NOTICE OF SPECIAL MEETING AND

MANAGEMENT INFORMATION CIRCULAR DATED JULY 25, 2022

WITH RESPECT TO THE SPECIAL MEETING

OF SHAREHOLDERS OF AVILA ENERGY CORPORATION (FORMERLY PETRO VIKING ENERGY INC.)

TO BE HELD ON AUGUST 31, 2022

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON AUGUST 31, 2022

TO: The Shareholders of Avila Energy Corporation

TAKE NOTICE that in order to comply with the measures imposed by the federal and provincial governments in the context of the COVID-19 pandemic, and in order to mitigate the risks for the health and safety of our communities, Shareholders, employees and other stakeholders, the special meeting (the "Meeting") of Shareholders of Avila Energy Corporation (the "Company") will be held in virtual format only via conference call. Registered Shareholders, proxyholders and appointees will all have an equal opportunity to participate at the Meeting by conference call, regardless of their geographic location. However, the vast majority of Shareholders vote by proxy in advance, and you are encouraged to vote by proxy ahead of the Meeting.

NOTICE IS HEREBY GIVEN that the Special Meeting of Shareholders of Avila Energy Corporation (the "**Company**") will be held via a conference call (Shareholders must compose the following number : 1-866-392-3207; Conference: 1090743, on **August 31, 2022, at 10:00 AM** (Calgary time) for the following purposes:

1. To consider and, if deemed advisable, to pass, with or without variation, a special resolution (the "**Resolution**") approving the Proposed Acquisition attached hereto as Schedule "B"; and

2. To transact such other business as may properly come before the Meeting or any adjournments thereof.

The information circular (the "**Circular**") provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this Notice. Also accompanying this Notice and the Circular, is a Request for Financial Statements and form of proxy for use at the Meeting. Any adjourned meeting resulting from an adjournment of the Meeting will be held at a time and place to be specified at the Meeting. Only Shareholders of record at July 25, 2022, will be entitled to receive notice of and vote at the Meeting.

Pursuant to the Company's by-laws, any Shareholders may participate in a meeting of Shareholders by means of telephone or other communication facilities that permit all persons participating in the meeting to hear each other. A Shareholder participating in a meeting by means of telephone or other communication facilities is deemed to be present at the meeting.

The Resolution of the Proposed Acquisition must be approved by "majority of the minority" basis pursuant to Part 8 of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("**MI 61-101**") in person or by proxy. The details of these matters, including the full text of the Resolution, are set forth in the Circular and Schedule "B" of the Circular.

Accordingly, to be effective, the Resolution must be approved, with or without variation, by the affirmative vote of:

(a) pursuant to the Company's articles, at least 66 2/3% of the votes cast by the Company Shareholders present in person or represented by proxy and entitled to vote at the Meeting pursuant to section 193 of the BCAA; and

(b) a majority of the votes cast by minority Shareholders present in person or represented by proxy and entitled to vote at the Meeting, excluding for this purpose votes attached to any Shareholder whose votes are required to be excluded in accordance with the policies of the CSE and MI 61-101.

All Shareholders will be entitled to vote on the Resolution; however, non-minority Shareholders' votes are to be restricted. The transfer agent will act as scrutineer of the Meeting and will conduct two tabulations of the votes; one for all Shareholders and one for minority Shareholders, taking only into consideration the votes of the minority Shareholders.

A Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. If you are unable to attend the Meeting, please read the Circular and enclosed proxy (the "**Proxy**") and then complete, sign, date and return the Proxy, together with the power of attorney or other authority, if any, under which it was signed or a notarial certified copy to the Company's registrar and transfer agent, Computershare Trust Company of Canada, attention Proxy Department, 100 University Ave, 8th Floor Toronto, ON M5J 2Y1 or via fax at 1-866-249-7775 at least 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment. Failure to do so may result in your shares not being voted at the Meeting. As set out in the notes to the Proxy, the Proxy is solicited by management, but you may amend it, if you so desire, by striking out the names listed on it and inserting in the space provided the name of the person you wish to have represent you at the Meeting. Unregistered Shareholders who received the Proxy through an intermediary must deliver the proxy in accordance with the instructions given by the intermediary.

DATED at Calgary, Alberta, this July 25, 2022.

AVILA ENERGY CORPORATION

"*Leonard Van Betuw*"

Chief Executive Officer

INFORMATION CIRCULAR

The information contained in this Circular, unless otherwise indicated, is as of July 25, 2022.

This Circular is being mailed by the management of the Company to everyone who was a Shareholder of record of the Company on July 25, 2022, which is the date that has been fixed by the directors of the Company as the record date to determine the Shareholders who are entitled to receive notice of the Meeting.

This Circular is provided in connection with the solicitation of proxies to be used at the special meeting of Shareholders (the "**Meeting**") of the Company to be held at the time and place and for the purposes set forth in the attached Notice of Meeting and at any adjournment thereof. The enclosed proxy is being solicited by the management of the Company and the cost of this solicitation will be borne by the Company. The solicitation will be conducted primarily by mail but proxies may also be solicited personally by officers, employees or agents of the Company, but without additional compensation.

No person has been authorized to give any information or to make any representation in connection other than those contained in this Circular and, if given or made, any such information or representation should be considered not to have been authorized by the Company.

If you cannot attend the Meeting, complete and return the enclosed form of proxy in accordance with the instructions contained therein.

This Circular does not constitute the solicitation of an offer to purchase any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation is not authorized or in which the person making such solicitation is not qualified to do so or to any person to whom it is unlawful to make such solicitation.

Information contained in this Circular should not be construed as legal, tax or financial advice and the Company Shareholders are urged to consult their own professional advisers in connection therewith.

Under the Company's Articles at least two or more Shareholders who in the aggregate hold at least 5% of the issued and outstanding shares of the Company, being entitled to be voted at the Meeting, must attend the teleconference meeting or be represented by proxy before any action may validly be taken at the Meeting. If such a quorum is not present in person or by proxy, the Meeting will be rescheduled.

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HOW A VOTE IS PASSED

All matters that will come to a vote at the Meeting, as described in the attached Notice of Meeting, are ordinary resolutions and can be passed by a simple majority – that is, if more than half of the votes that are cast are in favor, then the resolution is approved (an "**ordinary resolution**"), or, in the event of the special resolution, it must be approved by an affirmative vote of at least two-thirds (66 2/3%) of the votes cast at the Meeting in person or by proxy.

WHO CAN VOTE?

If you are a registered Shareholder of the Company as at July 25, 2022, you are entitled to notice of and to attend at the Meeting and cast a vote for each share registered in your name on all resolutions put before the Meeting. If the shares are registered in the name of a corporation, a duly authorized officer of said corporation may attend on its behalf, but documentation indicating the officer's authority should be presented at the Meeting. If you are a registered Shareholder but do not wish to, or cannot, attend the Meeting you can appoint someone who will attend the Meeting and act as your proxy holder to vote in accordance with your instructions (see "**VOTING BY PROXY**" below). If your shares are registered in the name of a "nominee" (usually a bank, trust company, securities dealer or other financial institution) you should refer to the section entitled "BENEFICIAL SHAREHOLDERS", below.

It is important that your shares be represented at the Meeting regardless of the number of shares you hold. If you will not be attending the Meeting, the Company invites you to complete, date, sign and return your form of proxy as soon as possible so that your shares will be represented.

VOTING BY PROXY

If you do not attend the Meeting, you can still make your votes count by voting over the internet or via the telephone (see proxy for instructions) or by appointing someone who will be there to act as your proxy holder. You can either tell that person how you want to vote or you can let him or her decide for you. You can do this by completing a form of proxy.

WHAT IS A PROXY?

A form of proxy is a document that authorizes someone to attend the Meeting and cast your votes for you. A form of proxy is enclosed with this Circular. You should use it to appoint a proxy holder, although you can also use any other legal form of proxy.

In order to be valid, you must return the completed form of proxy to the Company's transfer agent, Computershare, not later than 48 hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting or any adjournment thereof.

APPOINTING A PROXYHOLDER

You can choose any individual to be your proxy holder. It is not necessary for the person whom you choose to be a Shareholder. To make such an appointment, simply fill in the person's name in the blank space provided in the enclosed form of proxy. To vote your shares, your proxy holder must attend the Meeting. If you do not fill a name in the blank space in the enclosed form of proxy, the persons named in the form of proxy will be deemed to be appointed to act as your proxy holder. Such persons are directors and/or officers of Avila Energy Corporation (the "**Management Proxy holders**").

INSTRUCTING YOUR PROXY

You may indicate on your form of proxy how you wish your proxy holder to vote your shares. To do this, simply mark the appropriate boxes on the form of proxy. If you do this, your proxy holder must vote your shares according to your instructions.

If you do not give any instructions as to how to vote on a particular issue to be decided at the Meeting, your proxy holder can vote your shares as he or she thinks fit.

At the time of printing this Circular, the management of Avila Energy Corporation is not aware of any other matter to be presented for action at the Meeting. If, however, other matters do properly come before the Meeting, the persons named on the enclosed form of proxy will vote on them in accordance with their best judgment, pursuant to the discretionary authority conferred by the form of proxy with respect to such matters.

If you have appointed the Management Proxy holders as your proxy holder, they will, unless you give contrary instructions, vote your shares at the Meeting as follows:

- **FOR** the special resolution (the "**Resolution**") approving the Proposed Acquisition attached hereto as Schedule "B"; and
- **FOR** any other matters that come before the Meeting.

REVOKING YOUR PROXY IF YOU CHANGE YOUR MIND

If you want to revoke your proxy after you have delivered it, you can do so at any time before it is used. You may do this by:

(a) attending the Meeting and voting by means of telephone or other communication facilities;

(b) signing a proxy bearing a later date;

(c) signing a written statement which indicates, clearly, that you want to revoke your proxy and delivering this signed written statement to Avila Energy Corporation at 500-5940 Macleod Trail SW, Calgary, AB, T2H 2G4; or

(d) any other manner permitted by law.

Your proxy will only be revoked if a revocation is received by 5:00 in the afternoon (Mountain Daylight Time) on the last business day before the day of the Meeting, or any adjournment thereof, or delivered to the person presiding at the Meeting before it (or any adjournment) commences. If you revoke your proxy and do not replace it with another that is deposited with us before the deadline, you can still vote your shares but to do so you must attend the Meeting in person.

Only registered Shareholders may revoke a proxy. If your shares are not registered in your own name and you wish to change your vote, you must, at least 7 days before the Meeting, arrange for your nominee to revoke your proxy on your behalf (see below under "**Non-Registered Shareholders**").

REGISTERED SHAREHOLDERS

Registered Shareholders may wish to vote by Proxy whether or not they are able to attend the Meeting in person. Registered Shareholders electing to submit a Proxy may do so by completing, dating and signing the enclosed form of Proxy and returning it to the Company's transfer agent not less than 48 hours (excluding Saturdays and holidays) before the time fixed for the Meeting or any adjournment(s) or postponement(s) of the Meeting.

BENEFICIAL SHAREHOLDERS

The following information is of significant importance to Shareholders who do not hold Common Shares in their own name.

Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered Shareholders (those whose names appear on the records of the Company as the registered holders of Common Shares) or as set out in the following disclosure.

If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the names of the Shareholder's broker or an agent of that broker (an "**intermediary**"). In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depositary for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of meetings of Shareholders. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of Beneficial owners - those who object to their name being made known to the issuers of securities which they own (called "**OBOs**" for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called "**NOBOs**" for Non-Objecting Beneficial Owners).

The Company is taking advantage of the provisions of National Instrument 54-101 "Communication with Beneficial Owners of Securities of a Reporting Issuer" that permit it to directly deliver proxy-related materials to its NOBOs. As a result, NOBOs can expect to receive a scannable Voting Instruction Form ("**VIF**"). These VIFs are to be completed and returned to Computershare in the envelope provided or by facsimile or voted via internet as described on the VIF itself which contain complete instructions. Computershare will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs they receive."

These security holder materials are being sent to both registered and NOBO owners of the securities of the Company. If you are a non-registered owner, and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, the Company (and not the intermediary holding on your behalf) has assumed responsibility for (i) sending these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in your request for voting instructions.

Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their Common Shares are voted at the Meeting.

The form of proxy supplied to you by your broker will be similar to the proxy provided to registered Shareholders by the Company. However, its purpose is limited to instructing the intermediary on how to vote your Common Shares on your behalf. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in the United States and in Canada. Broadridge mails a VIF in lieu of a proxy provided by the Company. The VIF will name the same persons as the Company's Proxy to represent your Common Shares at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), other than any of the persons designated in the VIF, to represent your Common Shares at the Meeting and that person may be you. To exercise this right, you should insert the name of the desired representative (which may be yourself) in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge's instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting and the appointment of any Shareholder's representative.

If you receive a VIF from Broadridge, the VIF must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your Common Shares voted or to have an alternate representative duly appointed to attend and to vote your Common Shares at the Meeting.

PART 2 - VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

OUTSTANDING CAPITAL SHARES

The Company has only one class of shares entitled to be voted at the Meeting, namely, Common Shares. Each Shareholder is entitled to one vote per share registered in his or her name. According to the records of the Company's Transfer Agent as of **July 25, 2022** there were 36,195,742 Common Shares issued and outstanding, of which 34,095,742 Common Shares are held by minority Shareholders.

PRINCIPAL HOLDERS OF SHARES

Only those common Shareholders of record on July 25, 2022 will be entitled to vote at the Meeting or any adjournment thereof. To the knowledge of the directors and executive officers of the Company, there is no shareholder that beneficially owns, directly or indirectly, or exercises control or direction over shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company which have the right to vote in all circumstances.

PART 3 - THE BUSINESS OF THE MEETING

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Company's directors, the only matters to be dealt with at the Meeting are those matters set forth in the accompanying Notice of Meeting relating to:

1. To consider and, if deemed advisable, to pass, with or without variation, a special resolution (the "**Resolution**") approving the Proposed Acquisition attached hereto as Schedule "B"; and

2. To transact such other business as may properly come before the Meeting or any adjournments thereof.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Circular 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 Circular 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 Circular. 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 Circular.

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 Circular. 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 Circular, 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 Circular. 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 Circular 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 Circular 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" in this Circular. All of the forward-looking statements made in this Circular are qualified by these cautionary statements.

CORPORATE STRUCTURE

Corporate Name, Address, and Jurisdiction of Incorporation

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. 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 7th Avenue SE, Calgary, Alberta, T2G 1J9.

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. The Company’s articles were further amended on December 3, 2021 to give effect to a name change of the Company to Avila Energy Corporation. 611 was incorporated on May 19, 1994 pursuant to the provisions of the Business Corporations Act (Alberta).

Intercorporate relationships

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

THE PROPOSED ACQUISITION

The following is a summary of certain information contained in or incorporated by reference into this Circular. Capitalized terms in this summary have the meanings set out in the Glossary of Terms in Schedule “A”.

On June 14, 2021, the Company signed a letter of intent (“**LOI**”) to purchase 100% of the assets of 611’s interests in 53,835 acres, and 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 Common Shares at $0.60 per Share and 30,000,000 Convertible Shares at a price of $0.80 per Share to 611 shareholders. 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 converted on a 1:1 basis along with any accrued dividends by the issuance of Common Shares.

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, which includes approval by the shareholders of the plan of arrangement.

Following the closing of the asset acquisition, the Finder's Fees will be paid by Common Shares 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 Agreement of Purchase and Sale.

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 Acquisition 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 Acquisition.

On October 1, 2021, the Company entered into an Agreement of Purchase and Sale with 611 whereby the Company will be issuing 44,440,000 Voting Common Shares for the Proposed Acquisition. Further to such Proposed Acquisition, the majority shareholder of the Company shall be Leonard Van Betuw at 17.83% (14,280,000 Common Shares of the Company), current President and CEO of the Company and 611, with the remaining 82.17% of the Voting Common Shares being broadly held of the total shares Voting Common Shares outstanding of 80,091,342. 611 preferred shareholders will also hold 40% ownership of the Company's voting shares and voting rights for a total of 32,260,000 Common Shares. Therefore, the existing preferred shareholders of 611 shall hold 32,260,000 Common Shares of the Company, giving up their ownership of 611 and receiving ownership of the Company..

The structure of the issuance of Common Shares can be found in Appendix "A" of Schedule "D" – *Plan of Arrangement*. As the Proposed Acquisition constitutes an arrangement that requires court approval pursuant to the BCAA, a plan of arrangement is attached hereto as Schedule "D".

There will no longer be any preferred shareholders of 611, other than Leonard Van Betuw. This arrangement constitutes a restructuring transaction. The current Company Shareholders will remain the Shareholders and 611 shareholders will join the Company as the Company's Shareholders. As such, the current Company Shareholders will have an interest; however, their securities will get diluted as a result of the new issuance for the completion of the Proposed Acquisition. The Agreement of Purchase and Sale is attached hereto as Schedule "Q".

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 for this Proposed Acquisition. The Resolution is attached hereto as Schedule "B". The Plan of Arrangement of this acquisition is attached as Schedule "D".

Moreover, the BCAA requires court approval of the Proposed Acquisition. On July 6, 2022, the Company obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order is attached hereto as Schedule "S". The Company will apply for final order from the Court of the Queen's Bench of Alberta.

All of the independent directors of the Company, after consultation with the Board's financial and legal advisors, and based on the unanimous recommendation of of the Board (excluding Leonard Van Betuw due to his status as related party), unaminously determined that (i) the Proposed Acquisition is in the best interests of the Company and its Shareholders, and (ii) the consideration is fair, from a financial point of view, to the Shareholders (other than the Purchaser and its affiliates) and, accordingly, unanimously recommend that Shareholders vote FOR of the Resolution.

GENERAL DEVELOPMENT OF THE BUSINESS

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 acquisition of 100% of the assets from 611890 Alberta Inc. by the Company through the issuance of equity (Common Shares and Convertible Shares) as announced on June 14 2021 via a news release was agreed upon as part of the Company's decision to economically accelerate 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 Proposed Acquisition also positions the Company with a material amount of mineral rights and identified resources to have the ability to continue to work towards its next milestones of 2,000 and 3,000 boe/d. 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 this time, 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 "N" – 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.*

Ferrybank Property

The Company entered into a letter of intent with Avila Exploration and Development (Canada) Ltd. 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 Exploration and Development (Canada) Ltd. 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 Exploration and Development (Canada) Ltd.'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 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. 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. See "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.

The Proposed Acquisition

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 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 converted on a 1:1 basis along with any accrued dividends by the issuance of Common Shares. See above "THE PROPOSED ACQUISITION" for more details.

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. This debenture was been extended to September 31, 2019. In addition, there were unsecured liabilities owed to related parties in the amount of $50,629, which were satisfied by the issuance of unsecured promissory notes expiring on July 31, 2019 bearing interest at 10% per annum (collectively the "**Prior Debts**").

On January 31, 2019 the Company issued 6,000,000 pre-consolidation common shares (600,000 post-consolidation Common Shares) at $0.05 per share in settlement of the Prior Debts for the aggregate amount of $300,000.

On February 1, 2019, the Company issued unsecured convertible debentures (the "**Convertible Debentures**") in the aggregate principal amount of $300,000 bearing an interest rate of 15% per annum payable semi-annually in cash with principal and interest payable on maturity being two years from the date of issuance, being February 1, 2021. The Convertible Debentures were convertible into units at a conversion price of $0.05 per unit at any time during the term of the Convertible Debentures, each unit being composed of one Common Share and one Common Share purchase warrant exercisable at a price of $0.05 for a period of 60 months. The maturity date of the Convertible Debentures was been extended to April 1, 2021. Thereafter, all the Convertible Debentures were converted prior to maturity date.

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

In June 2019, the Company issued 9,573,661 Common Shares at $0.05 per Common Share for partial settlement of a debenture dated December 2017 (the "**2017 Debenture**") and full conversion of unsecured two promissory notes.

Both promissory notes (dated December 15, 2017), bore an interest at a rate of 10% per annum, compounded monthly and had a maturity date of July 31, 2019. The first promissory note was in the amount of $10,125.00 made to the favour of an individual and the second promissory note (in the amount of $40,504.75) was made to the favour of LNG Management Services Ltd., a company controlled by Lars Glimhagen, CFO of the Company.

In August 2019, the Company issued 250,000 Shares at $0.05 per Share in partial settlement of the 2017 Debenture.

In September 2019, the Company issued 1,500,000 Shares at $0.10 per Share for a further partial settlement of the 2017 Debenture.

On September 30, 2019, the Company issued 1,980,472 Shares at $0.10 per Share for full settlement of the 2017 Debenture. On that date, the Company also issued 525,000 Shares at $0.15 per Share for the settlement of accrued management fees Twilight Capital Inc.

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 "**Business of the Company**" above for more details.

On January 3, 2020 the Company issued 166,667 Common Shares of the Company at $0.15 per Share for net proceeds of $25,000.

On July 23, 2020, the Company completed a non-brokered private placement for 400 units for gross proceeds of $400,000; each unit being composed of a $1,000 unsecured convertible debenture and one Common Share purchase warrant, each warrant being exercisable by the holder to acquire 10,000 Common Shares a price of $0.125 per Common Share for a period of 36 months after issuance.

On August 4, 2020, the Company held its Annual General and Special Shareholders Meeting where the shareholders approved the consolidation of the Company's issued and outstanding shares and the Asset Purchase Agreement between the Company and Avila.

On August 13, 2020, the Company initiated a brokered private placement by way of an offering memorandum for aggregate gross proceeds of a minimum of $1,000,000 and a maximum $2,250,000 by the issuance of a combination of units, Subscription Receipts – A and Subscription Receipts – B.

On August 25, 2020, the Company consolidated its issued and outstanding Common Shares on a two pre-consolidation Common Shares for one post-consolidation Common Share (2:1) basis. Following the consolidation, the total issued and outstanding Common Shares was approximately 8,960,958 as at August 25, 2020. Each unit consisted of one (1) Common Share at a price of $0.15 per share and a one-half (½) of one Common Share purchase warrant, each full warrant entitling the holder thereof to purchase one (1) additional Common Share of the Company at a price of $0.20 per share for a period of twenty-four (24) months from the date of issuance. Subscription Receipts – A were offered at a price of $0.15 each and convertible into units and Subscription Receipts – B were offered at a price of $0.20 each and convertible into FT Shares.

On August 17, 2020, the Company announced that it has appointed Leede Jones Gable 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 FT Shares at a price of $0.20 per FT 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 FT Shares at a price of $0.20 per FT Share for gross proceeds of $25,000 pursuant to the non-brokered private placement offering initiated on November 11, 2020. The Company paid a finder's fee equal to $6,200 to a broker representing a commission of 8% on the aggregate subscription amount of $77,500. Also, 200,000 stock options were granted to an individual, each stock option being exercisable at a price of $0.20 per stock option for a period of two years from the time the Common Shares of the Company are listed on the CSE.

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 a 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 aforesaid non-brokered private placement offering initiated on November 11, 2020 (the "**2020 Offering**").

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 warrants, each full warrant entitling the holder thereof to purchase one additional Common Share of the Company at a price of $0.40 per Share prior to June 1, 2023 in connection with a consulting agreement with Intuitive Pty Ltd. 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 2020 Offering.

On March 9, 2021, the Company exchanged the subscription receipts in the amount of $935,500 from the 2020 Offering 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 of the Company and 1,802,500 FT Shares at a price of $0.20 per Common Share.

On March 31, 2021, the Company issued 988,406 Common Shares for debt settlements. 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 with the conversion price as determined by each debt instrument.

On May 21, 2021, the Company issued 1,753,333 Common Shares at $0.25 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 payments respecting the 2017 Debenture pursuant to the terms thereof which entitled the holder of a debenture to convert outstanding interest at a price equivalent to the ten-day weighted volume average trading 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 pursuant to an issued broker warrant certificate to purchase Common Shares of the Company.

On June 23, 2021, the Company issued 103,000 Common Shares at $0.15 for the conversion of broker warrants pursuant to an issued broker warrant certificate to purchase Common Shares of the Company.

On June 28, 2021, the Company issued 51,050 Common Shares at $0.15 for the conversion of broker warrants pursuant to an issued broker warrant certificate to purchase Common Shares of the Company.

On July 7, 2021, the Company issued 150,000 Common Shares at $0.25 for the exercise of warrants pursuant to an issued broker warrant certificate to purchase Common Shares of the Company.

On July 15, 2021, the Company issued 45,150 Common Shares at $0.15 for the exercise of broker warrants pursuant to an issued broker warrant certificate to purchase Common Shares of the Company.

On August 19, 2021, the Company issued 100,000 Common Shares at a price of $0.15 for the exercise of broker warrants pursuant to an issued broker warrant certificate to purchase Common Shares of the Company.

On September 9, 2021, the Company's Common Shares were halted from trading due to the determination of the ASC and the Exchange that the Proposed Acquisition constituted a fundamental change for the Company. Trading in the Common Shares was halted pending receipt and review of acceptable documentation regarding the Proposed Acquisition pursuant to CSE Policy 8. This regulatory halt was imposed by Investment Industry Regulatory Organization of Canada, the Market Regulator of the CSE,

On September 21, 2021, the Company closed a private placement and issued 10,200,000 units from its share capital at $0.25 per unit for gross proceeds of $2,550,000. Each 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 connection with this private placement, the Company paid finder's fees in the amount of $151,580 and issued 368,800 compensation warrants, each compensation warrant being exercisable to obtain one Common Share of the Company at $0.35 per Common Share until September 13, 2023.

On October 1, 2021, the Company issued 500,000 Common Shares at the request of a debenture holder through a conversion of an unsecured convertible debenture at a conversion price of $0.10 per Common Share in accordance with the terms of this unsecured convertible debenture.

On November 12, 2021, the Company issued 260,480 Common Shares at the request of a debenture holder through a conversion of an unsecured convertible debenture at a conversion price of $0.10 per Common Share in accordance with the terms of this unsecured convertible debenture.

On April 8, 2022 the Company filed a price reservation for the issuance of up to 5,000 debenture units (the "**2022 Debenture**") of the Company (being a total of $5,000,000 in principal), each unit being composed of a principal amount of $1,000 bearing interest at 4% per annum, compounded annually, due on April 1, 2025 and convertible into Common Shares at $0.50 per share only if the entirety of the principal and accrued interest is converted (the "**2022 Conversion**"). Further, upon the occurrence of the 2022 Conversion, the holder will receive an issuance of Common Share purchase warrants by the Company entitling the holder to purchase one Common Share per each Common Share received on the conversion at a price of $0.75 for a period of two years following the date of the 2022 Conversion. An initial closing of the partially brokered private placement of the 2022 Debenture in excess of $2,512,000 was completed on May 11, 2022, with the final closing of the 2022 Debenture being completed on July 5, 2022, for gross proceeds of the 2022 Debenture of $5,000,230.

On June 29, 2022, the Company's Shares were approved for listing on the CSE and started trading again on June 30, 2022.

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 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 611 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.

NARRATIVE DESCRIPTION OF THE BUSINESS

Description of the business

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

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 for a consideration of $50,664,000. 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 converted 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.

On October 1, 2021 the Company has entered into an Agreement of Purchase and Sale with 611 whereby the Company will be issuing 44,440,000 Voting Common Shares for the Proposed Acquisition. Further to such Proposed Acquisition, the majority shareholder of the Company shall be Leonard Van Betuw at 17.83% (14,280,000 Common Shares of the Company), current President and CEO of the Company and 611, with the remaining 82.17% of the Voting Common Shares being broadly held of the total shares Voting Common Shares outstanding of 80,091,342. 611 preferred shareholders will also hold 40% ownership of the Company's voting shares and voting rights for a total of 32,260,000 Common Shares. Therefore, the existing preferred shareholders of 611 shall hold 32,260,000 Common Shares of the Company, giving up their ownership of 611 and receiving ownership of the Company.

The Proposed Acquisition announced on June 14, 2021 via a news release and conditionally 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 Proposed Acquisition was found to be valued on a 10% discounted Net Present Value at $26,900,000 and which was also confirmed to be the fair market value of the Proposed Acquisition by an independent certified business evaluator, Hemens Lawritsen Valuation Group Ltd. in April of 2022.

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

For more information, the Company's 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 months period ended March 31, 2022 is attached as Schedule "F". 611's audited carve-out financial statements for the years ended March 31, 2021, March 31, 2020, March 31, 2019 and unaudited interim financial statement for the three and nine months period ended December 31, 2021 is attached as Schedule "H". 611's MD&A for the years ended March 31, 2021, March 31, 2020, March 31, 2019 and for the three and nine months ended December 31, 2021 and 2020 is attached as Schedule "I". The Company's unaudited pro forma financial statements for the Company, to give effect to the Asset Purchase as if it had taken place as of March 31, 2022 is attached as Schedule "J".

Business Objectives

The Company intends on expending its working capital and net proceeds raised from its completed financings (see General Development of the Business – Corporate Changes and Financing) to participate in the development of its 50% interest in the Ferrybank Property. The Company was 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 successfully got listed on the CSE on March 5, 2021.

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.

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, this Special Meeting of Shareholders being one of them.

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 issuance 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 4th , 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 5th , 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 converted on a 1:1 basis along with any accrued dividends by the issuance of Common Shares.

The Proposed Acquisition announced on June 14, 2021 and conditionally 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 $26,900,000 dollars and was which was also confirmed to be the fair market value of the acquisition by an independent certified business evaluator, Hemens Lawritsen Valuation Group Ltd. in April of 2022.

The Proposed Acquisition, upon further review it was subsequently determined that it 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 Proposed Acquisition. At the date of this Circular, the requested information and documentation has been provided to the CSE annd the CSE issued their bulletin on June 29, 2022. The Company Shares started trading again on June 30, 2022.

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 Proposed 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 the Agreement of Purchase and Sale 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 and has budgeted the corresponding costs to complete such objectives:

Objective/Use	**Milestone**	**Dollar Amount**	**Estimated completion**
Continuing Operations	Enhancement and Development of the West Central Alberta Property	$ 515,000 (1)	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	Completed in July 2022
Facilities & Pipeline for Natural Gas Wells	Enhancement and Development of the West Central Alberta Property	$ 300,000 (1)	August 2022
Drilling	The additional drilling and completion of liquids rich proven undeveloped well	$ 800,000	August 2022

Notes:

(1) 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.

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 financings (which may include loan financings). 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 (1)	$ 2,500,000
Total of Available Funds:	**$ 3,967,571**
Use of Available Funds	
Completion and Equipping of 2 oil wells	$ 500,000
Enhancement and Development of Oil and Gas Properties (2)	$ 300,000
Drilling of one New Well as a 50% Participant per the 51-101(3)	$ 800,000
Mineral Rights (4)	$ 50,000
General and Administrative Expenses	$ 835,000
General Working Capital (5)	$ 1,482,571
Total:	**$ 3,967,571**

Notes:

(1) The private placement consisted of up to 5,000 Debenture units of the Corporation, 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 debenturedue on April 1, 2025. Further, conditional to full conversion (1 unit converts into 2,000 Common Shares) of the entire principal of the units held by the holder, the subsequent issuance of common share purchase warrants by the Company to the holder entitling the holder to purchase one Common Share per each Common Share received on the conversion at a price of $0.75 for a period of two years following the conversion date of the debenture.

(2) $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.

(3) 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.

(4) 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 $60,767, a cumulative deficit of $9,878,676 and a working capital of $1,467,571.

As more detailed in this Circular and in the twelve (12) month operating budget that was prepared by the Company, 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 Circular. 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 Circular and the Proposed Acquisition, 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:

General & Administrative Items	**Costs**
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 FT 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 FT Shares, each converted Subscription Receipt B entitling the holder thereof to be issued one (1) FT 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.

<u>Agent's Compensation</u>

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 FT 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;

<u>Conversion and Escrow Release Conditions</u>

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 for 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 15th, 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**").

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 CSE 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 FT shares of the Company at a price of $0.20 on March 9, 2021.

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.

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 willis 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.

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 with a mission to become a carbon neutral energy producer. The skills required are applyingIn order to do so, novel methods of utilizing proven techniques within the sector with will be applied; the Company's continuing success being based on its employee's capabilities, complemented by cash flow from its assets, supplemented with anticipated 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 doeswill carry on business with more than one supplier to minimize its dependentsdependency on any one product or service. Currently the Company's business is not substantially dependent on any one contract to sell thea major part of the Company's products or services or to purchase thea 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 amountcomplement will growincrease to twelve (12) individuals. The number of employees of the Company areis anticipated to grow furtherincrease to sixteen (16) individuals in 2022 with this growing number of and expanding to sixteen (16) and the current associated management systems eitherindividuals 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 profitability2023.

The Company has current associated management systems either in place or being implemented which are known to the employees of the Company and known within the energy sector to result in high level of productivity, which is anticipated to provide the Company with the best opportunity to manage the inherent risks to the business and profitability of any company conducting business within the energy sector.

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 Oil and Gas 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".

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.

Lending and Investment Policies and Restrictions

This section is not applicable to the Company.

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.

Material Restructuring Transaction

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

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.

Asset-Backed Securities

The Company does not have any asset-backed securities.

Issuers with Oil and Gas Operations

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 evaluation 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 “M” and “N”, respectively, to this Circular. The Report of Management and Directors on Reserves Data and Other information in Form 51-101F3 is attached as Schedule “O”.

All figures and tables from the reports are reproduced and form part of this Circular; a complete copy of the reports is available for review, in colour, on SEDAR at the following website: 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$C)					
	WI	RI	Net	0.00 %	5.00 %	8.00 %	10.00 %	15.00 %	20.00 %
Proved Developed Producing									
Gas (MMcf)	604.2	-	515.1	1,878.4	1,406.2	1,219.7	1,120.9	934.1	803.9
Propane (Mbbl)	5.6	-	4.7	143.6	108.0	93.9	86.5	72.5	62.7
Butane (Mbbl)	3.5	-	2.9	124.0	93.0	80.8	74.4	62.2	53.7
Pentane Plus (Mbbl)	1.8	-	1.5	116.1	86.5	74.8	68.6	57.0	48.9
Total				2,262.1	1,693.7	1,469.3	1,350.4	1,125.8	969.2
				Before Tax Cash Flow NPV (1) (M$C)					
				623.5	539.8	497.1	471.9	419.0	377.7
				Net Revenue NPV (M$C)					
Proved Developed Non-Producing									
Gas (MMcf)	480.9	-	377.4	1,398.2	1,014.2	864.1	785.6	640.0	541.9
Propane (Mbbl)	4.5	-	3.5	109.7	80.5	69.1	63.1	52.0	44.5
Butane (Mbbl)	2.8	-	2.2	94.7	69.3	59.3	54.1	44.5	37.9
Pentane Plus (Mbbl)	1.4	-	1.1	90.0	65.4	55.8	50.8	41.4	35.1
Total				1,692.6	1,229.4	1,048.4	953.6	778.0	659.4
				Before Tax Cash Flow NPV (1) (M$C)					
				493.3	392.7	344.7	317.0	260.2	217.0
				Net Revenue NPV (M$C)					
Proved Undeveloped									
Gas (MMcf)	2,483.5	-	2,116.0	7,897.2	5,704.0	4,923.9	4,528.6	3,811.3	3,328.6
Propane (Mbbl)	23.1	-	18.7	599.6	438.4	381.1	352.0	299.2	263.7
Butane (Mbbl)	14.4	-	12.0	533.0	388.4	336.9	310.8	263.3	231.3
Pentane Plus (Mbbl)	7.5	-	6.2	496.5	359.3	310.4	285.5	240.4	210.0
Total				9,526.4	6,890.1	5,952.2	5,476.9	4,614.3	4,033.7
				Before Tax Cash Flow NPV (1) (M$C)					
				3,106.1	2,251.6	1,886.3	1,686.9	1,299.3	1,020.1
				Net Revenue NPV (M$C)					
Total Proved									
Gas (MMcf)	3,568.6	-	3,008.5	11,173.8	8,124.4	7,007.7	6,435.0	5,385.5	4,674.4
Propane (Mbbl)	33.2	-	26.9	852.9	626.9	544.1	501.7	423.8	370.9
Butane (Mbbl)	20.7	-	17.1	751.7	550.7	477.1	439.3	370.0	323.0
Pentane Plus (Mbbl)	10.7	-	8.8	702.7	511.2	441.0	404.9	338.8	294.0
Total				13,481.0	9,813.2	8,469.8	7,780.9	6,518.0	5,662.3
				Before Tax Cash Flow NPV (1) (M$C)					
				4,222.9	3,184.0	2,728.0	2,475.8	1,978.5	1,614.8
				Net Revenue NPV (M$C)					
Total Probable									
Heavy Oil (Mbbl)	33.1	-	31.4	2,022.0	1,654.7	1,492.1	1,400.8	1,216.8	1,078.1
Gas (MMcf)	1,099.4	-	935.1	3,988.0	2,144.3	1,640.4	1,418.0	1,070.9	876.6
Propane (Mbbl)	10.7	-	8.6	305.8	168.1	130.1	113.3	86.7	71.8
Butane (Mbbl)	6.8	-	5.7	276.7	153.0	118.6	103.2	78.9	65.1
Pentane Plus (Mbbl)	3.6	-	3.0	269.2	150.5	117.0	101.9	77.7	63.7
Sulphur (MLT)	0.0	-	0.0	0.6	0.5	0.4	0.4	0.3	0.2
Total				6,862.2	4,271.1	3,498.6	3,137.5	2,531.5	2,155.5
				Before Tax Cash Flow NPV (1) (M$C)					
				2,609.7	1,793.4	1,484.6	1,325.8	1,035.5	840.0
				Net Revenue NPV (M$C)					
Total Proved + Probable									
Heavy Oil (Mbbl)	33.1	-	31.4	2,022.0	1,654.7	1,492.1	1,400.8	1,216.8	1,078.1
Gas (MMcf)	4,667.9	-	3,943.5	15,161.7	10,268.7	8,648.1	7,853.0	6,456.4	5,550.9
Propane (Mbbl)	43.9	-	35.5	1,158.7	795.0	674.2	614.9	510.5	442.7
Butane (Mbbl)	27.5	-	22.8	1,028.4	703.7	595.7	542.5	448.9	388.1
Pentane Plus (Mbbl)	14.4	-	11.8	971.8	661.7	557.9	506.8	416.5	357.7
Sulphur (MLT)	0.0	-	0.0	0.6	0.5	0.4	0.4	0.3	0.2
Total				20,343.3	14,084.4	11,968.5	10,918.4	9,049.5	7,817.8
				Before Tax Cash Flow NPV (1) (M$C)					
				6,832.5	4,977.4	4,212.7	3,801.6	3,014.0	2,454.8

	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	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
Total Proved	659.4	-	554.2	6.4	4.8	4.1	3.8	3.0	2.4
Total Probable	237.4	-	204.6	11.0	7.6	6.3	5.6	4.4	3.5
Total Proved + Probable	896.7	-	758.8	7.6	5.6	4.7	4.2	3.4	2.7

(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* M$	Royalties M$	Operating Costs M$	Investment Costs M$	Well Abandonment Costs M$	Future Net Revenue Before Income Taxes M$	Income Taxes M$	Future Net Revenue After Income Taxes 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* 10% M$	UNIT VALUE Primary Product Only
TOTAL PROVED		
Conventional Natural Gas	2,475.8	0.82 $/Mcf
Total	2,475.8	4.94 $/BOE
TOTAL PROVED + PROBABLE		
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

	Before Income Tax					After Income Tax					Unit Value Before Income Tax
RESERVES CATEGORY	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

	Oil				Natural Gas							
	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
CATEGORY												
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

	Oil				Natural Gas							
	Light/Medium Crude		Heavy Crude		Conventional		Natural Gas Liquids		Sulphur		Total BOE	
	WI Gross E^3m^3	Co. Share Net E^3m^3	WI Gross E^3m^3	Co. Share Net E^3m^3	WI Gross E^6m^3	Co. Share Net E^6m^3	WI Gross E^3m^3	Co. Share Net E^3m^3	WI Gross E^3t	Co. Share Net E^3t	WI Gross E^3m^3e	Co. Share Net E^3m^3e
CATEGORY												
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

Forecast effective: December 31 2021

					Crude Oil Pricing							Natural Gas Liquids Pricing Edmonton Par Prices				Natural Gas Pricing						Sulphur
		Price Inflation Rate	Cost Inflation Rate	CAD to USD Exchange Rate	WTI at Cushing Oklahoma US$/bbl Real	WTI at Cushing Oklahoma US$/bbl Current	Edmonton City Gate C$/bbl Real	Edmonton City Gate C$/bbl Current	WCS 20.5 Deg. API Hardisty C$/bbl Current	Bow River 25 Deg. API Hardisty C$/bbl Current	Heavy Oil 12 Deg. API Hardisty C$/bbl Current	Ethane C$/bbl Current	Propane C$/bbl Current	Butane C$/bbl Current	Pentanes + Condensate C$/bbl Current	Alberta Reference Average Price C$/mcf Current	Alberta AECO Average Price C$/mcf Real	Alberta AECO Average Price C$/mcf Current	B.C. Direct Stn. 2 Sales C$/mcf Current	NYMEX Henry Hub US$/Mcf Real	NYMEX Henry Hub US$/Mcf Current	Alberta Plant Gate C$/lt 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
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%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2																						
1	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%	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

Deloitte.

