Pentane Plus (Mbbbl)	12.6		10.1	799.3	601.6	532.3	497.0	431.9	386.9
Sulphur (MLT)	0.2		0.1	8.3	7.4	6.9	6.7	6.1	5.7
<b>Total</b>				18,928.0	14,368.6	12,760.9	11,937.0	10,408.8	9,345.0
				11,515.1	9,349.4	8,477.4	8,007.1	7,092.1	6,421.6
				<b>Before Tax Cash Flow NPV(1) JMSCI</b>					
				<b>Net Revenue NPV JMSCI</b>					
<b>Proved Undeveloped</b>									
Heavy Oil (Mbbbl)	222.0		210.4	13,526.7	11,522.3	10,591.2	10,055.0	8,942.2	8,072.4
Gas (MMcfc)	4,116.7		3,655.5	13,692.3	10,053.1	8,757.2	8,095.7	6,879.7	6,045.1
Propane (Mbbbl)	41.7		35.4	1,119.3	836.3	733.9	681.2	583.5	515.6
Butane (Mbbbl)	26.7		23.5	1,023.5	764.6	670.3	621.5	530.9	467.7
Pentane Plus (Mbbbl)	14.9		13.1	1,015.1	758.0	662.9	613.5	520.8	455.9
Sulphur (MLT)	0.1		0.1	4.3	3.5	3.1	2.9	2.5	2.1
<b>Total</b>				30,381.2	23,937.7	21,418.6	20,069.8	17,459.5	15,558.9
				10,840.1	8,051.8	6,810.5	6,123.5	4,725.1	3,666.9
				<b>Before Tax Cash Flow NPV(1) JMSCI</b>					
				<b>Net Revenue NPV JMSCI</b>					
<b>Total Proved</b>									
Light and Medium Oil (Mbbbl)	7.4		7.1	597.8	392.8	331.1	301.8	251.8	220.0
Heavy Oil (Mbbbl)	335.4		310.2	20,053.6	17,254.0	15,952.2	15,201.8	13,642.4	12,420.6
Gas (MMcry)	8,045.4		7,052.7	26,896.1	19,391.9	16,834.6	15,537.2	13,167.0	11,553.4
Coal Bed Methane (MMcfc)	2,057.6		1,904.3	5,896.1	4,323.0	3,716.8	3,399.5	2,807.8	2,401.9
Propane (Mbbbl)	86.9		72.2	2,300.7	1,728.7	1,523.5	1,418.0	1,222.6	1,087.1
Butane (Mbbbl)	56.6		48.3	2,120.4	1,594.2	1,404.3	1,306.5	1,124.5	998.1
Pentane Plus (Mbbbl)	33.1		27.7	2,160.1	1,634.4	1,440.7	1,340.0	1,150.9	1,018.3
Sulphur (MLT)	0.3		0.3	16.4	14.1	13.1	12.5	11.2	10.2
<b>Total</b>				59,841.2	46,333.2	41,216.3	38,517.2	33,378.3	29,709.6
				27,090.8	21,336.2	18,873.7	17,510.7	14,794.7	12,762.4
				<b>Before Tax Cash Flow NPV(1) (MSC)</b>					
				<b>Net Revenue NPV JMSCI</b>					
<b>Total Probable</b>									
Light and Medium Oil (Mbbbl)	3.0		2.7	283.0	107.7	75.4	63.1	45.8	36.8
Heavy Oil (Mbbbl)	315.6		293.4	19,119.3	14,881.0	13,116.6	12,158.2	10,299.7	8,963.9
Gas (MMcry)	3,127.7		2,717.6	11,818.8	6,297.0	4,906.8	4,295.1	3,320.3	2,747.6
Coal Bed Methane (MMcfc)	040.6		875.3	3,268.0	1,533.0	1,060.2	853.5	539.5	374.0
Propane (Mbbbl)	36.8		30.4	1,053.6	602.7	480.8	425.2	333.4	277.5
Butane (Mbbbl)	24.5		21.1	1,002.3	582.0	465.4	411.7	322.1	266.9
Pentane Plus (Mbbbl)	15.1		12.9	1,089.1	653.2	525.6	465.4	362.7	298.3
Sulphur (MLT)	0.2		0.2	10.4	7.4	6.2	5.6	4.5	3.7
<b>Total</b>				37,644.4	24,664.8	20,637.0	18,677.8	15,228.0	12,968.6
				10,471.0	12,423.2	10,270.8	9,170.0	7,141.1	5,743.4
				<b>Before Tax Cash Flow NPV(1) JMSCI</b>					
				<b>Net Revenue NPV JMSCI</b>					
<b>Total Proved + Probable</b>									
Light and Medium Oil (Mbbbl)	10.4		9.7	880.7	500.4	406.5	364.9	297.6	256.8
Heavy Oil (Mbbbl)	651.0		603.6	39,172.9	32,135.1	29,068.8	27,360.0	23,942.1	21,384.5
Gas (MMcry)	11,173.1		9,770.3	38,515.0	25,688.9	21,741.3	19,832.3	16,487.4	14,300.8
Coal Bed Methane (MMcfc)	2,998.3		2,779.7	9,164.1	5,856.9	4,777.0	4,252.9	3,347.3	2,775.9
Propane (Mbbbl)	123.7		102.6	3,354.3	2,331.4	2,004.3	1,843.2	1,556.0	1,364.6
Butane (Mbbbl)	81.1		69.3	3,122.7	2,176.2	1,669.8	1,718.1	1,446.6	1,265.1
Pentane Plus (Mbbbl)	-48.3		-49.3	3,249.2	2,287.5	1,966.4	1,805.4	1,513.7	1,316.6
Sulphur (MLT)	0.6		0.5	26.8	21.5	19.3	18.1	15.7	13.9
<b>Total</b>				97,485.7	70,998.0	61,853.3	57,195.0	48,606.3	42,678.2
				45,562.3	33,759.4	29,150.5	26,686.8	21,935.8	18,505.8
				<b>Before Tax Cash Flow NPV(1) (MSC)</b>					



