Minutes of the Meeting of Creditors of Avila Energy Corp.

DATE & TIME:	March 21, 2025, 1:00 PM Mountain Time
LOCATION:	Videoconference
ATTENDANCE:	Dustin Olver (T/Chair), Robert Kleebaum (T/S), Zoe Lin (T/S), Attendance List attached as Schedule "A" (C).

T = REPRESENTATIVES OF TRUSTEE
TC = TRUSTEE COUNSEL
C = CREDITORS AND THEIR REPRESENTATIVES
S = SCRUTINEERS/SECRETARY

Meeting Commenced at 1:00 pm

1. Chair and Call to Order

Dustin Olver of FTI Consulting Canada Inc. introduced himself as a licensed insolvency trustee and that he would be acting as chair (the "**Trustee**" or the "**Chair**") of the meeting, and appointed Robert Kleebaum of the Trustee's office as Scrutineer, and Zoe Lin of the Trustee's office as Secretary.

The Chair advised that this meeting (the "**Creditor Meeting**") was with the respect to the Division 1 Proposal, (the "**Division 1 Proposal**" or the "**Proposal**") pursuant to the provisions of Part III Division 1 of the Bankruptcy and insolvency Act, RSC 1985, c-B-3 as amended. The Division 1 Proposal was presented by Avila Energy Corp ("**Avila**" or the "**Company**") to its creditors on February 28, 2025, and amended on March 21, 2025.

As the meeting was held virtually, the Scrutineer confirmed the list of attendees. A total of 37 people attended the meeting. A copy of the attendance list is attached hereto as Schedule "A".

Quorum was met, and the meeting was called to order.

2. Tabling of Documents

The following documents were tabled and presented by the Chair and following the presenting of each document the floor was opened to questions:

(a) Proposal as amended on March 21, 2025; and
(b) Trustee's Report on the Proposal.

The tabled documents have been attached hereto as Schedules "B" and "C", respectively.

Chair provided an overview of the Trustee's analysis and views that the recoveries expected under the Division 1 Proposal are better for unsecured creditors than what is expected to be obtained in a liquidation proceeding.

Questions were fielded by the Chair relating to the timing of sanctioning, details of the Proposal and how Unaffected Creditors would be treated under the Proposal.

The Chair introduced Donald Benson, the President of Avila, to provide an overview of the Company's current position, cash flow challenges leading up to the application, and potential for upside / future plans should the Proposal be accepted.

3. Discussion and Voting

Chair explained the voting process and that to pass the Proposal needed to be accepted by the requisite majority of creditors in both of the voting classes.

The Chair read the proposed resolution with respect to the Girouard Investment Class as follows:

> **BE IT RESOLVED THAT:**
>
> The Division 1 Proposal dated February 28, 2025, as amended on March 21, 2025, filed under the *Bankruptcy and Insolvency Act* concerning, affecting and involving Avila Energy Corp. and the distributions contemplated therein is hereby accepted, approved, agreed to and authorized by the Girouard Investment Class. A copy of the Proposal will be attached to the minutes of the Creditor's Meeting dated March 21, 2025.
>
> Notwithstanding this resolution, the Proposal must be sanctioned by the Court in order for the Proposal to be effective.

Chair asked that a proxyholder propose the Girouard Investment Class resolution.

Robert Kleebaum of the Trustee's office, as proxyholder of Twilight Capital Inc., proposed the resolution.

Garry Mihaichuk of creditor, Nordcon Canada Inc., seconded the resolution.

The Chair read the proposed resolution with respect to the Unsecured Creditor Class as follows:

> **BE IT RESOLVED THAT:**
>
> The Division 1 Proposal dated February 28, 2025, as amended on March 1, 2025, filed under the *Bankruptcy and Insolvency Act* concerning, affecting and involving Avila Energy Corp. and the distributions contemplated therein is hereby accepted, approved, agreed to and authorized by the Unsecured Creditor Class. A copy of the Proposal will be attached to the minutes of the Creditor's Meeting dated March 21, 2025.
>
> Notwithstanding this resolution, the Proposal must be sanctioned by the Court in order for the Proposal to be effective.

Chair asked that a proxyholder propose the Unsecured Creditor Class resolution.

Garry Mihaichuk of creditor, Nordcon Canada Inc., proposed the resolution.

Corey Hooge of creditor, Hyperion GeoServices Corp., seconded the resolution.