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.

TABLE 2
Avila Energy Corp.
RESERVES RECONCILIATION SUMMARY
Working Interest
Canada

Effective January 1 , 2022
Opening: Deloitte December 31, 2020 Forecast Pricing
Closing: Deloitte December 31, 2021 Forecast Pricing

	Proved Developed Producing				Total Proved				Probable				Proved + Probable			
	Heavy Oil Mstb	Conventional Gas MMcf	NGL Mstb	BOE Mboe	Heavy Oil Mstb	Conventional Gas MMcf	NGL Mstb	BOE Mboe	Heavy Oil Mstb	Conventional Gas MMcf	NGL Mstb	BOE Mboe	Heavy Oil Mstb	Conventional Gas MMcf	NGL Mstb	BOE 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	1,099.3	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".

Undeveloped Reserves

History of Attribution of Undeveloped Reserves

HISTORY OF ATTRIBUTION OF UNDEVELOPED OIL AND GAS RESERVES
2020 - 2022

	LIGHT AND MEDIUM OIL Mbbl		HEAVY OIL Mbbl		NATURAL GAS MMcf		NATURAL GAS LIQUIDS Mbbl	
YEAR	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
PROVED UNDEVELOPED RESERVES								
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
PROBABLE UNDEVELOPED RESERVES								
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.

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

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".

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

PRODUCTION FORECAST - COMPANY WORKING INTEREST BEFORE ROYALTIES
PROVEN DEVELOPED PRODUCING RESERVES
31-Dec-21

	Natural Gas		Natural Gas Liquids	
Year	Daily mcf/d	Annual MMcf	Daily bbl/d	Annual Mbbl
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 31st 2021.

	DECEMBER 31, 2021			
	Undeveloped Properties (Acres)		Expiring in 2022 (Acres)	
PROVINCE	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
Total	**4**	**1.81**

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, 2021	2020	January 1 to 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	-	-	-
Total	**$ 2,375,171**	**$ 1,054,611**	**$ 1,320,560**

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
	9,343,329

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
Total		**75.3**	**69.3**

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	-	**3,801.60**	-	**3,801.60**

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 herein 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$C)					
Total Proved + Probable									
Light and Medium Oil (Mbbl)	10.4	-	9.7	880.7	500.4	406.5	364.9	297.6	256.8
Heavy Oil (Mbbl)	651.0	-	603.6	39,172.9	32,135.1	29,068.8	27,360.0	23,942.1	21,384.5
Gas (MMcf)	11,173.1	-	9,770.3	38,515.0	25,688.9	21,741.3	19,832.3	16,487.4	14,300.8
Coal Bed Methane (MMcf)	2,998.3	-	2,779.7	9,164.1	5,856.9	4,777.0	4,252.9	3,347.3	2,775.9
Propane (Mbbl)	123.7	-	102.6	3,354.3	2,331.4	2,004.3	1,843.2	1,556.0	1,364.6
Butane (Mbbl)	81.1	-	69.3	3,122.7	2,176.2	1,869.8	1,718.1	1,446.6	1,265.1
Pentane Plus (Mbbl)	48.3	-	40.6	3,249.2	2,287.5	1,966.4	1,805.4	1,513.7	1,316.6
Sulphur (MLT)	0.6	-	0.5	26.8	21.5	19.3	18.1	15.7	13.9
Total				97,485.7	70,998.0	61,853.3	57,195.0	48,606.3	42,678.2
				Before Tax Cash Flow NPV (1) (M$C)					
				45,562.3	33,759.4	29,150.5	26,686.8	21,935.8	18,505.8
	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
Total Proved	2,203.2	-	1,958.3	12.3	9.7	8.6	7.9	6.7	5.8
Total Probable	1,073.1	-	959.2	17.2	11.6	9.6	8.6	6.7	5.4
Total Proved + Probable	3,276.3	-	2,917.5	13.9	10.3	8.9	8.1	6.7	5.6

The supporting information and results of this NI 51-101 Compliant Evaluation completed by Deloitte LLP are summarized in Schedule “P” 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 has been filed with securities regulatory authorities. 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.

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 "F".

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.

Annual Information

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019
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

Quaterly Information

	2022	2021				2020				2019
	Q1	Q4	Q3	Q 2	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	58,479	(890,019)	(209,996)	100,324	(214,847)	(948,707)	Nil	Nil	Nil	Nil

taxes										
Basic and diluted income (loss) per share	0.00	(0.06)	(0.01)	0.00	(0.01)	(0.10)	Nil	Nil	Nil	Nil

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.

Foreign GAAP

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

Selected Pro Forma Financial Information

The table below sets out certain pro forma consolidated financial data for the Company 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 Circular. 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.

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

See Schedule “J” for the Pro Forma Financial Statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS

This discussion concerns the Company’s financial statements, which are included in this Circular 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’s 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 "G".

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.

INFORMATION REGARDING THE COMPANY

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 was been halted on September 13, 2021. The Common Shares have been approved for listing on June 29, 2022 and continued trading on June 30, 2022. The Shares will continue to trade under the symbol "VIK".

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 were 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. Said Options where granted on December 15, 2020. 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.

DESCRIPTION OF THE SECURITIES

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 Circular, there are 36,195,742 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.

Debt Securities

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

Other Securities

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

Modification of terms

Save and except for the consolidations, 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 Common Share for each ten (10) pre-consolidated Common Shares.

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

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.

Prior Sales

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

Allotment Date	**Price per Security/Exercise Price**	**Number of Securities**	**Type of Securities**
March 31, 2021	$0.05	600,000	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	$0.15	100,000	Common Shares
September 21, 2021	$0.25	10,200,000	Units(1)
October 1, 2021	$0.25	500,000	Common Shares

November 12, 2021	$0.10	260,480	Common Shares
July 6, 2022	$0.25	375,000	Common Shares
July 6, 2022	$0.20	53,500	Common Shares
July 6, 2022	$0.15	3,900	Common Shares
July 12, 2022	$0.20	12,000	Common Shares
July 14, 2022	$0.25	100,000	Common Shares

Notes :

(1) 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.

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:

Monthly Highs and Lows	High ($)	Low($)
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

September 2021's data is unavailable due to the trading halt imposed on September 9, 2021. The Shares were trading again on the CSE on June 30, 2022.

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:

Monthly Highs and Lows	High ($)	Low($)

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

Escrowed or Restricted Securities

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

Designation of Class	**Number of securities held in escrow or subject to a contractual restriction on transfer**(1)	**Percentage of class**
Common Shares	1,083,132 (2)	2.99%
Warrants	300,000	Nil
Broker Warrants	Nil	Nil

Notes:
(1) As of the date of the Circular;
(2) 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(1)
LNG Management Services Ltd.(2)	Common Shares	352,107	0.97%
Peter Nesveda	Common Shares	540,000	1.49%
Peter Nesvada	Warrants	300,000	-
Michel Lebeuf	Common Shares	187,500	0.51%
Lars Glimhagen	Common Shares	3,525	0.01%

Notes:

(1) Based on 36,195,742 Common Shares outstanding;
(2) A company controlled by Lars Glimhagen, CFO of the Company.

The Escrow Agreement is attached hereto as Schedule "R".

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.

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 Circular including: (i) the consolidation of its issued and outstanding Common Shares on the basis of one (1) post-consolidated Common Share for each two (2) pre-consolidated Common Shares on August 25, 2020. Following the Consolidation, the total issued, and outstanding Common Shares of the Company is approximately 36,195,742 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 Circular (Unaudited)
Common Shares	8,877,623	13,056,290	35,651,342	36,195,742[1]
Warrants	Nil	3,412,500	12,984,694	11,508,815 [2][3][4][5][6]
Broker Warrants	Nil	604,200	544,450	662,250 [7]
Options	Nil[8]	Nil	200,000	200,000
Convertible Debentures	$530,000	$930,000	$900,000	$5,315,230[9]

Notes:

(1) Following the Consolidation of the Common 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 debenture 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 1st 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. See section *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 convertible debenture for gross proceeds of $500,000. The convertible debenture can be converted at $0.25 per Common Share.

(9) 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 per Common Shares and on July 5, 2022, the Company has closed a partially brokered private placement of $5,000,230 debenture units that can be coverted at $0.75 per Common Share. See section *Convertible / Exchangeable Securities* below for details.

CAPITALIZATION

Issued Capital

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

	Number of Securities (non-diluted)	Number of Securities (fully- diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
Public Float				
Total outstanding (A)	35,651,342 (1)	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	3,935,270	6,622,270	11.04%	12.08%

Company upon exercise or conversion of other securities held) (B)				
Total Public Float (A-B)	31,716,071	48,213,765	88.96%	87.92%
Freely-Tradeable Float				
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%

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

Notes:

(1) As at March 31, 2022

Public Securityholders (Beneficial)

Class of Security: Common Shares

Size of Holding	**Number of holders**	**Total number of securities**
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
Total:	302	31,716,071

Notes:

(1) As at March 31, 2022.

Non-Public Securityholders (Registered)

Class of Security: Common Shares

Size of Holding

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

Note: As at March 31, 2022.

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 Circular.

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 (1)	444,450	444,450
Broker Warrants (2)	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 (3) (4)		6,000,000
200,000 stock options exercisable at $0.35 per Common Share and expire on October 31, 2024	200,000	200,000
10,000,000 share purchase warrants pursuant to Convertible Debentures exercisable at $0.75 for a period of two years following the conversion(5)	10,000,000	10,000,000

(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.

(5) On July 5, 2022 the Company closed a partially-brokered private placement of $5,000,230 debenture units. The convertible debenture can be converted at $0.50 per Common Share and one additional share purchase warrant which can be converted at $0.75.

Securities authorized for issuance under Equity Compensation Plans

The following table sets out certain details with respect to compensation plans pursuant to which equity securities of the Corporation are authorized for issuance at the end of the last completed financial year ended December 31, 2021.

Plan Category	**Number of securities to be issued upon exercise of outstanding options,**	**Weighted-average exercise price of outstanding options,**	**Number of securities remaining available for future issuance under equity compensation**

	warrants and rights (a)	warrants and rights (b)	plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	200,000	0.35	3,565,134
Equity compensation plans not approved by security holders	n/a	n/a	n/a

1) All information provided in the table takes into account the consolidation of the Common Shares effective as of August 25, 2020.

PRINCIPAL SHAREHOLDERS

The Company is authorized to issue an unlimited number of Common Shares. As at the date hereof, there are 36,195,742 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 Circular, 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.

Following the closing of the Proposed Acquisition, Leonard Van Betuw, CEO and director of the Company will hold 17.83% of the voting rights of Avila Energy Corporation, for a total of 14,280,000 Common Shares.

DIRECTORS AND EXECUTIVE OFFICERS

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 Acquisition.

Name and Province of Residence	Director/ Officer (since)	Principal Occupation for the Past 5 Years	Shares Beneficially Owned Directly or Indirectly(1) (2)
Leonard Van Betuw ***President & CEO*** Calgary, AB, Canada	President and Chief Executive Officer, Director (since July 18, 2021)	Avila Exploration and Development Canada Ltd. (February 2017 – present) and 611890 Alberta Inc. (April 1 2021 – present)	2,100,000 (5.80%)

Lars Glimhagen ***CFO*** 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. (now Avila Energy Corporation) (Oct. 2012 – present)	474,176 (3) (1.31%)
Michel Lebeuf Jr. ***Director & Corporate Secretary*** Laval, QC, Canada	Director and Corporate Secretary (since 2018/03/16)	Partner at Dunton Rainville LLP (May 2016 – present)	212,500 (0.59%)
Thomas Edwards Valentine ***Director*** (4) Calgary, AB, Canada	Director (since 2019/04/08)	Senior partner at Norton Rose Fulbright LLP (1982 – present)	Nil
Daniel Lucero ***Director*** 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
Jeffrey Decter(4) ***Director*** Calgary, Alberta	Director (since 2022/05/25)	President of Integrity Financial Corp. since 1998	Nil
Kyle Appleby ***Director*** (4) (5) Toronto, ON, Canada	Director (since 2020/11/09)	Chartered professional accountant	Nil

Peter Nesveda ***Vice-President*** Malvern, Australia	Vice-President - Investors Relations and Corporate Affairs (since 2020/06/01)	Director of Intuitive Pty. Ltd. (Oct. 2000 – present)	1,111,094 (3.07%)

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 36,195,742 Common Shares issued and outstanding as of the date of this Circular.
(3) Includes 4,700 Common Shares held by Lars Glimhagen, CFO and 469,476 Common Shares held by LNG Management Services Ltd., a privately held company controlled by Lars Glimhagen, CFO.
(4) Member of the Audit Committee.
(5) Chair of the Audit Committee.

Cease Trade Orders or Bankruptcies

Save and except as set out below, as of the date of this Circular, no director or officer of the Company is, or has been, within ten years before the date of this Circular, 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.

Penalties or Sanctions

As of the date of this Circular, 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.

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 Jr. 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.

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.

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 Circular, 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 he developed over 25 years as a manager, executive, and Geophysicist.

Early in Mr. Van Betuw's career, he spent most of his time abroad for various companies from 1992 to 1998. 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 Mr. Van Betuw 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 Leonard Van Betuw as its sole director and its major shareholder. Leonard Van Betuw is also the sole director and indirectly the majority shareholder of 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.

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 Jr., Corporate Secretary and Director, 48 years old

Mr. Michel Lebeuf Jr. 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. Michel Lebeuf is presently completing an MBA from Edinburgh Napier University in Edinburgh, Scotland.

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 Colombia 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.

Audit Committee

The Company will have one committee comprised of three members of the Board namely Jeffrey 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. 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.

The Audit Committee Charter is attached hereto as Schedule "K".

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.

Corporate Governance

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Company. The Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Company. National Policy 58-201 Corporate Governance Guidelines ("**NP 58-201**") establishes corporate governance guidelines, which apply to all public companies. The Company has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Company's practices comply with the guidelines; however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been adopted. National Instrument 58-101 Disclosure of Corporate Governance Practices ("**NI 58-101**") requires the Company to disclose annually in its Statement certain information concerning its corporate governance practices. As a "venture issuer" the Company is required to make such disclosure with reference to the requirements of Form 58- 101F2, which disclosure is set forth below.

1. Board of Directors

Structure and Composition

The Board is currently composed of six directors. NP 58-201 suggests that the board of directors of every listed company should be constituted with a majority of individuals who qualify as "independent" directors under NI 52-110, which provides that a director is independent if he or she has no direct or indirect "material relationship" with the company. "Material relationship" is defined as a relationship which could, in the view of the Company's board of directors, be reasonably expected to interfere with the exercise of a director's independent judgment.

The Board is responsible for determining whether a director is an independent director. Of the directors, Leonard Van Betuw is not an independent director because of his position as CEO of the Company. Michel Lebeuf is not independent director because of his position as Corporate Secretary of the Company. On the other hand, Kyle Appleby, Thomas Valentine, Daniel Lucero and Jeffrey Decter are considered to be independent directors of the Company as they have no ongoing interest or material relationship with the Company other than serving as directors.

Mandate of the Board

The mandate of the Board is to manage or supervise the management of the business and affairs of the Company and to act with a view to the best interests of the Company. In doing so, the Board oversees the management of the Company's affairs directly and through its committees (see "Committees of the Board of Directors" below). In fulfilling its mandate, the Board, among other matters, is responsible for reviewing and approving the Company's overall business strategies and its annual business plan, reviewing and approving the annual corporate and operations budgets and forecasts, reviewing and approving significant capital investments outside the approved budget; reviewing major strategic initiatives to ensure that the Company's proposed actions accord with shareholder objectives; reviewing succession planning; assessing management's performance against approved business plans and industry standards; reviewing and approving the reports and other disclosure issued to shareholders; ensuring the effective operation of the Board; and safeguarding shareholders' equity interests through the optimum utilization of the Company's capital resources. The Board also takes responsibility for identifying the principal risks of the Company's business and for ensuring these risks are effectively monitored and mitigated to the extent reasonably practicable. At this stage of the Company's development, the Board does not believe it is necessary to adopt a written mandate, as sufficient guidance is found in the applicable corporate and securities legislation and regulatory policies. However, as the Company grows, the Board will move to develop a formal written mandate.

The Board delegates to management, through its Named Executive Officers, responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company's business in the ordinary course, managing the Company's cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board also looks to management to furnish recommendations respecting corporate objectives, long-term strategic plans and annual operating plans.

2. Directorships

As of the date of this Circular, the directors of the Company are currently directors and/or executive officers of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows.

Name of Director	**Name of Other Reporting Issuer**	**Market / Exchange**	**Position**
Leonard Van Betuw	Nil	Nil	Nil

Kyle Appleby	Nuinsco Resources Ltd. Spacefy Inc. Prospect Park Capital Corp. Renforth Resources Inc. Red Light Holland Corp. ADYA INC Nurcapital Corporation Ltd. Captor Capital Corp. Cadillac Ventures Inc. Tantalex Lithium Resources Corporation. Tokens.com Corp. Salona Global Medical Device Corporation Tarku Resources Ltd. Empower Clinics Inc. Bee Vectoring Technologies International Inc. GBLT Corp. URU Metals Limited	None CSE TSX-V CSE CSE TSX-V TSX-V TSX-V TSX-V CSE NEO TSX-V TSX-V CSE TSX-V TSX-V AIM	Chief Financial Officer Chief Financial Officer Chief Financial Officer Chief Financial Officer Chief Financial Officer Chief Financial Officer Chief Financial Officer Director Chief Financial Offier Chief Financial Officer Chief Financial Officer Chief Financial Officer Chief Financial Officer Chief Financial Officer Chief Financial Officer Chief Financial Officer Director
Michel Lebeuf	Founders Metals Inc. Auxico Resources Canada Inc. Global Hemp Group Inc. Pushfor Tech Inc.	TSX-V CSE CSE CSE	Director Senior Officer Director Director
Thomas Valentine	Touchstone Exploration Inc. NXT Energy Solutions Inc.	TSX TSX	Director Director
Daniel Lucero	Nil	Nil	Nil
Jeffrey Decter	Nil	Nil	Nil

The above information has been provided by the directors and has not been independently verified by the Company.

3. Orientation and Continuing Education

The Corporation does not provide a formal orientation and education program for new directors. However, any new directors will have the opportunity to become familiar with the Corporation by meeting with the other directors and officers of the Corporation. In addition, the Corporation does not provide continuing education for its directors. However, new directors, if any, will be briefed on the Corporation's strategic plans, short, medium and long-term corporate objectives, business risks and mitigation strategies, corporate governance guidelines and existing company policies.

The skills and knowledge of the Board as a whole is such that no formal continuing education process is currently deemed required. The Board is comprised of individuals with varying backgrounds, who have, both collectively and individually, extensive experience in running and managing both reporting and non-reporting companies. Board members are encouraged to communicate with management, auditors and technical consultants to keep themselves current with industry trends and developments and changes in legislation, with management's assistance. Board members have full access to the Company's records.

4. Ethical Business Conduct

The Board expects management to operate the business of the Company in a manner that enhances shareholder value and is consistent with the highest level of integrity. Management is expected to execute the Company's business plan and to meet performance goals and objectives.

The Board itself must comply with the conflict of interest provisions of the BCAA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

To date, the Board has not adopted a formal written Code of Business Conduct and Ethics having found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate and securities legislation on the individual director's participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company and its shareholders. In addition, the limited size of the Company's operations and the small number of officers and employees has allowed the Board to monitor on an ongoing basis the activities of management and to ensure that the highest standard of ethical conduct is maintained. As the Issuer grows in size and scope, the Board anticipates that it will formulate and implement a formal Code of Business Conduct and Ethics.

5. Nomination of Directors

Given its current size and stage of development, the Board has not appointed a nominating committee and these functions are currently performed by the Board as a whole. Nominees are generally the result of recruitment efforts by Board members, including both formal and informal discussions among Board members and the Chief Executive Officer, and proposed directors' credentials are reviewed in advance of a Board meeting with one or more members of the Board prior to the proposed director's nomination.

6. Compensation

Currently, the Company does not have a formal compensation committee and the Board as a whole is responsible for determining all forms of compensation to be granted to the Company's executive officers and to the directors to ensure such arrangements reflect the responsibilities and risks associated with each position. In addition, any compensation to be paid to executive officers who are also directors must be approved by the disinterested directors thereby providing the independent directors with significant input into compensation decisions. See Schedule "L" Statement of Executive Compensation – Venture Issuers.

7. Other Board Committees

At the present time, the Board of the Company has appointed one formal committee, being the Audit Committee. The Audit Committee is comprised of Kyle Appleby, Thomas Valentine and Jeffrey Decter and is primarily responsible for the policies and practices relating to integrity of financial and regulatory reporting of the Company, as well as internal controls to achieve the objectives of safeguarding the Company's assets; reliability of information; and compliance with policies and laws. See subsection "Audit Committee" for further information regarding the mandate of the Company's Audit Committee, its specific authority, duties and responsibilities, as well as the Audit Committee Charter.

As the Company grows, and its operations and management structure become more complex, the Board will likely find it appropriate to constitute additional standing committees, such as a Corporate Governance Committee, Compensation Committee and Nominating Committee, and to ensure that such committees are governed by written charters and are composed of at least a majority of independent directors.

8. Assessments

The Board does not, at present, have a formal process in place for assessing the effectiveness of the Board as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant. Based on the Company's current size, its stage of development and the limited number of individuals on the Board, the Board considers a formal assessment process to be inappropriate at this time. The Board plans to continue evaluating its own effectiveness and the effectiveness and contribution of its committees or individual directors on an ad hoc basis.

EXECUTIVE COMPENSATION

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 "L". It is not the Company's plan to make any material changes to the compensation of its executives.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As of the date of this Circular, 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.

SECURITIES LAW MATTERS

Compliance with the Requirements of MI 61-101

The securities regulatory authorities in the Provinces of Ontario, Alberta, Manitoba, Québec and New Brunswick have adopted MI 61-101, which regulates transactions that raise the potential for conflicts of interest, including issuer bids, insider bids, related party transactions and business combinations.

The Company is subject to the requirements of MI 61-101, on account of being a reporting issuer in the Provinces in which the securities regulatory authorities have adopted MI 61-101 (being Ontario, Alberta and Québec).

The Proposed Acquisition Under MI 61-101

Under MI 61-101, the Proposed Acquisition would be a "related party transaction" for purposes of MI 61-101 as Leonard Van Betuw concurrently acts as president and CEO of the Company and 611 and meets the requirements of Part 5 of MI 61-101.

Minority Approval

MI 61-101 stipulates that, in addition to any other required Shareholder approval, in this case, approval by all Shareholders of the Company as the Proposed Acquisition is also a plan of arrangement pursuant to section 193 of the BCAA, the Proposed Acquisition may not be carried out unless the Company also obtains "minority approval" (as defined in Part 8 of MI 61-101) of the transaction, unless an exemption is available or discretionary relief is granted by the applicable securities regulatory authorities.

Pursuant to MI 61-101, in determining minority approval for the Proposed Acquisition, the Company is required to exclude votes attaching to securities beneficially owned, or over which control or direction is exercised by: (i) the Company; (ii) an "interested party" (as defined in MI 61-101); (iii) a "related party" of such interested party within the meaning of MI 61-101 (subject to the exceptions set out therein); and (iv) any person that is a joint actor with any person referred to in (ii) or (iii) in respect of the transaction for the purposes of MI 61-101.

Therefore, the Proposed Acquisition must be approved by at least a simple majority (50%) of the votes cast by the Minority Shareholders, present in person or represented by proxy at the Meeting, in accordance with the minority approval requirements of MI 61-101.

Consequently, in order to become effective, the Proposed acquisition must be approved by a special resolution by at least:

1. 2/3 of the votes cast by the Company Shareholders, present in person or represented by proxy and entitled to vote at the Meeting, as this Proposed Acquisition constitutes a plan of arrangement pursuant to section 193 of the BCAA; and
2. a majority of the votes cast by the Minority Shareholders, present in person or represented by proxy and entitled to vote at the Meeting. To the knowledge of the Board, Leonard Van Betuw’s 2,100,000 Common Shares are to be excluded from the vote. Thus, 34,095,742 Common Shares are held by minority Shareholders of the Company.

All members of the Board of the Company, after consultation with its legal counsel and financial advisors, unanimously recommend that Shareholders vote FOR the Resolution.

Formal Valuation

The Company is required to obtain a formal valuation under MI 61-101 because the situation is described in any of paragraphs (a) to (g) of the definition of related party transaction.

The Company has retained the services of Scott Lawritsen, CBV valuator with Hemens Lawritsen Valuation Group Ltd to provide a formal valuation which is attached hereto as Schedule “C”.

The board (minus Leonard Van Betuw who was excluded from this decision) is unanimously of the opinion that Hemens Lawristen Valuation Group Ltd. is a qualified firm and independent from the Company. All directors voted for the Resolution retaining Scott Lawritsen of Hemens Lawritsen Valuation Group Ltd as the valuator. The compensation payable to Hemens Lawristen does not interfere with its independence and it is not contingent in whole or in part on the success of the Proposed Acquisition or on the conclusions reached in the Formal Valuation. Hemens Lawritsen was never involved in any capacity with the Company and will not partake in any anticipated project besides this Formal Valuation.

Prior Valuations

To the knowledge of the directors and senior officers of the Company, there have been no "prior valuations" (as defined in MI 61-101) prepared in respect of the Company within the 24 months preceding the date of this Circular.

Other

The Company confirms that during the process of review and approval of the Proposed Acquisition, there was no materially contrary view or abstention by a director or any material disagreement in the Board. All directors minus Leonard Van Betuw have approved all resolutions pertaining to all steps of the Proposed Acquisition. Leonard Van Betuw was excluded from making decisions to that regard due to his status as related party.

TAX CONSEQUENCES

Shareholders are encouraged to seek tax advice from their own tax advisors. There are no particular tax consequences from the Proposed Acquisition that are not ordinary.

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 Circular.

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.

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 be able to fully execute its business plan for any number of reasons, including without limitation, 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 a shareholder's investment and the likelihood of success must be considered in light of the Company's early stage of operations. To date, the Company has not paid any dividends on the issued Common Shares. Any decision to pay dividends on the Common 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.

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.

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. Reserves and associated cash flow information once complied 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.

Insurance

The Company’s involvement in the exploration for and development of oil and gas properties may result in the Company 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 thatfor which 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.

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.

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.

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.

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 ourthe Company's ability to access sufficient capital for ourits capital expenditures and acquisitions and, as a result, may have a material adverse effect on ourthe Company's ability to execute ourits business strategy and on ourits 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 Shareholdersshareholders of the Company.

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 Common Shares from time to time pursuant to Common Share purchase warrants and the options to purchase Common Shares issued from time to time by the Board. The issuance of these Common Shares could result in dilution to existing shareholders.

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 holdings of 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.

Competition

The business of development and production of oil and gas is highly competitive. Other oil and gas companies, including large and/or foreign-owned companies, will compete with the Company and should be viewed as an ongoing threat to the success of ourthe Company's 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, by their very nature, have limited lives and, asproduction time. 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 the Company may 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.

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 its 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.

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.

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.

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.

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.

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.

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 unfavourableunfavourable 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/or 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 and/or financial condition.

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.

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 (and other variants thereof) 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 (and other variants thereof) 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 (and other variants thereof, 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 other variants thereof) and the actions required to contain or treat its impact, among others.

Additional Securityholder Risk

There is no risk that shareholders 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.

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 3.07% of the issued and outstanding Company Common Shares as of the date of this Circular. Mr. Nesveda also holds 300,000 warrants and nil options.

DISSENT RIGHTS

The Interim Order expressly provides registered Shareholders with the right to dissent from the Resolution pursuant to Section 191 of the BCAA, with modifications to the provisions of Section 191 as provided in the Plan of Arrangement and the Interim Order. Registered Shareholders have the right to dissent from the Resolution pursuant to Section 191 of the BCAA, with modifications to the provisions of Section 191 as provided in the Plan of Arrangement. See Schedule “D” for the full text of the Plan of Arrangementand Schedule “E” for the full text of Section 191 of the BCAA.

Section 191 of the BCAA provides that registered Shareholders of a corporation with the right to dissent from certain resolutions that effect extraordinary corporate transactions or fundamental corporate changes. These provisions are technical and complex and registered holders of Common Shares who wish to exercise Dissent Rights should consult a legal advisor.

The execution or exercise of a proxy does not constitute a written objection for purposes of the Dissent Rights. A vote against the Resolution or a withholding of votes does not constitute a written objection.

The following summary does not purport to be comprehensive with respect to the procedures to be followed by a registered Shareholder seeking to exercise Dissent Rights with respect to the Resolution and is qualified in its entirety by reference to the full text of the Interim Order, the Plan of Arrangement, and Section 191 of the BCAA.

The Plan of Arrangement and the BCAA require strict adherence to the procedures established therein and failure to adhere to such procedures may result in the loss of all Dissent Rights with respect to the Resolution. Accordingly, each Shareholder who desires to exercise rights of dissent should carefully consider and comply with the provisions of Section 191 of the BCAA (as modified by the Interim Order and the Plan of Arrangement) and consult its legal advisors.

Notwithstanding Section 191(5) of the BCAA (pursuant to which a written objection may be provided at or prior to the Meeting), a Dissenting Shareholder who seeks payment of the fair value of its Common Shares is required to deliver a written objection to the Resolution to the Company not later than 5:00 p.m. (Calgary time) two business days immediately preceding the Meeting (or any adjournment or postponement thereof). Such notice must be delivered to the Company's legal counsel at the following address:

DUNTON RAINVILLE LLP

3055 Saint-Martin West blvd, suite 610

Laval QC, Canada, H7T 0J3

Attention : Michel Lebeuf Jr., partner or Jody Belly, articling student

Emails: mlebeuf@duntonrainville.com or jbelly@duntonrainville.com

A vote against the Resolution or a withholding of votes does not constitute a written objection. Within 10 days of the Resolution being approved by the Shareholders, the Company must so notify the Dissenting Shareholder (the "**Notice of Resolution**") (unless such Shareholder voted for the Resolution or has withdrawn its objection) who is then required, within 20 days after receipt of such Notice of Resolution (or, if such Shareholder does not receive such notice, within 20 days after learning of the approval of the Arrangement Resolution), to send to the Company a written notice containing its name and address, the number and Common Shares in respect of which the Shareholder dissents and a demand for payment (a "**demand for payment**") of the fair value of such Common Shares and, within 30 days after sending such written notice, to send to the Company or its Transfer

Agent the appropriate share certificate or certificates.

A dissenting Shareholder who fails to send to the Company, within the appropriate time frame, a written objection, demand for payment and certificates representing the Common Shares in respect of which the Shareholder dissents forfeits the right to make a claim under Section 191 of the BCAA as modified by the Interim, Order, the Plan of Arrangement. The Company's Transfer Agent will endorse on the share certificates received from a dissenting Shareholder a notice that the holder is a Dissenting Shareholder and will forthwith return the certificates to the dissenting Shareholder.

REGULATORY APPROVALS

The Proposed Acquisition does not contemplate or require any material approval, consent or other action by any federal, provincial, state or foreign government or any administrative or regulatory agency, other than: (i) the conditional approval of the Exchange required to complete the Proposed Acquisition; (ii) the final approval of the CSE; and (iii) the Final Order of the Court. If any such approvals or consents are determined to be required, such approvals or consents will be sought. Any such additional requirements could delay the effective date or prevent the completion of the Proposed Acquisition. While there can be no assurance that any regulatory consents or approvals that are determined to be required will be obtained, the Company currently anticipates that any such consents and approvals that are determined to be required will have been obtained or otherwise resolved.

LEGAL PROCEEDINGS

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.

Regulatory Actions

From inception to the date of this Circular, save and except for the cease trade orders discussed under section *Cease Trade Orders or Bankruptcies* 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 Circular 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.

INTEREST OF MANAGEMENT AND OTHER MATERIAL TRANSACTIONS

Other than as set forth in this Circular, 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.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed in this Circular, to the knowledge of the Company, after reasonable enquiry, no informed person (as defined in Canadian Securities Laws) of the Company, or any associate or affiliate of any informed person, has or had any material interest, direct or indirect, in any transaction or in any proposed transaction since the commencement of the Company's most recently completed fiscal year which has materially affected or would materially affect the Company.

MANAGEMENT CONTRACTS

As of the date of this Circular, the Company has entered into a consulting with Intuitive Pty. Ltd. and Lars Glimhagen for consulting service agreements with executive officers of the Company, namely Peter Nesveda, Vice-President and Lars Glimhagen, CFO.

The Company has entered into a consulting agreement with Intuitive Pty Ltd., a company controlled by Peter Nesveda, Vice-President of the Company, on June 1, 2020. This agreement is reviewed every 12 months for renewal. During the recently completed financial year, 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 warrants, 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 this consulting agreement.

The Company has entered into a consulting services with Lars Glimhagen who is also the CFO of the Company on September 1, 2019. This contract is renewed annually and Lars Glimhagen, as a consultant will act as CFO of the Company with a monthly compensation of $3,000.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

The auditors of the Company are WDM, Chartered Professional Accountants, located at 1501 West Broadway, Suite 420, Vancouver, British Columbia, V6J 4Z6. They were appointed as the Company’s auditors on October 7, 2021.

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, 8th Avenue, Suite 800, Calgary, Alberta, T2P 2Z2.

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 Circular 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 Agreement of Purchase and Sale dated October 1, 2021 entered into between the Company and 611890 Alberta Inc. for the acquisition of 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.

Copy of these material contracts can be found on www.sedar.com under the title "other material contracts".

EXPERTS

Name of Experts

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

- 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 Circular;
- 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 Acquisition; 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 Circular and is available in its full form on the Company's profile on SEDAR.

Interests of Experts

No person whose profession or business gives authority to a statement made by such person and who is named in this Circular 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.

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.

Dunton Rainville LLP are legal counsel to the Company and participated in the preparation of this Circular.

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 212,500 Shares as of the date of this Circular.

OTHER MATERIAL FACTS

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

FINANCIAL STATEMENT

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

SCHEDULE "F" Financial Statements of the Company	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 "G" MD&A of the Company	Company's 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.
SCHEDULE "H" Financial Statements of 611	611 audited carve-out financial statements for the years ended March 31, 2021, March 31, 2020, March 31, 2019 and unaudited interim financial statement for the three and nine months period ended December 31, 2021.
SCHEDULE "I" MD&A of 611	611 MD&A for the years ended March 31, 2021, March 31, 2020, March 31, 2019 and for the three and nine months ended December 31, 2021 and 2020.
SCHEDULE "J" 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.

