

AGREEMENT OF PURCHASE AND SALE

This Agreement is dated June 23, 2022 between:

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

and

AVILA ENERGY CORPORATION, formerly 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 July 31, 2022, 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 June 23, 2022.
- (h) "Exchange" means that stock exchange upon which the Purchaser's Common Shares trade, being currently the Canadian Securities 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:

The Purchaser shall complete the following process to purchase the Sold Assets:

- (a) The Purchaser shall acquire prior to the the closing 74,440,000 Class "E" Preferred shares (uncertificated) from the shareholders of the Vendor (the "Vendor Shareholders") by acquisition agreements (the "Shareholder Acquisition Agreements") utilizing the s.85 rollover provisions of the Tax Act, where available, (the "Exchange Shares") in return for the issuance to the Vendor Shareholders by the Purchaser, in accordance with the Shareholder Acquisition Agreements, of: (i) 44,440,000 Common Shares of the Purchaser (the "Vendor Shareholders' Common Shares"); 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 Vendor Shareholders' Common Shares and the Convertible Shares may 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 Exchange Shares by the Purchaser and the receipt thereof by the Vendor Shareholders, which compliance requirements shall also form part of the Shareholder Acquisition Agreements. The Shareholder Acquisition Agreements shall contain the standard representations by the Vendor Shareholders to the Purchaser for agreements such as the Shareholder Acquisition Agreements, including without limitation, that the

Exchange Shares are free and clear of encumbrances and that the Vendor Shareholders are able to sell the same to the Purchaser without any restriction.

- (b) 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 the delivery to the Vendor of the Exchange Shares for surrender and cancellation, which the Vendor hereby irrevocably covenants to accept as payment in full of the Purchase Price.
- (c) 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:
- i. the Company exceeds the production rate of 3,000 boe/d, or 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
 - ii. the second year anniversary since the issuance of the Common Shares has occurred; or
 - iii. thirty (30) Business days prior to any of the events referred to in clause 27 occurring.
 - iv. 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 deliver to the Vendor the Exchange Shares for surrender and cancellation, which the Vendor hereby irrevocably covenants to accept as payment in full of the Purchase Price and to cancel the Exchange 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.

- (b) 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	<u>\$1.00</u>

Total:	\$50,664,000.00
GST:	\$2,533,200.00

- (c) 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 is [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.**
- (d) 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. INTERIM MATTERS

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 person within the meaning of Section 116 of the Tax Act. None of the Vendor Shareholders are not a non-resident person within the meaning of Section 116 of the Tax Act.

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. REPRESENTATIONS AND WARRANTIES OF PURCHASER:

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.
- (a) This Agreement and other documents delivered in under this Agreement constitute valid and binding obligations of it in accordance with their respective terms.
- (b) It is not a non-Canadian person for the purposes of the *Investment Canada Act*.
- (c) 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.
- (d) 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. SURVIVAL OF COVENANTS, REPRESENTATIONS AND WARRANTIES:

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. ADJUSTMENTS

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. GENERAL INDEMNITY:

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. ENVIRONMENTAL INDEMNITY:

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 or 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:
 Avila Energy Corporation
 500, 5940 Macleod Trail SW
 Calgary, AB T2H 2G4
 Attention: Land Department
 Email address: lars.g@avilaenergy.com

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 dividends 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. TAXATION MATTERS:

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 23rd day of June, 2022.

**611890 ALBERTA INC. DBA
AVILA ENERGY**

AVILA ENERGY CORPORATION



Leonard Van Betuw

Michel Lebeuf Jr.

Title: President and CEO

Title: Director

**EXECUTION PAGE TO AN AGREEMENT OF PURCHASE AND SALE DATED
JUNE 23, 2022 BETWEEN 611890 ALBERTA INC. DBA AVILA ENERGY AND AVILA
ENERGY CORPORATION**

**SCHEDULE "A" TO AN AGREEMENT OF PURCHASE AND SALE DATED
JUNE 23, 2022 BETWEEN
611890 ALBERTA INC. DBA AVILA ENERGY AND AVILA ENERGY CORPORATION**

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
JUNE 23, 2022 BETWEEN
611890 ALBERTA INC. DBA AVILA ENERGY AND AVILA ENERGY CORPORATION**

Contract Operating Agreement

[This Schedule has been voluntarily omitted for confidentiality purposes]

**SCHEDULE "C" TO AN AGREEMENT OF PURCHASE AND SALE DATED
JUNE 23, 2022 BETWEEN
611890 ALBERTA INC. DBA AVILA ENERGY AND AVILA ENERGY CORPORATION**

GENERAL CONVEYANCE

This General Conveyance made the 23rd day of June, 2022 (the "Effective Date")

Between:

611890 ALBERTA INC. DBA AVILA ENERGY, a body corporate,
having an office in the City of Calgary, Alberta ("Vendor")

- and -

AVILA ENERGY CORPORATION a body corporate, having an
office in the City of Calgary, Alberta ("Purchaser")

Pursuant to the provisions of an Agreement dated June 23, 2022 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. Definitions

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. Conveyance

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. Effective Time

This General Conveyance shall be effective on 12:01 a.m. on June 23, 2022.

4. Subordinate Documents

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**



Leonard Van Betuw

Title: President and CEO

AVILA ENERGY CORPORATION



Michel Lebeuf Jr.

Title: Director