At 2:38pm, the Chair adjourned the meeting to tabulate the vote.

Summary of Voting

Following a brief adjournment, at 2:53pm, Chair reconvened the meeting and announced the voting results.

Dr. Girouard voted in favour of the Proposal. As the sole creditor of the Girouard Investments Creditor Class, Chair declared the Girouard Investment Creditor Class resolution passed with one out of one votes cast in favour of the Proposal and $3.44M in dollar value of claims, representing 100% of total voting dollar claims, were in favour of the Proposal.

59 out of 77 votes, representing 76.6% of the total number of voting claims, including votes submitted by voting letter prior to the meeting and in person during the meeting, were cast in favour of the Proposal and $5.38M in dollar value of claims, representing 80.8% of total voting dollar value claims, were in favour of the Proposal. Accordingly, Chair declared the Unsecured Creditor Class resolution passed.

A summary of the votes received for the two creditors classes is presented below:

Girouard Investments Creditor Class - Summary of Votes Received	
Total Claims Received	1
Total Votes Received	1
Claims Voting For	1
Claims Against	0
% of Claims For	**100.0%**
Number of Votes Pass Threshold	50.0%
	Pass
Total Value of Claims Received	$ 3,440,000.00
Dollar Value of Claims For	$ 3,440,000.00
Dollar Value of Claims Against	$ -
% of Dollar Value Claims For	**100.0%**
Dollar Value Pass Threshold	66.7%
	Pass

Unsecured Creditor Class - Summary of Votes Received	
Total Claims Received	92
Total Votes Received	77
Claims Voting For	59
Claims Against	18
% of Claims For	**76.6%**
Number of Votes Pass Threshold	50.0%
	Pass
Total Value of Claims Received & Voted	$ 6,663,590.80
Dollar Value of Claims For	$ 5,382,980.33
Dollar Value of Claims Against	$ 1,280,610.5
% of Dollar Value Claims For	**80.8%**
Dollar Value Pass Threshold	66.7%
	Pass

4. Adjournment of Meeting

The Chair asked any creditors if they were interested in being an inspector. No creditors volunteered and as such no inspector was appointed.

With that, the formal business of the meeting was concluded, and Chair declared the meeting adjourned at 2:59pm.

Schedule "A"

Attendance List

FTI CONSULTING

Corporate Finance & Restructuring

Name	Representing	POC Amount	Remarks
Dustin Olver	FTI Consulting - Trustee		
Rob Kleebaum	FTI Consulting - Scrutineer, Proxyholder		
Zoe Lin	FTI Consulting - Secretary		
Dustin Gillanders	Miller Thompson LLP		Company's Counsel
Pavin Takhar	Miller Thompson LLP		Company's Counsel
Donald Benson	Avila Energy Corp.		
Marc Girouard	Marc Girouard Investments Inc.	3,440,000.00	
Allison Sullivan	Emerson Electric Canada Ltd.	50,228.67	
Scott Mackenzie	Pro Energy Inc.	468,081.79	
Russell Bagshaw	Bagshaw Electric Ltd.	48,020.24	
Kyle Shewchuk	James & McCall Barristers	6,483.91	
Corey Hooge	Hyperion GeoServices Corp.	12,384.63	
Felix Thibault-Vanasse	Gestolex Inc. (assigned from Dunton Rainville sencrl)	174,838.94	
Linsay Urkow	Konan Oilfield Services Ltd.	7,336.04	
Dale Harrison	Dale Harrison	84,628.48	
Kyle McClelland	The Fishing Guy	79,941.89	
Alex Kooiman	Alexander M. Kooiman Professional Corporation o/a Quarry Park Law	21,083.04	
Pauline Osayande	Computershare Trust Company of Canada	14,622.67	
John Dixon	Iron Cross Oilfield Contracting	152,089.69	
Jonathan Bastien	Jonathan Bastien	70,633.56	
Garry Mihaichuk	Nordcon Canada Inc.	111,176.84	
Tore Oian	Nordcon Canada Inc.	111,176.84	
Brian Ewart	Ewart Contracting Limited	38,266.89	
Ryan Anderson	Freehold Royalties Partnership; Canpar Holdings Ltd.; Rife Resources Ltd	3,631.49	
Kevin Reis	Frontline Compression Services Inc.	100,207.76	
Victoria Lee	Calgary Drop-In & Rehab Centre	196,382.46	
Joan Michaels	Trican Well Service Ltd	5,074.66	
Lars Glimhagen	LNG Management Services Ltd.	87,858.27	
Wojtek Jaskiewicz	WeirFoulds LLP	198,541.04	
Anna Atencio	Geobox Solutions Inc.	84,500.00	
Steven Misener	Steven Misener	109,004.64	
Larry Guy	Larry Guy	32,651.87	
Conrad Parken	Pieridae Energy Limited	NA	Observer
Louise Walker	Petrus Resources	NA	Observer
Andrew McLeod	PTW Canada	NA	Unaffected Creditor
Jelena Molnar	CNRL	NA	Unaffected Creditor
Rene Boutin	County of Wetaskiwin	NA	Unaffected Creditor