ADDITIONAL INFORMATION

Additional information relating to the Company and its business activities is available on SEDAR (www.sedar.com) under the Company's issuer profile. The Company's financial information is provided in the Company's audited annual consolidated financial statements and related management's discussion and analysis for the most recently completed financial year and three months ended March 31, 2022, and unaudited interim consolidated financial statements and related management's discussion and analysis, copies of which are available on SEDAR (www.sedar.com) under the Company issuer profile. Shareholders may also request copies of these documents, free of charge, by email to Lars Glimhagen, Chief Financial Officer of the Company, at lars.g@avilaenergy.com.

APPROVAL

The contents of this Circular and its distribution to the Shareholders have been approved by the Board.

JULY 25, 2022

By Order of the Board of Directors

"Leonard Van Betuw"

Chief Executive Officer

SCHEDULE "A" - GLOSSARY OF TERMS

In this Circular, 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 and unaudited interim financial statements for the three and nine months period ended December 31, 2021, attached to this Circular as Schedule "H".

"**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.

"**Agreement of Purchase and Sale**" means the definitive agreement dated October 1, 2021 entered into between the Company and 611 for the acquisition of 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.

"**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.

"**Circular**" means this information Circular calling for the special meeting of Shareholders.

"**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.

"**Common Shares**" or "**Shares**" means the Class A Common Shares, without nominal or par value, in the authorized capital of the Company.

"**Company**" or "**PVE**" means Petro Viking Energy Inc., a company incorporated under the Business Corporations Act (Alberta) on January 13, 2010, to be renamed "Avila Energy Corporation" after the Proposed Acquisition;

"**Company's Financial Statements**" means the 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 attached to the Circular as Schedule "F";

"**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 25th, 2020.

"**CRCE**" means Canadian Renewable and Conservation Expense as such term is defined in the Tax Act.

"**Dissent Rights**" means the dissent rights provided for pursuant to section 191 of the BCAA, the Plan of Arrangement, and the Interim Order.

"**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.

"**Formal Valuation**" means the Formal Valuation conducted by Hemens Lawritsen Valuation Group Ltd. with respect to Part 6 of MI 61-101.

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

"**GST**" means the goods and services tax.

"Interim Order" means the Interim Order from the Court of Queen's Bench of Alberta attached hereto as Schedule "S".

"**Joint Venture**" means 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 1st, 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

"**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.

"**NI 58-101**" means National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

"**NP 58-201**" means National Policy 58-201 - *Corporate Governance Guidelines*.

"**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.

"**Plan of Arrangement**" means the Plan of Arrangement and any amendments or variations hereto made in accordance with the LOI, Agreement of Purchase and Sale, and this Plan of Arrangement or upon the direction of the Court (with the prior written consent of the Company and 611, each acting reasonably) in the Final Order.

"**Principals**" means:

a. a person of the Company who acted as a promoter of the Company within two years before the date of this Circular;
b. a director or senior officer of the Company or any of its material operating subsidiaries at the time of this Circular;
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.

"**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 from 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.

"**Related Entity**" means:

a. a person
(i) that is an affiliated entity of the Company,
(ii) of which the Company is a control block holder;
b. a management company or distribution company of a mutual fund that is a listed issuer; or
c. a management company or other company that operates a trust or partnership that is a listed issuer.

"**Related Persons**" means:

a. a Related Entity of the Company;
b. a partner, director or officer of the Companu or Related Entity;
c. a promoter of or person who performs Investor Relations Activities for the Company or Related Entity;
d. any person that beneficially owns, either directly or indirectly, or exercises voting control or direction over at least 10% of the total voting rights attached to all voting securities of the Company or Related Entity; and
e. such other person as may be designated from time to time by the CSE.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval (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.

"**Summary of Formal Valuation**" means the Summary of Formal Valuation conducted by Hemens Lawritsen Valuation Group Ltd. with respect to Part 6 of MI 61-101.

"**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, 8th Avenue, Calgary, Alberta, T2P 2Z2.

"**TSX-V**" means the TSX Venture Exchange.

SCHEDULE “B” - PROPOSED ACQUISITION RESOLUTION (the “RESOLUTION”)

BE IT RESOLVED THAT

1. The proposed acquisition involving Petro Viking Energy Inc. (the "**Company**") and 611890 Alberta Inc. (dba Avila Energy) (“**611**”) (the “**Proposed Acquisition**”) emanating from a letter of intent (the “**LOI**”) effective June 14, 2021, as the Proposed Acquisition may be modified, supplemented or amended from time to time in accordance with its terms, as more particularly described and set forth in the management information circular of the Company dated July 25 2022 (the “**Circular**”), including without limitation the authorization and issue of the Convertible Shares, and all transactions contemplated thereby, are hereby authorized, approved and adopted;

2. The: (i) Proposed Acquisition and all the transactions contemplated therein; (ii) actions of the directors of the Company in approving the Proposed Acquisition; and (iii) actions of the directors and officers of the Company in executing and delivering the Proposed Acquisition and any modifications, supplements or amendments thereto, and causing the performance by the Company of its obligations thereunder, are hereby ratified and approved;

3. The Company is hereby authorized to apply for a final order of the Court of Queen’s Bench of Alberta to approve the Proposed Acquisition and its terms as they may be, or may have been, modified, supplemented or amended;

4. Notwithstanding that this resolution has been passed (and the Proposed Acquisition adopted) by the holders of Common Shares of the Company (the "**Company Shareholders**") entitled to vote thereon or that the Proposed Acquisition has been approved by the directors of the Company who are hereby authorized and empowered, without further notice to or approval of the Company Shareholders: (i) to amend, modify or supplement the Proposed Acquisition to the extent permitted by its terms; and (ii) subject to the terms of the Proposed Acquisition, not to proceed with the Proposed Acquisition and any related transactions; and

5. Any officer or director of the Company is hereby authorized and directed, for and on behalf of the Company, to execute or cause to be executed and to deliver or cause to be delivered, whether under the corporate seal of the Company or otherwise, all such other documents and instruments and to perform or cause to be performed all such other acts and things as, in such person's opinion, may be necessary or desirable to give full force and effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of any such other document or instrument or the doing of any such other act or thing.

SCHEDULE "C" - CONSENT LETTER AND FORMAL VALUATION BY HEMENS LAWRITSEN VALUATION GROUP LTD.

HEMENS LAWRITSEN Valuation Group Ltd.
102 - 1228 Kensington Road NW, Calgary, AB T2N 3P7
www.hlvaluation.ca | 403.234.7709

April 7, 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: Consent of Hemens Lawritsen Valuation Group Ltd.
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.

We refer to the formal valuation (the "Formal Valuation"), which we prepared for the Board of Avila Energy Corporation ("Avila") in connection with the 100% of 611890 Alberta Inc.'s interest in 53,835 Acres, 43,935 Acres (Net), of mineral rights, associated wells, pipelines and facilities (the "Assets") as at December 31, 2021 (the "Valuation Date").

We consent to the filing of the Formal Valuation with the securities regulatory authority and the inclusion of the Formal Valuation and the Summary of the Formal Valuation in this document.

Yours truly,

Scott Lawritsen

Hemens Lawritsen Valuation Group Ltd.
Per: Scott Lawritsen, CFA, CBV

HEMENS LAWRITSEN
Valuation Group Ltd.
102 - 1228 Kensington Road NW, Calgary, AB T2N 3P7
www.hlvaluation.ca | 403.234.7709

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,

Scott Lawritsen

Hemens Lawritsen Valuation Group Ltd.
Per: Scott Lawritsen, CFA, CBV

HEMENS LAWRITSEN Valuation Group Ltd.
102 - 1228 Kensington Road NW, Calgary, AB T2N 3P7
www.hlvaluation.ca | 403.234.7709

PRIVATE AND CONFIDENTIAL

April 8, 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: Comprehensive Valuation Report
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.

1. Terms of Reference

1.01 Hemens Lawritsen Valuation Group Ltd. ("HLVG") understands that Petro Viking Energy Inc. ("Petro Viking") has made an offer to purchase (the "Offer") 100% of 611890 Alberta Inc.'s ("611890 AB") interests in 53,835 Acres, 43,935 Acres (Net), of mineral rights, associated wells, pipelines and facilities (the "Assets").[1] In this regard, Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101") requires that a "formal valuation" (as such term is defined in MI 61-101) of the Assets be prepared related to the Offer.

1.02 HLVG is a Calgary-based financial advisory services firm, providing various services in the areas of business and security valuations, fairness opinions and litigation support. HLVG was retained by the Board of Directors of Avila Energy Corporation ("Avila Energy") to provide a formal valuation with respect to the "fair market value" (as such term is defined in MI 61-101) of the Assets (the "Valuation") as at December 31, 2021 (the "Valuation Date").

[1] Subsequent to announcing the Offer on June 14, 2021, Petro Viking completed filings to change the corporate name of Petro Viking to Avila Energy Corporation (ultimately completed on November 25, 2021).

1.03 The report that follows is a "Comprehensive Valuation Report" as that term is defined in Standard No. 110 of the Canadian Institute of Chartered Business Valuators regarding Report Disclosure Standards and Recommendations. This report has been prepared primarily by Mr. Scott Lawritsen CFA, CBV with assistance from Shawn Hemens CA, CBV, each acting independently and objectively. We have no stake, directly or indirectly in the outcome of the Offer. Our compensation is based on standard hourly rates and is not contingent on the outcome in any way. There are no understandings or agreements between HLVG and Avila Energy with respect to future business dealings.

1.04 We represent to you that, to the best of our knowledge, HLVG meets the independent and qualified valuator requirements of MI 61-101. We further represent to you that this report meets the "formal valuation" requirements of MI 61-101 and was prepared in accordance therewith. We also confirm that HLVG has disclosed to you all information known to us or of which we are aware, after due inquiry, pertaining to HLVG's independence within the meaning of Rule MI 61-101 in connection with the Offer and our services hereunder, and HLVG covenants not to do anything after the date hereof which would affect our independence in providing our services hereunder.

1.05 It is important to note that this analysis, on its own, is likely inadequate for individual users of this report to use in making an investment decision due to their own unique circumstances. It is also important to note that the analysis and our opinion is restricted to the Assets. We express no opinion with respect to the consideration nor terms of any related agreement(s) or other considerations that may affect an individual interest in the Assets, and we disclaim any liability for any losses that may arise from the use of this analysis by any individual user.

1.06 The attached narrative, schedules and appendices are an integral part of this report. Unless stated otherwise, all dollar amounts shown are Canadian dollars.

2. Summary of Conclusions

2.01 Based on the scope of our review, assumptions and restrictions set out herein, we have concluded that the fair market value of the Assets as at December 31, 2021 was in the range of $25,000,000 to $27,000,000.

2.02 The Valuation is based upon securities market, economic and general business conditions prevailing at the Valuation Date and the condition and prospects, financial and otherwise, of the Assets as reflected in the information and documents reviewed by HLVG and as they were represented to us in our discussions with Avila Energy management.

3. Scope of Review

3.01 In preparing this report, HLVG has, among other things, reviewed and, where considered appropriate, relied upon certain financial and other information relating to the Assets. A summary of the principal documents and information HLVG reviewed and relied upon is presented in Appendix A.

3.02 HLVG has been granted access to Avila Energy management and has not, to our knowledge, been denied any type of information that was requested, which might be considered to be material to our Valuation.

4. Assumptions and Limitations

4.01 HLVG has relied upon and has assumed the completeness, accuracy and fair presentation of the financial and other information, data, advice, opinions or representations obtained by it from public sources or provided to it by Avila Energy. Subject to the exercise of our professional judgement and except as expressly described herein, HLVG has not attempted to verify independently the accuracy or completeness of any of such information, data, advice, opinions, representations, business plans, forecasts, or projections.

4.02 HLVG has received a letter of representation from senior management of Avila Energy attesting to the accuracy and completeness of certain information provided to us. In that representation letter, senior management have represented to us that, among other things, to the best of their knowledge:

(i) The information, data, advice, opinions and representations relating to the Assets as provided to HLVG by Avila Energy are complete, true and correct in all material respects, and do not contain any untrue material fact or omit to state any material fact that is necessary to be stated in order for a statement not to be misleading in light of the circumstances in which it was made;

(ii) Since the date the relevant information was provided, there has been no material change in the Assets and no material change has occurred in the information or any part thereof, which would reasonably be expected to have a material effect on the Valuation; and,

(iii) With respect to any portion of the information that constitute forecasts, such forecasts were made using the assumptions identified to us, which in the reasonable belief of Avila Energy, are reasonable in the circumstances and are not misleading in any material respect in light of the assumptions used.

4.03 In preparing the Valuation, HLVG assumed that all public disclosure with respect to the Offer is accurate and complete and the Offer as described therein, complies with applicable securities laws including all applicable rules, regulations and published policy statements.

4.04 Our analysis must be considered as a whole. Selecting portions of our analysis and of the factors considered, without considering all factors and analysis in connection with the preparation of this report could create a misleading view of the processes underlying the Valuation. The preparation of a formal valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or aspect of our analysis.

5. Background to the Transaction

5.01 The principal business of Avila Energy is the acquisition, exploration and development of Oil and Gas Properties. The Company is publicly listed on the Canadian Stock Exchange (VIK:CN). In various press releases, the Company states that it is striving to differentiate itself to become known as a low-cost carbon neutral energy producer the company is focusing on the application of a combination of proven geological, geophysical, engineering, production, carbon capture and sequestration techniques.

5.02 The Assets include owned and operated, developed and undeveloped mineral rights, and the associated network of pipelines and 3 processing facilities. The Company sells its products directly both in Canada and throughout North American, as a result of having direct tie-ins to TC Energy's network, which in turn allows for the sale of Avila Energy's products.

Industry Conditions at the Valuation Date

5.03 In various disclosure documents the Company noted that the oil and natural gas industry is highly competitive, with competition emanating 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.

5.04 OPEC reports indicate that in late 2021, Canada's oil production was increasing. "Canada's liquids production in October of 2021 is estimated to have increased by 375 tb/d m-o-m, to average 5.77 mb/d. Crude bitumen and synthetic crude output increased, following the return of oil sands facilities from maintenance, and production of conventional crude was higher by 0.08 mb/d, to average 1.25 mb/d, mainly owing to recovered production from the Hebron offshore field in the North Atlantic Ocean following a m-o-m decline in September."[2]

[2] OPEC Monthly Oil Market Report – December 13, 2021

5.05 It was also noted that production of synthetic crude in Alberta's upgraders had been down since July, but production recovered in October to average 1.32 mb/d, almost the same level as in January 2021, while production of crude bitumen and NGLs was up month over month to average 1.99 mb/d and 1.17 mb/d, respectively. Alberta production is expected to increase through December and into the next year.

5.06 Higher monthly liquids output in October and expected higher output in November and December, led to an upward revision for Canadian liquids supply for 2021 by 24 tb/d to 0.35 mb/d and average 5.51 mb/d. For 2022, Canada's liquids production was forecast to increase at a slower pace compared with the current year, rising by 0.18 mb/d to average 5.70 mb/d, revised up by 0.01 mb/d from the previous month's assessment.

5.07 At the international level, the global economy recovered strongly in 2021, supported by unprecedented fiscal and monetary stimulus in major economies, pent-up demand and increased investments. The OPEC Report for December 2021, estimated world GDP growth at 5.5% in 2021 and at 4.2% in 2022.

5.08 Global oil demand growth is estimated to have rebounded by 5.7 mb/d y-o-y in 2021. The non-OECD region increased 3.2 mb/d, while the OECD is estimated to have added 2.5 mb/d. This increase is driven by a steady rebound in economic activities and improved transportation fuel consumption, despite a resurgence in COVID-19 cases and containment measures.

Importance of Carbon Capture Technologies

5.09 As part of its strategy for the exploitation of the Assets, the Company intends to use carbon capture utilization and storage strategies including use of carbon to pressurize the wells.

5.10 At the Valuation Date, Canada's oil and natural gas producers were facing significant demands under the Federal Governments emissions-reduction plan with expectations for further reduction demands expected.

5.11 It is thought that much of the target would be met through methane reduction and by switching to low-emitting electricity for operating wells and other machinery. As well, methane often leaks out from valves and other openings in the network of gas wells, pipelines and processing plants.

5.12 In an IEA article discussing the potential benefits of carbon capture techniques, it was noted that the oil and gas industry is a leader in developing and deploying CO2 capture. "Of the approximately 30 Mt CO2 captured today from industrial activities in large-scale CCUS facilities, nearly 70% is captured from oil and gas operations." Companies are able to use the captured CO2, either by selling it to industrial facilities or by injecting it into the subsurface to boost oil recovery.[3]

[3] Can CO2-EOR really provide carbon-negative oil?, Christophe McGlade, International Energy Agency, April 11, 2019

5.13 "The process of injecting CO2 into existing oil fields is a well-known "enhanced oil recovery" (EOR) technique: the addition of CO2 increases the overall pressure of an oil reservoir, forcing the oil towards production wells." Further, the CO2 can also blend with the oil, improving its mobility and so allowing it to flow more easily. The IEA estimated that in 2019 around 500 thousand barrels of oil are produced daily using CO2-EOR today - representing around 20% of total oil production from EOR.

5.14 The IEA analysis estimated that, as a barrel of oil releases around 400 kg CO2 when combusted, and around 100 kg CO2 on average during the production, processing and transport of the oil, there is the possibility for the full lifecycle emissions intensity of oil to be neutral or even "carbon-negative".

5.15 TD Bank economists noted that CCUS is a particularly important piece of the clean energy transition plan where hydrogen becomes a dominant energy source for application in the transport, industry and building sectors. In turn, they referenced an IEA study that estimated these three sectors contributed to 56% of total global energy-related CO2 emissions in 2018. For cement production, it is believed that CCUS is one of the only currently known technology solutions for considerable emissions reductions. Citing another IEA study, TD Bank suggests that CCUS has the potential to account for between 15% and 90% of emissions reductions in the iron and steel, cement, chemicals, fuel transformation and power generation sectors by 2070.[4]

5.16 The oil and gas industry's current upcycle has longer to run (though the Omicron variant could cut it short if recent global market volatility is any indication). RBC revised its 2022 forecast for oil prices (WTI) higher since our last Provincial Outlook on the strength of global demand. Improving cash flows will support stronger drilling activity and increasing crude production. New pipeline capacity expansion (including Enbridge's Line 3 replacement) will further facilitate delivery to market. We expect the sector's capital expenditures to trend higher though they will remain a fraction of what they were before oil prices crashed in mid-2014.[5]

[4] Carbon Capture: Why It Shouldn't Be Ruled Out as a Key Piece of the Net Zero Puzzle, B. Caranci, F. Fong, M. Gebreselassie, TD Economics, March 22, 2022
[5] RBC Economics, Provincial Outlook - December 2, 2021.

6. Description of the Assets

6.01 As set out in the Agreement of Purchase and Sale, dated October 1, 2021, the Assets consist of 53,835 Acres (43,935 net Acres) of mineral rights, associated wells, pipelines and facilities. Management indicated that in total, there are four distinct, vertically stacked and strategically related plays. Additional details include:

- 68 sections, 43,935 acres (net) land
- Oil & natural gas production and reserves
- Sustainable - Material Rex Oil Development (upper Mannville formation)
- Ellerslie Natural gas & liquids production and infrastructure
- Large contiguous synergistic underlying Duvernay mineral rights

6.02 A carve out of the Assets illustrating the accounting for the Assets at September 30, 2021 is provided on Schedule 1.

6.03 In their reserve estimation and economic evaluation (executive summary) dated January 22, 2022 (effective date: December 31, 2021), Deloitte provides the following metrics:

(MBOE)	Working Interest	Net
Proved – Developed Producing	518.9	466.0
Proved Developed Non-Producing	692.8	600.7
Proved undeveloped	991.5	891.6
Total Proved	2,203.2	1958.3
Total Probable	1,073.1	959.2
Total Proved + Probable	3,276.3	2,917.5

6.04 Deloitte's production forecasts are summarized in the following table:

	Oil Volume (Mbbl)	Gas Volume (MMcf)	Liquids (Mbbl)
2022	121.1	1,184.5	38.3
2023	129.3	1,540.2	30.4
2024	79.2	1,206.0	24
2025	58.9	998.6	19.6
2026	47.6	849.1	16.2
2027	40.1	745.0	13.8
2028	34.2	665.9	12.1
2029	29.1	594.8	10.6
2030	24.8	537.1	9.4
2031	21.2	487.7	8.4
2032	18.1	445.0	7.5
2033	15.1	399.5	6.6
2034	12.9	369.5	6
2035	11.0	340.4	5.5
2036	8.2	310.7	4.9
thereafter	10.8	2,797.2	39.9
	661.4	14,171.3	253

6.05 Of note, in the first seven years approximately 77% of oil reserves and 55% of natural gas reserves will have been produced. In addition to the oil and gas production, significant liquids production is anticipated as well.

7. Valuation of the Assets

7.01 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.

7.02 As part of our analysis, we reviewed the detailed forecasts within the Deloitte reserve estimation and economic report dated January 21, 2022 (the "Deloitte Report"). Fifteen-year production and cash flow forecasts are included within the Deloitte Report (for each category of reserves: proven producing, through proved plus probable) for the period 2022 through 2036 (with a remaining amount included to encapsulate the amount realized thereafter).

7.03 A summary of Deloitte's Economics model (future cash flow) for Total Proved + Probable is set out in the following table:

	Sales Revenue	Royalty Burden	Net Revenue	Operating Costs	Abandonment & Salvage	Net Operating Income	CCA	Cdn. Dev Expense	Before tax Cash Flow
2022	17,499.2	2,030.5	15,468.7	2,777.4	-	12,691.3	445.0	13,873.0	(1,626.7)
2023	14,524.7	1,447.5	13,077.2	2,821.9	40.7	10,214.6	-	-	10,214.6
2024	9,332.3	945.5	8,386.8	2,240.9	10.3	6,135.6	-	-	6,135.6
2025	7,515.0	753.4	6,761.6	1,970.2	(5.3)	4,796.7	-	-	4,796.7
2026	6,334.6	626.8	5,707.8	1,793.9	21.5	3,892.4	-	-	3,892.4
2027	5,538.4	495.0	5,043.4	1,692.3	(5.5)	3,356.6	-	-	3,356.6
2028	4,962.9	442.5	4,520.4	1,618.9	-	2,901.5	-	-	2,901.5
2029	4,408.1	393.7	4,014.4	1,548.9	-	2,465.5	-	-	2,465.5
2030	3,948.3	353.9	3,594.4	1,493.2	23.2	2,078.0	-	-	2,078.0
2031	3,579.2	321.5	3,257.7	1,446.9	7.2	1,803.6	-	-	1,803.6
2032	3,237.2	293.3	2,943.9	1,406.6	(2.4)	1,539.7	-	-	1,539.7
2033	2,894.2	265.0	2,629.2	1,321.4	36.9	1,270.9	-	-	1,270.9
2034	2,636.7	242.9	2,393.8	1,297.7	60.9	1,035.2	-	-	1,035.2
2035	2,424.2	225.3	2,198.9	1,275.0	4.0	919.9	-	-	919.9
2036	2,108.0	200.7	1,907.3	1,148.2	(2.6)	761.7	-	-	761.7
thereafter	17,345.4	1,765.4	15,580.0	9,169.0	2,394.1	4,016.9	-	-	4,016.9
	108,288.4	10,802.9	97,485.5	35,022.4	2,583.0	59,880.1	445.0	13,873.0	45,562.1

7.04 A summary of the Net Present Value calculations as completed by Deloitte at discount rates of 8%, 10% and 15% is provided in the following table:

	NPV @ 8%	NPV @ 10%	NPV @ 15%
Proved – Developed Producing	3,579.8	3,380.1	2,977.5
Proved Developed Non-Producing	8,477.4	8,007.1	7,092.1
Proved undeveloped	6,816.5	6,123.5	4,725.1
Total Proved	18,873.7	17,510.7	14,794.7
Total Probable	10,276.8	9,176.0	7,141.1
Total Proved + Probable	29,150.5	26,686.8	21,935.8

Cash Flow Analysis

7.05 Schedules 2A through 2D provide summaries of Avila Management's actual and projected cash flow for various periods: actual for December, January and February and a projected 2022 cash flow. The actual forecasts are predicated on commodity prices that were in place in December using production in those months. Of note:

- Production in December and January was impacted by an event (vandalism) at one of the production facilities,
- The analysis does not incorporate capital expenditures, and
- Analysis is predicated on (reasonable) assumptions as to royalty rates and lifting costs.

7.06 A number of wells were completed in March (consistent with Management's plans) that resulted in a material increase in pre-tax (and capital expenditure) cash flow.

Transaction Analysis

7.07 Attached as schedule 3 is a summary of completed transactions since 2020. In compiling this information, it is impossible to eliminate differences in factors affecting the implied price/multiples (i.e. land may be an important component, access to market, additional assets, etc.). However, they do provide an indication of values being paid in the marketplace.

7.08 Of note are the following implied metrics:

- The mean and median price paid per flowing barrel was approx. $27,000.
- Multiple of cash flow was approx. 3.7 times.

Discussions with Industry Professionals

7.09 As part of our analysis, we contacted a number of industry professionals in order to broaden our understanding of valuation, production and other metrics common within the western Canada oil & gas industry.

Discussion with Mr. Steven Glover, CA, CPA, Chief Financial Officer (retired), Clearview Resources Ltd.

7.10 Mr. Glover noted the following observations as to valuation of oil & gas interests around the Valuation Date:

- Proven (including: Proved Developed Producing, Proved Developed Non-producing and Proved undeveloped) at 10% was a commonly used metric including consideration of asset retirement obligations,
- Cash flow multiples had declined, and
- Previously cash flow multiples had been in the 5 to 7 to range, but with higher commodity prices, they had come down; possibly due to market expectations that the prices could not be sustained.

7.11 He noted that since the Ukraine war, prices have risen even further and that multiples have fallen to 3 or less for small Canadian producers. From a general understanding of the area in which the assets were located, he expected that there would be ample egress and opportunity to move the products to market. Mr. Glover also referenced a recent National Post article by Eric Nuttall in which Mr. Nuttall stated:

"Further, given still depressed trading multiples, with the average Canadian energy stock trading at only 2.6x its enterprise value to cash flow at US$100 WTI, a significant discount to historical averages of near 7x, as well as trading at a fraction of reserve values, global energy investors are insisting that excess free cash flow go towards share buybacks rather than growth. "The world has plunged into a deep, enduring energy crisis that may threaten the economy for years to come."[6]

Discussion with Mr. Ron Camp, President, Outlier Resources Ltd

7.12 Mr. Camp note that the oil & gas industry had changed dramatically in the past 5 to 7 years – concerns related to liabilities and the Liability Management Rating and Reporting requirements.

7.13 It was noted that oil & gas economics tend to have somewhat conservative forecasts relative to the forward strip. Mr. Camp also noted that facilities can be liabilities rather than assets if there are major environmental issues.

[6] "The world has plunged into a deep, enduring energy crisis that may threaten the economy for years to come". National Post, March 28, 2022

8. Additional Considerations and Conclusion

8.01 In arriving at a range of value for the Assets, we primarily took into consideration the following parameters and indicators of value:

i. Valuation based on Proven (only) reserves discounted at 8% to 10%
ii. Valuation based on Proven plus Probable reserves discounted at 10%
iii. Valuation based on multiples of go-forward cash-flow at 2.5 to 4.0 times

Supported by

i. Implied value per BOE reserves
ii. Implied value per flowing barrel of oil equivalent

8.02 The first metric would value the Assets in the range of $17.5 million $18.9 million, while the second metric would value the Assets at approx. $26.7 million. Based on a go-forward cash flow of approximately $10 million, the Assets would have a value in the range of $25 million to $40 million. However, the Company was expected to exceed $10 million in the first year.

8.03 Given the wide range of implied values, we ultimately concluded that given the features of the Assets that a range predicated on the NPV of proven plus probable reserves at 10% at the upper end with a multiple of 2.5 times cash flow (as projected for 2022) at the lower end was warranted (ie. $25 million to $27 million).

8.04 As part of their analysis Deloitte has estimated that proved plus probable reserves totaled 2,917.5 MBOE. At a value of $25 million, this implies a value of $8.57 per BOE and $9.25 per BOE at $27 million.

Other Considerations

8.05 It was noted in the Deloitte report that "At the request of Avila, abandonment and reclamation costs have only been included for wells which have been assigned reserves within this evaluation. Costs associated with uneconomic producing wells, suspended wells, pipelines, and facilities were not included in this evaluation. Additionally, based on guidance from Avila, a small salvage value has been included on wells with reserves assigned and future locations at the end of the forecast life."

8.06 In arriving at our conclusion, we have attempted to consider the risks and potential costs associated with asset retirement obligations. We have also attempted to take into consideration the efficiencies associated with the wells having access to a developed network. Although not specifically considered we understand that the Company had a buyer for its natural gas production in place that was capable of absorbing the expected increase for 2022 and beyond.

8.07 Consistent with Section 6.4(2)(d) of MI 61-101, in determining fair market value, we have not included a downward adjustment to reflect the liquidity of the Assets, the effect on the Assets that the transaction might have, or the fact that the Assets do not form part of a controlling interest.

Conclusion

8.08 Based on the scope of our review, assumptions and restrictions set out herein, we have concluded that the fair market value of the Assets as at December 31, 2021 was in the range of $25,000,000 to $27,000,000.

9. Distinct Material Benefit

9.01 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." Appendix A to the Canadian Institute of Chartered Business Valuators also requires the valuator to disclose whether such benefit is reflected in the valuation conclusion.

9.02 Based on our 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.

9.03 It is our view that the quantum and likelihood of a monetary premium being paid for the Assets due to these benefits is speculative and therefore we have not incorporated such benefits into our analysis.

10. Restrictions and Limitations

10.01 This report is not intended for general circulation or publication, nor is it to be reproduced or used for any purpose other than outlined above, without our written permission in each specific instance. HLVG does not assume any responsibility or liability for losses occasioned to Avila Energy, Petro Viking, 611890 AB their shareholders or other parties as a result of the circulation, publication, reproduction or other use of this report contrary to the provisions of this paragraph.

10.02 HLVG reserves the right (but will be under no obligation) to review all calculations included or referred to in this report and, if we consider it necessary, to revise the calculations in the light of any information existing at the Valuation Date, which becomes known to us after the date hereof.

10.03 We have tested our valuation conclusions by methods other than those detailed in this report and, accordingly, reserve the right (but will be under no obligation) to further support our conclusions by those other methods if we consider it necessary for any reason.

10.04 The schedules that follow are an integral part of this report and should be read in conjunction with it.

Yours truly,

Hemens Lawritsen Valuation Group Ltd.
Per: Scott Lawritsen, CFA, CBV

Appendix A. Scope of Review

A.1 In preparing the Valuation, HLVG has among other things, reviewed and, where considered appropriate, relied upon certain financial and other information relating to the Assets including publicly available information. The following, among other things, sets forth the principal documents and key information HLVG reviewed and relied upon:

(i) Agreement of Purchase and Sale, dated October 1, 2021, between 611890 Alberta Inc. (doing business as Avila Energy) and Petro Viking Energy Inc.;

(ii) Avila Energy Corp. reserve estimation and economic evaluation (executive summary) as prepared by Deloitte LLP (effective date: December 31, 2021), dated January 21, 2022;

(iii) unaudited carve-out balance sheet of the Assets as at September 30, 2021, as prepared by Management;

(iv) draft copy of an Avila Energy Investor Presentation (not public at the date of this report);

(v) transaction information as accessed by the Company's financial advisor through the Evaluate Energy Ltd. (canoils.com);

(vi) discussions with the Management of Avila Energy with respect to, among other things, the business operations, the quality of its principal assets, its operating performance and future prospects;

(vii) certain current and historical public stock market, financial and other relevant, publicly available information;

(viii) publicly available information regarding the western Canadian oil & gas industry and general economic conditions;

(ix) data with respect to other business transactions of a comparable nature considered by us to be relevant in the circumstances; and

(x) various academic and industry papers related to the analysis and pricing of oil & gas assets.

Avila Energy (611890 Alberta Inc.)
Balance Sheet (carve out of the Assets)
As at September 30, 2021
(unaudited)

Schedule 1

Assets		
Petroleum and gas natural properties and equipment	$	11,258,265
Less: Accumulated Depletion		(46,729)
Facilities		374,879
Less: Accumulated Amortization		(30,560)
	$	11,555,854
Liabilities		
Current		
Cash Deficit	$	732,859
Current tax liability (recovery)		4,628
Total Current Liabilities		737,487
Non Current		
Deferred tax liabilities		2,178,008
Decommissioning liabilities		2,043,384
Total Non Current Liabilities		4,221,392
Total Liabilities		4,958,879
Shareholder's Equity		
Retained earnings		6,596,975
Total liabilities and shareholder's equity	$	11,555,854

Avila Energy
Proforma Cash Flow Forecast
(unaudited)

Schedule 2A

				Actual December 2021 Annualized				
Volume:								
No. of Wells		Product	Unit	Product Mix	Vol/day	Vol/Mth		Vol/Year
2	Honey Suckle wells	OIL	BBL	11%	20	600		7,200
1	Bonnie Glen wells (produce 83% oil)	OIL	BBL	0%	-	-		-
4	Ferry Bank wells (ownership - PVE 50%, 611890 50%)	GAS	BOE	33%	60	1,800		21,600
9	Bonnie Glen wells	GAS	BOE	28%	50	1,500		18,000
20	Ferry Bank wells	GAS	BOE	28%	50	1,500		18,000
1	Bonnie Glen wells (produce 17% gas)	GAS	BOE	0%	-	-		-
				100%	180	5,400		64,800
Add: Revenue								
	Price per BBL (oil)	OIL	BBL	11%	$ 75.00	45,000		540,000
	Price per BOE (gas)	GAS	BOE	89%	$ 25.00	120,000		1,440,000
	Gross Revenue					165,000		1,980,000
	Less: Royality OIL	OIL	BBL	11%	20%	(9,000)		(12,000)
	Less: Royality GAS	GAS	BOE	89%	10%	(4,500)		(48,000)
Net Revenue						151,500		1,920,000
Less: Operating expense								
	Operating Expense for Oil	OIL	/BBL	11%	$ 12.00	(7,200)		(86,400)
	Operating Expense for Gas	GAS	/BOE	89%	$ 4.20	(20,160)		(241,920)
Net Operating Cash Flow From Producing Wells						$ 124,140	$	1,591,680

Avila Energy
Proforma Cash Flow Forecast
(unaudited)

Schedule 2B

				Actual January 2022 Annualized			
Volume:							
No. of Wells		Product	Unit	Product Mix	Vol/day	Vol/Mth	Vol/Year
2	Honey Suckle wells	OIL	BBL	4%	30	900	10,800
1	Bonnie Glen wells (produce 83% oil)	OIL	BBL	0%	-	-	-
4	Ferry Bank wells (ownership - PVE 50%, 611890 50%)	GAS	BOE	9%	60	1,800	21,600
9	Bonnie Glen wells	GAS	BOE	13%	90	2,700	32,400
20	Ferry Bank wells	GAS	BOE	7%	50	1,500	18,000
1	Bonnie Glen wells (produce 17% gas)	GAS	BOE	0%		-	-
				33%	230	6,900	82,800
Add: Revenue							
	Price per BBL (oil)	OIL	BBL	13%	$ 75.00	67,275	807,300
	Price per BOE (gas)	GAS	BOE	87%	$ 25.00	150,075	1,800,900
	Gross Revenue					217,350	2,608,200
	Less: Royality OIL	OIL	BBL	13%	20%	(13,455)	(17,940)
	Less: Royality GAS	GAS	BOE	87%	10%	(15,008)	(71,760)
Net Revenue						188,888	2,518,500
Less: Operating expense							
	Operating Expense for Oil	OIL	/BBL	13%	$ 12.00	(10,764)	(101,088)
	Operating Expense for Gas	GAS	/BOE	87%	$ 4.20	(25,213)	(236,779)
Net Operating Cash Flow From Producing Wells						$ 152,911	$ 2,180,633

Avila Energy
Proforma Cash Flow Forecast
(unaudited)

Schedule 2C

				Actual February 2022 Annualized				
Volume:								
No. of Wells		Product	Unit	Product Mix		Vol/day	Vol/Mth	Vol/Year
2	Honey Suckle wells	OIL	BBL	7%		50	1,400	16,800
1	Bonnie Glen wells (produce 83% oil)	OIL	BBL	0%		-	-	-
4	Ferry Bank wells (ownership - PVE 50%, 611890 50%)	GAS	BOE	9%		60	1,680	20,160
9	Bonnie Glen wells	GAS	BOE	13%		90	2,520	30,240
20	Ferry Bank wells	GAS	BOE	14%		100	2,800	33,600
1	Bonnie Glen wells (produce 17% gas)	GAS	BOE	0%		-	-	-
				43%		300	9,000	108,000
Add: Revenue								
	Price per BBL (oil)	OIL	BBL	17%	$	75.00	114,750	1,377,000
	Price per BOE (gas)	GAS	BOE	83%	$	25.00	186,750	2,241,000
	Gross Revenue						301,500	3,618,000
	Less: Royality OIL	OIL	BBL	17%		20%	(22,950)	(30,600)
	Less: Royality GAS	GAS	BOE	83%		10%	(18,675)	(122,400)
Net Revenue							259,875	3,465,000
Less: Operating expense								
	Operating Expense for Oil	OIL	/BBL	17%	$	12.00	(18,360)	(132,192)
	Operating Expense for Gas	GAS	/BOE	83%	$	4.20	(31,374)	(225,893)
Net Operating Cash Flow From Producing Wells							$ 210,141	$ 3,106,915

Avila Energy
Proforma Cash Flow Forecast
(unaudited)

Schedule 2D

Projected 2022 Cash Flow (expectation at Dec. 31 2021)