The following table provide a breakdown of various elements of future net revenue (undiscounted) attributable to proved reserves and proved plus probable (in total) of the Company estimated using forecast prices and costs and calculated without discount:

**Avila Energy Corp.**  
**Total Reserves and NPV - Before Tax**  
**Prices in Deloitte December 31, 2021 Forecast Pricing as of January 1, 2022**  
**Canada**

	Remaining Equivalent Reserves (2) (MBOE)			Before Tax Cash Flow NPV/WI BOE (\$C/BOE)					
	WI	RI	Net	0.00 %	5.00 %	8.00 %	10.00 %	15.00 %	20.00 %
Proved									
Proved Developed Producing	518.9	-	466.0	9.1	7.6	6.9	6.5	5.7	5.2
Proved Developed Non-Producing	692.8	-	600.7	16.6	13.5	12.2	11.6	10.2	9.3
Proved Undeveloped	991.5	-	891.6	10.9	8.1	6.9	6.2	4.8	3.7
<b>Total Proved</b>	<b>2,203.2</b>	<b>-</b>	<b>1,958.3</b>	<b>12.3</b>	<b>9.7</b>	<b>8.6</b>	<b>7.9</b>	<b>6.7</b>	<b>5.8</b>
Total Probable	1,073.1	-	959.2	17.2	11.6	9.6	8.6	6.7	5.4
<b>Total Proved + Probable</b>	<b>3,276.3</b>	<b>-</b>	<b>2,917.5</b>	<b>13.9</b>	<b>10.3</b>	<b>8.9</b>	<b>8.1</b>	<b>6.7</b>	<b>5.6</b>

The following tables details by production group the net present value of future net revenue (discounted 10% before deducting future income tax expenses) estimated using forecast prices and costs.

**Avila Energy Corp.**  
**Total Reserves and NPV - Before Tax**  
**Prices in Deloitte December 31, 2021 Forecast Pricing as of January 1, 2022**  
**Canada**