Schedule “B”

Division 1 Proposal
as amended on March 21, 2025

Clerk' Stamp

COURT / ESTATE FILE NUMBERS	25-3131451
COURT	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
	IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT,* RSC 1985, c B-3, AS AMENDED
	AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF AVILA ENERGY CORPORATION
DOCUMENT	**PROPOSAL**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	MILLER THOMSON LLP Barristers and Solicitors 525-8th Avenue SW, 43rd Floor Calgary, AB, Canada T2P 1G1
	Attention: Dustin L. Gillanders/James W. Reid Phone: 306.667.5616/402-298-2418 Email: dgillanders@millerthomson.com / jwreid@millerthomson.com
	File No.: 0287592.0001

WHEREAS Avila Energy Corp. (collectively the "**Debtor**") submits the following proposal under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the "**BIA**");

AND WHEREAS on September 20, 2024, the Debtor filed a notice of intention to make a proposal to its creditors under section 50.4 of the BIA and thereby commenced proceedings to restructure its financial affairs under Division I of the BIA;

AND WHEREAS FTI Consulting Canada Inc., of Calgary, Alberta, is a licensed trustee under the BIA, which has consented to act as a Proposal Trustee in these proceedings of the Debtor under the BIA;

ARTICLE 1
DEFINITIONS

1.1 Definitions

In this Proposal:

(a) “**Administrative Fees and Expenses**” means the proper fees, expenses, including legal fees and disbursements, of the Proposal Trustee and the Debtor, and including the fees and disbursements of Miller Thomson LLP, counsel to the Debtor, on and incidental to the negotiation, preparation, presentation, consideration and implementation of the Proposal, and all proceedings and matters relating to or arising out of the Proposal;

(b) “**AER**” means the Alberta Energy Regulator;

(c) “**Affected Claim**” means all Claims that are not an Unaffected Claim;

(d) “**Affected Creditor**” means a Creditor having an Affected Claim;

(e) “**Approval**” means:

(i) Acceptance of this Proposal by the statutory majority of Creditors in the each of the creditor classes entitled to vote thereon in accordance with the relevant provisions of the BIA; and

(ii) The approval of this Proposal by the Court by the granting of the Approval Order, which is a Final Order;

(f) “**Approval Order**” means an Order of the Court which, among other things, approves this Proposal;

(g) “**Business Day**” means a day, other than a Saturday or Sunday, on which banks are generally open for business in Calgary, Alberta;

(h) “***Canada Pension Plan***” means the *Canada Pension Plan*, RSC 1985, c C-8, as amended;

(i) “**CNRL**” means Canadian Natural Resources Limited a Creditor holding a Secured Claim and Unsecured Claim;

(j) “**Cease Trade Order**” means the Order under the securities legislation of Alberta dated November 22, 2024;

(k) “**Claim**” means a claim provable in bankruptcy against the Debtor and includes any indebtedness, liability, action, cause of action, suit, debt, account, bond covenant, counterclaim, demand, claim, right and obligation of any kind of the Debtor to any Person, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, the right or ability of any Person to make a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commence in the future based in whole or in part on facts which existed prior to or as of the Filing Date and a reference to a “Claim” or “Claims” shall include, as the case may be, Unsecured Claims, and Secured Claims;

(l) “**Court**” means the Court of King’s Bench of Alberta (in Bankruptcy and Insolvency), Judicial District of Calgary;

(m) "**Creditor**" means any Person, having a Claim and may, if the context requires, means a trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;

(n) "**Creditors' Meeting**" means the meeting of the Affected Creditors called for the purpose of considering and voting upon the Proposal;