Volume:							
No. of Wells		Product	Unit	Product Mix	Vol/day	Vol/Mth	Vol/Year
2	Honey Suckle wells	OIL	BBL	7%	50	1,500	18,000
1	Bonnie Glen wells (produce 83% oil)	OIL	BBL	36%	250	7,500	90,000
4	Ferry Bank wells (ownership - PVE 50%, 611890 50%)	GAS	BOE	9%	60	1,800	21,600
9	Bonnie Glen wells	GAS	BOE	13%	90	2,700	32,400
20	Ferry Bank wells	GAS	BOE	29%	200	6,000	72,000
1	Bonnie Glen wells (produce 17% gas)	GAS	BOE	7%	50	1,500	18,000
				100%	700	21,000	252,000
Add: Revenue							
	Price per BBL (oil)	OIL	BBL	43%	$ 75.00	677,250	8,127,000
	Price per BOE (gas)	GAS	BOE	57%	$ 25.00	299,250	3,591,000
	Gross Revenue					976,500	11,718,000
	Less: Royality OIL	OIL	BBL	43%	20%	(135,450)	(180,600)
	Less: Royality GAS	GAS	BOE	57%	10%	(29,925)	(722,400)
Net Revenue						811,125	10,815,000
Less: Operating expense							
	Operating Expense for Oil	OIL	/BBL	43%	$ 12.00	(108,360)	(334,368)
	Operating Expense for Gas	GAS	/BOE	57%	$ 4.20	(50,274)	(155,131)
Net Operating Cash Flow From Producing Wells						$ 652,491	$ 10,325,501

Summary of Market Transactions
January 1, 2020 forward
(unaudited)

Schedule 3

Date	Acquiror	Target	($MM)	BOE/D	Proved	P+P	$/BOE Per Day	Times	WTI	NYMEX
20-Jan-20	International Petroleum Corp.	Granite Oil Corp.	78.2	1,515	5.09	3.87	51,661	5.3	57.35	2.18
5-Feb-20	Caltex Resources Ltd.	Bernum Petroleum Ltd.	3.9	360	n/a	60.00	10,833	n/a	51.42	2.15
7-Feb-20	Revolution Oil & Gas	Broadview Energy Ltd. (Sparky Assets)	7.5	188	n/a	n/a	39,894	0.0	51.03	2.16
14-Feb-20	Tourmaline Oil Corp.	Polar Star Canadian Oil & Gas Inc.	9.0	2,500	n/a	0.11	3,600	n/a	52.69	2.14
24-Feb-20	Tourmaline Oil Corp.	Chinook Energy Inc.	24.4	3,000	8.67	4.49	8,133	10.5	51.50	2.13
27-Feb-20	Whitecap Resources Inc.	Hyak Energy ULC	16.2	600	5.55	3.43	27,000	2.0	47.02	2.10
23-Apr-20	Spartan Delta Corp.	Bellatrix Exploration Ltd.	102.2	25,000	0.55	0.38	4,088	2.3	27.38	2.49
5-May-20	TORC Oil & Gas Ltd.	Ventura Resources Inc.	3.0	200	n/a	n/a	15,000	3.0	31.04	2.60
8-Jun-20	Longshore Resources Ltd.	Rifle Shot Oil Corp. / Steelhead Petroleum Ltd. / Primavera Resources Corp.	n/a	7,018	n/a	n/a	n/a	n/a	39.11	2.43
23-Jun-20	i3 Energy Plc	Toscana Energy Income Corporation	3.9	881	1.11	0.83	4,373	4.1	40.53	2.30
23-Jun-20	i3 Energy Plc	Gain Energy Ltd.	80.0	10,645	n/a	1.15	7,515	1.8	40.53	2.30
6-Jul-20	Certus Oil and Gas Inc.	NAL Resources Management Ltd. (Sylvan Lake Assets)	n/a	5,200	n/a	n/a	n/a	n/a	41.20	2.42
9-Jul-20	Tamarack Valley Energy Ltd.	Undisclosed (West Central AB Assets)	n/a	2,500	0.57	0.40	1,700	n/a	40.61	2.41
22-Jul-20	ConocoPhillips	Kelt Exploration Ltd. (Inga/Fireweed Assets)	551.0	14,269	n/a	n/a	36,933	8.1	42.54	2.37
7-Aug-20	Harvard Resources Inc.	i3 Energy Plc. (SK Assets)	45.0	1,100	n/a	n/a	40,909	n/a	43.01	2.75
10-Aug-20	Canadian Natural Resources Ltd.	Painted Pony Energy Ltd.	469.1	49,749	0.95	0.41	9,429	8.0	43.31	2.71
14-Aug-20	Strath Resources Ltd.	Cona Resources Ltd.	n/a	n/a	n/a	n/a	n/a	n/a	43.72	2.80
31-Aug-20	Whitecap Resources Inc.	NAL Resources Limited	155.0	27,000	2.85	2.26	5,741	1.6	44.21	2.96
14-Oct-20	Tempus Energy Ltd.	Tyrannex Energy Ltd.	n/a	n/a	n/a	n/a	n/a	n/a	42.42	3.01
15-Oct-20	Spur Petroleum Ltd.	Turnstone Energy Inc.	21.5	800	n/a	n/a	26,875	4.9	42.21	3.05
25-Oct-20	Cenovus Energy Inc.	Husky Energy Inc.	10,502.0	247,000	7.34	4.99	42,518	5.6	41.00	3.03
2-Nov-20	InPlay Oil Corp.	Undisclosed (Cardium Assets)	1.9	240	n/a	n/a	7,917	1.0	39.06	3.12
2-Nov-20	Undisclosed	Journey Energy Inc. (Countess Assets)	15.0	1,573	n/a	n/a	9,534	3.8	39.06	3.12
4-Nov-20	Tourmaline Oil Corp.	Modern Resources Inc.	144.0	8,205	n/a	1.64	17,550	3.4	40.80	3.01
4-Nov-20	Tourmaline Oil Corp.	Jupiter Resources Inc.	626.0	69,375	2.95	1.76	9,023	2.9	40.80	3.01
9-Nov-20	Headwater Exploration Inc.	Cenovus Energy Inc. (Marten Hills Assets)	100.0	2,800	n/a	12.05	35,714	4.9	41.31	2.89
12-Nov-20	Aspenleaf Energy Limited	Huron Resources Corp.	30.0	1,511	n/a	n/a	19,859	n/a	42.23	2.94
13-Nov-20	Undisclosed	Highwood Oil Company Ltd. (Red Earth Assets)	2.0	1,000	n/a	n/a	2,000	n/a	41.43	2.96
24-Nov-20	Freehold Royalties Ltd.	Undisclosed (Multi Basin Assets)	75.6	1,150	n/a	n/a	65,732	6.3	45.13	2.79
2-Dec-20	Undisclosed	Reserve Royalty Income Trust (Deep Basin Non-Op. WI Assets)	6.1	710	n/a	n/a	8,592	5.0	45.13	2.75
8-Dec-20	Whitecap Resources Inc.	TORC Oil & Gas Ltd.	887.0	24,995	9.76	6.35	35,485	5.5	45.90	2.58
14-Dec-20	Tamarack Valley Energy Ltd.	Woodcote Oil Corp. & Highwood Oil Company Ltd. (Clearwater Assets)	74.0	2,000	n/a	11.38	37,000	3.8	47.12	2.75
8-Feb-21	Undisclosed	Paramount Resources Ltd. (Non-core Assets)	80.0	2,600	n/a	12.31	30,769	8.0	55.95	3.01
10-Feb-21	ARC Resources Ltd.	Seven Generations Energy Ltd.	4,911.9	181,001	5.83	3.06	27,137	3.8	56.24	3.06
16-Feb-21	Spartan Delta Corp.	Inception Exploration Ltd. & Simonette / Willesden Green Assets	147.9	9,700	1.62	0.69	15,247	3.3	57.93	3.10
17-Feb-21	Peyto Exploration & Development Corp.	Undisclosed (Greater Sundance Assets)	35.0	2,900	n/a	n/a	12,069	n/a	58.93	3.16
17-Feb-21	Crescent Point Energy Corp.	Shell Canada Energy (Kaybob Duvernay Assets)	900.0	30,000	n/a	8.38	30,000	2.7	58.93	3.16
17-Feb-21	Distinction Energy Corp. / Kiwetinohk Resources Corp.	Ovintiv Inc. (Duvernay Assets)	335.0	10,000	n/a	n/a	33,500	3.7	58.93	3.16
25-Feb-21	Calima Energy Ltd.	Blackspur Oil Corp.	60.0	2,600	3.59	2.67	23,077	2.7	60.44	2.94
25-Feb-21	Ridgeback Resources Inc.	NuVista Energy Ltd. (Wembley Assets)	70.0	1,100	n/a	n/a	63,636	7.0	60.44	2.94
5-Mar-21	Tamarack Valley Energy Ltd.	Surge Energy Inc. (Sparky Assets) & Woodcote Petroleum Inc.	135.3	2,800	32.21	12.30	48,321	3.9	63.10	2.89
15-Mar-21	Tourmaline Oil Corp.	Leucrotta Exploration Inc. (Montney Assets)	30.0	375	32.57	1.38	78,165	nmf	62.80	2.72
5-Apr-21	Whitecap Resources Inc.	Kicking Horse Oil & Gas Ltd.	300.0	8,000	5.05	3.37	37,500	4.6	57.65	2.74
12-Apr-21	Tamarack Valley Energy Ltd.	Anegada Oil Corp.	494.5	11,800	47.10	12.33	41,907	3.7	58.45	2.80
3-May-21	Topaz Energy Corp.	Reserve Royalty Income Trust	26.0	611	10.62	6.92	42,576	4.1	62.28	2.98
5-May-21	Tourmaline Oil Corp.	Paramount Resources Ltd. (Birch Asset)	88.0	1,900	n/a	n/a	46,316	8.5	63.21	2.98
13-May-21	Saturn Oil & Gas Inc.	Crescent Point Energy Corp. (Oxbow Assets)	93.0	6,700	3.05	2.15	13,881	1.4	62.30	3.01
18-May-21	Tourmaline Oil Corp.	Saguaro Resources Ltd. (50% WI)	205.0	9,000	n/a	1.10	22,778	3.9	63.43	3.06

1-Jun-21	Cardinal Energy Ltd.	Venturion Oil Ltd.	47.5	2,400	n/a	n/a	19,792	2.2	65.32	3.05
11-Jun-21	Tourmaline Oil Corp.	Black Swan Energy Ltd.	1,148.2	50,000	4.84	2.33	22,964	4.7	67.58	3.21
22-Jun-21	Surge Energy Inc.	Astra Oil Corp.	160.0	4,100	n/a	9.64	39,024	2.8	69.53	3.21
22-Jun-21	Spartan Delta Corp.	Hammerhead Resources Inc. (Gold Creek & Simonette Assets)	10.1	300	n/a	n/a	33,667	4.5	69.53	3.21
24-Jun-21	Journey Energy Inc.	Briko Energy Corp.	6.6	610	2.93	2.26	10,820	2.6	69.45	3.33
2-Jul-21	Whitecap Resources Inc.	Highrock Resources Ltd.	67.1	2,338	14.01	9.56	28,708	2.1	70.69	3.45
7-Jul-21	i3 Energy Plc	Cenovus Energy Inc. (Central AB Assets)	65.0	8,418	2.36	0.82	7,722	1.7	67.83	3.39
16-Jul-21	Rubellite Energy Inc.	Perpetual Energy Inc. (Clearwater Assets)	60.0	350	16.67	16.67	nmf	12.8	68.25	3.49
19-Jul-21	PrairieSky Royalty Ltd.	Spur Petroleum Ltd.	155.0	500	n/a	n/a	n/a	n/a	64.13	3.54
21-Jul-21	Westbrick Energy Ltd.	Velvet Energy Ltd. (Deep Basin Assets)	143.0	7,600	n/a	n/a	18,816	2.9	66.65	3.67
23-Jul-21	Certus Oil and Gas Inc.	Sitka Exploration Ltd.	80.0	5,000	n/a	n/a	16,000	2.9	68.28	3.76
28-Jul-21	Spartan Delta Corp.	Velvet Energy Ltd.	743.3	20,600	5.31	3.31	36,083	2.8	68.65	3.73
30-Aug-21	Tenaz Energy Corp.	Altura Energy Inc.	23.8	1,009	4.19	2.24	23,562	2.4	66.88	3.87
31-Aug-21	Spartan Delta Corp.	Triple Five Group (Ferrier Assets)	34.9	2,100	n/a	1.84	16,619	1.4	66.52	3.93
15-Sep-21	Strathcona Resources Ltd.	Caltex Resources Ltd.	679.6	11,506	14.65	9.87	59,059	4.1	69.87	4.62
22-Sep-21	Tourmaline Oil Corp.	Kelt Exploration Ltd. (Peace River Charlie Lake Assets)	9.0	449	n/a	1.67	20,045	n/a	69.12	4.22
28-Sep-21	InPlay Oil Corp.	Prairie Storm Resources Corp.	50.0	1,800	2.35	1.86	27,781	3.1	71.31	4.88
4-Oct-21	Surge Energy Inc.	Fire Sky Energy Inc.	58.0	1,500	14.15	10.00	38,667	2.2	74.62	4.75
28-Oct-21	Chronos Resources Ltd.	Crew Energy Inc. (Lloydminster Assets)	10.3	1,050	n/a	1.63	9,810	n/a	76.94	4.61
2-Nov-21	Obsidian Energy Ltd.	China Investment Corp. (PROP Asset 45% WI)	43.5	2,434	9.14	6.45	17,872	1.3	76.70	4.50
9-Nov-21	Canadian Natural Resources Ltd.	Storm Resources Ltd.	933.4	30,992	5.82	4.69	30,117	3.7	77.97	4.27
30-Nov-21	Canadian Natural Resources Ltd.	Cenovus Energy Inc. (Wembley Assets)	238.0	3,200	n/a	n/a	74,375	n/a	65.15	4.16
6-Dec-21	Whitecap Resources Inc.	Undisclosed (AB and SK Assets)	342.5	9,000	n/a	n/a	38,056	2.6	68.48	3.60
15-Dec-21	Tamarack Valley Energy Ltd.	Crestwynd Exploration Ltd.	184.6	4,500	n/a	19.23	41,032	2.1	69.67	3.76
16-Dec-21	Strathcona Resources Ltd.	Cenovus Energy Inc. (Tucker Asset)	800.0	19,500	n/a	n/a	41,026	n/a	69.93	3.72
20-Dec-21	Pine Cliff Energy Ltd.	Apogee Petroleum Inc.	22.2	1,900	3.94	3.00	11,684	1.7	67.58	3.72
3-Feb-22	ROK Resources Inc.	Federated Co-operatives Limited (AB and SK Assets)	72.0	2,962	8.53	5.32	24,308	1.8	83.23	4.90
17-Feb-22	Saturn Oil & Gas Inc.	Undisclosed (West-Central SK Assets)	8.3	240	n/a	n/a	34,583	1.8	83.87	4.60
28-Feb-22	Astara Energy Corp.	Rolling Hills Energy Ltd. (Viking Assets)	95.0	2,500	10.50	6.27	38,000	1.8	86.18	4.55
2-Mar-22	Petrus Resources Ltd.	Undisclosed (Ferrier Assets)	14.4	425	n/a	n/a	33,882	n/a	94.09	4.91
9-Mar-22	Peyto Exploration & Development Corp.	Birchill Canada LP	22.0	880	n/a	n/a	25,000	n/a	93.79	4.70
23-Mar-22	Journey Energy Inc.	Tahoe Energy Ltd.	17.1	622	5.69	2.43	27,492	2.3	99.79	5.26
	Mean	Mean	377.2	12,756	8.67	6.06	27,271	3.7	58.63	3.26
	Mean Excl. High/Low	Mean Excl. High/Low	243.6	9,839	7.78	5.06	26,919	3.7	58.50	3.25
	Median	Median	72.0	2,500	5.43	3.19	26,938	3.1	59.68	3.05

SCHEDULE "D" - PLAN OF ARRANGEMENT

SCHEDULE "D"
PLAN OF ARRANGEMENT UNDER SECTION 193 OF THE
***BUSINESS CORPORATIONS ACT* (ALBERTA)**

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless the context otherwise requires, the following words and terms shall have the meaning hereinafter set out:

"**611**" means 611890 Alberta Inc. (dba Avila Energy), a corporation existing under the Laws of Alberta;

"**Arrangement**" means the arrangement of the Company under Section 193 of the BCAA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the terms of the LOI and the Agreement of Purchase and Sale and this Plan of Arrangement or made at the direction of the Court in the Final Order (with the prior written consent of the Company, each acting reasonably);

"**Agreement of Purchase and Sale**" means the definitive agreement dated October 1, 2021 entered into between the Company and 611 for the acquisition of 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.

"**Assets**" means 611's interests in 53,835 acres, 43,935 acres (net) of mineral rights, associated wells, pipelines and facilities in the Province of Alberta;

"**Authorization**" means, with respect to any Person, any authorization, Order, permit, approval, grant, licence, concession, registration, consent, right, notification, condition, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decision, decree, by-law, rule or regulation, of, from or required by any Governmental Entity having jurisdiction over the Person;

"**BCAA**" means the *Business Corporations Act* (Alberta), and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

"**Business Day**" means any day other than (a) a Saturday, Sunday or statutory holiday in the Province of Alberta, and (b) a day on which banks are generally closed in the Province of Alberta;

"**Canadian Securities Laws**" means all Canadian securities laws (and the respective regulations made thereunder, together with applicable published fee schedules, prescribed forms, policy statements, notices, Orders, blanket rulings and other regulatory instruments of the Securities Regulators) applicable to the Company, and all rules and policies of the CSE;

"**Company**" means Avila Energy Corporation, previously Petro Viking Energy Inc. a corporation existing under the Laws of Alberta;

"**Company Shareholders**" means the registered holders of Company Shares;

"**Company Shares**" means the common shares in the authorized share capital of the Company;

"**Court**" means the Court of Queen's Bench of Alberta;

"**Depositary**" means Computershare Trust Company;

“**Dissent Rights**” has the meaning set forth in Section 4.1(a);

“**Dissent Shares**” means Company Shares held by a Dissenting Shareholder and in respect of which the Dissenting Shareholder has validly exercised Dissent Rights;

“**Dissenting Shareholder**” means a registered Company Shareholder who has duly exercised their Dissent Right and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of Company Shares in respect of which Dissent Rights are validly exercised by such Company Shareholder;

“**Effective Date**” means the date on which the Proposed Acquisition becomes effective;

“**Effective Time**” means 12:01 a.m. (Calgary time) on the Effective Date or such other time on the Effective Date as agreed to by the Company and 611 in writing;

“**Encumbrance**” means any encumbrance, lien, charge, hypothec, pledge, title retention agreement, security interest of any nature, adverse interest, adverse claim, exception, reservation, servitude, right of occupation, any matter capable of registration against title, option, right of pre-emption, privilege, other third-party interest or any contract to create any of the foregoing;

“**Final Order**” means the final order of the Court in a form acceptable to the Company and 611, each acting reasonably, pursuant to Section 193(9) of the BCAA approving the Arrangement/Proposed Acquisition, as such order may be amended, modified, supplemented or varied by the Court (with the consent of the Company and 611, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Company and 611, each acting reasonably) on appeal;

“**Governmental Entity**” means:

(a) any domestic or foreign federal, provincial, territorial, regional, state, municipal or other government, governmental department, quasi-government, administrative, judicial or regulatory authority (including any securities regulatory authorities), agency, minister or ministry, board, body, bureau, commission (including any securities commission), instrumentality court or tribunal or any political subdivision thereof, or any central bank (or similar monetary or regulatory authority) thereof, any taxing authority, any ministry or department or agency of any of the foregoing;

(b) any Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any court;

(c) any stock exchange; or

(d) any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing entities established to perform a duty or function on its behalf;

“**Information Circular**” means the Information Circular calling the special Shareholder Meeting;

“**Interim Order**” means the interim order of the Court made pursuant to the BCAA in a form acceptable to the Company and 611, each acting reasonably providing for, among other things, the calling and holding of the Shareholder Meeting, as the same may be amended, modified, supplemented or varied by the Court (with the consent of the Company and 611, each acting reasonably);

“**Law**” means, with respect to any Person, any applicable law (including common law), by-law, statute, rule, regulation, principle of law and equity, order, ruling, ordinance, judgment, injunction, determination, award, decree or other legally binding requirement, whether domestic or foreign, and the terms and conditions of any Authorization of or from any Governmental Entity, and, for greater certainty, includes Canadian Securities Laws;

“**LOI**” means the Letter of Intent entered into between the Company and 611 dated June 14, 2021;

“**Order**” means any judicial, arbitral, administrative, ministerial, departmental or regulatory judgment, injunction, order, decision, ruling, determination, award, or decree of any Governmental Entity (in each case, whether temporary, preliminary or permanent);

“**Person**” includes an individual, general partnership, limited partnership, corporation, company, limited liability company, body corporate, joint venture, unincorporated organization, other form of business organization, trust, trustee, executor, administrator or other legal representative;

"**Plan of Arrangement**" means this plan of arrangement and any amendments or variations hereto made in accordance with the LOI, Agreement of Purchase and Sale, and this Plan of Arrangement or upon the direction of the Court (with the prior written consent of the Company and 611, each acting reasonably) in the Final Order;

“**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;

“**Resolution**” means the special resolution of the Company Shareholders approving the Arrangement which is to be considered at the Shareholder Meeting, substantially in the form of Schedule D to the Information Circular;

“**Securities Regulators**” means, collectively, the securities commissions and other securities regulatory authorities in each of the provinces and territories of Canada;

“**Shareholder Meeting**” means the special meeting of Company Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution;

“**Tax**” or “**Taxes**” means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Governmental Entity, including all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, transfer taxes (including taxes relating to the transfer of interests in real property or entities holding interests therein), franchise taxes, licence taxes, withholding taxes, payroll taxes, employment taxes, excise, severance, social security, government pension plan premiums and contributions, workers' compensation, employment insurance or compensation taxes or premium, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, customs duties or other taxes, fees, imports, assessments or charges of any kind whatsoever, together with any Tax indemnity obligations, and any interest, penalties or additional amounts imposed by any taxing authority (domestic or foreign), and any interest, penalties, additional taxes and additions to tax imposed with respect to any of the foregoing, in each case whether disputed or not; and

"**Tax Act**" means the *Income Tax Act* (Canada).

1.2 Interpretation Not Affected by Headings

The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Plan of Arrangement. Unless the contrary intention appears, references in this Plan of Arrangement to an Article, Section or Annex by number or letter or both refer to the Article, Section or Annex, respectively, bearing that designation in this Plan of Arrangement.

1.3 Number and Gender

In this Plan of Arrangement, unless the contrary intention appears, words importing the singular include the plural and vice versa, and words importing gender include all genders.

1.4 Computation of Time

If the date on or by which any action is required or permitted to be taken hereunder is not a Business Day, such action shall be required or permitted to be taken on the next succeeding day which is a Business Day.

1.5 References to Persons and Statutes

A reference to a Person includes any successor to that Person. A reference to any statute includes all regulations made pursuant to such statute and the provisions of any statute or regulation which amends, supplements or supersedes any such statute or regulation.

1.6 Currency

Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada and "$" refers to Canadian dollars.

1.7 Time References

References to time are to local time, Calgary, Alberta, unless otherwise specified.

1.8 Time

Time shall be of the essence in this Plan of Arrangement.

ARTICLE 2
EFFECT OF ARRANGEMENT

2.1 Arrangement

This Plan of Arrangement is made pursuant to and subject to the provisions of the LOI and the Agreement of Purchase and Sale entered into between the Company and 611.

2.2 Binding Effect

At the Effective Time, this Plan of Arrangement, the LOI, and the Agreement of Purchase and Sale shall, without any further authorization, act or formality on the part of the Court, become effective and be binding upon the Company, 611, the Depositary, the registrar and transfer agent of the Company, all registered and beneficial Company Shareholders, including Dissenting Shareholders.

ARTICLE 3
ARRANGEMENT

3.1 Arrangement

Commencing at the Effective Time, each of the following events shall occur and shall be deemed to occur consecutively in the following order, five minutes apart, except where noted, without any further authorization, act or formality:

(a) Each of the directors on the board of directors of the Company shall remain the same;

(b) each of the Company Shares held by Dissenting Shareholders in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred without any further act or formality to the Company (free and clear of all Encumbrances) in consideration for a claim against the Company for the amount determined under Article 4, and:

  (i) such Dissenting Shareholders shall cease to be the holders of such Dissent Shares and cease to have any rights as holders of such Dissent Shares other than the right to be paid fair value for such Company Shares as set out in Section 4.1;

(ii) such Dissenting Shareholders' names shall be removed as the holders of such Dissent Shares from the registers of Company Shares maintained by or on behalf of Company; and

(iii) the Company shall be deemed to be the transferee of such Dissent Shares free and clear of all Encumbrances, and the Company shall be entered in the registers of Company Shares maintained by or on behalf of the Company, as the holder of such Dissent Shares;

(c) the Company will be issuing to 611 in exchange of the purchase of the Assets is 4,440,000 Common Shares at $0.60 per Share and 30,000,000 Convertible Shares (to be authorized and issued) at a price of $0.80 per Common Share (the "Conversion") in accordance with the terms of the LOI and the Share distribution will be made in accordance with the terms of the Agreement of Purchase and Sale; and

(d) the Consideration shall be issued in accordance with Appendix "A" attached hereto and forming part hereof.

It is being expressly provided that the events provided for in this Section 3.1 will be deemed to occur on the Effective Date, notwithstanding that certain procedures related thereto may not be completed until after the Effective Date.

ARTICLE 4
DISSENT RIGHTS

4.1 Dissent Rights

(a) Each registered Company Shareholder may exercise rights of dissent ("**Dissent Rights**") with respect to the Company Shares held by such Company Shareholder pursuant to and in the manner set forth in section 191 of the BCAA, as modified by the Interim Order and this Section 4.1(a); provided that, notwithstanding section 191(5) of the BCAA, the written objection to the Resolution referred to in section 191(5) of the BCAA must be received by the Company not later than 5:00 p.m. (Calgary time) two Business Days immediately preceding the date of the Shareholder Meeting (as it may be adjourned or postponed from time to time). Dissenting Shareholders who:

i. are ultimately entitled to be paid by the Company fair value for their Dissent Shares (1) shall be deemed to not have participated in the transactions in Article 3 (other than Section 3.1(b)); (2) shall be deemed to have transferred and assigned such Dissent Shares (free and clear of any Encumbrances) to the Company; (3) will be entitled to be paid the fair value of such Dissent Shares by the Company, which fair value, notwithstanding anything to the contrary contained in the BCAA, shall be determined as of the close of business on the Business Day immediately preceding the date on which the Resolution was adopted at the Shareholder Meeting; and (4) will not be entitled to any other payment or consideration, including any payment that would be payable had such holders not exercised their Dissent Rights in respect of such Company Shares; or

ii. are ultimately not entitled, for any reason, to be paid by the Company fair value for their Dissent Shares, shall be deemed to have participated in the Proposed Acquisition in respect of those Company Shares on the same basis as a non-dissenting Company Shareholder.

(b) In no event shall the Company or any other Person be required to recognize a Dissenting Shareholder as a registered holder of Company Shares or any interest therein (other than the rights set out in this Section 4.1) at or after the Effective Time, and at the Effective Time the names of such Dissenting Shareholders shall be deleted from the central securities register of the Company as at the Effective Time.

(c) For greater certainty, in addition to any other restrictions in the Interim Order, no Person shall be entitled to exercise Dissent Rights with respect to Company Shares in respect of which a Person has voted or has instructed a proxyholder to vote in favour of the Resolution.

ARTICLE 5
CERTIFICATES AND PAYMENT

5.1 Certificates and Payments

(a) Following receipt of the Final Order and, in any event, no later than the Business Day immediately prior to the Effective Date, the Company shall deliver or cause to be delivered to the Depositary sufficient funds to satisfy the aggregate consideration payable to the Company under this Arrangement Plan, the LOI, and the Agreement of Purchase and Sale.

(b) Upon (i) surrender to the Depositary for cancellation of a certificate which immediately prior to the Effective Time represented outstanding Company Shares that were transferred to the Company together with any such additional documents and instruments as the Depositary may reasonably require, or (ii) electronic position representing outstanding Company Shares that was transferred to the Company the holder of the Company Shares, represented by such surrendered certificate or electronic position, shall be entitled to receive in exchange therefor, and the Depositary shall deliver to the Company, as soon as practicable after the Effective Time, the consideration that theCompany has the right to receive under the Arrangement, the LOI and the Agreement of Purchase and Sale less any amounts withheld pursuant to Section 5.3, and any certificate or electronic position so surrendered shall forthwith be cancelled.

5.2 Lost Certificates

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Common Shares that were transferred shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Person to whom such payment is to be delivered shall as a condition precedent to the delivery of such payment, give a bond satisfactory to the Company and the Depositary (each acting reasonably) in such sum as the Company may direct, or otherwise indemnify the Company in a manner satisfactory to the Company, acting reasonably, against any claim that may be made against the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

5.3 Limitation and Proscription

To the extent that a former Company Shareholder shall not have complied with the provisions of Section 5.1 or Section 5.2 on or before the date that is two years after the Effective Date (the "**final proscription date**"), then

(a) the consideration that such former Company Shareholder was entitled to receive shall cease to represent a right or claim of any kind or nature and the right of the holder to receive the applicable consideration for the Company Shares pursuant to this Plan of Arrangement, LOI, and Agreement of Purchase and Sale shall terminate and be deemed to be surrendered and forfeited to the Company for no consideration,

(b) the consideration that such former Company Shareholder was entitled to receive shall be delivered to the Company by the Depositary,

(c) the certificates formerly representing Company Shares deemed to be assigned and transferred by the holders thereof to the Company shall cease to represent a right or claim of any kind or nature as of such final proscription date, and

(d) any payment made by way of cheque by the Depositary pursuant to this Plan of Arrangement that has not been deposited or has been returned to the Depositary or that otherwise remains unclaimed, in each case, on or before the final proscription date shall cease to represent a right or claim of any kind or nature.

5.4 No Encumbrances

Any exchange or transfer of Company Shares pursuant to this Plan of Arrangement shall be free and clear of any Encumbrances or other claims of third parties of any kind.

ARTICLE 6
AMENDMENTS

Amendments

(a) The Company and 611 reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that any such amendment, modification or supplement must be agreed to in writing by each of the Company, 611 and filed with the Court, and, if made following the Shareholder Meeting, then: (i) approved by the Court, and (ii) if the Court directs, approved by the Company Shareholders and communicated to the Company Shareholders if and as required by the Court, and in either case in the manner required by the Court.

(b) Subject to the provisions of the Interim Order, any amendment, modification or supplement to this Plan of Arrangement, if agreed to in advance of the Shareholder Meeting by each of the Company and 611, may be proposed by any of the Company, or 611 at any time prior to or at the Shareholder Meeting, with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Shareholder Meeting shall become part of this Plan of Arrangement for all purposes.

(c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Shareholder Meeting will be effective only if it is agreed to in writing by each of the Company, 611, and if required by the Court, by holders of Company Shares voting in the manner directed by the Court.

(d) Any amendment, modification or supplement to this Plan of Arrangement may be made by the Company and 611 without the approval of or communication to the Court or the Company Shareholders, provided that it concerns a matter which, in the reasonable opinion of the Company and 611, is of an administrative or ministerial nature required to better give effect to the implementation of this Plan of Arrangement and is not materially adverse to the financial or economic interests of any of the Company Shareholders.

(e) This Plan of Arrangement may be withdrawn prior to the Effective Time.

ARTICLE 7
FURTHER ASSURANCES

Further Assurances

Notwithstanding that the transactions and events set out in this Plan of Arrangement shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the LOI and Agreement of Purchase and Sale shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out in this Plan of Arrangement.

APPENDIX "A"

Direction to Issue

Class A Common Shareholders	Class A CommonShares
Leonard B. Van Betuw	12,180,000
921229 Alberta Ltd.	12,600,000
Alexandra C. Van Betuw	3,600,000
Mariela Hernandez Castro	3,600,000
Laurel Resources Ltd.	3,000,000
1885712 Alberta Ltd.	2,910,000
Marc Girouard	2,500,000
Dale Harrison	2,000,000
Ryan Schnitzler	500,000
Hal Anderson	480,000
Windermere Holdings Ltd.	480,000
Jennifer Ottosen	300,000
Anna Atencio	100,000
Greg Doucette	100,000
Energy Advisors Group	90,000
TOTAL:	44,440,000

Preferred Non-voting Shareholders	Preferred Non-voting Shares
Avila Investments Ltd.	20,000,000
921229 Alberta Ltd.	10,000,000

SCHEDULE “E” - SECTION 191 BCAA

191(1) Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,

(b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,

(c) (b.1) amend its articles under section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in section 15.2(1),

(d) amalgamate with another corporation, otherwise than under section 184 or 187,

(e) be continued under the laws of another jurisdiction under section 189, or

(f) sell, lease or exchange all or substantially all its property under section 190.

(2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.

(3) In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)

(a) at or before any meeting of shareholders at which the resolution is to be voted on, or

(b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.

(6) An application may be made to the Court after the adoption of a resolution referred to in subsection (1) or (2),

(a) by the corporation, or

(b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5), to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.

(8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder

(a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or

(b) within 10 days after the corporation is served with a copy of the application, if a shareholder is the applicant.

(9) Every offer made under subsection (7) shall

(a) be made on the same terms, and

(b) contain or be accompanied with a statement showing how the fair value was determined.

(10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.

(11) A dissenting shareholder

(a) is not required to give security for costs in respect of an application under subsection (6), and
(b) except in special circumstances must not be required to pay the costs of the application or appraisal.

(12) In connection with an application under subsection (6), the Court may give directions for

(a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
(b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the Alberta Rules of Court,
(c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
(d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
(e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
(f) the service of documents, and
(g) the burden of proof on the parties.

(13) On an application under subsection (6), the Court shall make an order

(a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,
(b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,
(c) fixing the time within which the corporation must pay that amount to a shareholder, and
(d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(14) On

(a) the action approved by the resolution from which the shareholder dissents becoming effective,
(b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
(c) the pronouncement of an order under subsection (13), whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.

(15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).

(16) Until one of the events mentioned in subsection (14) occurs,

(a) the shareholder may withdraw the shareholder's dissent, or
(b) the corporation may rescind the resolution,

and in either event proceedings under this section shall be discontinued.

(17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.

(18) If subsection (20) applies, the corporation shall, within 10 days after

(a) the pronouncement of an order under subsection (13), or
(b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares, notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent

to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
(b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

SCHEDULE "F" – COMPANY'S 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 MONTHS 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)

WDM CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of:
Avila Energy Corporation
(Formerly Petro Viking Energy Inc.)

SERVICE

INTEGRITY

TRUST

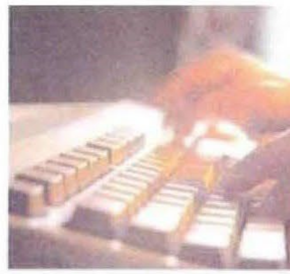
Opinion

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.

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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 $
ASSETS			
CURRENT			
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
		2,208,655	1,624,417
NON-CURRENT			
Property and Equipment	6	837,875	773,011
Exploration and Evaluation Assets	7	1,537,296	281,600
		4,583,826	2,679,028
LIABILITIES			
CURRENT			
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	-
		373,128	1,412,956
NON-CURRENT			
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
		1,906,079	3,227,770
SHAREHOLDERS' EQUITY (DEFICIENCY)			
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)
		2,677,747	(548,742)
		4,583,826	2,679,028

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 $
OIL AND NATURAL GAS REVENUE	15	301,340	-
OPERATING COSTS		(116,339)	-
ROYALTY EXPENSE		(34,830)	-
		150,171	-
EXPENSES			
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
		(1,462,737)	(788,960)
LOSS BEFORE OTHER ITEMS		(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
		(102,620)	(159,747)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		1,415,186	948,707
Basic and Diluted Loss Per Share		0.06	0.10
Weighted Average Number of Common Shares Outstanding, Basic and Diluted		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 $
OPERATING ACTIVITIES		
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)
	(1,043,909)	(541,926)
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
	(1,283,609)	(317,795)
INVESTING ACTIVITIES		
Increase in Advances	(1,720,000)	(382,465)
Acquisition of E&E Assets	(739,831)	
	(2,459,831)	(382,465)
FINANCING ACTIVITIES		
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)	-
	4,020,705	835,017
CHANGE IN CASH	277,265	134,757
CASH, BEGINNING OF YEAR	136,072	1,315
CASH, END OF YEAR	413,337	136,072
SUPPLEMENTAL CASH FLOW INFORMATION		
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.

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.

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.

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.

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.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Financial Instruments (continued)

The following table shows the original classification under IFRS 9:

Financial assets/liabilities	Classification
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.

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.

(Expressed in Canadian Dollars, unless otherwise stated)

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

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

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

(Expressed in Canadian Dollars, unless otherwise stated)

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	-
Balance, end of year	282,594	164,325

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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)	-
Balance, end of year	-	21,250

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.

(Expressed in Canadian Dollars, unless otherwise stated)

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
Balance, December 31, 2020	**703,526**	**801,499**	**2,292**	**1,507,317**
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
Balance, December 31, 2021	**521,039**	**729,318**	**235,500**	**1,485,875**

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

(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.

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.

(Expressed in Canadian Dollars, unless otherwise stated)

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
	209,357	343,940

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
	589,163	769,265

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
		1,724,000	271,000

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. There 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.

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.

(Expressed in Canadian Dollars, unless otherwise stated)

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
Outstanding and Exercisable, December 31, 2021	200,000	0.35

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
Outstanding and Exercisable, December 31, 2020	4,016,700	0.24
Issued	9,382,961	0.29
Exercised	(373,300)	0.18
Expired	(41,667)	0.40
Outstanding and Exercisable, December 31, 2021	12,984,694	0.28

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
	12,984,694	0.28

(Expressed in Canadian Dollars, unless otherwise stated)

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	-
	301,340	-

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	-	-

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.