	Remaining Reserves			Net Revenue NPV (MSC)					
	WI	RI	Net	0.00 %	5.00 %	8.00 %	10.00 %	15.00 %	20.00 %
<b>Proved Developed Producing</b>									
Heavy Oil (Mbbbl)	18.8	-	16.2	1,039.3	901.1	835.7	797.7	718.0	655.0
Gas (MMcf)	1,182.3	-	1,015.9	3,682.0	2,821.4	2,480.2	2,298.3	1,951.2	1,705.6
Coal Bed Methane (MMcf)	1,646.8	-	1,542.3	4,788.7	3,495.1	2,998.4	2,739.1	2,257.0	1,927.6
Propane (Mbbbl)	13.8	-	11.4	350.8	276.6	246.6	230.5	199.2	176.7
Butane (Mbbbl)	9.2	-	7.6	321.7	254.6	227.2	212.4	183.7	163.0
Pentane Plus (Mbbbl)	5.6	-	4.6	345.8	274.8	245.5	229.5	198.3	175.5
Sulphur (MLT)	0.1	-	0.1	3.8	3.3	3.1	2.9	2.6	2.4
<b>Total</b>				<b>10,532.1</b>	<b>8,027.0</b>	<b>7,036.7</b>	<b>6,510.4</b>	<b>5,510.1</b>	<b>4,805.7</b>
				<b>Before Tax Cash Flow NPV (1) (MSC)</b>					
				4,729.5	3,934.9	3,579.8	3,380.1	2,977.5	2,674.0
				<b>Net Revenue NPV (MSC)</b>					
<b>Proved Developed Non-Producing</b>									
Light and Medium Oil (Mbbbl)	7.4	-	7.1	597.8	392.8	331.1	301.8	251.8	220.0
Heavy Oil (Mbbbl)	94.6	-	83.6	5,487.5	4,830.7	4,525.3	4,349.1	3,982.1	3,693.3
Gas (MMcf)	2,746.4	-	2,381.4	9,321.8	6,517.4	5,597.2	5,143.2	4,336.1	3,802.6
Coal Bed Methane (MMcf)	410.8	-	362.1	1,107.5	828.0	718.4	660.4	550.8	474.3
Propane (Mbbbl)	31.3	-	25.4	830.6	615.8	542.9	506.3	439.9	394.8
Butane (Mbbbl)	20.7	-	17.2	775.2	575.1	506.9	472.5	410.0	367.4
Pentane Plus (Mbbbl)	12.6	-	10.1	799.3	601.6	532.3	497.0	431.9	386.9
Sulphur (MLT)	0.2	-	0.1	8.3	7.4	6.9	6.7	6.1	5.7
<b>Total</b>				<b>18,928.0</b>	<b>14,368.6</b>	<b>12,760.9</b>	<b>11,937.0</b>	<b>10,408.8</b>	<b>9,345.0</b>
				<b>Before Tax Cash Flow NPV (1) (MSC)</b>					
				11,515.1	9,349.4	8,477.4	8,007.1	7,092.1	6,421.6

**Pricing Assumptions**

The following tables detail the benchmark reference prices (Deloitte – January 22, 2022) for the regions in which the Company operated as at December 31, 2021, reflected in the reserves data disclosed above under "Disclosure of Reserves Data".

**Avila Energy Corp.**  
**Total Reserves and NPV - Before Tax**  
**Prices in Deloitte December 31, 2021 Forecast Pricing as of January 1, 2022**  
**Canada**

	Remaining Equivalent Reserves (2) (MBOE)			Before Tax Cash Flow NPV/WI BOE (\$C/BOE)					
	WI	RI	Net	0.00 %	5.00 %	8.00 %	10.00 %	15.00 %	20.00 %
Proved									
Proved Developed Producing	518.9	-	466.0	9.1	7.6	6.9	6.5	5.7	5.2
Proved Developed Non-Producing	692.8	-	600.7	16.6	13.5	12.2	11.6	10.2	9.3
Proved Undeveloped	991.5	-	891.6	10.9	8.1	6.9	6.2	4.8	3.7
<b>Total Proved</b>	<b>2,203.2</b>	<b>-</b>	<b>1,958.3</b>	<b>12.3</b>	<b>9.7</b>	<b>8.6</b>	<b>7.9</b>	<b>6.7</b>	<b>5.8</b>
Total Probable	1,073.1	-	959.2	17.2	11.6	9.6	8.6	6.7	5.4
<b>Total Proved + Probable</b>	<b>3,276.3</b>	<b>-</b>	<b>2,917.5</b>	<b>13.9</b>	<b>10.3</b>	<b>8.9</b>	<b>8.1</b>	<b>6.7</b>	<b>5.6</b>

Source: Deloitte Price Forecast, December 2021.