(o) "**Creditors' Meeting Date**" means the date and time as may be called by the Proposal Trustee for the meeting of creditors to consider this Proposal, but in any event will be no later than twenty-one (21) days following the Proposal Date;

(p) "**Creditors' Meeting Notice**" means the notice and document package delivered to the Creditors in respect of the Creditors' Meeting;

(q) **Crown Claims**" means an amount due to His Majesty in Right of Canada or a Province and that are of a kind that could be subject to a demand under:

(i) subsection 224(1.2) of the *Income Tax Act*;

(ii) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts;

(iii) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:

(A) has been withheld or deducted by a Person from a payment to another Person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or

(B) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection;

(r) "**CSE**" means the Canadian Securities Exchange;

(s) "**Disputed Claim**" means any Claim that has been received by the Proposal Trustee in accordance with the terms of this Proposal and the BIA but has not been accepted as proven or which is being disputed in whole or in part by the Proposal Trustee, or any other Person entitled to do so and has not been resolved by agreement of by Order of the Court;

(t) "**Disputed Creditor**" means a Person holding a Disputed Claim to the extent of its Disputed Claim'

(u) "***Employment Insurance Act***" means the *Employment Insurance Act*, SC 1996 c 23, as amended;

(v) "**Filing Date**" means September 20, 2024 (the date the Debtor filed a Notice of Intention to Make a Proposal);

(w) "**Implementation Date**" means the date upon which the conditions set forth in Article 7.1 have been satisfied or, if applicable, waived;

(x) "***Income Tax Act***" means the *Income Tax Act*, RSC 1985, c 1 (5th Supp), as amended;

(y) "**Inspectors**" will have the meaning ascribed thereto in the BIA;

(z) "**Girouard Investments**" means Marc Girouard Investments Inc.;

(aa) "**Girouard Investments Creditor Class**" means a class comprised of the Secured Creditor Girouard Investments;

(bb) "**Miller Thomson LLP**" means Miller Thomson LLP, counsel for the Debtor;

(cc) **"Municipal Tax Creditors**" means a Creditor with a charge or lien against the Debtor for property taxes;

(dd) "**New Shares**" means the common shares in the capital of the Debtor to be issued to the Unsecured Creditors pursuant to the Proposal;

(ee) "**Official Receiver**" will have the meaning ascribed thereto in the BIA;

(ff) "**Person**" means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;

(gg) "**Post-Filing Claim**" means any Claims arising in respect of services rendered, goods supplied or other consideration given to the Debtor after the Filing Date;

(hh) "**Preferred Claim**" means that portion of a Claim that is accepted by the Proposal Trustee as entitling the Creditor to receive payment in priority to other Creditors as provided in section 136 of the BIA;

(ii) "**Preferred Creditors**" means holders of Preferred Claims;

(jj) **"Proof of Claim"** means the proof of Claim required by the BIA to be mailed to each known Creditor prior to the Creditors' Meeting;

(kk) "**Property**" means all of the Debtor's current and future assets, undertakings and property of every nature and kind whatsoever, and wherever situate, including all proceeds thereof;

(ll) "**Proposal**" means this proposal together with any amendments or additions thereto;

(mm) "**Proposal Date**" means the date of the filing of the Proposal with the Official Receiver;

(nn) "**Proposal Trustee**" means FTI Consulting Canada Inc., in its capacity as the proposal trustee of the Debtor, or its duly appointed successor or successors;

(oo) "**Proven Claim**" of a Creditor means the amount of the Claim of such Creditor determined finally in accordance with the provisions of the BIA;

(pp) "**Secured Claim**" of a Creditor means the amount of the Claim of such Creditor determined finally in accordance with the provisions of the BIA;

(qq) "**Secured Creditor**" means a Person holding a mortgage, hypothec, charge, pledge, or lien on or against the property or assets of the Debtor as security for a debt due or accruing due the Person from the Debtor, and shall include, for greater certainty, the applicable municipalities in respect of property taxes;

(rr) "**OWA**" means the Orphan Well Association

(ss) "**Unaffected Claims**" means any Claims of the Unaffected Creditors;

(tt) "**Unaffected Creditors**" means Creditors with Claims in respect of the Administrative Fees and Expenses, any Post-Filing Claims, any Crown Claims, the OWA, the AER, Preferred Creditors, Municipal Tax Creditors, Alberta's Ministry of Energy and Minerals, PTW Canada Ltd., Heavy Crude Hauling LP, and Aved Capital Corp. and CNRL (but only in respect of their Secured Claim);

(uu) "**Unsecured Claim**" means the amount of an Unsecured Creditor's Claim, as determined under Article 3.3, and includes any Preferred Claim, as applicable;

(vv) "**Unsecured Creditors**" means the Creditor with an Unsecured Claim;

(ww) "**Unsecured Creditor Class**" means a class comprised of all Unsecured Creditors;

(xx) "**Voting Letter**" means the voting letter required by section 51(1) of the BIA to be mailed to each known Creditor prior to the Creditors' Meeting.