(Expressed in Canadian Dollars, unless otherwise stated)

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	2,440,218
	9,343,329

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.

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.

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.

PetroViking

PETRO VIKING ENERGY INC.

FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

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Independent Auditor's Report

MNP SENCRL srl / LLP

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

MNP SENCRL, srl[1]

April 30, 2021

[1] CPA auditor, CA, public accountancy permit no. A126822

MNP SENCRL srl / LLP

Petro Viking Energy Inc.
Statements of Financial Position
As at December 31,
(in Canadian dollars)

Assets	*Notes*	**2020**	**2019**
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**	**-**
Total current assets		**1,624,417**	**10,862**
Long term assets			
Property and equipment	6,7	**1,054,611**	**1,054,611**
Total assets		**2,679,028**	**1,065,473**
Liabilities			
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		**2,214,455**	**310,014**
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		**1,013,315**	**977,780**
Total liabilities		**3,227,770**	**1,287,794**
Shareholders' deficiency			
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		**(8,524,257)**	**(7,575,550)**
Total shareholders' deficiency		**(548,742)**	**(222,321)**
Total liabilities and shareholders' deficiency		**2,679,028**	**1,065,473**

Going concern *(Note 1)*
Basis of preparation *(Note 2)*
Subsequent events *(Note 21)*
Covid-19 outbreak *(Note 1)*

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

(in Canadian dollars)

	Notes	**2020**	2019
Expenses			
Consulting fees	14,16	**363,912**	76,705
Professional fees	16	**163,395**	66,782
Accretion expense	12	**90,702**	-
Management fees	16	**54,910**	56,000
Interest expense	11,12	**51,044**	55,713
Shareholder and trust services		**28,165**	21,032
Translation services		**13,994**	-
Finance fees	12	**11,284**	-
Listing fees		**5,995**	2,454
Office and administration		**5,559**	4,499
Travel		**-**	2,441
Net loss before the following items		**788,960**	285,626
Other income (loss):			
Gain on business combination	6	**-**	84,692
Reversal of payables	10	**11,786**	-
Gain on derecognition of related party liabilities	11	**48,975**	-
Change in derivative liability	12	**(220,508)**	-
		(159,747)	84,692
Loss before income taxes		**948,707**	200,934
Deferred tax recovery		**-**	25,121
Net loss and comprehensive loss for the year		**948,707**	175,813
Net loss per share, basic	15	**(0.10)**	(0.02)
Net loss per share, diluted	15	**(0.10)**	(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)

	Notes	# 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)
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	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)
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)

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,

	Notes	**2020**	2019
		$	$
Operating activities			
Net loss		**(948,707)**	(175,813)
Interest expense	12	**51,044**	55,713
Change in derivative liability	12	**220,508**	-
Reversal of payables	10	**(11,786)**	-
Shares and warrants issued for services	14	**105,288**	15,000
Accretion expense	12	**90,702**	-
Gain on loan discount	11	**(48,975)**	-
Change in prepaid expenses		**7,500**	(7,500)
Change in sales tax receivable		**4,800**	6,065
Change in accounts payable and accrued liabilities		**211,831**	212,372
Gain on business combination		**-**	(84,692)
Deferred tax recovery	17	**-**	(25,121)
Cash flow used by operating activities		**(317,795)**	(3,976)
Investing activities			
Increase in other receivable	**5**	**(382,465)**	**-**
Financing activities			
Issued debentures for debt (net of financing fees	12	**385,417**	-
Issued units for cash	14	**560,050**	-
Subscriptions to units	13	**935,500**	-
Restricted cash	13	**(935,500)**	
Share issuance costs	14	**(46,375)**	-
Share issuance costs in prepaid and other assets	13	**(64,075)**	
Cash flow from financing activities		**835,017**	-
Change in Cash		**134,757**	(3,976)
Cash, beginning of the year		**1,315**	5,291
Cash, end of the year		**136,072**	1,315
			-
Supplemental cash flow information:			
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 in 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.

Net assets acquired	$
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
Consideration	
Debenture issued and fair value of consideration	780,467

If the acquisition was effective on January 1st of 2019, it would have contributed revenues of $153,178 and royalty and operating expenses totaling $86,118 until closing on December 9th, 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

	Natural gas and liquids interest
Cost	
Balance at December 31, 2018	-
Decommissioning provisions	132,711
Acquisition (Note 6)	921,900
Balance at December 31, 2019 and 2020	1,054,611

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:

	December 31, 2020
	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.

8. Decommissioning obligation *(continued)*

		2020	2019
Balance - beginning of period		**164,325**	-
Liabilities acquired through business combination - Note 6	$	-	31,443
Change in estimates		-	132,711
Accretion		-	171
	$	**164,325**	164,325

9. Accounts payable and accrued liabilities

Significant components of Accounts Payable and Accrued Liabilities	**December 31, 2020**	December 31, 2019
	$	**$**
Accounts payable and accrued liabilities - trade	**371,318**	205,066
Interest Payable (Note 10 and 11)	**54,990**	3,947
Accrued management fees	-	101,000
	426,308	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.

12. Convertible debentures

	December 31, 2020 $	December 31, 2019 $
Debenture (a)	29,898	28,753
Debenture (b)	411,764	355,511
Debenture (c)	261,864	-
Total	**703,526**	**384,264**
Short-term	29,898	-
Long-term	673,628	384,264

	December 31, 2020 $	December 31, 2019 $
Derivative liability (b)	351,179	429,191
Derivative liability (c)	450,320	-
Total	**801,499**	**429,191**

(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 derivate 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. There 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. There 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.

14. Equity *(continued)*

	December 31, 2020		December 31, 2019	
	Number	**Amount**	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	12,069,290	7,092,087	8,877,623	6,663,083

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:

	Number of warrants #	**Exercise Price** $
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
Balance, December 31, 2020	**4,016,700**	**0.24**

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
Balance, December 31, 2020	**4,016,700**	**0.24**

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)

16. Related party disclosures

Key management personnel compensation:

	2020	2019
	$	$
Management and consulting fees	**340,773**	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:

	2020	2019
	$	$
Accounts payable and accrued liabilities including management and consulting fees	**93,903**	151,475
Unsecured promissory notes due September 15, 2022 bearing interest at 5% per annum compounded semi-annually.	**175,362**	-

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:

	2020	2019
	$	$
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.

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

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

MNP SENCRL, srl [1]

June 19, 2020

[1] CPA auditor, CA, public accountancy permit no. A126822

Petro Viking Energy Inc.
Statements of Financial Position
As at December 31
(in Canadian dollars)

	Notes	**2019**	2018
		$	$
Assets			
Current assets			
Cash		**1,315**	5,291
Sales taxes receivable		**2,047**	8,112
Prepaid expenses		**7,500**	-
Total current assets		**10,862**	13,403
Long term assets			
Property and equipment	4,6	**1,054,611**	-
Total assets		**1,065,473**	13,403
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7,10,12	**310,014**	294,151
Subcription to convertible debentures	9	**-**	30,000
Current portion of debenture and promissory notes payable	8	**-**	945,709
Total current liabilities		**310,014**	1,269,860
Non-current liabilities			
Convertible debenture	9	**384,264**	-
Asset retirement obligation	5	**164,325**	-
Derivative liability	9	**429,191**	-
Total liabilities		**1,287,794**	1,269,860
Shareholders' equity			
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)
Total shareholders' deficiency		**(222,321)**	(1,256,457)
Total liabilities and shareholders' deficiency		**1,065,473**	13,403

Going concern (Note 1)

Basis of presentation (Note 2)

Subsequent events (Note 15)

Approved on behalf of the directors:

Lars Glimhagen
Chief Executive Officer

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
Expenses		
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
Other income:		
Gain on business combination (note 4)	**84,692**	-
Loss before income taxes	**200,934**	269,590
Deferred tax recovery (note 13)	**25,121**	-
Net loss and comprehensive loss for the year	**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
		$	$
Operating activities			
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
Cash flow used in operating activities		**(3,976)**	(24,709)
Financing activity			
Subscricption to convertible debentures	8	**-**	30,000
Cash flow from financing activity		**-**	30,000
Change in Cash		**(3,976)**	5,291
Cash, beginning of the year		**5,291**	-
Cash, end of the year		**1,315**	5,291

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)
Balance, Decemeber 31, 2019	**17,755,111**	**6,663,083**	**(929,906)**	**1,617,760**	**2,292**	**(7,575,550)**	**222,321**

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

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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

<u>Amortized cost:</u>

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.

(in Canadian Dollars)

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.

Net assets acquired	$
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
Consideration	
Debenture issued (note 9) and fair value of consideration	780,467

The acquisition if effective on January 1st of 2019 would have contributed revenues of $153,178 and royalty and operating expenses totaling $86,118 until closing on December 9th, 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.

(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.

		2019	2018
Balance - beginning of period		**-**	-
Liabilities acquired through business combinations - Note 4	$	31,443	-
Change in estimates		132,711	-
Accretion		171	-
	$	**164,325**	-

6. Property and equipment

		Oil and natural gas interests
Cost		
Balance at December 31, 2018	$	-
Acquisition (note 4)		921,900
Decommissioning provisions (note 5)		132,711
Balance at December 31, 2019	$	1,054,611

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

Significant components of Accounts Payable and Accrued Liabilities	2019	2018
	$	**$**
Accounts payable - trade	**205,067**	97,912
Interest Payable (Note 8 and 9)	**3,948**	99,489
Accrued management fees	**101,000**	96,750
	310,015	294,151

(in Canadian Dollars)

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 chares 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 derivate 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).

(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)

(in Canadian Dollars)

12. Related party disclosures

	2019	2018
Key management personnel compensation:	**$**	**$**
Management and consulting fees	**117,705**	28,000
(Key management personnel are comprised of the Company's directors and officers.)		
Other related party transactions:		
Interest expense on debenture and promissory notes payable held by directors of the Company and companies controlled by directors of the Company [(1)]	**-**	64,368

Amount owing to related parties	**2019**	2017
	$	$
Accounts payable and accrued liabilities including management fees and interest	**104,729**	22,938
Promissory notes payable – Principal outstanding	**-**	50,629
	104,729	73,567

[(1)]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 statuary tax rate declined from 27% to 26.5% due to reduction of the Alberta tax rate on July 1, 2019.

(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.

<u>Interest rate risk:</u>

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.

<u>Commodity price risk:</u>

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 units 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)

Avila Energy Corporation

Amended Statements of Financial Position
As at March 31, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

	Note	2022 $	2021 $
ASSETS			
CURRENT			
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	21506,
Prepaid Expense		21,484	28,646
		1,801,167	2,208,655
NON-CURRENT			
Property and Equipment	6	1,196,482	837,875
Exploration and Evaluation Assets	7	1,616,201	1,537,296
TOTAL ASSETS		4,613,850	4,583,826
LIABILITIES			
CURRENT			
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
NON-CURRENT			
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
TOTAL LIABILITIES		1,877,624	1,906,079
SHAREHOLDERS' EQUITY (DEFICIENCY)			
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)
TOTAL SHAREHOLDERS' EQUITY		2,736,226	2,677,747
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,613,850	4,583,826

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)
Balance, March 31, 2021		23,340,531	8,647,824	(1,088,779)	1,767,125	-	-	(8,739,104)	587,066
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
Balance, March 31, 2022		**35,651,341**	**10,569,147**	**(1,545,869)**	**3,358,412**	**235,500**	**-**	**(9,880,964)**	**2,736,226**

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 $
OIL AND NATURAL GAS REVENUE	15	513,110	19,013
OPERATING COSTS		(256,452)	(2,699)
ROYALTY EXPENSE		(67,794)	(10,931)
		188,864	5,383
EXPENSES			
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
		130,385	220,231
NET INCOME (LOSS) FOR THE PERIOD		58,479	(214,847)
Basic and Diluted Loss Per Share		0.00	(0.01)
Weighted Average Number of Common Shares Outstanding, Basic and Diluted		25,541,590	16,015,753

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 $
OPERATING ACTIVITIES		
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	
	102,219	(194,850)
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
	231,256	(92,234)
INVESTING ACTIVITIES		
Increase in Advances	-	(320,000)
Acquisition of PPE	(369,670)	-
Acquisition of E&E Assets	(78,905)	(739,832)
	(448,575)	(1,059,832)
FINANCING ACTIVITIES		
Shares Issued for Cash	-	1,289,506
	-	1,289,506
CHANGE IN CASH	(217,319)	(57,410)
CASH, BEGINNING OF YEAR	413,337	136,072
CASH, MARCH 31	196,018	78,662

The accompanying notes are integral part of these financial statements.

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.

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.

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.

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.

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:

Financial assets/liabilities	Classification
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

(Expressed in Canadian Dollars, unless otherwise stated)

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

	Natural Gas and Liquids Interests $
COST	
Balance, December 31, 2020	773,011
Change in Estimates in Asset Retirement Obligation	109,116
Balance, December 31, 2021	882,127
Additions	369,670
Balance, March 31, 2022	1,251,797

(Expressed in Canadian Dollars, unless otherwise stated)

ACCUMULATED DEPLETION	
Balance, December 31, 2020	-
Depletion	44,252
Balance, December 31, 2021	44,252
Depletion	11,063
Balance, March 31, 2022	55,315
NET BOOK VALUE	
Balance, December 31, 2021	837,875
Balance, March 31, 2022	1,196,482

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
Balance, March 31, 2022	1,616,201

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
Balance, March 31, 2022	284,882	282,594

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		-

(Expressed in Canadian Dollars, unless otherwise stated)

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
Balance, December 31, 2020	**703,526**	**801,499**	**2,292**	**1,507,317**
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
Balance, December 31, 2021	**521,039**	**729,318**	**235,500**	**1,485,875**
Conversions	5,871	-	-	5,871
Fair value change	-	(7,453)	-	(7,453)
Accretion expense	10,371	-	-	10,371
Balance, March 31, 2022	**537,281**	**721,865**	**235,500**	**1,494,664**

	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.

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.

(Expressed in Canadian Dollars, unless otherwise stated)

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 [(1)]	21,734	85,409
Unsecured promissory notes due September 15, 2022, bearing interest at 5% per annum compounded semi-annually [(2)]	67,429	175,362
Convertible secured debenture due July 31, 2027, bearing interest at 5% per annum, compounded semi-annually [(3)]	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

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

(Expressed in Canadian Dollars, unless otherwise stated)

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.

	Number of Options	Weighted average exercise price $
Outstanding and Exercisable, December 31, 2021	-	-
Issued	200,000	0.35
Outstanding and Exercisable, March 31, 2022	200,000	0.35

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
Outstanding and Exercisable, December 31, 2020	4,016,700	0.24
Issued	9,382,961	0.29
Exercised	(373,300)	0.18
Expired	(41,667)	0.40
Outstanding and Exercisable, December 31, 2021	12,984,694	0.28
Outstanding and Exercisable, March 31, 2022	12,984,694	0.28

(Expressed in Canadian Dollars, unless otherwise stated)

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 (1)	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

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.

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.

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 "G" – COMPANY'S MD&A FOR THE YEAR ENDED DECEMBER 31, 2021, DECEMBER 31, 2020 AN D DECEMBER 31, 2019 AND FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

AVILA ENERGY

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**.

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, 3021, 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 4th quarter of 2021, the Company advanced it's 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	-	**3,801.60**	-	**3,801.60**

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 14th 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 (1)). 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 (4)	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 (1)
March 9, 2021	1,802,500	0.20	360,500	Exchange of subscription receipts (1)
March 31, 2021	793,062	0.05	39,653	Conversion of debenture interest (2)
March 31, 2021	95,344	.025	2,384	Conversion of debenture interest (2)
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 (3)
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.

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,

	2021	**2020**
	$	$
Management and consulting fees	202,725 (1,2)	340,773
Interest payable on a promissory note	6,632 (2)	-
Legal costs	218,936 (3)	122,681
Convertible secured debenture	500,000 (4)	500,000
Joint venture receivables	158,565 (5)	-
Advances	1,586,601 (6)	-

(1) A total of $89,163 was owed to various related parties on December 31, 2021.

(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 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 (1)	90,457	109,182	82,688	19,013 (1)
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 (1)
Production costs	72,748	22,890	17,524	3,177 (1)
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:

1. 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)
Total effect on gross profit				**10,801/ (10,801)**

	2021				**2020**			
Production per Quarter	**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

PetroViking

Energy Inc.

Form 51-102F1
Management's Discussion and Analysis

For the Twelve Months Ended December 31, 2020 and 2019

Contents

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.

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.

<u>Highlights During the Year</u>

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		

- N
  ovember 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. There 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. There 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:

				#
Common shares				22,295,185
	Expiry date	$/sh	#	
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	604,200	
				5,933,365
				28,228,550

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.

	2020	2019
	$	$
Management fees	54,910	56,000
Consulting fees	286,613	77,825
	340,773 [1] [2]	**133,825**

[1] A total of $93,903 was owed to various parties at December 31, 2020.

[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.

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 (ie.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.

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)
	(299 152)

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

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**.

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 4th quarter of 2021 the Company advanced it's 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 14th 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 [(1)]). 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 [4]	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 [1]
March 9, 2021	1,802,500	0.20	360,500	Exchange of subscription receipts [1]
March 31, 2021	793,062	0.05	39,653	Conversion of debenture interest [2]
March 31, 2021	95,344	.025	2,384	Conversion of debenture interest [2]
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 [3]
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 (1)	10,500	39,543
Interest payable on a promissory note (2)	816	-
Interest on convertible debenture (3)	6,160	
Legal costs (4)	36,947	122,681
Joint venture receivables (5)	188,864	-
Advances (6)	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 (1)	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
Total effect on gross profit				**211,640.1**

	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)	70,111.29	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 "H" - 611 AUDITED CARVE-OUT FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2 021, MARCH 31, 2020, MARCH 31, 2019 AND UNAUDITED INTERIM FINANCIAL STATEMENT FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2021

611890 ALBERTA INC.

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

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.

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

[1] 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)

	Notes	**2021**	2020
		$	$
Assets			
Long term assets			
Properties and equipment	5	**3,697,665**	359,686
Total assets		**3,697,665**	359,686
Liabilities			
Non-current liabilities			
Deferred tax liabilities	8	**2,178,008**	218,393
Decommissioning obligation	6	**2,043,384**	151,365
Total non-current liabilities		**4,221,392**	369,758
Total liabilities		**4,221,392**	369,758
Parent's Net Investment			
Parent's Net Investment	4, 10	**(523,727)**	(10,072)
Total liabilities and Parent's Net Investment		**3,697,665**	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

(Expressed in Canadian dollars)

	Notes	**2021**	2020
Expenses		**$**	$
Depletion and depreciation	5	**14,995**	4,034
Accretion expense	6	**39,045**	2,893
Income (loss) before income taxes		**(54,040)**	(6,927)
Deferred tax recovery (expense)	8	**(1,959,615)**	1,870
Net Income (loss) and comprehensive Income (loss) for the year		**(2,013,655)**	(5,057)

The accompanying notes are an integral part of the carve-out financial statements

(Expressed in Canadian dollars)

	Notes	**2021**	2020
		$	$
Operating activities			
Net Income (loss)		**(2,013,655)**	(5,057)
Depletion and depreciation	5	**14,995**	4,034
Accretion expense	6	**39,045**	2,893
Deferred tax recovery	8	**1,959,615**	(1,870)
Cash flow used by operating activities		**-**	-
Change in Cash		**-**	-
Cash, beginning of the year		**-**	-
Cash, end of the year		**-**	-

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 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 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.

l. 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.

(Expressed in Canadian dollars)

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.

Net assets acquired	$
Properties and equipment	3,078,941
Facility	274,033
Less: Decommissioning liabilities	(1,852,974)
611890 Parent's Net Investment in the Forge Acquisition	**(1,500,000)**

(Expressed in Canadian dollars)

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
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)
Net	**3,697,665**

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
	2,043,384	151,365

(Expressed in Canadian dollars)

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:

	2021	2020
	$	$
Income (Loss) before taxes	**7,257,834**	(6,927)
Add back: Temporary differences	**(7,257,834)**	6,927
Net Taxable income	**-**	-
Statutory tax rate	**27.0%**	27.0%
Expected income tax (recovery)	**-**	-
Total income tax expense (recovery)	**-**	-

The Company has recognized deferred tax assets and liabilities as follows:

	2021	2020
	$	$
Deferred tax liability, beginning of period	**(218,393)**	(220,263)
Deferred tax (recovery) expense	**(1,959,615)**	1,870
Deferred tax liability, end of period	**(2,178,008)**	(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.

(Expressed in Canadian dollars)

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	**(10,072)**
Net Income/(Loss)	**(2,013,655)**
611890 Parent Investment in Forge Acquisition	1,500,000
Balance at March 31, 2021	**(523,727)**

611890 ALBERTA INC.

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

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.

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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

[1] CPA auditor, CGA, public accountancy permit no. A136224

(Expressed in Canadian dollars)

	Notes	**2020**	2019
Assets		**$**	$
Long term assets			
Properties and equipment	4	**359,686**	363,720
Total assets		**359,686**	363,720
Liabilities			
Non-current liabilities			
Deferred tax liabilities	6	**218,393**	220,263
Decommissioning obligation	5	**151,365**	148,472
Total non-current liabilities		**369,758**	368,735
Total liabilities		**369,758**	368,735
Parent's Net Investment			
Parent's Net Investment	8	**(10,072)**	(5,015)
Total liabilities and Parent's Net Investment		**359,686**	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

(Expressed in Canadian dollars)

	Notes	**2020**	2019
Expenses		**$**	$
Depletion and depreciation	4	**4,034**	4,034
Accretion expense	5	**2,893**	2,836
Net loss before the following items		**(6,927)**	(6,870)
Income (loss) before income taxes		**(6,927)**	(6,870)
Deferred tax recovery (expense)	6	**1,870**	1,855
Net Income (loss) and comprehensive Income (loss) for the year		**(5,057)**	(5,015)

The accompanying notes are an integral part of the carve-out financial statements

(Expressed in Canadian dollars)

	Notes	**2020**	2019
		$	$
Operating activities			
Net Income (loss)		**(5,057)**	(5,015)
Depletion and depreciation	4	**4,034**	4,034
Accretion expense	5	**2,893**	2,836
Deferred tax recovery	6	**(1,870)**	(1,855)
Cash flow used by operating activities		**-**	-
Change in Cash		**-**	-
Cash, beginning of the year		**-**	-
Cash, end of the year		**-**	-

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 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 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.

(Expressed in Canadian dollars)

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)
Net	**359,686**

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

(Expressed in Canadian dollars)

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:

	2020	2019
	$	$
Income (Loss) before taxes	**(6,927)**	(6,870)
Add back: Temporary differences	**6,927**	6,870
Net Taxable income	**-**	-
Statutory tax rate	**27.0%**	27.0%
Expected income tax (recovery)	**-**	-
Total income tax expense (recovery)	**-**	-

The Company has recognized deferred tax assets and liabilities as follows:

	2020	2019
	$	$
Deferred tax liability, beginning of period	**(220,263)**	(222,118)
Deferred tax (recovery) expense	**1,870**	1,855
Deferred tax liability, end of period	**(218,393)**	(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.

(Expressed in Canadian dollars)

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)
Balance at March 31, 2020	**(10,072)**

611890 ALBERTA INC.

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

Table of Contents:

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.

CARVE-OUT INTERIM STATEMENTS OF FINANCIAL POSITION

As at December 31, 2021 and March 31, 2021

(Unaudited - Expressed in Canadian dollars)

Assets	*Notes*	**December 31, 2021**	March 31, 2021
		$	$
Current Assets			
Cash		**1,895,337**	
Long term assets			
Properties and equipment	3	**3,666,476**	3,697,665
Total assets		**5,561,813**	3,697,665
Liabilities			
Current liabilities			
Current tax liability	9	**9,716**	-
Joint Venture Payable	8	**158,565**	-
Operated Cash Call Payable	7	**1,586,601**	-
Total current liabilities		**1,754,882**	-
Non-current liabilities			
Deferred tax liabilities	9	**2,178,008**	2,178,008
Decommissioning obligation	4	**2,126,380**	2,043,384
Total non-current liabilities		**4,304,388**	4,221,392
Total liabilities		**6,059,270**	4,221,392
Parent's Net Investment			
Parent's Net Investment	6	**(497,457)**	(523,727)
Total liabilities and Parent's Net Investment		**5,561,813**	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)

	Notes	**2021**	2020	**2021**	2020
		$	$	**$**	$
		(3 months)	*(3 months)*	***(9 months)***	*(9 months)*
Revenue					
Oil and natural gas revenue		**256,111**	-	**301,340**	-
Royalty expenses		**(26,522)**	-	**(34,830)**	-
Revenue, net of royalties		**229,589**	**-**	**266,510**	**-**
Expenses					
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
Income (loss) before the following items		**43,662**	(3,749)	**(230,524)**	(6,927)
Income (loss) before income taxes		**43,662**	(3,749)	**35,986**	(6,927)
Income taxes					
Income tax expense	9	**(5,015)**	**-**	**(9,716)**	**-**
Deferred tax recovery (expense)	9	**-**	-	**-**	1,870
		(5,015)	-	**(9,716)**	1,870
Net Income (loss) and comprehensive Income (loss) for the period		**38,648**	(3,749)	**26,270**	(5,057)

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)

	Notes	**2021**	2020
		$	$
Operating activities			
Net Income (loss)		**26,270**	(5,057)
Operated Cash Calls Payable	7	**1,586,601**	-
Joint Venture Payable	8	**158,565**	
Depletion and depreciation	3	**31,189**	4,034
Accretion	4	**82,996**	2,893
Income tax expense	9	**9,716**	-
Deferred tax recovery		**-**	(1,870)
Cash flow used by operating activities		**1,895,337**	-
Change in Cash		**1,895,337**	-
Cash, beginning of the year		**-**	-
Cash , end of the period		**1,895,337**	-

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.

(Unaudited - Expressed in Canadian dollars)

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)
Net	**3,666,476**

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.

	December 31, 2021	March 31, 2021
	$	$
Balance - beginning of period	**2,043,384**	2,004,339
Accretion	**82,996**	39,045
	2,126,380	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.

(Unaudited - Expressed in Canadian dollars)

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	**(10,072)**
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	**(497,457)**

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 15th, 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.

(Unaudited - Expressed in Canadian dollars)

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:

	December 31, 2021 $	December 31, 2020 $
Income (Loss) before taxes	**35,986**	(6,927)
Add back: Temporary differences	**-**	6,927
Net Taxable income	**35,986**	-
Statutory tax rate	**27.0%**	27.0%
Expected income tax (recovery)	**9,716**	-
Total income tax expense (recovery)	**9,716**	-

The Company has recognized deferred tax assets and liabilities as follows:

	December 31, 2021 $	December 31, 2020 $
Deferred tax liability, beginning of period	**2,178,008**	(220,263)
Deferred tax (recovery) expense	**-**	1,870
Deferred tax liability, end of period	**(2,178,008)**	(218,393)

-

SCHEDULE "I" – 611 MD&A FOR THE YEARS ENDED MARCH 31, 2021, MARCH 31, 2020, MARCH 31, 2019 AND FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2021 AND 2020

611890 ALBERTA INC.

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.

<u>Property</u>

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 (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, 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

Year Ended	Net (Loss)/Income $	Total Assets $	Non-current liabilities $
March 31, 2021	5,298,219	11,610,081	4,971,392
March 31, 2020	(5,057)	960,228	369,758

611890 ALBERTA INC.

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

Year Ended	**Net (Loss)/Income $**	**Total Assets $**	**Non-current liabilities $**
March 31, 2020	(5,057)	960,228	369,758
March 31, 2019	(5,015)	964,262	368,735

611890 ALBERTA INC.

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 [(1)]	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 December 31	Q2 – 2020 September 30	Q1 – 2020 June 30	Q4 – 2020 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)
Total effect on gross profit				**10,801/ (10,801)**

	2021				**2020**			
Production per Quarter	**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.

<u>Property</u>

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 "J" - 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

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
Assets						
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)	-
Total current assets	**1,801,167**	1,895,337	(739,340)		(1,564,359)	**1,392,805**
Non-current assets						
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
Total Assets	**$ 4,613,850**	5,561,813	(369,670)		23,988,265	**33,794,258**
Liabilities						
Current liabilities						
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
Total current liabilities	**333,596**	1,754,882	(180,806)		(1,564,360)	**343,312**
Non-current liabilities						
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
Total non-current liabilities	1,544,028	4,304,388	-		(685,489)	5,162,928
Total liabilities	**1,877,624**	6,059,270	(180,806)		(2,249,849)	**5,506,240**
Shareholders' equity (deficit)						
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	-
Total shareholders' equity (deficit)	2,736,225	(497,457)	(188,864)		26,238,113	28,288,018
Total liabilities and shareholders' equity	**$ 4,613,850**	5,561,813	(369,670)		23,988,264	**33,794,258**

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
Revenues						
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)
Net revenue	**188,864**	130,734	(188,864)		-	**130,734**
General administration expenses						
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
Total Expenses	**130,385**	87,072	-		-	**217,457**
Gail (Loss) before the following items	**58,479**	43,662	(188,864)		-	**(86,723)**
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)
Net and comprehensive income (loss) for the period	$ **58,479**	$ **38,648**	$ **(188,864)**		$ **1,730,992**	$ **1,639,255**
Class A Common Shares - Basic Outstanding (post Acquisition)	35,651,342				44,440,000	80,091,342
Basic and diluted earnings per share						**$0.02**

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
Revenues						
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)
Net revenue	**150,171**	150,171	(188,864)		-	**111,478**
General administration expenses						
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
Total Expenses	**1,462,737**	114,185	-		-	**1,531,929**
Gail (Loss) before the following items	**(1,312,566)**	35,986	(188,864)		-	**(1,465,444)**
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)
Net and comprehensive income (loss) for the period	$ **(1,312,566)**	$ **26,270**	$ **(188,864)**		$ **1,730,992**	$ **255,832**
Class A Common Shares - Basic Outstanding (post Acquisition)	35,651,342				44,440,000	80,091,342
Basic and diluted earnings per share						**$0.00**

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 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
		Total	**$23,820,800**

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.

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
Pro Forma Share Capital	80,091,341	23,244,078

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
Total		**0.32**	**9,600,000**	

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

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
Pro Forma Stock Options	200,000	$0.35

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
Pro Forma Warrants	12,984,694	$0.28

SCHEDULE "K" – AUDIT COMMITTEE CHARTER

AVILA ENERGY CORPORATION

(the "Company")

CHARTER 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 is 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 "L" – FORM 51-102F6V STATEMENT OF EXECUTIVE COMPENSATION – VENTURE ISSUERS

AVILA ENERGY CORPORATION
(formly 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[1]	2021	Nil	Nil	Nil	Nil	Nil	Nil
Lars Glimhagen, CFO	2021 2020 2019	42,000 54,160 56,000	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	42,000 54,160 56,000
Peter Nesveda [2] VP, Corporate Affairs and Investor Relations	2021 2020	72,000 12,000	Nil Nil	Nil Nil	Nil Nil	Nil 111,423 [8]	72,000 123,423
Michel Lebeuf[3]	2021 2020 2019	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Thomas Valentine[4]	2021 2020 2019	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Daniel Lucero[5]	2021 2020 2019	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Kyle Appleby[6]	2021 2020 2019	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Greg Doucette [7] Interim CEO	2021 2020	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Robert Rosner[8]	2020 2019	23.210 61,705	Nil Nil	Nil Nil	Nil Nil	Nil Nil	23.210 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. Doucetted 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 perquisites 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 "M" - NI 51-101F1 – STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

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$C)					
	WI	RI	Net	0.00 %	5.00 %	8.00 %	10.00 %	15.00 %	20.00 %
Proved Developed Producing									
Gas (MMcf)	604.2	-	515.1	1,878.4	1,406.2	1,219.7	1,120.9	934.1	803.9
Propane (Mbbl)	5.6	-	4.7	143.6	108.0	93.9	86.5	72.5	62.7
Butane (Mbbl)	3.5	-	2.9	124.0	93.0	80.8	74.4	62.2	53.7
Pentane Plus (Mbbl)	1.8	-	1.5	116.1	86.5	74.8	68.6	57.0	48.9
Total				2,262.1	1,693.7	1,469.3	1,350.4	1,125.8	969.2
				Before Tax Cash Flow NPV (1) (M$C)					
				623.5	539.8	497.1	471.9	419.0	377.7
				Net Revenue NPV (M$C)					
Proved Developed Non-Producing									
Gas (MMcf)	480.9	-	377.4	1,398.2	1,014.2	864.1	785.6	640.0	541.9
Propane (Mbbl)	4.5	-	3.5	109.7	80.5	69.1	63.1	52.0	44.5
Butane (Mbbl)	2.8	-	2.2	94.7	69.3	59.3	54.1	44.5	37.9
Pentane Plus (Mbbl)	1.4	-	1.1	90.0	65.4	55.8	50.8	41.4	35.1
Total				1,692.6	1,229.4	1,048.4	953.6	778.0	659.4
				Before Tax Cash Flow NPV (1) (M$C)					
				493.3	392.7	344.7	317.0	260.2	217.0
				Net Revenue NPV (M$C)					
Proved Undeveloped									
Gas (MMcf)	2,483.5	-	2,116.0	7,897.2	5,704.0	4,923.9	4,528.6	3,811.3	3,328.6
Propane (Mbbl)	23.1	-	18.7	599.6	438.4	381.1	352.0	299.2	263.7
Butane (Mbbl)	14.4	-	12.0	533.0	388.4	336.9	310.8	263.3	231.3
Pentane Plus (Mbbl)	7.5	-	6.2	496.5	359.3	310.4	285.5	240.4	210.0
Total				9,526.4	6,890.1	5,952.2	5,476.9	4,614.3	4,033.7
				Before Tax Cash Flow NPV (1) (M$C)					
				3,106.1	2,251.6	1,886.3	1,686.9	1,299.3	1,020.1
				Net Revenue NPV (M$C)					
Total Proved									
Gas (MMcf)	3,568.6	-	3,008.5	11,173.8	8,124.4	7,007.7	6,435.0	5,385.5	4,674.4
Propane (Mbbl)	33.2	-	26.9	852.9	626.9	544.1	501.7	423.8	370.9
Butane (Mbbl)	20.7	-	17.1	751.7	550.7	477.1	439.3	370.0	323.0
Pentane Plus (Mbbl)	10.7	-	8.8	702.7	511.2	441.0	404.9	338.8	294.0
Total				13,481.0	9,813.2	8,469.8	7,780.9	6,518.0	5,662.3
				Before Tax Cash Flow NPV (1) (M$C)					
				4,222.9	3,184.0	2,728.0	2,475.8	1,978.5	1,614.8
				Net Revenue NPV (M$C)					
Total Probable									
Heavy Oil (Mbbl)	33.1	-	31.4	2,022.0	1,654.7	1,492.1	1,400.8	1,216.8	1,078.1
Gas (MMcf)	1,099.4	-	935.1	3,988.0	2,144.3	1,640.4	1,418.0	1,070.9	876.6
Propane (Mbbl)	10.7	-	8.6	305.8	168.1	130.1	113.3	86.7	71.8
Butane (Mbbl)	6.8	-	5.7	276.7	153.0	118.6	103.2	78.9	65.1
Pentane Plus (Mbbl)	3.6	-	3.0	269.2	150.5	117.0	101.9	77.7	63.7
Sulphur (MLT)	0.0	-	0.0	0.6	0.5	0.4	0.4	0.3	0.2
Total				6,862.2	4,271.1	3,498.6	3,137.5	2,531.5	2,155.5
				Before Tax Cash Flow NPV (1) (M$C)					
				2,609.7	1,793.4	1,484.6	1,325.8	1,035.5	840.0
				Net Revenue NPV (M$C)					
Total Proved + Probable									
Heavy Oil (Mbbl)	33.1	-	31.4	2,022.0	1,654.7	1,492.1	1,400.8	1,216.8	1,078.1
Gas (MMcf)	4,667.9	-	3,943.5	15,161.7	10,268.7	8,648.1	7,853.0	6,456.4	5,550.9
Propane (Mbbl)	43.9	-	35.5	1,158.7	795.0	674.2	614.9	510.5	442.7
Butane (Mbbl)	27.5	-	22.8	1,028.4	703.7	595.7	542.5	448.9	388.1
Pentane Plus (Mbbl)	14.4	-	11.8	971.8	661.7	557.9	506.8	416.5	357.7
Sulphur (MLT)	0.0	-	0.0	0.6	0.5	0.4	0.4	0.3	0.2
Total				20,343.3	14,084.4	11,968.5	10,918.4	9,049.5	7,817.8
				Before Tax Cash Flow NPV (1) (M$C)					
				6,832.5	4,977.4	4,212.7	3,801.6	3,014.0	2,454.8

	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	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
Total Proved	659.4	-	554.2	6.4	4.8	4.1	3.8	3.0	2.4
Total Probable	237.4	-	204.6	11.0	7.6	6.3	5.6	4.4	3.5
Total Proved + Probable	896.7	-	758.8	7.6	5.6	4.7	4.2	3.4	2.7

(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* M$	Royalties M$	Operating Costs M$	Investment Costs M$	Well Abandonment Costs M$	Future Net Revenue Before Income Taxes M$	Income Taxes M$	Future Net Revenue After Income Taxes 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* 10% M$	UNIT VALUE Primary Product Only
TOTAL PROVED		
Conventional Natural Gas	2,475.8	0.82 $/Mcf
Total	2,475.8	4.94 $/BOE
TOTAL PROVED + PROBABLE		
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

	Before Income Tax					After Income Tax					Unit Value
RESERVES CATEGORY	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

	Oil				Natural Gas							
	Light/Medium Crude		Heavy Crude		Conventional		Natural Gas Liquids		Sulphur		Total BOE	
CATEGORY	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

	Oil				Natural Gas							
	Light/Medium Crude		Heavy Crude		Conventional		Natural Gas Liquids		Sulphur		Total BOE	
CATEGORY	WI Gross E^3m^3	Co. Share Net E^3m^3	WI Gross E^3m^3	Co. Share Net E^3m^3	WI Gross E^6m^3	Co. Share Net E^6m^3	WI Gross E^3m^3	Co. Share Net E^3m^3	WI Gross E^3t	Co. Share Net E^3t	WI Gross E^3m^3e	Co. Share Net E^3m^3e
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

Forecast effective: December 31 2021

					Crude Oil Pricing							Natural Gas Liquids Pricing Edmonton Par Prices				Natural Gas Pricing						Sulphur
		Price Inflation Rate	Cost Inflation Rate	CAD to USD Exchange Rate	WTI at Cushing Oklahoma US$/bbl Real	WTI at Cushing Oklahoma US$/bbl Current	Edmonton City Gate C$/bbl Real	Edmonton City Gate C$/bbl Current	WCS 20.5 Deg. API Hardisty C$/bbl Current	Bow River 25 Deg. API Hardisty C$/bbl Current	Heavy Oil 12 Deg. API Hardisty C$/bbl Current	Ethane C$/bbl Current	Propane C$/bbl Current	Butane C$/bbl Current	Pentanes + Condensate C$/bbl Current	Alberta Reference Average Price C$/mcf Current	Alberta AECO Average Price C$/mcf Real	Alberta AECO Average Price C$/mcf Current	B.C. Direct Stn. 2 Sales C$/mcf Current	NYMEX Henry Hub US$/Mcf Real	NYMEX Henry Hub US$/Mcf Current	Alberta Plant Gate C$/lt 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
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%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2																						
1	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%	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

Deloitte.