### Significant Factors or Uncertainties

The production rates, Oil and Gas reserves and cash flow information contained in the Pristine Report are only estimates and the actual production and ultimate reserves may be greater or less than the estimates prepared by Reliance. Factors, consideration and assumptions that the independent evaluator used to develop these estimates include, but are not limited to:

- Historical production,
- Government regulation,
- Assumptions regarding commodity prices, production, development costs, taxes and capital expenditures,
- Timing of capital expenditures,
- Effectiveness of enhanced recovery schemes,
- Marketability of production,
- Operating costs and royalties,
- Initial production rates,
- Ultimate recovery of reserves, and
- Future oil and gas prices.

### Future Development Costs

The Company's source of funding for future development costs of the Company's reserves will be derived from a combination of cash flow, debt and new equity. Management of the Company does not anticipate that the costs of funding referred to above will materially affect the Company's disclosed reserves and future net revenues or will make the development of any of the Corporation's properties uneconomic.

The Company's petroleum and natural gas investing activities have been funded to date primarily through the issuance of common shares and expects that it will continue to be able to utilize this source of financing until it develops additional cash flow from operations.

### Production Forecasts

Production forecasts were based on historical trends or by comparison with other wells in the immediate area producing from similar reservoirs. Non-producing gas reserves were forecast to come on-stream within the first two years from the effective date under direct sales pricing and deliverability assumptions, if a tie-in point to an existing gathering system was in close proximity (approximately two miles). If the tie-in point was of a greater distance (and dependent on the reserve volume and risk), the reserves were forecast to come on-stream in years three or four from the effective date. These on-stream dates were used when the company could not provide specific onstream date information. For reserve volumes that meet all reserve category rules but are behind casing and waiting on depletion of the producing zone, these volumes are forecast to be brought on-stream following the end of the existing production

**SCHEDULE "L" – SUMMARY OF THE FORMAL VALUATION – PART 5 MI 61-101**

**April 12, 2022**

**Board of Directors  
Avila Energy Corporation  
Unit 201, 1439 17 Avenue Southeast  
Calgary, Alberta  
T2G 1J9**

**Attention: Mr. Lars Glimhagen, CFO and the Board of Directors**

**Dear Sirs:**

**Re: Report Disclosure Summary**

**Proposed asset purchase of 100% of 611890 Alberta Inc.'s interests in 53,835 Acres, 43,935 Acres (Net), of mineral rights, associated wells, pipelines and facilities.**

The following constitutes only a summary of the HL Valuation Formal Valuation and is qualified in its entirety by the full text of the Formal Valuation, which describes the assumptions made, procedures followed, valuation approaches and other factors considered and limitations on the review undertaken by HL Valuation. The HL Valuation does not address the relative merits of the Proposed Acquisition as compared to other business strategies or transactions that might be available to Avila Energy or individual investors with interests in the Assets.

#### Valuation Requirement

As the Proposed Acquisition constitutes a “related party transaction” under MI 61-101, Avila was required to obtain a formal valuation of the Assets from a qualified independent valuator and to provide the Company with a summary of such valuation.

#### Engagement

Pursuant to the terms of an Engagement Agreement between the Board of Avila Energy and HL Valuation dated March 14, 2022 (the “Engagement Letter”), the Board retained HL Valuation to prepare and deliver to the Board of Directors the Formal Valuation. In retaining HL Valuation, it was concluded that, based in part on representations made by HL Valuation, that HL Valuation was independent and qualified to provide the Formal Valuation.

The Valuator was formally retained by the Board to prepare and deliver a written formal valuation report to the Audit Committee and the Board in connection with the Offer. The Valuator will receive a fee for its services for providing the Valuation and will be reimbursed for its reasonable out-of-pocket expenses. The Corporation has agreed to indemnify the Valuator, in certain circumstances, against certain claims, liabilities, damages, costs and expenses which may arise out of or relate to the services performed by the Valuator in connection with the Engagement Letter. Fees payable to the Valuator are not contingent in whole or in part on the success of the Offer or on the conclusions reached in the Valuation, and HL Valuation has no financial interest in Avila Energy or in any other Interested Party that may be affected by the Offer. The Board determined that the compensation paid for the services provided did not in any way interfere with HL

#### Valuation's Independence

The Formal Valuation has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinion of MI 61-101.

#### Credentials of Hemens Lawritsen Valuation Group Ltd.

HL Valuation has been determined by the Board to be qualified to produce the Valuation. HL Valuation was determined to be qualified on the basis of its qualifications, as presented to the Board and as set out in the Valuation. The professionals involved in the preparation of the Valuation include senior executives of HL Valuation who are experienced in mergers, acquisition and valuation matters. The Valuation represents the opinion of HL Valuation and the form and content of the Valuation has been reviewed by principals of HL Valuation.