1.2 Articles of Reference

The terms "hereof", "hereunder", "herein" and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In the Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

1.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

1.4 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day that is a Business Day.

1.5 Time

All times expressed herein are local times in Calgary, Alberta, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified herein, the time will be deemed to be 5:00 p.m. local time in Calgary, Alberta, Canada.

1.6 Numbers

In the Proposal, where the context requires, a word importing the singular number will include the plural and *vice versa* and a word or words importing gender will include all genders.

1.7 Currency

Unless otherwise stated herein, all references to currency in the Proposal are to lawful money of Canada.

1.8 Statutory References

Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

1.9 Successors and Assigns

The Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Proposal.

1.10 Including

The word “including”, or any variation thereof means “including without limitation”, and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

ARTICLE 2
PURPOSE AND EFFECT OF PROPOSAL

2.1 Purpose

The purpose of the Proposal is to allow the Debtor to effect the restructuring of its indebtedness in the manner contemplated herein and as permitted by the BIA in the expectation that all Affected Creditors will derive greater benefit from the restructuring than they would otherwise receive from a bankruptcy of the Debtor.

This Proposal applies to all Affected Creditors, whether or not any such Affected Creditor proves a Claim against the Debtor under this Proposal. The Proposal does not effect Unaffected Creditors.

2.2 Binding Effect of Proposal

This Proposal will be binding on the Debtor and the Affected Creditors, and effective on the Implementation Date, all Unsecured Claims shall be discharged and the Debtor shall thereon be released from all Unsecured Claims, other than the obligation to make payment in the manner and to the extent described in this Proposal.

2.3 Administrative Fees and Expenses

Within two(2) months of the Implementation Date, all Administrative Fees and Expenses and all amounts incurred up to the Implementation Date which remain unpaid shall be paid in full by the Debtor from the operational revenue of the Debtor.

2.4 Unaffected Creditor

No Unaffected Creditor in respect of an Unaffected Claim will be entitled to vote on this Proposal or attend the Creditors' Meeting.

2.5 Unsecured Creditors

The Proven Claims of the Unsecured Creditors of the Debtors will be satisfied or paid as provided by Article 5.2.

2.6 Girouard Investments

The Proven Claim of Girouard Investments will be satisfied or paid as provided by Article 5.3.

2.7 Crown Claims

Unless His Majesty in Right of Canada agrees otherwise, the Crown Claims shall be paid by the Debtor from the Proposal Proceeds to His Majesty in Right of Canada within six (6) months of the Approval Order.

2.8 Disputed Claims

An Affected Creditor with a Disputed Claim shall not be entitled to receive any distribution hereunder with respect to such Disputed Claim unless and until such Claim becomes a Proven Claim. Distributions made pursuant to this Proposal shall be made in respect of any Disputed Claim that is finally determined to be a Proven Claim.

2.9 Post-Filing Claims

Post-Filing Claims, if any, will be paid in full by the Debtor in the ordinary course of business and on regular trade terms, or as may otherwise be arranged with the holders of such Post-Filing Claims.

2.10 Superintendent of Bankruptcy Levy

Payments to each Creditor in respect of its Affected Claim will be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the BIA and the Proposal Trustee will remit the amount of such levy to the Office of the Superintendent of Bankruptcy contemporaneous with the distributions to Affected Creditors.

2.11 Interest on Claims

Interest will not accrue or be paid on Unsecured Claims after or in respect of the period following the Filing Date.

ARTICLE 3
PROCEDURE FOR VALIDATION AND VALUATION OF CLAIMS

3.1 Filing of Proofs of Claim

In order to vote on, or to receive a distribution under this Proposal, each Affected Creditor must file a Proof of Claim with the Proposal Trustee as required by the BIA.