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.

TABLE 2
Avila Energy Corp.
RESERVES RECONCILIATION SUMMARY
Working Interest
Canada

Effective January 1 , 2022
Opening: Deloitte December 31, 2020 Forecast Pricing
Closing: Deloitte December 31, 2021 Forecast Pricing

	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	1,267.5	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	1,099.3	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".

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								
	LIGHT AND MEDIUM OIL Mbbl		**HEAVY OIL Mbbl**		**NATURAL GAS MMcf**		**NATURAL GAS LIQUIDS Mbbl**	
YEAR	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End	First Attributed	Cumulative at Year End
PROVED UNDEVELOPED RESERVES								
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
PROBABLE UNDEVELOPED RESERVES								
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.

FUTURE ABANDONMENT COSTS
FORECAST PRICES AND COSTS
DECEMBER 31, 2021

Year	Total Proven Abandonment Net	Proven Plus Probable Abandonment Net
2022	-	-
2023	-	-
2024	-	-
Remainder	405.4	538.0
Total Wells (WI)	4.31	5.31
Total (M$C)	**405.4**	**538.0**

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".

OIL AND GAS WELLS

PROVINCE	Producing				Non-Producing			
	Oil Wells		Gas Wells		Shut-In Oil Wells		Shut-In Gas Wells	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	Nil	Nil	4	1.81	Nil	Nil	Nil	Nil
Total	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.

PRODUCTION FORECAST - COMPANY WORKING INTEREST BEFORE ROYALTIES
PROVEN DEVELOPED PRODUCING RESERVES
31-Dec-21

	Natural Gas		Natural Gas Liquids	
Year	Daily mcf/d	Annual MMcf	Daily bbl/d	Annual Mbbl
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 31st 2021.

	DECEMBER 31, 2021			
	Undeveloped Properties (Acres)		Expiring in 2022 (Acres)	
PROVINCE	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
Total	**4**	**1.81**

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, 2021	Years ended December 31, 2020	January 1 to 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	-	-	-
Total	**$ 2,375,171**	**$ 1,054,611**	**$ 1,320,560**

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 31st 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
Total		**75.3**	**69.3**

SCHEDULE "N" – NI 51-101F2 – REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR

Deloitte.

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	-	**3,801.60**	-	**3,801.60**

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 – 2nd Street S.W.
Calgary, Alberta
T2P 0R8

Original signed by: "Andrew Botterill"
Andrew Botterill, P. Eng.

Execution date: March 11, 2022

SCHEDULE "O" – 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"
Leonard B. Van Betuw
Director

"Kyle Appleby"
Kyle Appleby
Director

"Tom Valentine"
Tom Valentine
Director

"Daniel Lucero"
Daniel Lucero
Director

"Michel Lebeuf"
Michel Lebeuf, Jr.
Director

SCHEDULE "P" – 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 •;.
Proved Developed Producing									
Heavy Oil (Mbbl)	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 (Mbbl)	13.8		11.4	350.8	276.6	246.6	230.5	**199.2**	176.7
Butane(Mbbl)	9.2		7.6	321.7	254.6	227.2	**212.4**	183.7	163.0
Pentane F>tus (Mbbl)	5.6		4.6	345.8	274.8	245.5	229.5	198.3	175.5
Sutphur (MLT)	0.1		0.1	3.8	3.3	3.1	2.9	2.6	**2.4**
Total				10,532.1	8,027.0	7,036.7	6,510.4	5,510.1	4,805.7
				Before Tax Cash Flow NPV!1! jMSCI					
				4,729.5	3,934.9	3,579.8	3,380.1	2,977.5	2,674.0
				Net Revenue NPV jMSCI					
Proved Developed Non.Producing									
Light and Medium Oil (Mbbl)	7.4		7.1	597.8	392.8	331.1	3018	251.8	220.0
Heavy Oil (Mbbl)	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 (MMcf)	410.8		362.1	1,107.5	828.0	718.4	660.4	550.8	474.3
Propane (Mbbl)	31.3		25.4	830.6	615.8	542.9	506.3	439.9	394.8
Butane (Mbbl)	20.7		17.2	775.2	575.1	506.9	472.5	410.0	367.4
Pentane Ptus (Mbbl)	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
Total				18,9280	14,368.6	12,7609	11,937.0	10,408.8	9,345.0
				Before Tax Cash Flow NPV11 jMSC!					
				11,515.1	9,349.4	8,477.4	8,007.1	7,092.1	6,421.6
				Net Revenue NPV !MSC!					
Proved Undeveloped									
Heavy Oil (Mbbl)	222.0		210.4	13,526.7	11,522.3	10,591.2	10,055.0	**8,942.2**	8,072.4
Gas(MMc0	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 (Mbbl)	41.7		35.4	1,119.3	836.3	733.9	681.2	583.5	515.6
Butane(Mbbl)	26.7		23.5	1,023.5	764.6	670.3	621.5	530.9	467.7
Pentane Ptus (Mbbl)	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
Total				30,381.2	23,937.7	21,418.6	20,069.8	17,459.5	15,558.9
				Before Tax Cash Flow NPV !11 jMSC!					
				10,8461	8,0518	6,8165	6,1235	4,725.1	3,666.9
				Net Revenue NPV jMSC!					
Total Proved									
Light and Medium Oil (Mbbl)	7.4		7.1	597.8	392.8	331.1	301.8	251.8	220.0
Heavy Oil (Mbbl)	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	26,696.1	19,391.9	16,834.6	15,537.2	13,167.0	11,553.4
Coal Bed Methane (MMcry	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 (Mbbl)	86.9		72.2	2,300.7	1,728.7	1,523.5	**1,418.0**	1,222.6	1,087.1
Butane(Mbbl)	56.6		48.3	2,120.4	1,594.2	1,404.3	1,306.5	1,124.5	998.1
Pentane Ptus (Mbbl)	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
Total				59,841.2	46,333.2	41,216.3	38,517.2	33,378.3	29,709.6
				Before Tax Cash FlowNPV(1) (MSC)					
				27,090.8	21,336.2	18,873.7	17,510.7	14,794.7	12,762.4
				Net Revenue NPV jMSCI					
Total Probable									
Light and Medium Oil (Mbbl}	3.0		2.7	283.0	107.7	75.4	63.1	45.8	36.8
Heavy Oil (Mbbl)	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	11,8188	6,297.0	**4,9068**	4,295.1	3,320.3	2,747.5
Coal Bed Methane (MMcf)	040.6		875.3	3,268.0	1,533.0	1,060.2	853.5	539.5	374.0
Propane (Mbbl)	36.8		30.4	1,053.6	6027	**480.8**	425.2	333.4	277.5
Butane (Mbbl)	24.5		21.1	1,002.3	582.0	465.4	411.7	322.1	266.9
Pentane Ptus (Mbbl)	15.1		12.9	1,089.1	653.2	525.6	465.4	362.7	298.3
Sulphur (MLT)	O2		0.2	10.4	7.4	62	5.6	**45**	37
Total				37,644.4	24,664.8	20,637.0	18,677.8	15,228.0	12,968.6
				Before Tax Cash Flow NPV!1! jM$C!					
				18,471.5	12,423.2	10,276.8	9,176.0	7,141.1	5,743.4
				Net Revenue NPV jMSCI					
Total Proved -ι Probable									
Light and Medium Oil (Mbbl}	10.4		9.7	880.7	**500.4**	**406.5**	364.9	297.6	**256.8**
Heavy Oil (Mbbl)	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 (MMcry	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 (Mbbl)	123.7		102.6	3,354.3	2,331.4	2,004.3	1,843.2	1,556.0	1,364.6
Butane(MUI.JI)	81.1		69.3	3,122.7	2,176.2	1,669.8	1,718.1	1,446.6	1,265.1
Pentane Plus (Mhbl)	-48.3		-40.6	3,2-49.2	2,287.5	1,966.-4	1,805.4	1,513.7	1,316.6
Sutphur (MLT)	0.6		0.5	26.8	21.5	19.3	18.1	15.7	13.9
Total				97,485.7	70,998.0	61,853.3	57,195.0	48,606.3	42,678.2
				Before Tax Cash Flow NPV (1) (MSC)					
				45,562.3	33,759.4	29,150.5	26,686.8	21,935.8	18,505.8

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
Total Proved	2,203.2	-	1,958.3	12.3	9.7	8.6	7.9	6.7	5.8
Total Probable	1,073.1	-	959.2	17.2	11.6	9.6	8.6	6.7	5.4
Total Proved + Probable	3,276.3	-	2,917.5	13.9	10.3	8.9	8.1	6.7	5.6

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 (M$C)					
	WI	RI	Net	0.00 %	5.00 %	8.00 %	10.00 %	15.00 %	20.00 %
Proved Developed Producing									
Heavy Oil (Mbbl)	18.8	-	16.2	1,039.3	901.1	835.7	797.7	718.0	655.0
Gas (MMcf)	1,182.3	-	1,015.9	3,682.0	2,821.4	2,480.2	2,298.3	1,951.2	1,705.6
Coal Bed Methane (MMcf)	1,646.8	-	1,542.3	4,788.7	3,495.1	2,998.4	2,739.1	2,257.0	1,927.6
Propane (Mbbl)	13.8	-	11.4	350.8	276.6	246.6	230.5	199.2	176.7
Butane (Mbbl)	9.2	-	7.6	321.7	254.6	227.2	212.4	183.7	163.0
Pentane Plus (Mbbl)	5.6	-	4.6	345.8	274.8	245.5	229.5	198.3	175.5
Sulphur (MLT)	0.1	-	0.1	3.8	3.3	3.1	2.9	2.6	2.4
Total				10,532.1	8,027.0	7,036.7	6,510.4	5,510.1	4,805.7
				Before Tax Cash Flow NPV (1) (M$C)					
				4,729.5	3,934.9	3,579.8	3,380.1	2,977.5	2,674.0
				Net Revenue NPV (M$C)					
Proved Developed Non-Producing									
Light and Medium Oil (Mbbl)	7.4	-	7.1	597.8	392.8	331.1	301.8	251.8	220.0
Heavy Oil (Mbbl)	94.6	-	83.6	5,487.5	4,830.7	4,525.3	4,349.1	3,982.1	3,693.3
Gas (MMcf)	2,746.4	-	2,381.4	9,321.8	6,517.4	5,597.2	5,143.2	4,336.1	3,802.6
Coal Bed Methane (MMcf)	410.8	-	362.1	1,107.5	828.0	718.4	660.4	550.8	474.3
Propane (Mbbl)	31.3	-	25.4	830.6	615.8	542.9	506.3	439.9	394.8
Butane (Mbbl)	20.7	-	17.2	775.2	575.1	506.9	472.5	410.0	367.4
Pentane Plus (Mbbl)	12.6	-	10.1	799.3	601.6	532.3	497.0	431.9	386.9
Sulphur (MLT)	0.2	-	0.1	8.3	7.4	6.9	6.7	6.1	5.7
Total				18,928.0	14,368.6	12,760.9	11,937.0	10,408.8	9,345.0
				Before Tax Cash Flow NPV (1) (M$C)					
				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
Total Proved	2,203.2	-	1,958.3	12.3	9.7	8.6	7.9	6.7	5.8
Total Probable	1,073.1	-	959.2	17.2	11.6	9.6	8.6	6.7	5.4
Total Proved + Probable	3,276.3	-	2,917.5	13.9	10.3	8.9	8.1	6.7	5.6

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 “Q” – AGREEMENT OF PURCHASE AND SALE

AGREEMENT OF PURCHASE AND SALE

This Agreement is dated October 1, 2021, between:

611890 ALBERTA INC. DBA AVILA ENERGY, a body corporate, with offices in the City of Calgary, in the Province of Alberta, ("Vendor")

and

PETRO VIKING ENERGY INC., a body corporate, with offices in the City of Calgary, in the Province of Alberta, ("Purchaser")

(collectively, the "Parties')

Vendor has agreed to sell and assign to Purchaser and Purchaser has agreed to purchase and acquire from Vendor the Sold Assets;

For good and valuable consideration, the Parties agree as follows:

1. DEFINITIONS:

In this Agreement, the following definitions apply:

(a) "Abandonment and Reclamation Obligations" means all past, present, and future obligations respecting the abandonment and reclamation of any of the Sold Assets (including with respect to any well or facility or equipment located on or within the vicinity of the Lands which was abandoned at or prior to the date hereof and includes any associated closing, decommissioning, dismantling and removal of any foundations, structures or equipment in connection with such abandonment and reclamation) and the restoration, remediation and reclamation of the surface or subsurface of the Lands and any land pooled or unitized therewith or otherwise associated with any activity on the Lands or in respect of the Sold Assets, in accordance with generally accepted oil and gas industry practices in the province where the Sold Assets are located and in compliance with the Regulations and the Leases.

(b) "Agreement" means this document, together with the Schedules attached hereto and made a part hereof;

(c) "Business Day" means any day of the week except Saturday, Sunday or any statutory holiday in Alberta.

(d) "Closing Date" means such date agreed upon by Vendor and Purchaser, being no later than November 30, 2021, unless otherwise agreed by the Parties.

(e) "Contract Operating Agreement" means a document delivered at Closing, substantially in the form attached as Schedule "B".

(f) "Common Shares" means those Class A common shares of the Purchaser; subject to clause 27.

(g) "Effective Date" means October 1, 2021.

(h) “Exchange” means that stock exchange upon which the Purchaser’s Common Shares trade, being currently the Canadian Venture Exchange.

(i) “Facilities / Pipelines” means the Vendor’s interest in and to the facilities and pipelines set forth and described in Schedule “B” and furthermore includes Vendor’s interest, if any, in all field facilities whether or not solely located on or under the surface of the Lands (or lands with which the Lands are pooled) and that are, or have been, used for production, gathering, treatment, compression, transportation, injection, water disposal, measurement, processing, storage or other operations respecting the Petroleum Substances, including any applicable battery, separator, compression station, gathering system, pipeline, production storage facility or warehouse**,** but excludes any Facilities / Pipelines comprised in the Excluded Sold Assets.

(j) “Final Statement of Adjustments” is defined in clause 9.

(k) “General Conveyance” means a document delivered at Closing, substantially in the form attached as Schedule “C”.

(l) “GST” means the goods and services tax as provided for in the *Excise Tax Act* (Canada), or any successor or parallel provincial or federal legislation that imposes a tax on the recipient of goods or services supplied under this Agreement.

(m) “Interim Statement of Adjustments” is defined in clause 9.

(n) “Lands” means the lands described in Schedule “A”, except as otherwise specified in those Schedules, and includes the Petroleum Substances within, upon or under such lands together with the right to explore for, win, take, remove, recover and own the same insofar as such rights are granted by the Leases.

(o) “Leases” means the leases described in Schedule “A” and, collectively, any and all leases, reservations, permits, licences, unit agreements, assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in agreements, sale and purchase agreements, pooling agreements or other agreements by virtue of which Vendor is entitled to the Petroleum and Natural Gas Rights or to its right to explore for, drill for, recover, take or win the Petroleum Substances within, upon or under the Lands.

(p) “Maintenance Period” means, with respect to matters involving the consent, approval, or novation of third parties, or registration of documentation with a Regulatory Authority, the date upon which such consent, approval, novation or registration has been obtained such that Purchaser is a recognized or registered party to the applicable contract or agreement.

(q) “Miscellaneous Interests” means, subject to any exceptions set out in this definition, all right, title, estate and interest of Vendor (whether absolute or contingent, legal or beneficial) in and to all property, assets, interests and rights (other than the Petroleum and Natural Gas Rights, the Lands or the Tangibles) pertaining to the Petroleum and Natural Gas Rights, the Lands or the Tangibles, including the following:

(i) contracts, agreements and documents relating to the Petroleum and Natural Gas Rights or the Tangibles;

(ii) surface leases and other rights to enter upon, use or occupy the surface of the Lands for the purpose of gaining access to or otherwise exploiting the Sold Assets;

(iii) all records, documents, licences, books, reports and data, excepting those pertaining to seismic, geological or engineering matters, which relate to the Petroleum and Natural Gas Rights, the Lands or the Tangibles; and

(iv) the Wells, including the wellbores and any and all casing and production tubing.

(r) "Permitted Encumbrances" means: (i) the terms of the Leases; (ii) the reservations or limitations in any grants or transfers from the Crown or other public authority of any of the Lands; (iii) inchoate liens, rights of way, easements and similar rights in land and other restrictions on the use of the Sold Assets that are applicable to the Sold Assets in the ordinary course of business; (iv) any security interests in respect of which Vendor has delivered to Purchaser a discharge or no interest letter, (v) the right reserved to or vested in any municipality or government or other public authority by the terms of any lease, license, franchise, grant or permit or by any statutory provision, to terminate any such lease, license, franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof; (vi) the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of any of the Lands or interests therein and statutory exceptions to title, but, unless identified in Schedule "A", does not include a Preferential Right Of Purchase, overriding royalties, net profits interests or other burdens applicable to the Sold Assets.

(s) "Petroleum and Natural Gas Rights" means the right, title, estate and interest of Vendor (whether absolute or contingent, legal or beneficial), as further set out in each column of Schedule "A", together with the right to:

(i) explore for, drill for, produce, take, use or market Petroleum Substances from the Lands;

(ii) share in production of Petroleum Substances produced from the Lands;

(iii) share in the proceeds from, measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced from the Lands; and

(iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; and includes the interest and rights of Vendor in the Lands and the Leases and all interests and rights of the nature described in items (i) to (iii) of this definition which are known as working interests, royalty interests, net carried working interests, net profits interests and revisionary interests in the Lands and Leases.

(t) "Petroleum Substances" means petroleum, natural gas and related hydrocarbons and all other substances, whether liquid, solid or gaseous and whether hydrocarbons or not.

(u) "Place of Closing" means, unless otherwise agreed to between Vendor and Purchaser, the offices of the Vendor.

(v) "Preferential Right Of Purchase" means a right of first refusal, pre-emptive right of purchase or similar right whereby a third party or Purchaser has the right to acquire or purchase an interest in or portion of the Sold Assets as a consequence of Vendor having agreed to sell the Sold Assets to Purchaser in accordance with this agreement.

(w) “Purchase Price” is defined in clause 3.

(x) “Regulations” means all laws, orders, statutes, rules, by-laws, decrees, regulations, directives, judgments, declarations and similar pronouncements made by a Regulatory Authority.

(y) “Regulatory Authority” means any domestic government, whether federal, provincial, state, territorial, local, regional, municipal, or other political jurisdiction, and any agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental or other entity, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or taxing power or function of or pertaining to government having jurisdiction over the Sold Assets, the Parties or this Agreement, including without limitation the Alberta Securities Commission and the Canadian Venture Exchange.

(z) “Tax Act” means the Income Tax Act (Canada);

(aa) “Sold Assets” means the Petroleum and Natural Gas Rights, the Tangibles and the Miscellaneous Interests.

(bb) “Take or Pay Obligations” means obligations to sell or deliver Petroleum Substances or any of them, rights to which are granted, reserved or otherwise conferred pursuant to the Leases or other title and operating documents applicable to the Sold Assets, without being entitled in due course to receive and retain full payment for such Petroleum Substances.

(cc) “Tangibles” means all right, title, estate and interest of Vendor (whether absolute or contingent, legal or beneficial) in the Facilities / Pipelines and in any and all tangible property and assets other than the Facilities / Pipelines located within, upon or in the vicinity of the Lands and which are used or intended to be used in exploiting the Petroleum and Natural Gas Rights.

(dd) “Wells” means the wells set forth and associated to Schedule “A” and all casing in all such wells.

2. SCHEDULES:

The following Schedules are made part of this Agreement:

(a) Schedule “A”: Leases, Lands, Vendor’s Interest, and Permitted Encumbrances;

(b) Schedule “B”: Contract Operating Agreement; and

(c) Schedule “C”: General Conveyance.

3. PURCHASE AND SALE:

In consideration of the transfer of the Sold Assets to Purchaser and the Purchaser assuming all the obligations and liabilities associated with the Sold Assets pursuant to the terms of this Agreement, at closing Purchaser shall pay to Vendor the purchase price (the “Purchase Price”) by way of: (i) the issuance of 44,440,000 Common Shares of the Purchaser (the “Purchase Price Common Shares”) at $0.60 per share; and (ii) 30,000,000 convertible preferred shares of the Purchaser (the "Convertible Shares") issued, and convertible, at a price of $0.80 per share (the "Conversion Price") into Common Shares. The Purchase Price Common Shares and the Convertible Sharesmay be subject to such tradability restrictions acceptable to the Vendor, in its sole, absolute and unfettered discretion. The Parties shall comply with all the requirements of the Regulatory Authority respecting the issuance of the Purchase Price by the Purchaser and the receipt thereof by the Vendor.

(i) the Convertible Shares shall have a term of five (5) years and earn an accruing annual dividend at a rate of two percent (2%) of the issue price, payable upon conversion. The conversion of the Convertible Shares, at the election of the holder, can only occur after one of the following four milestones has been achieved:

a) the Company exceeds the production rate of 3,000 boe/d, or

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; or

d) thirty (30) Business days prior to any of the events referred to in clause 27 occurring.

(ii) Notwithstanding the foregoing, at maturity upon the fifth anniversary of their issuance, the Convertible Shares shall automatically be converted on a 1:1 basis along with any accrued dividends by the issuance of Common Shares at the Conversion Price; subject always to clause 27.

At the closing on the Closing Date, the Purchaser shall issue the Purchase Price Common Shares and the Convertible Shares, the receipt of the Purchase Price to then be acknowledged by Vendor, and Vendor shall then sell, assign, transfer, convey and set over to Purchaser, and Purchaser shall then accept and purchase from Vendor, the Sold Assets, to have and to hold the same absolutely, together with all benefit and advantage to be derived therefrom, absolutely, subject to the terms of this Agreement.

(a) The Purchase Price shall be allocated amongst the Sold Assets as follows:

Petroleum and Natural Gas Rights	$45,597,599.00
Tangibles:	$5,066,400.00
Miscellaneous Interests	$1.00
Total:	$50,664,000.00
GST:	$2,533,200.00

(b) However, if Vendor, as agent of the Crown, is required to collect from Purchaser any tax, fee or charge imposed by a Regulatory Authority for the Sold Assets, including GST, then Purchaser shall pay the amount of these taxes, charges or fees to Vendor, and Vendor shall remit those amounts to the Crown in the manner required by the Regulations. If the amount of the taxes, fees or charges paid by Purchaser is adjusted as a result of any re assessment by a Regulatory Authority, then any increase or decrease from the re assessment are for Purchaser's account. Vendor's GST registration number [redacted]. Purchaser's GST registration number is [redacted] **Notwithstanding the foregoing, the Purchaser and the Vendor shall instead (assuming they are able to do so by law) jointly file a Form 44 Election in the form prescribed by Canada Revenue Agency to make an election so that GST is not payable by the Vendor on the supply of the Sold Assets to the Purchaser.**

(c) The Parties acknowledge that:

(i) the amount and the scope of any Abandonment and Reclamation Obligations associated with the Sold Assets are not capable of being quantified at the Closing Date and depend upon numerous unknowable factors that are not within the control of the Parties; and

(ii) under the Regulations, the Abandonment and Reclamation Obligations associated with the Sold Assets are inextricably linked to such Sold Assets so that Purchaser will be liable for the Abandonment and Reclamation Obligations associated with the Sold Assets in the absence of the specific assumption of such liabilities by Vendor; and

(iii) the Parties have taken into account in reaching this Agreement and in establishing the Purchase Price the fact that the Sold Assets and the associated Abandonment and Reclamation Obligations are inextricably linked.

4. <u>INTERIM MATTERS</u>

4.1 TITLE EXAMINATION, VENDOR'S RECORDS AND ACCESS TO SOLD ASSETS

(a) Vendor shall, if and as requested by Purchaser, and as further outlined in clause 4.2:

(i) make or cause to be made available for the review of Purchaser, its solicitors, employees and agents (subject to their being covered by a Confidentiality Agreement), Vendor's records, files and documents directly relating to the Sold Assets, for the purpose of Purchaser's review of the Sold Assets and Vendor's title thereto, including the Leases and applicable operating agreements, unit agreements, overriding royalty agreements and production sale contracts (subject to any exclusions identified in Miscellaneous Interests); and

(ii) at Purchaser's cost, risk and expense and upon reasonable notice, allow physical access to the Sold Assets to the extent Vendor has or can reasonably obtain access.

4.2 PURCHASER'S REVIEW

Purchaser, at its option, may conduct a review(s) of Vendor's title to the Sold Assets. Purchaser may from time to time, but no later than 4:00 p.m. (MDT) fifteen (15) Business Days before Closing Date, give notice to Vendor describing in detail all material title defects and irregularities relating to the Sold Assets that, in the reasonable opinion of Purchaser, adversely affect the title of Vendor to the Sold Assets and that Purchaser wants to have remedied ("Title Deficiencies"). Such notice shall specify such Title Deficiencies in detail, the Sold Assets directly affected thereby, and the Purchaser's requirements for the remedying thereof. Vendor shall use reasonable efforts to promptly remedy the Title Deficiencies specified by Purchaser. Vendor will have until 4:00 p.m. (MDT) on the third Business Day before Closing Date to supply any missing title documentation or to otherwise remedy the Title Deficiencies specified by Purchaser.

If all Title Deficiencies are not satisfactorily remedied prior to 4:00 p.m. (MDT) on the third Business Day before Closing Date, Purchaser may elect by giving notice to Vendor prior to 4:00 p.m. on the second Business Day before Closing Date:

(i) with the agreement of Vendor, to grant a further period of time within which Vendor may remedy the uncured Title Deficiencies;

(ii) subject to clause 4.3, to waive the unremedied Title Deficiencies and proceed with the completion of the transaction contemplated by this Agreement; or

(iii) to terminate this Agreement.

However, failure of Purchaser to make such election on time shall be deemed to be an election pursuant to subclause (ii).

4.3 INTERIM PROVISIONS

Between the Effective Date and Closing Date, where Vendor is not Operator, Vendor shall, to the extent that the nature of its interest permits, continue to cause the Sold Assets to be operated and maintained or, where Vendor is Operator, it shall operate and maintain the Sold Assets in material compliance with the Regulations and in accordance with good industry practices and the agreements governing the ownership and operation of the Sold Assets. Vendor shall not, without the prior written consent of Purchaser:

(a) authorize or make any expenditure in respect of the Sold Assets, other than:

(i) usual operating expenditures incurred and allocable to the Sold Assets pursuant to existing operating agreements with arm's length third parties;

(ii) capital expenditures (as defined by the operator of the relevant property in an authorization for expenditure) required in accordance with accepted industry practice, for which Vendor's share does not exceed $25,000.00 for any single operation; and

(iii) expenditures which the operator of any of the Sold Assets deems necessary to protect lives, property or income;

(b) propose or initiate any operations in respect of the Sold Assets;

(c) surrender or abandon any of the Sold Assets;

(d) amend, cancel or enter into any significant agreement or instrument relating to the Sold Assets; or

(e) sell, transfer or otherwise dispose of or encumber any of the Sold Assets.

However, Vendor may assume such obligations or commitments and propose or initiate such operations or the exercise of any such right or option without the prior consent of Purchaser, if Vendor reasonably determines that such expenditures or actions are necessary for the protection of life, property, or income, in which case Vendor shall promptly notify Purchaser of such intention or actions and Vendor's estimate of the costs and expenses associated therewith.

The request for written approval and the response given by Purchaser may be carried out by the use of a telecommunication device. Vendor shall promptly provide all notices to Purchaser to enable Purchaser to provide its approval or election, provided that if Purchaser does not respond to a request for an approval or election by a reasonable period of time prior to when Vendor's response is due, Vendor shall be entitled to make the election at Vendor's discretion.

Following Closing Date, for the duration of the Maintenance Period, to the extent that Purchaser must be novated into any agreements governing any of the Sold Assets, licence transfer or similar, the provisions of clause 4.6 will continue to apply.

5. CONFIDENTIALITY:

(a) the Parties agree that information respecting the Purchase Price shall be retained in confidence after the date of this Agreement. Any additional information obtained by Purchaser about Vendor as a result of this Agreement which does not relate to the Sold Assets shall continue to be treated as confidential and shall not be used by Purchaser without the prior written consent of Vendor. However, the restrictions on disclosure and use of information in this Agreement shall not apply to information to the extent it:

(b) is or becomes publicly available through no act or omission of Purchaser or its consultants or advisers;

(c) is subsequently obtained lawfully from a third party, which, after reasonable inquiry, Purchaser will not be bound to Vendor to restrict the use or disclosure of such information;

(d) is already in Purchaser's possession at the time of disclosure, without restriction on disclosure; or

(e) is required by law to be disclosed, provided that Purchaser shall take all reasonable steps to bind the party receiving such information to obligations of confidentiality similar to the foregoing; or

(f) is required by Regulatory Authority to be disclosed.

However, specific items of information shall not be considered to be in the public domain merely because more general information respecting the Sold Assets is in the public domain.

6. REPRESENTATIONS AND WARRANTIES OF VENDOR:

Purchaser acknowledges that it is purchasing the Sold Assets on an "as is, where is" basis, without representations and without reliance on any information provided to or on behalf of Purchaser by Vendor or any third party, except that and subject in all instances to anything disclosed in the Agreement and Schedules, Vendor makes the following representations and warranties to Purchaser:

(a) Vendor is a body corporate duly organized and validly existing under the laws of its jurisdiction of incorporation, is authorized to carry on business in the Province of Alberta and now has good right, full power and absolute authority to bargain, sell, transfer, assign and convey its interest in and to the Sold Assets for the purposes and in the manner herein provided for according to the true intent and meaning of this Agreement.

(b) The execution, delivery and performance of this Agreement has been duly and validly authorized by any and all requisite corporate actions and will not result in any violation of, or be in conflict with, or constitute a default under any charter, bylaw or governing document to which Vendor is bound.

(c) The execution, delivery and performance of this Agreement will not result in any violation of, or be in conflict with, or constitute a default under any term or provision of any agreement or instrument to which Vendor is party or by which it is bound, nor under any Regulations applicable to Vendor.

(d) This Agreement and other documents delivered in pursuance hereof constitute valid and binding obligations of Vendor enforceable against Vendor in accordance with their terms.

(e) Other than the Permitted Encumbrances, Vendor has not committed and is not aware of there having been committed any act or omission whereby its title to the Petroleum and Natural Gas Rights may be cancelled or determined, nor has Vendor encumbered or alienated the same or any interest therein other than as set out in Schedule “A”.

(f) Subject to the rents, covenants, conditions and stipulations in the Leases reserved and contained and on the lessee’s or holder’s part thereunder to be paid, performed and observed and subject to the Permitted Encumbrances, Purchaser may enter into and upon, and hold and enjoy the Petroleum and Natural Gas Rights for the residue of their respective terms and all renewals or extensions thereof as to the interests hereunder assigned for its own use and benefit without any lawful interruption of or by Vendor or any other person claiming by, through or under Vendor.

(g) Other than the Permitted Encumbrances, the Sold Assets are free and clear of all royalty burdens, liens, penalties, conversion rights and other claims of third parties, created by, through or under Vendor or of which Vendor has knowledge.

(h) Vendor has not incurred any obligation or liability, contingent or otherwise, for brokers’ or finders’ fees in respect of this transaction for which Purchaser shall have any obligation or liability.

(i) To the Vendor’s knowledge, Vendor has not failed to comply with, perform, observe or satisfy any material term, condition, obligation or liability which has heretofore arisen under the provisions of any of the Leases and other agreements to which the Sold Assets are subject, that would or is likely to have a material adverse effect on the Sold Assets.

(j) Vendor is not aware of any defaults, has not received notice of default and is not, to its knowledge, in any material default under:

   (i) any order, writ, injunction or decree of any court or of any commission or administrative agency affecting the Sold Assets; or

(ii) any agreement or obligation by which it is bound or to which it is subject affecting the Sold Assets.

(k) To the Vendor's knowledge, no suit, action or other proceeding has been commenced against Vendor before any court or Regulatory Authority which might result in impairment or loss of Vendor's title to the Sold Assets or which might otherwise materially adversely affect the Sold Assets.

(l) To the Vendor's knowledge, all ad valorem, property, production, severance and similar taxes and assessments based upon or measured by the ownership or production of Petroleum Substances from the Lands or the receipt of proceeds therefrom payable by Vendor have been properly paid.

(m) To the Vendor's knowledge, there are no financial commitments which are now outstanding or due or may hereafter become due in respect of the Sold Assets or operations in respect thereof other than usual operating expenses incurred in the normal conduct of operations.

(n) To the Vendor's knowledge, there are no Take or Pay Obligations affecting the Sold Assets.

(o) To the Vendor's knowledge, except as otherwise expressly noted in Schedule "A", the Sold Assets are not subject to reduction by virtue of the conversion or other alteration of the interest of any third party under existing agreements pertaining to the Sold Assets.

(p) To the Vendor's knowledge, Vendor has paid or has caused to be paid within the applicable time limits all relevant deposits, rentals, and royalties and has performed and observed, or caused to be performed and observed, all obligations and covenants required to keep the Leases and all documents of title respecting the Lands and any of them in full force and effect.

(q) To the Vendor's knowledge, there are no authorities for expenditure, mail ballots, outstanding cash calls, or any other authorization of expenditure under the Leases pertaining to the Sold Assets for the conduct of an operation or the accrual of a financial obligation.

(r) The Sold Assets are legally and validly assignable by Vendor to the Purchaser and are not subject to any pre-emptive or Preferential Right of Purchase by any third party and, if so, will be served pursuant to clause 4.3.

(s) Vendor is not aware of, nor has it received:

(i) any orders or directives under the Regulations relating to environmental matters which remain outstanding in any material respect as of the date of this agreement, and that require any further work, repairs, construction or capital expenditures with respect to the Sold Assets, where such orders and directives have not been complied with in all material respects; or

(ii) any demand or notice issued with respect to the breach of any environmental, health or safety law applicable to the Sold Assets, including respecting the use, storage, treatment, transportation or disposition of environmental contaminants, which demand or notice remains outstanding on the date of this Agreement.

(t) Vendor is not a non-resident within the meaning of Section 116 of the *Income Tax Act* (Canada).

Apart from the foregoing representations and warranties, the Vendor makes no representation or warranty regarding its title to the Sold Assets or as to the merchantability or fitness for any purpose of any part of the Sold Assets. The Purchaser acknowledges that it has made its own investigations and inquiries regarding the value and fitness of the Sold Assets and the producibility of the Petroleum Substances therefrom and that the Purchaser has not relied on any factual representations with regard thereto made to it by the Vendor.

7. <u>REPRESENTATIONS AND WARRANTIES OF PURCHASER:</u>

Purchaser represents and warrants to Vendor that:

(a) It is a body corporate duly organized and validly existing under the laws of its jurisdiction of incorporation, is authorized to carry on business in the Province of Alberta and now has good right, full power and absolute authority to enter into this Agreement for the purposes and in the manner herein provided for according to the true intent and meaning of this Agreement.

(b) The execution, delivery and performance of this Agreement has been duly and validly authorized by all requisite corporate, shareholders' and directors' actions and will not result in any violation of, or be in conflict with or constitute a default under:

  (i) any charter, bylaw or governing document or any term or provision of any agreement or instrument to which it is a party or by which it is bound; or

  (ii) any judgment, decree, order, statute, regulation, rule or licence applicable to it.

(c) This Agreement and other documents delivered in under this Agreement constitute valid and binding obligations of it in accordance with their respective terms.

(d) It is not a non-Canadian person for the purposes of the *Investment Canada Act*.

(e) It has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of this transaction for which Vendor shall have any obligation or liability.

(f) There are no material unsatisfied claims, proceeding, actions, lawsuits or administrative proceedings in existence or threatened against the Purchaser that may materially adversely affect the Purchasers ability to complete the transaction contemplated by this Agreement.

8. <u>SURVIVAL OF COVENANTS, REPRESENTATIONS AND WARRANTIES:</u>

The representations and warranties contained in clauses 6 and 7 shall survive the transaction contemplated by this Agreement and shall continue and remain in full force and effect for the benefit of Purchaser with respect to clause 6 and for the benefit of Vendor with respect to clause 7 for a period of one year from the Effective Date.