HL Valuation is an independent valuation and financial litigation boutique. Their professional's have completed hundreds of projects including business valuations, damage quantification analysis and specialized financial analysis across a wide variety of industries. Their area of expertise includes the provision of services related to business appraisals, fairness opinions, purchase price allocation analysis, the quantification of damages, and corporate finance advisory services.

#### Independence of HL Valuation

HL Valuation, (as such term is defined for the purposes of MI 61-101) (i) is not an associated or affiliated entity or issuer insider (as such terms are defined for the purposes of MI 61-101) of Avila Energy, or any of their respective associates or affiliates, (ii) is not an advisor to Avila Energy or any of their respective associates or affiliates in connection with the Proposed Acquisition, or (iii) is not a manager or co-manager of a soliciting dealer group formed in respect of the Proposed Acquisition (or a member of such a group performing services beyond the customary soliciting dealer's functions or receiving more than the per security or per security holder fees payable to the other members of the group).

HL Valuation has not been engaged to provide any financial advisory services to Avila Energy or any associates or affiliates in connection with the Proposed Acquisition other than the services provided under the Engagement

### Definition of Fair Market Value

For the purpose of the Valuation and in accordance with MI 61-101, fair market value is defined as the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act. HL Valuation has not made any downward adjustment to the value of the Assets to reflect the liquidity of the Assets, the effect of the Proposed Acquisition on the Assets or whether or not the Assets form part of a controlling interest.

### Approach to Value

The HL Valuation analysis is based upon the methodologies and assumptions that HL Valuation considered appropriate in the circumstances for the purposes of arriving at an opinion as to the range of fair market values of the Assets. Fair market value of the Assets was analyzed on a going concern basis.

### Scope of Review

In connection with the Formal Valuation, HL Valuation reviewed, considered, and relied upon (without attempting to verify independently the completeness or accuracy thereof) or carried out, among other things, publicly available information as disclosed by Avila Energy; financial projections provided by management; discussions with senior management of Avila Energy; and such other corporate, industry and financial market information, investigations and analyses as HL Valuation considered necessary or appropriate in the circumstances. HL Valuation has not, to the best of its knowledge, been denied access by Avila Energy to any information requested by HL Valuation. HL Valuation did not meet with the auditors of Avila Energy as part of its review and has assumed the accuracy and fair presentation of and relied upon the financial information, as presented.

### Distinct Material Benefit

Multilateral Instrument 61-101 requires the valuator to comment on "any distinctive material advantage that might accrue to an interested party as a consequence of the transaction, including the earlier use of available tax losses, lower income taxes, reduced costs or increased revenues."

Based on their review of these factors, we believe that Avila Energy will enjoy the following benefits:

- Liquidity for the shareholders of Avila Energy,
- A potential reduction in the Company's future cost of financing, and
- An accretive effect on the Company's current reported earnings per share.

It is their view that the quantum and likelihood of a monetary premium being paid for the Assets due to these benefits is speculative and therefore they have not incorporated such benefits into their analysis.

Hemens Lawritsen Valuation Formal Valuation

HL Valuation advised the Board that, based upon and subject to the analysis contained in the HL Valuation Formal Valuation, in addition to such other factors that it considered relevant, HL Valuation is of the opinion that, as of December 31, 2021, the fair market value of the Assets was in the range of \$25 million to \$27 million. We consent to the filing of the Formal Valuation with the securities regulatory authority and the inclusion of the formal valuation in this document.

**Yours truly,**

A handwritten signature in blue ink that reads "SCOTT LAWRITSEN". The signature is stylized with a large initial 'S' and a long horizontal flourish underneath.

**Hemens Lawritsen Valuation Group Ltd.**

**Per: Scott Lawritsen, CFA, CBV**

## CERTIFICATE OF THE COMPANY

Pursuant to a resolution duly passed by its Board of Directors, Avila Energy Corporation hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Avila Energy Corporation. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Calgary on this 23<sup>rd</sup> day of June 2022.



**Leonard B. Van Betuw, President & CEO**



**Lars Glimhagen, CFO**



**Michel Lebeuf, Director & Corporate Secretary**



**Kyle Appleby, Director**