3.2 Allowance or Disallowance of Claims

Upon receipt of a completed Proof of Claim, the Proposal Trustee will examine the Proof of Claim and will, in consultation with the Debtor, allow, disallow or revise each Proof of Claim in accordance with the provisions of the BIA.

3.3 Procedure for the Valuation of Unsecured Claims

The procedure for (a) determining and valuing Claims of the Affected Creditors that are contingent or unliquidated; and (b) disallowing and resolving disputes with respect to Claims, will be as set forth in Section 135 of the BIA.

The Proposal Trustee reserves the right to seek the assistance of the Court in valuing the claim of any Affected Creditor, if required, to ascertain the result of any vote on this Proposal or the amount payable or to be distributed to such Creditor under this Proposal, as the case may be.

3.4 Claims Bar Process

Forthwith after the Creditors' Meeting, the Proposal Trustee shall give notice pursuant to Section 149 of the BIA, by registered mail, to every Person with an Affected Claim that the Proposal Trustee has notice or knowledge of, but whose Claim has not been filed or proved that if such Person does not prove its Claim within a period of thirty (30) days after the mailing of the notice, the Proposal Trustee will proceed to declare a final dividend without regard to such Person's Claim. Any Person so notified who does not provide its Claim within the said thirty (30) day period shall be barred from making a Claim in this Proposal or sharing in any distribution hereunder, subject to any exceptions set out in Subsections 149(2), (3) and (4) of the BIA.

ARTICLE 4 MEETING OF CREDITORS

4.1 Creditors’ Meeting

On the Creditors’ Meeting Date, the Proposal Trustee will hold a Creditors’ Meeting in order for the Creditors to consider and vote upon the Proposal.

4.2 Time and Place of Meeting

The Creditors’ Meeting will be held on the Creditors’ Meeting Date. Due to location of the Proposal Trustee and Affected Creditors, the Creditors Meeting will be held virtually, on such terms and parameters as the Proposal Trustee considers appropriate, with video and teleconference access for any Affected Creditors who wish to virtually attend. The Proposal Trustee may engage a third-party service provider to virtually host the Creditors' Meeting. The Proposal Trustee shall make available to all known Affected Creditors the necessary connection, dial-in and other information about the Creditors' Meeting. Unless otherwise ordered by the Court, the Creditors' Meeting will be held at a time to be established by the Official Receiver, or the nominee thereof, and confirmed in the notice of Creditors' Meeting to be mailed to Creditors pursuant to the BIA.

4.3 Conduct of Meeting

The Official Receiver or the nominee thereof, will preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only Persons entitled to attend the Creditors' Meeting are those Persons, including the holders of proxies, entitled to vote at the Creditors' Meeting, and its respective legal counsel, if any, and the officers, directors, auditors and legal counsel of the Debtor, together with such representatives of the Proposal Trustee as the Proposal Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other Person may be admitted on invitation of the chair of the Creditors' Meeting or with the consent of the Creditors.

4.4 Adjournment of Meetings

The Creditors' Meeting may be adjourned in accordance with sections 52 of the BIA.

4.5 Classes of Creditors

For the purposes of considering, voting on and receiving distributions under this Proposal, the Affected Creditors shall consist of two creditor classes: one secured creditor class being the Girouard Investments Creditor Class and one unsecured creditor class being the Unsecured Creditor Class.

4.6 Voting by Creditors

Persons virtually in attendance at the Creditors Meeting by video or teleconference who are eligible to vote shall cast their vote in the manner prescribed by the Proposal Trustee. All votes will be recorded and tabulated by the Proposal Trustee, who may seek the assistance of the Court with respect to any dispute arising from or out of the tabulation of votes. Any Proof of Claim in respect of a Claim of an Affected Creditor that is not a Proven Claim as at the Creditors' Meeting Date will be marked as objected to in accordance with section 108(3) of the BIA.

4.7 Approval by Creditors

In order that the Proposal be binding on the Girouard Investments Creditor Class it must first be accepted by a majority in number of the Creditors of such class who actually vote upon this Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter, which represent two-thirds in value of the Proven Claims of the Creditors who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter.

In order that this Proposal be binding on the single class of Unsecured Creditors hereof, in accordance with the BIA, it must first be accepted by a majority in number of the Creditors of such class who actually vote upon this Proposal (in person or by proxy) at the Creditors' Meeting, by a Voting Letter, or otherwise, representing two-thirds in value of the voting Claims of the Creditors of such class who actually vote upon this Proposal (whether in person or by proxy) at the Creditors' Meeting, by a Voting Letter or otherwise.