9. <u>ADJUSTMENTS</u>

All benefits and obligations of any kind or nature whatsoever (including all rentals, all taxes, except income taxes, and other payments and obligations, contractual and otherwise), and receivable or received in respect of the Sold Assets hereby assigned, including administration, maintenance, development and operating costs and the proceeds from the sale of production from the Lands, shall be apportioned between the Vendor and the Purchaser as of the Effective Date. An interim accounting adjustment will be conducted by Vendor, and a statement thereof ("Interim Statement of Adjustments") will be provided to Purchaser at least five (5) Business Days prior to the Closing Date, based on Vendor's good faith estimate of all adjustments to be made for the transactions herein pursuant to this Clause 9, and Vendor shall cooperate with Purchaser to enable Purchaser to verify the accuracy of the Interim Statement of Adjustments. The Parties shall cooperate in good faith to finalize the Interim Statement of Adjustments at least one (1) Business Day prior to the Closing Date. The Parties will work together to conduct a mutually acceptable final accounting and adjustment (the "Final Statement of Adjustments") which shall be prepared by Vendor within 120 days of closing. Purchaser will, within 30 days after Vendor's delivery of the Final Statement of Adjustments, complete its review of the Final Statement of Adjustments. Subject to subclauses 9(a), and 9(b), the Parties are not obligated to make any adjustments at any time after one (1) year from the Closing Date, unless such adjustments have been specifically requested by notice in writing within such period. All adjustments shall be settled by payment, by the Party required to make payment hereunder, within 30 days of such Party being notified of the determination of the amount owing.

(a) Notwithstanding the preceding provisions of this clause 10, any adjustments required as a result of the Maintenance Period being extended due to a non-consent, regulatory delay, or other delay related to the transfer of the Sold Assets shall be made within 30 days of Purchaser being notified of the completion of the transfer;

(b) Notwithstanding the preceding provisions of this clause 9, there will be a 90 day period post Closing for adjustments to December 31, 2021; and

(c) Notwithstanding the preceding provisions of this clause 10 (and clause (b)), no adjustments for audit queries or 13th month adjustments related to the Facilities / Pipelines will be made after the Closing Date.

10. INDEMNITIES FOR REPRESENTATIONS AND WARRANTIES

(a) Vendor shall be liable to Purchaser for and shall, in addition, indemnify Purchaser from and against, all losses, costs, claims, damages, expenses and liabilities suffered, sustained, paid or incurred by Purchaser which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in clause 6 been accurate and truthful, provided however that nothing in this subclause 10(a) shall be construed so as to cause Vendor to be liable to or indemnify Purchaser in connection with any representation or warranty contained in clause 6 if and to the extent that Purchaser did not rely upon such representation or warranty. No claim under this clause 10(a) shall be made or be enforceable by the Purchaser unless written notice of such claim with reasonable particulars is given by the Purchaser to the Vendor within a period of one year from the Effective Date.

(b) Purchaser shall be liable to Vendor for and shall, in addition, indemnify Vendor from and against, all losses, costs, claims, damages, expenses and liabilities suffered, sustained, paid or incurred by Vendor which would not have been suffered, sustained, paid or incurred had all of the representations and warranties contained in clause 7 been accurate and truthful, provided however that nothing in this subclause 10(b) shall be construed so as to cause Purchaser to be liable to or indemnify Vendor in connection with any representation or warranty contained in clause 7 if and to the extent that Vendor did not rely upon such representation or warranty. No claim under this clause 10(a) shall be made or be enforceable by the Vendor unless written notice of such claim with reasonable particulars is given by the Vendor to the Purchaser within a period of one year from the Effective Date.

11. <u>GENERAL INDEMNITY:</u>

Provided closing has occurred, the Vendor shall remain liable for and shall indemnify Purchaser from and against all losses, costs, claims, damages, expenses or liabilities suffered, sustained, paid or incurred by the Purchaser which arise from acts or omissions pertaining to the Sold Assets which occurred prior to the Effective Date, and the Purchaser shall indemnify the Vendor from and against all losses, costs, claims, damages, expenses or liabilities suffered, sustained, paid or incurred by the Vendor which arise from acts or omissions pertaining to the Sold Assets which occurred from and after the Effective Date, excepting in each case to the extent that such liabilities are caused by the parties claiming indemnity. Such indemnities shall be deemed to apply to all assignments, transfers, conveyances, novations and other documents conveying the Sold Assets to the Purchaser, notwithstanding the actual terms thereof. Such indemnity shall extend to reasonable and necessary legal costs on a solicitor and client basis. Nothing contained in this clause shall impose any liability on the Vendor for damages for loss of value suffered by the Purchaser as a result of failure of or a defect in title to any of the Sold Assets unless such loss of value is as a result of a breach of a representation and warranty contained in clause 6. No claim under this clause 11 shall be made or be enforceable by the Purchaser unless written notice of such claim with reasonable particulars is given by the Purchaser to the Vendor within a period of one (1) year from the Effective Date.

12. <u>ENVIRONMENTAL INDEMNITY:</u>

Provided closing has occurred, Purchaser shall be liable to and in addition shall indemnify Vendor from and against all losses, costs, claims, damages, expenses or liabilities suffered, sustained, paid or incurred by Vendor which pertain to the Abandonment and Reclamation Obligations and environmental damage or contamination or other environmental problems pertaining to or caused by the Sold Assets, however and by whomsoever caused, and whether such Abandonment and Reclamation Obligations, environmental damage or contamination or other environmental problems occur or arise prior or subsequent to the Effective Date, or partly prior and partly subsequent to the Effective Date. Purchaser shall not be entitled to exercise and hereby waives any rights or remedies it may now or in the future have against Vendor in respect of such Abandonment and Reclamation Obligations, environmental damage or contamination or other environmental problems, whether such rights and remedies are pursuant to the common law or statute or otherwise, including the right to name Vendor as a third party to any action commenced by any person against Purchaser. Without limiting the generality of the foregoing, such Abandonment and Reclamation Obligations, environmental damage or contamination or other environmental problems shall include:

(a) surface, underground, air, ground water or surface water contamination;

(b) the abandonment or plugging of or failure to abandon or plug any Well;

(c) the restoration or reclamation of or failure to restore or reclaim any part of the Sold Assets;

(d) the breach of applicable Regulations in effect at any time; and

(e) the removal of or failure to remove any foundations, structures or equipment from the Lands.

The indemnities provided for in this clause 12 shall extend to reasonable legal fees and disbursements on a solicitor and his own client basis.

13. LIMIT ON PARTY'S RESPONSIBILITY

The Vendor's total liabilities and indemnities under this Agreement, including, without limitation, any claims relating to its representation and warranties, will not exceed $50,000, except in the event of fraud.

14. CONVEYANCE

Vendor and Purchaser shall execute and deliver at the Closing Date the General Conveyance and the Contract Operating Agreement. Vendor shall provide at the Closing Date any specific assignments, transfers and other documents and assurances to third parties as may be reasonably required to convey the Sold Assets, but no such documents shall require Vendor to assume or incur any obligation, or to provide any representation or warranty, beyond that contained in this Agreement. Vendor shall cooperate with Purchaser to secure execution of such documents and assurances by the parties thereto other than Vendor and Purchaser.

In addition to the foregoing, the Vendor shall at such time as agreed by the Parties, submit such electronic notices to the appropriate Regulatory Authority as are needed to replace Vendor with Purchaser as the recognized party in the records of said Regulatory Authority as such records pertain to the Sold Assets (the "Replacement"). Upon Vendor receiving such confirmation from the appropriate Regulatory Authority, Vendor shall promptly notify Purchaser of same. In the interim period between the Closing Date and that date the Regulatory Authority recognizes Purchaser in place of Vendor, the Parties shall abide by the terms of the Contract Operating Agreement. Further, in accordance with the foregoing, subject to the Closing occurring, the Vendor shall act as the agent and bare trustee of the Purchaser from the Effective Date until the Replacement occurs.

15. VENDOR'S CLOSING CONDITIONS

The obligation of Vendor to complete the sale of the Sold Assets to Purchaser pursuant to this Agreement is subject to the satisfaction at or prior to the Closing Date of the following conditions precedent:

(a) The Purchaser shall deliver to the Vendor the Purchase Price; and

(b) All representations and warranties of Purchaser contained in this Agreement shall be true in all material respects at and as of the Effective Date and the Closing Date, and Purchaser shall have performed and satisfied all agreements required by this Agreement to be satisfied and performed by Purchaser prior to the Closing Date; and

(c) Purchaser shall have executed and delivered the General Conveyance and the Contract Operating Agreement and any other documents requiring the Purchaser's execution pursuant to the requirements of clause 14.

The foregoing conditions shall be for the benefit of Vendor and may, without prejudice to any of the rights of Vendor hereunder, be waived by Vendor in writing, in whole or in part, at any time.

In case any of the said conditions shall not be complied with through no act, default or omission of Vendor, or waived by Vendor, at or before the Closing Date, Vendor may rescind or terminate this Agreement by written notice to Purchaser.

16. PURCHASER'S CLOSING CONDITIONS

The obligation of Purchaser to complete the purchase of the Sold Assets from Vendor pursuant to this Agreement is subject to the satisfaction at or prior to the Closing Date of the following conditions precedent:

(a) All representations and warranties of Vendor contained in this Agreement shall be true in all material respects at and as of the Effective Date and the Closing Date, and Vendor shall have performed and satisfied all agreements required by this Agreement to be satisfied and performed by Vendor prior to the Closing Date; and

(b) Vendor shall have executed and delivered the General Conveyance and the Contract Operating Agreement; and

(c) Vendor shall have tendered to Purchaser documents and materials pursuant to the requirements of clause 14.

The foregoing conditions shall be for the benefit of Purchaser and may, without prejudice to any of the rights of Purchaser hereunder, be waived by Purchaser in writing, in whole or in part, at any time. In case any of the said conditions shall not be complied with through no act, default or omission of Purchaser, or waived by Purchaser at or before the Closing Date, Purchaser may rescind or terminate this Agreement by written notice to Vendor.

17. EFFORTS TO FULFILL CONDITIONS

Purchaser and Vendor shall proceed diligently and in good faith and use all reasonable efforts to fulfill and assist in the fulfillment of the conditions precedent, including without limitation of clauses 15 and 16. If this Agreement is terminated pursuant to clauses 15 or 16, Purchaser and Vendor shall be released and discharged from all obligations contained in this Agreement except for the provisions of clauses 5 and 13.

18. FURTHER ASSURANCES:

Each party will, at the request of the other party, but without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

19. OTHER AGREEMENTS:

The provisions contained in all documents and agreements collateral hereto shall always be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement shall prevail. No amendments shall be made to this Agreement unless in writing, executed by the Parties. This Agreement supersedes all other agreements, documents, writings and verbal understandings among the Parties relating to the Sold Assets.

20. SUBROGATION:

The assignment and conveyance effected by this Agreement is made with full right of substitution and subrogation of Purchaser in and to all covenants, representations and warranties previously given or made by others in respect of the Sold Assets or any part thereof.

21. GOVERNING LAW:

Alberta law (and the federal laws applicable therein) govern all matters arising out of this Agreement.

The Parties hereby irrevocably and unconditionally attorn to the exclusive jurisdiction of the courts of Alberta.

22. ENUREMENT:

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

23. TIME OF ESSENCE:

Time is of the essence of this Agreement.

24. SEVERABILITY:

Each provision of this Agreement is distinct and severable. If any of the provisions of this Agreement should be deemed or ruled invalid, illegal of unenforceable in any respect, the provisions shall be considered separate and severable from this Agreement without invalidating the remaining provisions of this Agreement.

25. NOTICES:

The addresses for service of the Parties shall be as follows:

Vendor:
Avila Energy
201 – 1439 17 Avenue SE
Calgary, AB T2G 1J9
Attention: Land Department
Email address: leonard.v.@avilaexpl.com

Purchaser:
Petro Viking Energy Inc.
500, 5940 Macleod Trail SW
Calgary, AB T2H 2G4
Attention: Land Department
Email address: lars@petroviking.ca

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be deemed to be sufficiently given and received if:

(a) by personal service on the other party during the normal business hours of that party at the relevant address set forth above, in which case the item so served shall be deemed to have been received by that party when personally served;

(b) by received email and/or PDF transmission to the other party to the email address set forth above, in which case the item so transmitted shall be deemed to have been received by that party when transmitted; or

(c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by mailing first class registered post, postage prepaid, to the other party at the relevant address set forth above, in which case the item so mailed shall be deemed to have been received by that party on the fourth Business Day of that party following the date of mailing.

Any of the Parties may change its address for service by giving written notice to the other.

26. COUNTERPART:

The Parties may sign this Agreement in several counterparts, each of which will be deemed an original but all of which together will constitute one instrument. Delivery of this Agreement by facsimile, e-mail or other functionally equivalent electronic means of transmission constitutes valid and effective delivery.

27. ANTI-DILUTION:

Any conversion of the Convertible Shares into Common Shares in effect and the number and type of securities at any date (the “Conversion Date”) shall be subject to adjustment from time to time as follows:

(a) If and whenever at any time prior to any Conversion Date, the Purchaser shall: (i) subdivide or re-divide the outstanding Common Shares into a greater number of shares, (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of shares, or (iii) issue Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a stock dividend (other than the issue of Common Shares to holders of Convertible Shares who have elected to receive dividends in the form of Common Shares in lieu of ividends paid in the ordinary course), the Conversion Price in effect on the effective date of any such event shall be adjusted immediately after such event or on the record date for such issue of Common Shares by way of stock dividend, as the case may be, so that it shall equal the amount determined by multiplying the Conversion Price in effect immediately prior to such event by a fraction, of which the numerator shall be the total number of Common Shares outstanding immediately prior to such event and of which the denominator shall be the total number of Common Shares outstanding immediately after such event. The number of Common Shares which the holder of the Convertible Shares (the “Holder”) is entitled for conversion shall be adjusted at the same time by multiplying the number by the inverse of the aforesaid fraction. Any such adjustments shall be made successively whenever any event referred to in this subparagraph (a) shall occur and any such issue of Common Shares by way of a stock dividend shall be deemed to have been made on the record date for the stock dividend for the purpose of calculating the number of outstanding Common Shares immediately after such event under subparagraphs (a) and (c) of this paragraph.

(b) If and whenever at any time prior to any Conversion Date the Purchaser shall fix a record date for the issuance of rights, options or warrants to all or substantially all of the holders of the outstanding Common Shares, entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for Common Shares) at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price on such record date, the Purchaser shall give the Holder written notice of such proposed issuance of rights, options or warrants at least 15 Business Days prior to such record date at the Holder's latest address on the books of the Purchaser.

(c) If and whenever at any time prior to any Conversion Date the Purchaser shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of: (i) shares of any class other than Common Shares, other than shares distributed to holders of Common Shares who have elected to receive dividends in the form of such shares in lieu of dividends paid in the ordinary course and Common Shares issued to the holders of all or substantially all of the outstanding Common Shares by way of a stock dividend, (ii) rights, options or warrants (excluding those exercisable for 45 days or less after the record date therefor), (iii) evidences of its indebtedness, or (iv) assets (excluding dividends paid in the ordinary course), including shares of other persons, then the Purchaser shall give the Holder written notice of such distribution at least 15 Business Days prior to such record date at the Holder's latest address on the books of the Purchaser.

(d) For the purpose of any computation under subparagraph (b) of this paragraph, the "Current Market Price" per Common Share at any date shall be the weighted average price per share for such shares for any twenty (20) consecutive trading days commencing not more than forty-five (45) trading days before such date (i) on the Exchange or, (ii) if the Common Shares are not listed on such stock exchange, on such stock exchange on which such Common Shares are listed as may be selected for such purpose by the board of directors of the Purchaser, or (iii) if such Common Shares are not listed on any stock exchange then on the over the counter market. The weighted average price shall be determined by dividing the aggregate sale price of all such Common Shares sold on the said exchange or market, as the case may be, during the said twenty (20) consecutive trading days by the total number of such Common Shares so sold. If the Common Shares are not listed on any stock exchange or traded on an over the counter market, the Current Market Price shall be determined in good faith by the board of directors of the Purchaser, including without limitation by using commercial business standards.

(e) For the purpose of any determination in this paragraph, "dividends paid in the ordinary course" means cash dividends declared payable on the Common Shares in any fiscal year of the Purchaser to the extent that such cash dividends do not exceed, in the aggregate, the greatest of: (i) 200% of the aggregate amount of cash dividends declared payable by the Purchaser on the Common Shares in its immediately preceding fiscal year, (ii) 300% of the arithmetic mean of the aggregate amounts of cash dividends declared payable by the Purchaser on the Common Shares in its three immediately preceding fiscal years and (iii) 100% of the aggregate consolidated net income of the Purchaser, before extraordinary items, for its immediately preceding fiscal year.

(f) If and whenever at any time prior to the Conversion Date there is a reclassification of the Common Shares at any time outstanding or a change of the Common Shares into other shares or a capital reorganization of the Purchaser not covered in subparagraph (a) or a consolidation, amalgamation or merger of the Purchaser with or into any other person(s) or a sale of the property and assets of the Purchaser as or substantially as an entirety to any other person, a Holder who has not exercised its right of conversion (the "Conversion Right") prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger or sale shall, upon the exercise of such Conversion Right, be entitled to receive and shall accept in lieu of the number of Common Shares as then constituted and to which the Holder was previously entitled upon exercise of the Conversion Right, for the same aggregate consideration payable therefor, the number of shares or other securities or property of the Purchaser or of the person(s) resulting from such reclassification, capital reorganization, consolidation, amalgamation or merger or of the person to which such sale may be made, as the case may be, that such Holder would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, merger or sale on the effective date thereof had the Holder been the registered holder of the number of Common Shares to which the Holder was previously entitled upon due exercise of the Conversion Right; and in any case, necessary and appropriate adjustments shall be made in the application of the provisions herein with respect to the rights and interests thereafter of the Holders of the Conversion Right to the end that the provisions set forth herein shall thereafter correspondingly be made applicable, as nearly as may reasonably be, in relation to any shares or securities or property to which the Holder may be entitled upon the exercise of the Conversion Right thereafter.

(g) In any case in which this paragraph requires that an adjustment become effective immediately after a record date for an event referred to herein, the Purchaser may defer, until the occurrence of such event, issuing to the Holder of any Conversion Right exercised after such record date and before the occurrence of such event the kind and amount of shares, other securities or property to which they would be entitled upon such exercise by reason of the adjustment required by such event, provided that the Purchaser shall deliver to such Holder an appropriate instrument evidencing such Holder’s right to receive the kind and amount of shares, other securities or property to which he would be entitled upon the occurrence of the event requiring such adjustment and the right to receive any distributions made or declared in favour of holders of record of Common Shares as constituted from time to time on and after such date as such Holder would, but for the provisions of this subparagraph (g), have received, or become entitled to receive, on such exercise.

(h) The adjustments provided for in this paragraph are cumulative and shall apply to successive subdivisions, re-divisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this clause 27, provided that notwithstanding any other provision of this clause 27: (i) no adjustment of the Conversion Price or number of Common Shares, as then constituted, purchasable shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect or of the number of Common Shares, as then constituted, purchasable and (ii) any adjustments which by reason of this subparagraph (h) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(i) In the event of any question arising with respect to the adjustments provided in this clause 27, such question shall be conclusively determined by the auditors of the Purchaser. The auditors shall have access to all necessary records of the Purchaser and such determination shall be binding upon the Purchaser and the Holder.

(j) As a condition precedent to the taking of any action which would require an adjustment in any of the subscription rights pursuant hereto, including the number of Common Shares which are to be received upon the Conversion thereof, the Purchaser shall take any action which, in the opinion of counsel, may be necessary in order that the Purchaser may validly and legally issue as fully paid and non-assessable all the Common Shares which the Holder is entitled to receive on the full Conversion thereof in accordance with the provisions hereof.

(k) In case the Purchaser shall take any action, other than action described in this clause 27, affecting the Common Shares which, in the opinion of the Board of Directors of the Purchaser would materially affect the rights of the Holder, the Conversion Price and/or the number of

Common Shares which may be acquired upon exercise of a Conversion Right shall be adjusted by action of the Board of Directors in such manner and at such time as they may determine in their sole discretion to be equitable in the circumstances, provided that no such adjustment will be made unless prior approval of all stock exchanges on which the Common Shares are listed for trading has been obtained. Failure of the Board of Directors to make such an adjustment shall be conclusive evidence that the Board of Directors have determined that it is equitable to make no adjustment in the circumstances.

(l) Immediately after the occurrence of any event which requires an adjustment pursuant to this clause 27, other than an adjustment pursuant to subparagraphs (a) or (b), in the Conversion Price or in any of the subscription rights pursuant to any of the Conversion Right, including the number of Common Shares, as then constituted, which are to be received upon Conversion, the Purchaser shall forthwith deliver to the Holder a certificate of the Purchaser specifying the particulars of such event and the required adjustment and the computation of such adjustment and give at least fourteen (14) days notice to the Holder of the record date or effective date of such event, as the case may be, and such notice shall include particulars of such event and the required adjustment.

28. <u>TAXATION MATTERS:</u>

28.01 Election Under Subsection 85(1) of the Tax Act

(1) The Purchaser and the Vendor will jointly elect under subsection 85(1) of the Tax Act regarding the sale of the Sold Property. Such election will be prepared by the Purchaser and filed by the Vendor and the Purchaser in the form and manner and within the time prescribed by the Tax Act and the regulations thereunder (currently by each filing Form T2057 with their respective tax returns). The agreed amount for the purposes of paragraph 85(1)(a) of the Tax Act in respect of each property comprising the Sold Property will be the lesser of the cost amount (as defined in the Tax Act) to the Vendor of such property immediately before the Closing and the fair market value of such property immediately before the Closing.

(2) The Purchaser will, at the request of the Vendor, jointly elect with the Vendor under corresponding provisions of applicable provincial income tax legislation with respect to the sale of the Sold Property. The provisions of clause 4.01(1) will apply to the making of any such provincial elections, with necessary changes.

28.02 Stated Capital

The Purchaser will add an amount equal to Purchase Price to its stated capital account in respect of the Common Shares and Convertible Shares to be issued by the Purchaser pursuant to clause 1.03 The Purchaser does not assume and will not be liable for any taxes under the Tax Act or any other taxes whatsoever that may be or become payable by the Vendor including, without limitation, any taxes resulting from or arising as a consequence of the sale by the Vendor to the Purchaser of the Sold Property herein contemplated, and the Vendor will indemnify and save harmless the Purchaser from and against all such taxes.

28.03 Joint Election -subsection 167(1)

The Purchaser and the Vendor will jointly elect by filing Form GST44 (the “Election”) under subsection 167(1) (the “Election Conditions”) of the Excise Tax Act for the Transaction in order that, inter alia, there will be no GST payable respecting the Sold Assets by the Purchaser under this Agreement.

The Purchaser and the Vendor hereby confirm each to the other that the Election Conditions apply to the Transaction and that the exceptions under subsection 167(1.1)(a) do not apply to the Transaction.

The Parties are signing this Agreement effective as of the 1st day of October, 2021.

611890 ALBERTA INC. DBA AVILA ENERGY	**PETRO VIKING ENERGY INC.**
"Leonard Van Betuw"	*"Michel Lebeuf Jr."*
Leonard Van Betuw	Michel Lebeuf Jr.
Title: President	Title: Director

EXECUTION PAGE TO AN AGREEMENT OF PURCHASE AND SALE DATED October 1, 2021 BETWEEN 611890 ALBERTA INC. DBA AVILA ENERGY AND PETRO VIKING ENERGY INC.

SCHEDULE "A" TO AN AGREEMENT OF PURCHASE AND SALE DATED October 1, 2021 BETWEEN 611890 ALBERTA INC. DBA AVILA ENERGY AND PETRO VIKING ENERGY INC.

Leases, Lands, Vendor's Interest, and Permitted Encumbrances

[This Schedule has been voluntarily omitted for confidentiality purposes]

SCHEDULE “B” TO AN AGREEMENT OF PURCHASE AND SALE DATED OCTOBER 1, 2021 BETWEEN 611890 ALBERTA INC. DBA AVILA ENERGY AND PETRO VIKING ENERGY INC.

Contract Operating Agreement

[This Schedule has been voluntarily omitted for confidentiality purposes]

SCHEDULE "C" TO AN AGREEMENT OF PURCHASE AND SALE DATED OCTOBER 1, 2021 BETWEEN 611890 ALBERTA INC. DBA AVILA ENERGY AND PETRO VIKING ENERGY INC.

GENERAL CONVEYANCE

This General Conveyance made the 1st day of October, 2021 (the "Effective Date")

Between:

611890 ALBERTA INC. DBA AVILA ENERGY, a body corporate, having an office in the City of Calgary, Alberta ("**Vendor**")

\- and -

PETRO VIKING ENERGY INC. a body corporate, having an office in the City of Calgary, Alberta ("**Purchaser**")

Pursuant to the provisions of an Agreement dated October 1, 2021 between the Vendor and the Purchaser to which this Schedule "C" is attached (the "Sale Agreement"), the Purchaser agreed to purchase, and Vendor agreed to sell, the "Sold Assets", as defined in the Sale Agreement, subject to the terms set forth in the Sale Agreement;

The Vendor and Purchaser agree as follows:

1. <u>Definitions</u>

Unless otherwise defined in this General Conveyance, capitalized words when used in this General Conveyance have the meaning ascribed to them in the Sale Agreement.

2. <u>Conveyance</u>

Pursuant to and for the consideration provided for in the Sale Agreement, Vendor hereby sells, assigns, transfers, conveys and sets over to Purchaser Vendor's entire right, title, estate and interest in and to the Sold Assets, and Purchaser hereby purchases and accepts the Sold Assets, to have and to hold the same absolutely, together with all benefits and advantages to be derived therefrom, subject to the terms of the Sale Agreement.

3. <u>Effective Time</u>

This General Conveyance shall be effective October 1, 2021.

4. <u>Subordinate Documents</u>

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

5. Enurement

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

6. Further Assurances

Each party will, at the request of the other party but without further consideration, do all such further acts and execute and deliver all such further documents as shall be reasonably required in order to fully perform and carry out the terms of this General Conveyance.

7. Taxation Matters

7.01 Election Under Subsection 85(1) of the Tax Act

(1) The Purchaser and the Vendor will jointly elect under subsection 85(1) of the Tax Act regarding the sale of the Sold Assets. Such election will be prepared by the Purchaser and filed by the Vendor and the Purchaser in the form and manner and within the time prescribed by the Tax Act and the regulations thereunder (currently by each filing Form T2057 with their respective tax returns). The agreed amount for the purposes of paragraph 85(1)(a) of the Tax Act in respect of each property comprising the Sold Assets will be the lesser of the cost amount (as defined in the Tax Act) to the Vendor of such property immediately before the Closing and the fair market value of such property immediately before the Closing.

(2) The Purchaser will, at the request of the Vendor, jointly elect with the Vendor under corresponding provisions of applicable provincial income tax legislation with respect to the sale of the Sold Assets. The provisions of clause 7.01(1) will apply to the making of any such provincial elections, with necessary changes.

7.02 Stated Capital

The Purchaser will add an amount equal to Purchase Price to its stated capital account in respect of the Common Shares and Convertible Shares to be issued by the Purchaser pursuant to clause 1.03 of the Sale Agreement.

The Purchaser does not assume and will not be liable for any taxes under the Tax Act or any other taxes whatsoever that may be or become payable by the Vendor including, without limitation, any taxes resulting from or arising as a consequence of the sale by the Vendor to the Purchaser of the Sold Assets herein contemplated, and the Vendor will indemnify and save harmless the Purchaser from and against all such taxes.

7.03 Joint Election -subsection 167(1)

The Purchaser and the Vendor will jointly elect by filing Form GST44 (the “Election”) under subsection 167(1) (the “Election Conditions”) of the Excise Tax Act for the Transaction in order that, inter alia, there will be no GST payable respecting the Sold Assets by the Purchaser under this Agreement.

The Purchaser and the Vendor hereby confirm each to the other that the Election Conditions apply to the Transaction and that the exceptions under subsection 167(1.1)(a) do not apply to the Transaction.

8. Merger

Nothing contained in this General Conveyance shall in any way result in a merger of the terms of the Sale Agreement with the terms of this General Conveyance and the Parties specifically agree that all such terms of the Sale Agreement shall continue to apply to the within conveyance.

9. Governing Law

Alberta law governs all matters arising out of this General Conveyance.

10. Counterpart Execution

The Parties may sign this General Conveyance in several counterparts, each of which will be deemed an original but all of which together will constitute one instrument. Delivery of this Agreement by facsimile, e-mail or other functionally equivalent electronic means of transmission constitutes valid and effective delivery.

The Parties are signing this General Conveyance effective as of the Effective Date.

611890 ALBERTA INC. DBA AVILA ENERGY	**PETRO VIKING ENERGY INC.**
"Leonard Van Betuw"	*"Michel Lebeuf Jr."*
Leonard Van Betuw	Michel Lebeuf Jr.
Title: President	Title: Director

SCHEDULE “R” – ESCROW AGREEMENT

Escrow Agreement

Form 46-201F1

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ESCROW AGREEMENT

THIS ESCROW AGREEMENT is made as of the 24th day of February, 2021 (the "**Agreement**")

AMONG: **PETRO VIKING ENERGY INC.**, a company duly incorporated under the Business Corporations Act (Alberta), having its head office at 5940, Macleod Trail, Suite 500, Calgary, Alberta, T2H 2G4;

(the **"Issuer"**)

AND: **COMPUTERSHARE TRUST COMPANY OF CANADA**, a company duly incorporated under the Canada Business Corporations Act, having its head office at 100 University Avenue, 11th Floor, Toronto, Ontario, M5J 2Y1;

(the **"Escrow Agent"**)

AND: **EACH OF THE UNDERSIGNED SECURITYHOLDERS OF THE ISSUER**

(a **"Securityholder"** or **"you"**)

(collectively, the **"Parties"**)

This Agreement is being entered into by the Parties under National Policy 46-201 *Escrow for Initial Public Offerings* (the **Policy**) in connection with the proposed listing (the **IPO**) of the common shares of the Issuer, an emerging issuer.

For good and valuable consideration, the Parties agree as follows:

PART 1 ESCROW

1.1 Appointment of Escrow Agent

The Issuer and the Securityholders appoint the Escrow Agent to act as escrow agent under this Agreement. The Escrow Agent accepts the appointment.

1.2 Deposit of Escrow Securities in Escrow

(1) You are depositing the securities (escrow securities) listed opposite your name in Schedule "A" with the Escrow Agent to be held in escrow under this Agreement. You will immediately deliver or cause to be delivered to the Escrow Agent any share certificates or other evidence of these securities which you have or which you may later receive.

(2) If you receive any other securities (**additional escrow securities)**:

(a) as a dividend or other distribution on escrow securities;

(b) on the exercise of a right of purchase, conversion or exchange attaching to escrow securities, including securities received on conversion of special warrants;

(c) on a subdivision, or compulsory or automatic conversion or exchange of escrow securities; or

(d) from a successor issuer in a business combination, if Part 6 of this Agreement applies,

you will deposit them in escrow with the Escrow Agent. You will deliver or cause to be delivered to the Escrow Agent any share certificates or other evidence of those additional escrow securities. When this Agreement refers to **escrow securities,** it includes additional escrow securities.

(3) You will immediately deliver to the Escrow Agent any replacement share certificates or other evidence of additional escrow securities issued to you.

1.3 Direction to Escrow Agent

The Issuer and the Securityholders direct the Escrow Agent to hold the escrow securities in escrow until they are released from escrow under this Agreement.

PART 2 RELEASE OF ESCROW SECURITIES

2.1 Release Schedule for an Emerging Issuer

2.1.1 Usual case

If the Issuer is an **emerging issuer** (as defined in section 3.3 of the Policy) and you have not sold any escrow securities in a permitted secondary offering, your escrow securities will be released as follows:

On , the date the Issuer's securities are listed on a Canadian exchange **(the listing date)**	1/10 of your escrow securities
6 months after the listing date	1/6 of your remaining escrow securities
12 months after the listing date	1/5 of your remaining escrow securities
18 months after the listing date	1/4 of your remaining escrow securities
24 months after the listing date	1/3 of your remaining escrow securities
30 months after the listing date	1/2 of your remaining escrow securities
36 months after the listing date	your remaining escrow securities

*In the simplest case, where there are no changes to the escrow securities initially deposited and no additional escrow securities, the release schedule outlined above results in the escrow securities being released in equal tranches of 15% after completion of the release on the listing date.

2.1.2 Alternate meaning of "listing date"

If the Issuer is an emerging issuer, an alternate meaning for **listing date** is the date the Issuer completes its IPO if:

(a) the Issuer's securities are not listed on a Canadian exchange immediately after its IPO; or

(b) the Issuer's securities are listed on a Canadian exchange immediately before its IPO.

2.1.3 If there is a permitted secondary offering

(1) If the Issuer is an emerging issuer and you have sold in a permitted secondary offering 10% or more of your escrow securities, your escrow securities will be released as follows:

For delivery to complete the IPO	All escrow securities sold by you in the permitted secondary offering
6 months after the listing date	1/6 of your remaining escrow securities
12 months after the listing date	1/5 of your remaining escrow securities
18 months after the listing date	1/4 of your remaining escrow securities
24 months after the listing date	1/3 of your remaining escrow securities
30 months after the listing date	1/2 of your remaining escrow securities
36 months after the listing date	your remaining escrow securities

*In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 16 2/3%.

(2) If the Issuer is an emerging issuer and you have sold in a permitted secondary offering less than 10% of your escrow securities, your escrow securities will be released as follows:

For delivery to complete the IPO	All escrow securities sold by you in the permitted secondary offering
On the listing date	1/10 of your original number of escrow securities less the escrow securities sold by you in the permitted secondary offering
6 months after the listing date	1/6 of your remaining escrow securities
12 months after the listing date	1/5 of your remaining escrow securities
18 months after the listing date	1/4 of your remaining escrow securities
24 months after the listing date	1/3 of your remaining escrow securities
30 months after the listing date	1/2 of your remaining escrow securities
36 months after the listing date	your remaining escrow securities

*In the simplest case, where there are no changes to the remaining escrow securities upon completion of the permitted secondary offering and no additional escrow securities, the release schedule outlined above results in the remaining escrow securities being released in equal tranches of 16 2/3% after completion of the release on the listing date.

2.1.4 Additional escrow securities

If you acquire additional escrow securities, those securities will be added to the securities already in escrow, to increase the number of remaining escrow securities. After that, all of the escrow securities will be released in accordance with the applicable release schedule in the tables above.

2.2 Delivery of Share Certificates for Escrow Securities

The Escrow Agent will send to each Securityholder any share certificates or other evidence of that Securityholder's escrow securities in the possession of the Escrow Agent released from escrow as soon as reasonably practicable after the release.

2.3 Replacement Certificates

If, on the date a Securityholder's escrow securities are to be released, the Escrow Agent holds a share certificate or other evidence representing more escrow securities than are to be released, the Escrow Agent will deliver the share certificate or other evidence to the Issuer or its transfer agent and request replacement share certificates or other evidence. The Issuer will cause replacement share certificates or other evidence to be prepared and delivered to the Escrow Agent. After the Escrow Agent receives the replacement share certificates or other evidence, the Escrow Agent will send to the Securityholder or at the Securityholder's direction, the replacement share certificate or other evidence of the escrow securities released. The Escrow Agent and Issuer will act as soon as reasonably practicable.

2.4 Release upon Death

(1) If a Securityholder dies, the Securityholder's escrow securities will be released from escrow. The Escrow Agent will deliver any share certificates or other evidence of the escrow securities in the possession of the Escrow Agent to the Securityholder's legal representative.

(2) Prior to delivery the Escrow Agent must receive:

(a) a certified copy of the death certificate; and

(b) any evidence of the legal representative's status that the Escrow Agent may reasonably require.

PART 3 EARLY RELEASE ON CHANGE OF ISSUER STATUS

3.1 Becoming an Established Issuer

If the Issuer is an emerging issuer on the date of this Agreement and, during this Agreement, the Issuer:

(a) lists its securities on the Toronto Stock Exchange Inc. or Aequitas NEO Exchange Inc.;

(b) becomes a TSX Venture Exchange Inc. **(TSX Venture)** Tier 1 issuer; or

(c) lists or quotes its securities on an exchange or market outside Canada that its "principal regulator" under National Policy 43-201 *Mutual Reliance Review System for Prospectuses and Annual Information Forms* (in Quebec under Staff Notice, *Mutual Reliance Review System for Prospectuses and Annual Information Forms*) or, if the Issuer has only filed its IPO prospectus in one jurisdiction, the securities regulator in that jurisdiction, is satisfied has minimum listing requirements at least equal to those of TSX Venture Tier 1,

then the Issuer becomes an **established issuer.**

3.2 Release of Escrow Securities

(1) When an emerging issuer becomes an established issuer, the release schedule for its escrow securities changes.

(2) If an emerging issuer becomes an established issuer 18 months or more after its listing date, all escrow securities will be released immediately.

(3) If an emerging issuer becomes an established issuer within 18 months after its listing date, all escrow securities that would have been released to that time, if the Issuer was an established issuer on its listing date, will be released immediately. Remaining escrow securities will be released in equal installments on the day that is 6 months, 12 months and 18 months after the listing date.

3.3 Filing Requirements

Escrow securities will not be released under this Part until the Issuer does the following:

(a) at least twenty (20) days before the date of the first release of escrow securities under the new release schedule, files with the securities regulators in the jurisdictions in which it is a reporting issuer

(i) a certificate signed by a director or officer of the Issuer authorized to sign stating

A. that the Issuer has become an established issuer by satisfying one of the conditions in section 3.1 and specifying the condition, and

B. the number of escrow securities to be released on the first release date under the new release schedule, and

(ii) a copy of a letter or other evidence from the exchange or quotation service confirming that the Issuer has satisfied the condition to become an established issuer; and

(b) at least ten (10) days before the date of the first release of escrow securities under the new release schedule, issues and files with the securities regulators in the jurisdictions in which it is a reporting issuer a news release disclosing details of the first release of the escrow securities and the change in the release schedule, and sends a copy of such filing to the Escrow Agent.

3.4 Amendment of Release Schedule

The new release schedule will apply ten (10) days after the Escrow Agent receives a certificate signed by a director or officer of the Issuer authorized to sign

(a) stating that the Issuer has become an established issuer by satisfying one of the conditions in section 3.1 and specifying the condition;

(b) stating that the release schedule for the Issuer's escrow securities has changed;

(c) stating that the Issuer has issued a news release at least 10 days before the first release date under the new release schedule and specifying the date that the news release was issued; and

(d) specifying the new release schedule.

PART 4 DEALING WITH ESCROW SECURITIES

4.1 Restriction on Transfer, etc.

Unless it is expressly permitted in this Agreement, you will not sell, transfer, assign, mortgage, enter into a derivative transaction concerning, or otherwise deal in any way with your escrow securities or any related share certificates or other evidence of the escrow securities.

If a Securityholder is a private company controlled by one or more principals (as defined in section 3.5 of the Policy) of the Issuer, the Securityholder may not participate in a transaction that results in a change of its control or a change in the economic exposure of the principals to the risks of holding escrow securities.

4.2 Pledge, Mortgage or Charge as Collateral for a Loan

You may pledge, mortgage or charge your escrow securities to a financial institution as collateral for a loan, provided that no escrow securities or any share certificates or other evidence of escrow securities will be transferred or delivered by the Escrow Agent to the financial institution for this purpose. The loan agreement must provide that the escrow securities will remain in escrow if the lender realizes on the escrow securities to satisfy the loan.

4.3 Voting of Escrow Securities

You may exercise any voting rights attached to your escrow securities.

4.4 Dividends on Escrow Securities

You may receive a dividend or other distribution on your escrow securities, and elect the manner of payment from the standard options offered by the Issuer. If the Escrow Agent receives a dividend or other distribution on your escrow securities, other than additional escrow securities, the Escrow Agent will pay the dividend or other distribution to you on receipt.

4.5 Exercise of Other Rights Attaching to Escrow Securities

You may exercise your rights to exchange or convert your escrow securities in accordance with this Agreement.

PART 5 PERMITTED TRANSFERS WITHIN ESCROW

5.1 Transfer to Directors and Senior Officers

(1) You may transfer escrow securities within escrow to existing or, upon their appointment, incoming directors or senior officers of the Issuer or any of its material operating subsidiaries, if the Issuer's board of directors has approved the transfer.

(2) Prior to the transfer the Escrow Agent must receive:

- (a) a certified copy of the resolution of the board of directors of the Issuer approving the transfer;
- (b) a certificate signed by a director or officer of the Issuer authorized to sign, stating that the transfer is to a director or senior officer of the Issuer or a material operating subsidiary and that any required approval from the Canadian exchange the Issuer is listed on has been received;
- (c) an acknowledgment in the form of Schedule "B" signed by the transferee;
- (d) copies of the letters sent to the securities regulators described in subsection (3) accompanying the acknowledgement; and
- (e) a transfer power of attorney, completed and executed by the transferor in accordance with the requirements of the Issuer's transfer agent.

(3) At least ten (10) days prior to the transfer, the Issuer will file a copy of the acknowledgement with the securities regulators in the jurisdictions in which it is a reporting issuer.

5.2 Transfer to Other Principals

(4) You may transfer escrow securities within escrow:

(e) to a person or company that before the proposed transfer holds more than 20% of the voting rights attached to the Issuer's outstanding securities; or

(f) to a person or company that after the proposed transfer

(i) will hold more than 10% of the voting rights attached to the Issuer's outstanding securities, and

(ii) has the right to elect or appoint one or more directors or senior officers of the Issuer or any of its material operating subsidiaries.

(5) Prior to the transfer the Escrow Agent must receive:

(b) a certificate signed by a director or officer of the Issuer authorized to sign stating that

(ii) the transfer is to a person or company that the officer believes, after reasonable investigation, holds more than 20% of the voting rights attached to the Issuer's outstanding securities before the proposed transfer, or

(iii) the transfer is to a person or company that

A. the officer believes, after reasonable investigation, will hold more than 10% of the voting rights attached to the Issuer's outstanding securities, and

B. has the right to elect or appoint one or more directors or senior officers of the Issuer or any of its material operating subsidiaries

after the proposed transfer, and

(iv) any required approval from the Canadian exchange the Issuer is listed on has been received;

(b) an acknowledgment in the form of Schedule "B" signed by the transferee;

(c) copies of the letters sent to the securities regulators accompanying the acknowledgement; and

(d) a transfer power of attorney, executed by the transferor in accordance with the requirements of the Issuer's transfer agent.

(6) At least ten (10) days prior to the transfer, the Issuer will file a copy of the acknowledgement with the securities regulators in the jurisdictions in which it is a reporting issuer.

5.3 Transfer upon Bankruptcy

(1) You may transfer escrow securities within escrow to a trustee in bankruptcy or another person or company entitled to escrow securities on bankruptcy.

(2) Prior to the transfer, the Escrow Agent must receive:

(a) a certified copy of either

(i) the assignment in bankruptcy filed with the Superintendent of Bankruptcy, or

(ii) the receiving order adjudging the Securityholder bankrupt;

(b) a certified copy of a certificate of appointment of the trustee in bankruptcy;

(c) a transfer power of attorney, completed and executed by the transferor in accordance with the requirements of the Issuer's transfer agent; and

(d) an acknowledgment in the form of Schedule "B" signed by:

(i) the trustee in bankruptcy, or

(ii) on direction from the trustee, with evidence of that direction attached to the acknowledgment form, another person or company legally entitled to the escrow securities.

(3) Within ten (10) days after the transfer, the transferee of the escrow securities will file a copy of the acknowledgment with the securities regulators in the jurisdictions in which the Issuer is a reporting issuer.

5.4 Transfer Upon Realization of Pledged, Mortgaged or Charged Escrow Securities

(1) You may transfer within escrow to a financial institution the escrow securities you have pledged, mortgaged or charged under section 4.2 to that financial institution as collateral for a loan on realization of the loan.

(2) Prior to the transfer the Escrow Agent must receive:

(a) a statutory declaration of an officer of the financial institution that the financial institution is legally entitled to the escrow securities;

(b) a transfer power of attorney, executed by the transferor in accordance with the requirements of the Issuer's transfer agent; and

(c) an acknowledgement in the form of Schedule "B" signed by the financial institution.

(3) Within ten (10) days after the transfer, the transferee of the escrow securities will file a copy of the acknowledgment with the securities regulators in the jurisdictions in which the Issuer is a reporting issuer.

5.5 Transfer to Certain Plans and Funds

(1) You may transfer escrow securities within escrow to or between a registered retirement savings plan (RRSP), registered retirement income fund (RRIF) or other similar registered plan or fund with a trustee, where the annuitant of the RRSP or RRIF, or the beneficiaries of the other registered plan or fund are limited to you and your spouse, children and parents, or, if you are the trustee of such a registered plan or fund, to the annuitant of the RRSP or RRIF, or a beneficiary of the other registered plan or fund, as applicable, or his or her spouse, children and parents.

(2) Prior to the transfer the Escrow Agent must receive:

(a) evidence from the trustee of the transferee plan or fund, or the trustee's agent, stating that, to the best of the trustee's knowledge, the annuitant of the RRSP or RRIF, or the beneficiaries of the other registered plan or fund do not include any person or company other than you and your spouse, children and parents;

(b) a transfer power of attorney, executed by the transferor in accordance with the requirements of the Issuer's transfer agent; and

(c) an acknowledgement in the form of Schedule "B" signed by the trustee of the plan or fund.

(3) Within ten (10) days after the transfer, the transferee of the escrow securities will file a copy of the acknowledgment with the securities regulators in the jurisdictions in which the Issuer is a reporting issuer.

5.6 Effect of Transfer Within Escrow

After the transfer of escrow securities within escrow, the escrow securities will remain in escrow and released from escrow under this Agreement as if no transfer has occurred on the same terms that applied before the transfer. The Escrow Agent will not deliver any share certificates or other evidence of the escrow securities to transferees under this Part 5.

PART 6 BUSINESS COMBINATIONS

6.1 Business Combinations

This Part applies to the following **(business combinations)**:

(a) a formal take-over bid for all outstanding equity securities of the Issuer or which, if successful, would result in a change of control of the Issuer

(b) a formal issuer bid for all outstanding equity securities of the Issuer

(c) a statutory arrangement

(d) an amalgamation

(e) a merger

(f) a reorganization that has an effect similar to an amalgamation or merger

6.2 Delivery to Escrow Agent

You may tender your escrow securities to a person or company in a business combination. At least five (5) business days prior to the date the escrow securities must be tendered under the business combination, you must deliver to the Escrow Agent:

(a) a written direction signed by you that directs the Escrow Agent to deliver to the depositary under the business combination any share certificates or other evidence of the escrow securities and a completed and executed cover letter or similar document and, where required, transfer power of attorney completed and executed for transfer in accordance with the requirements of the depositary, and any other documentation specified or provided by you and required to be delivered to the depositary under the business combination; and

(b) any other information concerning the business combination as the Escrow Agent may reasonably request.

6.3 Delivery to Depositary

As soon as reasonably practicable, and in any event no later than three (3) business days after the Escrow Agent receives the documents and information required under section 6.2, the Escrow

Agent will deliver to the depositary, in accordance with the direction, any share certificates or other evidence of the escrow securities, and a letter addressed to the depositary that

(a) identifies the escrow securities that are being tendered;

(b) states that the escrow securities are held in escrow;

(c) states that the escrow securities are delivered only for the purposes of the business combination and that they will be released from escrow only after the Escrow Agent receives the information described in section 6.4;

(d) if any share certificates or other evidence of the escrow securities have been delivered to the depositary, requires the depositary to return to the Escrow Agent, as soon as practicable, any share certificates or other evidence of escrow securities that are not released from escrow into the business combination; and

(e) where applicable, requires the depositary to deliver or cause to be delivered to the Escrow Agent, as soon as practicable, any share certificates or other evidence of additional escrow securities that you acquire under the business combination.

6.4 Release of Escrow Securities to Depositary

The Escrow Agent will release from escrow the tendered escrow securities when the Escrow Agent receives a declaration signed by the depositary or, if the direction identifies the depositary as acting on behalf of another person or company in respect of the business combination, by that other person or company, that:

(a) the terms and conditions of the business combination have been met or waived; and

(b) the escrow securities have either been taken up and paid for or are subject to an unconditional obligation to be taken up and paid for under the business combination.

6.5 Escrow of New Securities

If you receive securities **(new securities)** of another issuer **(successor issuer)** in exchange for your escrow securities, the new securities will be subject to escrow in substitution for the tendered escrow securities if, immediately after completion of the business combination:

(a) the successor issuer is not an exempt issuer (as defined in section 3.2 of the Policy);

(b) you are a **principal** (as defined in section 3.5 of the Policy) of the successor issuer; and

(c) you hold more than 1% of the voting rights attached to the successor issuer's outstanding securities (In calculating this percentage, include securities that may be issued to you under outstanding convertible securities in both your securities and the total securities outstanding.)

6.6 Release from Escrow of New Securities

(1) As soon as reasonably practicable after the Escrow Agent receives:

(a) a certificate from the successor issuer signed by a director or officer of the successor issuer authorized to sign

(i) stating that it is a successor issuer to the Issuer as a result of a business combination and whether it is an emerging issuer or an established issuer under the Policy, and

(ii) listing the Securityholders whose new securities are subject to escrow under section 6.5, the escrow securities of the Securityholders whose new securities are not subject to escrow under section 6.5 will be released, and the Escrow Agent will send any share certificates or other evidence of the escrow securities in the possession of the Escrow Agent in accordance with section 2.3.

(2) If your new securities are subject to escrow, unless subsection (3) applies, the Escrow Agent will hold your new securities in escrow on the same terms and conditions, including release dates, as applied to the escrow securities that you exchanged.

(3) If the Issuer is

(a) an emerging issuer, the successor issuer is an established issuer, and the business combination occurs 18 months or more after the Issuer's listing date, all escrow securities will be released immediately; and

(b) an emerging issuer, the successor issuer is an established issuer, and the business combination occurs within 18 months after the Issuer's listing date, all escrow securities that would have been released to that time, if the Issuer was an established issuer on its listing date, will be released immediately. Remaining escrow securities will be released in equal instalments on the day that is 6 months, 12 months and 18 months after the Issuer's listing date.

PART 7 RESIGNATION OF ESCROW AGENT

7.1 Resignation of Escrow Agent

(1) If the Escrow Agent wishes to resign as escrow agent, the Escrow Agent will give written notice to the Issuer.

(2) If the Issuer wishes to terminate the Escrow Agent as escrow agent, the Issuer will give written notice to the Escrow Agent.

(3) If the Escrow Agent resigns or is terminated, the Issuer will be responsible for ensuring that the Escrow Agent is replaced not later than the resignation or termination date by another escrow agent that is acceptable to the securities regulators having jurisdiction in the matter and that has accepted such appointment, which appointment will be binding on the Issuer and the Securityholders.

(4) The resignation or termination of the Escrow Agent will be effective, and the Escrow Agent will cease to be bound by this Agreement, on the date that is sixty (60) days after the date of receipt of the notices referred to above by the Escrow Agent or Issuer, as applicable, or on such other date as the Escrow Agent and the Issuer may agree upon (the "resignation or termination date"), provided that the resignation or termination date will not be less than ten (10) business days before a release date.

(5) If the Issuer has not appointed a successor escrow agent within sixty (60) days of the resignation or termination date, the Escrow Agent will apply, at the Issuer's expense, to a court of competent jurisdiction for the appointment of a successor escrow agent, and the duties and responsibilities of the Escrow Agent will cease immediately upon such appointment.

(6) On any new appointment under this section, the successor Escrow Agent will be vested with the same powers, rights, duties and obligations as if it had been originally named herein as Escrow Agent, without any further assurance, conveyance, act or deed. The

predecessor Escrow Agent, upon receipt of payment for any outstanding account for its services and expenses then unpaid, will transfer, deliver and pay over to the successor Escrow Agent, who will be entitled to receive, all securities, records or other property on deposit with the predecessor Escrow Agent in relation to this Agreement and the predecessor Escrow Agent will thereupon be discharged as Escrow Agent.

(7) If any changes are made to Part 8 of this Agreement as a result of the appointment of the successor Escrow Agent, those changes must not be inconsistent with the Policy and the terms of this Agreement and the Issuer to this Agreement will file a copy of the new Agreement with the securities regulators with jurisdiction over this Agreement and the escrow securities.

PART 8 OTHER CONTRACTUAL ARRANGEMENTS

8.1 Escrow Agent Not a Trustee

The Escrow Agent accepts duties and responsibilities under this Agreement, and the escrow securities and any share certificates or other evidence of these securities, solely as a custodian, bailee and agent. No trust is intended to be, or is or will be, created hereby and the Escrow Agent shall owe no duties hereunder as a trustee.

8.2 Escrow Agent Not Responsible for Genuineness

The Escrow Agent will not be responsible or liable in any manner whatever for the sufficiency, correctness, genuineness or validity of any escrow security deposited with it.

8.3 Escrow Agent Not Responsible for Furnished Information

The Escrow Agent will have no responsibility for seeking, obtaining, compiling, preparing or determining the accuracy of any information or document, including the representative capacity in which a party purports to act, that the Escrow Agent receives as a condition to a release from escrow or a transfer of escrow securities within escrow under this Agreement.

8.4 Escrow Agent Not Responsible after Release

The Escrow Agent will have no responsibility for escrow securities that it has released to a Securityholder or at a Securityholder's direction according to this Agreement.

8.5 Indemnification of Escrow Agent

The Issuer and each Securityholder hereby jointly and severally agree to indemnify and hold harmless the Escrow Agent, its affiliates, and their current and former directors, officers, employees and agents from and against any and all claims, demands, losses, penalties, costs, expenses, fees and liabilities, including, without limitation, legal fees and expenses, directly or indirectly arising out of, in connection with, or in respect of, this Agreement, except, subject to section 8.7, where same result directly and principally from gross negligence, wilful misconduct or bad faith on the part of the Escrow Agent. This indemnity survives the release of the escrow securities, the resignation or termination of the Escrow Agent and the termination of this Agreement.

8.6 Additional Provisions

(1) The Escrow Agent will be protected in acting and relying reasonably upon any notice, direction, instruction, order, certificate, confirmation, request, waiver, consent, receipt, statutory declaration or other paper or document (collectively referred to as "Documents") furnished to it and purportedly signed by any officer or person required to or entitled to

execute and deliver to the Escrow Agent any such Document in connection with this Agreement, not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth or accuracy of any information therein contained, which it in good faith believes to be genuine.

(2) The Escrow Agent will not be bound by any notice of a claim or demand with respect thereto, or any waiver, modification, amendment, termination or rescission of this Agreement unless received by it in writing, and signed by the other Parties and approved by the securities regulators with jurisdiction as set out in section 10.6, and, if the duties or indemnification of the Escrow Agent in this Agreement are affected, unless it has given its prior written consent.

(3) The Escrow Agent may consult with or retain such legal counsel and advisors as it may reasonably require for the purpose of discharging its duties or determining its rights under this Agreement and may rely and act upon the advice of such counsel or advisor. The Escrow Agent will give written notice to the Issuer as soon as practicable that it has retained legal counsel or other advisors. The Issuer will pay or reimburse the Escrow Agent for any reasonable fees, expenses and disbursements of such counsel or advisors.

(4) In the event of any disagreement arising under the terms of this Agreement, the Escrow Agent will be entitled, at its option, to refuse to comply with any and all demands whatsoever until the dispute is settled either by a written agreement among the Parties or by a court of competent jurisdiction.

(5) The Escrow Agent will have no duties or responsibilities except as expressly provided in this Agreement and will have no duty or responsibility under the National Policy 46-201 or arising under any other agreement, including any agreement referred to in this Agreement, to which the Escrow Agent is not a party.

(6) The Escrow Agent will have the right not to act and will not be liable for refusing to act unless it has received clear and reasonable documentation that complies with the terms of this Agreement. Such documentation must not require the exercise of any discretion or independent judgment.

(7) The Escrow Agent is authorized to cancel any share certificate delivered to it and hold such Securityholder's escrow securities in electronic, or uncertificated form only, pending release of such securities from escrow.

(8) The Escrow Agent will have no responsibility with respect to any escrow securities in respect of which no share certificate or other evidence or electronic or uncertificated form of these securities has been delivered to it, or otherwise received by it.

(9) Any entity resulting from the merger, amalgamation or continuation of Computershare or succeeding to all or substantially all of its transfer agency business (by sale of such business or otherwise), shall thereupon automatically become the Escrow Agent hereunder without further act or formality. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their successors and assigns.

8.7 Limitation of Liability of Escrow Agent

The Escrow Agent will not be liable to any of the Parties hereunder for any action taken or omitted to be taken by it under or in connection with this Agreement, except for losses directly, principally and immediately caused by its bad faith, willful misconduct or gross negligence. Under no circumstances will the Escrow Agent be liable for any special, indirect, incidental, consequential, exemplary, aggravated or punitive losses or damages hereunder, including any loss of profits, whether foreseeable or unforeseeable. Notwithstanding the foregoing or any other provision of this Agreement, in no event will the collective liability of the Escrow Agent under or in connection with this Agreement to any one or more Parties, except for losses directly caused by its bad faith or willful misconduct, exceed the amount of its annual fees under this Agreement or the amount of three thousand dollars ($3,000.00), whichever amount shall be greater.

8.8 Remuneration of Escrow Agent

The Issuer will pay the Escrow Agent reasonable remuneration for its services under this Agreement, which fees are subject to revision from time to time on thirty (30) days' written notice. The Issuer will reimburse the Escrow Agent for its expenses and disbursements. Any amount due under this section and unpaid thirty (30) days after request for such payment, will bear interest from the expiration of such period at a rate per annum equal to the then current rate charged by the Escrow Agent, payable on demand.

PART 9 NOTICES

9.1 Notice to Escrow Agent

Documents will be considered to have been delivered to the Escrow Agent on the next business day following the date of transmission, if delivered by fax, the date of delivery, if delivered by hand during normal business hours or by prepaid courier, or 5 business days after the date of mailing, if delivered by mail, to the following:

Computershare: 800 – 324 8th Ave SW, Calgary (Alberta) T2P 2Z2

Attention: General Manager – Client Services
Tel: (403) 267-6800
Fax: (403) 267-6529

9.2 Notice to Issuer

Documents will be considered to have been delivered to the Issuer on the next business day following the date of transmission, if delivered by fax, the date of delivery, if delivered by hand during normal business hours or by prepaid courier, or five (5) business days after the date of mailing, if delivered by mail, to the following:

Issuer: 5940, Macleod Trail, Suite 500, Calgary, Alberta, T2H 2G4

Attention: Lars Glimhagen, Chief Financial Officer
Tel: 1-250-308-9042
Fax: N/A

9.3 Deliveries to Securityholders

Documents will be considered to have been delivered to a Securityholder on the date of delivery, if delivered by hand or by prepaid courier, or five (5) business days after the date of mailing, if delivered by mail, to the address on the Issuer's share register.

Any share certificates or other evidence of a Securityholder's escrow securities will be sent to the Securityholder's address on the Issuer's share register unless the Securityholder has advised the Escrow Agent in writing otherwise at least ten (10) business days before the escrow securities are released from escrow. The Issuer will provide the Escrow Agent with each Securityholder's address as listed on the Issuer's share register.

9.4 Change of Address

(1) The Escrow Agent may change its address for delivery by delivering notice of the change of address to the Issuer and to each Securityholder.

(2) The Issuer may change its address for delivery by delivering notice of the change of address to the Escrow Agent and to each Securityholder.

(3) A Securityholder may change that Securityholder's address for delivery by delivering notice of the change of address to the Issuer and to the Escrow Agent.

9.5 Postal Interruption

A Party to this Agreement will not mail a document it is required to mail under this Agreement if the Party is aware of an actual or impending disruption of postal service.

PART 10 GENERAL

10.1 Interpretation - "holding securities"

When this Agreement refers to securities that a Securityholder "holds", it means that the Securityholder has direct or indirect beneficial ownership of, or control or direction over, the securities.

10.2 Further Assurances

The Parties will execute and deliver any further documents and perform any further acts reasonably requested by any of the Parties to this Agreement which are necessary to carry out the intent of this Agreement.

10.3 Time

Time is of the essence of this Agreement.

10.4 Incomplete IPO

If the Issuer does not complete its IPO and has become a reporting issuer in one or more jurisdictions because it has obtained a receipt for its IPO prospectus, this Agreement will remain in effect until the securities regulators in those jurisdictions order that the Issuer has ceased to be a reporting issuer.

10.5 Governing Laws

The laws of the province of Alberta (the "Principal Regulator") and the applicable laws of Canada will govern this Agreement.

10.6 Jurisdiction

The securities regulator in each jurisdiction where the Issuer files its IPO prospectus has jurisdiction over this Agreement and the escrow securities.

10.7 Consent of Securities Regulators to Amendment

Except for amendments made under Part 3, the securities regulators with jurisdiction must approve any amendment to this Agreement and will apply mutual reliance principles in reviewing any amendments that are filed with them. Therefore, the consent of the Principal Regulator will evidence the consent of all securities regulators with jurisdiction.

10.8 Counterparts

The Parties may execute this Agreement by fax and in counterparts, each of which will be considered an original and all of which will be one agreement.

10.9 Singular and Plural

Wherever a singular expression is used in this Agreement, that expression is considered as including the plural or the body corporate where required by the context.

10.10 Language

This Agreement has been drawn up in the English language at the request of all Parties. Cette convention a été rédigé en anglais à la demande de toutes les Parties.

10.11 Benefit and Binding Effect

This Agreement will benefit and bind the Parties and their heirs, executors, administrators, successors and permitted assigns and all persons claiming through them as if they had been a Party to this Agreement.

10.12 Entire Agreement

This is the entire agreement among the Parties concerning the subject matter set out in this Agreement and supersedes any and all prior understandings and agreements.

10.13 Successor to Escrow Agent

Any corporation with which the Escrow Agent may be amalgamated, merged or consolidated, or any corporation succeeding to the business of the Escrow Agent will be the successor of the Escrow Agent under this Agreement without any further act on its part or on the part or any of the Parties, provided that the successor is recognized as a transfer agent by the Canadian exchange the Issuer is listed on (or if the Issuer is not listed on a Canadian exchange, by any Canadian exchange) and notice is given to the securities regulators with jurisdiction.

[Signatures on the following page]

The Parties have executed and delivered this Agreement as of the date set out above.

Escrow Agent

P. Osayande

By: **Pauline Osayande**
Relationship Manager

Elissa Rojo

By: **Elissa Rojo**
Relationship Manager

Issuer

By: **Lars Glimhagen**
Chief Financial Officer

By: **Michel Lebeuf**
Director and Corporate Secretary

The Parties have executed and delivered this Agreement as of the date set out above.

Escrow Agent

P. Osayande

By: **Pauline Osayande**
Relationship Manager

Elissa Rojo

By: **Elissa Rojo**
Relationship Manager

Issuer

By: **Lars Glimhagen**
Chief Financial Officer

By: **Michel Lebeuf**
Director and Corporate Secretary

Signed, sealed and delivered by **Michel (Mike) Lebeuf** in the presence of:	
Signature of Witness	**Michel (Mike) Lebeuf**
Véronique Laberge	
Name of Witness	

Signed, sealed and delivered by
Lars Glimhagen in the presence of:

Signature of Witness

ARAITM ABRAMENKO
Name of Witness

Lars Glimhagen

LNG Management Services Ltd.

Authorized Signatory

Lars Glimhagen

Name of Authorized Signatory

Signed, sealed and delivered by
Peter Nesveda in the presence of:

Signature of Witness

Kaye Alefelder

Name of Witness

Peter Nesveda

Schedule “A” to Escrow Agreement

Securityholder

Name: Michel (Mike) Lebeuf
Address: [redacted]

Securities:

Class or description	***Number***	***Certificate(s) (if applicable)***
Common Shares	250,000	N/A

<u>Securityholder</u>

Name: Peter Nesveda
Address: [redacted]

Securities:

Class or description	***Number***	***Certificate(s) (if applicable)***
Common Shares	620,000	N/A
Common Shares	100,000	N/A

<u>Securityholder</u>

Name: Lars Glimhagen
Address: [redacted]

Securities:

Class or description	***Number***	***Certificate(s) (if applicable)***
Common Shares	100	N/A
Common Shares	4,600	N/A

<u>Securityholder</u>

Name: LNG Management Services Ltd.
Address: [redacted]

Securities:

Class or description	***Number***	***Certificate(s) (if applicable)***
Common Shares	469,476	N/A

Schedule “B” to Escrow Agreement

Acknowledgment and Agreement to be Bound

I acknowledge that the securities listed in the attached Schedule “A” (the “escrow securities”) have been or will be transferred to me and that the escrow securities are subject to an Escrow Agreement dated ___________________________ (the “Escrow Agreement”).

For other good and valuable consideration, I agree to be bound by the Escrow Agreement in respect of the escrow securities, as if I were an original signatory to the Escrow Agreement.

Dated at _____________________ on ______________.

Where the transferee is an individual:

Signed, sealed and delivered by **[Transferee]** in the presence of:	
________________________________ **Signature of Witness**	________________________________ **[Transferee]**
________________________________ **Name of Witness**	

Where the transferee is not an individual:

[Transferee]

____
Authorized Signatory

____
Authorized Signatory

SCHEDULE “S” – INTERIM ORDER

SCHEDULE "A"

Clerk's Stamp:

JUDICIAL CENTRE OF CALGARY
FILED
JUL 06 2022
nK
CALGARY
CLERK OF THE COURT

COURT FILE NUMBER:	2201 07654
COURT:	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE:	CALGARY
MATTER	IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*, RSA 2000, c. B-9, (the "***ABCA***") AND IN THE MATTER OF A PLAN OF ARRANGEMENT PROPOSED BY AVILA ENERGY CORPORATION
APPLICANT:	**AVILA ENERGY CORPORATION**
RESPONDENT:	**NOT APPLICABLE**
DOCUMENT:	**INTERIM ORDER**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PERSON FILING THIS DOCUMENT:	Erika Carrasco Field LLP Barristers and Solicitors 400, 444 7 Ave SW Calgary, AB T2P 0X8 Ph: 403.260.8500 | Fax: 403.264.7084 File No. 76872-1

DATE ON WHICH ORDER WAS PRONOUNCED: July 06, 2022

NAME OF JUSTICE WHO MADE THIS ORDER: J.T. McCarthy

LOCATION WHERE THIS ORDER WAS PRONOUNCED: **Calgary, Alberta**

UPON THE DESK APPLICATION of Avila Energy Corporation for an interim order in connection with a proposed plan of arrangement pursuant to Section 193 of the *ABCA*; **AND UPON** reading the Affidavit of Leonard Van Betuw, sworn June 30, 2022 (the "**Affidavit**"); **AND UPON** reading submissions of for the Applicant;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. For the purposes of this Order, capitalized terms not otherwise defined herein shall have the same meanings given to them in the Application.

2. Notice of the within application on the Registrar is hereby deemed good and sufficient.

3. No other notice or service of the within application materials is required other what is set forth herein.

4. The Arrangement is an "arrangement" within the meaning of the *ABCA*, and the Arrangement parties may proceed with the Arrangement as described in the Application, Affidavit, and as ordered herein.

5. The terms and conditions of the Arrangement, and the procedures relating thereto, are fair and reasonable to the persons affected thereby.

6. The Arrangement will, upon filing the Articles of Arrangement pursuant to Section 193 of the *ABCA*, become effective in accordance with its terms.

The Meeting

7. Avila shall seek the approval of the Arrangement by its Shareholders in the manner set forth below.

8. Avila is permitted to call, hold, and conduct the Meeting to vote on the Arrangement Resolution. Such other business as may conducted at the Meeting or any adjournment thereof, whether in furtherance of the implementation of the Arrangement or otherwise.

9. The Board of Directors of Avila has fixed the Record Date. Only Shareholders whose names have been entered on the registers of Shares as at 5:00 p.m. (MST time) on the Record Date will be entitled to receive notice of the Meeting and be entitled to vote at the Meeting.

10. Avila is authorized to make such amendments, revisions, or supplements to the Arrangement as it may determine necessary or desirable, provided that such amendments are made in accordance with, and in the manner contemplated by the Arrangement (and provided further that such authorization shall not derogate from the rights of the other parties to the Purchase Agreement). Where such amendments, revisions or supplements are not detrimental to the interests of Shareholders, no additional notice to the Shareholders shall be required. The Arrangement as so amended, revised, or supplemented, shall be the Arrangement submitted to the Meeting and the subject of the Arrangement Resolution.

Final Meeting Materials

11. The Final Meeting Materials (as defined in the Affidavit), shall be delivered by prepaid first class or ordinary mail or by delivering the same by courier or by delivery by such other means at the expense of Avila, at least twenty-one (21) days (exclusive of the day of mailing or delivery but inclusive of the day of the Meeting) prior to the date of the Meeting to the following (the "**Notice Recipients**"):

    (a) registered Shareholders of record as of the Record Date, at the registered address of each such Shareholders as it may appear on the securities registers of Avila maintained by the transfer agent of Avila, Computershare Trust Company of Canada as at the Record Date;

    (b) in the case of non-registered Shareholders, by providing copies thereof to intermediaries and registered nominees for sending to both non-objecting beneficial owners and objecting beneficial owners in accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* at least four Business Days (as defined in the Plan of Arrangement) prior to the 21st day prior to the date of the Meeting; and

(c) to the Executive Directors of the ASC and the CSE by mail or by email.

and compliance with this paragraph shall constitute good and sufficient service upon the Notice Recipients, all in substantially the forms set forth in the Circular, together with the letter of transmittal, the form of proxies and such other material as Avila may consider fit.

12. The Notice Recipients shall be deemed to have received the Final Meeting Materials on the date sent by mail, courier, in-person delivery, or email and the same shall constitute good and sufficient service of the Final Meeting Materials, good and sufficient notice of the Meeting and good and sufficient service of all other notices given and information provided in the Final Meeting Materials.

13. Avila is authorized to adjourn or postpone the Meeting on one or more occasions (whether or not a quorum is present), without the necessity of first convening the Meeting or first obtaining any vote of the Shareholders in respect of the adjournment or postponement. Notice of such adjournment or postponement may be given by such method as Avila determines is appropriate in the circumstances.

14. The only persons entitled to notice of the Meeting shall be the Notice Recipients.

15. The accidental omission to give notice of the Meeting to or the non-receipt of the notice by one or more of the Notice Recipients shall not invalidate any resolution passed or proceedings taken at the Meeting.

16. Subsequent to the provision to the registered Notice Recipients of information referred to in this Interim Order, Avila is authorized to make such amendments, revisions, updates, or supplements to the Final Meeting Materials as it may determine necessary and proper.

17. The mailing of the Final Meeting Materials, in accordance with the provisions of this Interim Order, shall constitute good and sufficient service in respect of this Application upon all persons who are entitled to receive such notice pursuant to this Interim Order and no other form of service need be made and no other material need be served on such persons in respect of these proceedings.

Notice of Amendments, Updates or Supplements Prior to Meeting

18. Any amendments, updates, or supplements, to any of the information provided in the Final Meeting Materials that are deemed necessary or advisable prior to the Meeting, including disclosure of any material change to Avila, may be communicated to its Shareholders, by the method and in the time most reasonably practicable in the circumstances. Without limiting the generality of the foregoing, if between the date hereof and the date of the Meeting, any material change or material fact arises, that had such change or fact been known prior to mailing of the Circular such information would have been included in the Circular, Avila shall advise the Shareholders of such material change or material fact by disseminating a press release through a widely circulated news service and posting such news release on Avila's profile on the System for Electronic and Document Analysis and Retrieval (each, a "**News Release**") and, provided the News Release describes the applicable material change or material fact in reasonable detail, then, other than dissemination and posting of the News Release as aforesaid, Avila shall not be required to deliver an amendment to the Circular to its Shareholders or otherwise give notice to the Shareholders of the applicable material change or material fact. Notice of any such amendment, update. or supplement, if given by press release or ordinary prepaid mail, shall be deemed to have been received by the Notice Recipients and all other persons entitled to such notice 2 days following such press release or date of mailing.

Conduct of the Meeting

19. The Meeting shall be called, held and conducted in accordance with the *ABCA* and relevant regulatory laws, and the articles and by-laws of Avila in effect at the relevant time, the Circular, the terms of this Interim Order, and any further orders of the Court as may be granted. To the extent of any discrepancy or inconsistency among the foregoing, the terms of this Interim Order shall prevail.

20. Registered Shareholders of record present in person or represented by proxy and beneficial Shareholders through their intermediary at the Meeting shall be the only persons entitled to vote at the Meeting in respect of the Arrangement Resolution.

21. To be valid, proxies must be deposited in the manner described in the Circular.

22. The requisite approvals for the Arrangement Resolution shall be:

(a) Pursuant to Avila's company bylaws, not less than two-thirds of the votes of cast by the Shareholders, present either in person or by proxy, at the Meeting; and

(b) a majority of the votes cast by the Shareholders present in person or represented by proxy at the Meeting, excluding the votes cast in respect of Shares that are required to be excluded pursuant to Section 8.1(2) of Multilateral Instrument 61-101 – *Protection of Minority Shareholders in Special Transactions* for purposes of the Arrangement, as described in the Circular,

such approval shall be sufficient to authorize Avila to undertake such acts and things as may be necessary and desirable to give effect to the Arrangement on a basis that is consistent with what is provided for in the Circular without the necessity of any further approval by the Shareholders, subject only to final approval of the Arrangement by this Court.

23. The Shareholders shall vote together as one class on the Arrangement Resolution, each Share being entitled to one vote.

24. Pursuant to Avila's bylaws, the quorum at the Meeting shall be two or more registered Shareholders, personally present or represented by proxy, and representing in the aggregate no less than five (5%) percent of the outstanding Shares carrying voting rights at the Meeting. If a quorum is not present at the time appointed for the Meeting, or within 30 minutes thereafter, the Meeting shall be adjourned to a fixed time and place as may be appointed by the chair of the Meeting. No notice of the adjourned Meeting shall be required and at such adjourned Meeting, the registered Shareholders personally present or represented by proxy shall form a quorum regardless of number.

Arrangement Dissent Rights

25. The registered Shareholders shall, subject to the provisions of the within Interim Order and the Arrangement, have the right to dissent from the Arrangement Resolution in the manner set forth in section 191 of the *ABCA,* as modified by the Interim Order, and Sections 3.1 and 4.1 of the Arrangement (the "**Arrangement Dissent Rights**").

26. Subject to further Order of this Court, the rights available to the Shareholders under the Arrangement to dissent from the Arrangement Resolution shall constitute full and sufficient rights of dissent for the Shareholders with respect to the Arrangement Resolution.

Application for Final Order

27. Upon approval of the Arrangement at the Meeting in the manner set forth in this Interim Order and subject to any further Order of this Court, Avila may proceed with an application seeking the approval of this Honourable Court of the Arrangement ("**Application for Final Order**"), so soon it may be heard in Justice Chambers at the Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta following the Meeting anticipated to be held of August 31, 2022.

28. Avila shall be entitled at any time to seek leave to vary this Order upon such terms and as this Honourable Court may permit.

29. Avila shall publish on SEDAR the within filed Interim Order.

30. Avila shall send the Registrar a copy of the filed Interim Order so soon as practicable.

31. Avila shall provide the Registrar with notice of the Application for Final Order.

32. There shall be no costs to any party arising from the within Interim Order.

J.C.C.Q.B.A.