Voting Letters as provided for in the BIA submitted to the Proposal Trustee prior to the Creditors' Meeting must indicate whether the Creditor wishes to cast its vote in favour of or against the Proposal.

4.8 Appointment of Inspectors

At the Creditors' Meeting, the Creditors may appoint up to three (3) Inspectors whose powers will be limited to: (a) advising the Proposal Trustee concerning any dispute which may arise as to the validity or valuation of Claims; and (b) advising the Proposal Trustee from time to time with respect to any other matter that the Proposal Trustee may refer to them. Any decision, direction or act of the Inspectors may be referred to the Court by the Proposal Trustee and the Court may confirm, reverse or modify the decision, direction or act and make such order as it deems just. The authority and term of office of the Inspectors will terminate upon the discharge of the Proposal Trustee.

ARTICLE 5
DISTRIBUTION

5.1 Payment of Administrative Fees and Expenses

The unpaid Administrative Fees and Expenses up to and including the making of the Approval Order will be paid in full by the Debtor on or before the Business Date that is ten (10) Business Days after the Approval Order is made. The Debtors will continue to pay any professional fees and disbursements to be incurred subsequent to the making of the Approval Order. Any amount of the retainer paid to the Proposal Trustee that is unused will be returned to the Debtor. The Proposal Trustee is authorized to pay Administrative Fees and Expenses prior to final taxation of its accounts.

5.2 Distribution/Issuance of New Shares to Unsecured Creditors

In accordance with this Proposal and in full and final satisfaction of the Proven Claims of the Unsecured Creditors, each Unsecured Creditor shall receive New Shares as set forth in Article 6 only to the extent that such Unsecured Creditor's Claim is a Proven Claim and has not been paid, released, or otherwise satisfied prior to the Implementation Date.

5.3 Girouard Investments Creditors

The Debtor shall provide an assignment of all its property to be held in trust by Girouard Investments. In the event there is a default in the Proposal, Girouard Investments is entitled to exercise on the assignment.

The Proven Claim of Girouard Investments will be paid in full by the Debtor in the following manner:

(a) on or before June 1, 2025 the Debtor shall pay $30,000;

(b) beginning July 1, 2025 and each month thereafter the Debtor shall pay to Girouard Investments 70% of the net income of the Debtor from the previous month to a maximum of $30,000.00;

(c) on or before December 31, 2025 the Debtor shall make a balloon payment of any outstanding amounts owing to Girouard Investments which has accrued between June 2, 2025 and December 2, 2025; and

(d) on July 1, 2026, the Debtor shall make a payment in full and final satisfaction of being of any balance owing to Girouard Investments.

5.4 Crown Claims

Within six (6) months after Proposal Implementation, the Debtor will pay in full to Her Majesty in Right of Canada or any province any amount of a kind that could be subject to a demand under the statutory provision referred to in Section 54(2.1) of the BIA that was outstanding on the Filing Date which has not been paid by Proposal Implementation.

ARTICLE 6
IMPLEMENTATION

6.1 Issuance of New Shares to Unsecured Creditors

Upon the fulfillment, satisfaction or waiver of the conditions set out in Article 7.1, in full and final settlement of all Unsecured Claims, each Unsecured Creditor with a Proven Claim will receive such number of New Shares which is equal to the amount of their Proven Claim, divided by $0.05 (being the deemed issue price per New Share), subject to CSE policies. For greater certainty, each Unsecured Creditor would receive 20,000 New Shares for every $1,000 of its Proven Claim, subject to applicable statutory withholdings and all trading restrictions or such other requirements or conditions as set out by securities laws and the CSE.

6.2 Distribution of New Shares

The Debtor or the Proposal Trustee will instruct the Debtor's transfer agent to issue the New Shares to the Unsecured Creditors in accordance with and subject to CSE policies and other required regulatory approval. The New Shares may be uncertificated and issued to Unsecured Creditors by way of direct registration system (DRS) advices.

6.3 Resale Restriction on New Shares

Notwithstanding anything to the contrary herein, the New Shares shall be subject to a resale restriction for a period of 12 months from the date such New Shares are issued. The holders of the New Shares shall not trade, sell, pledge or otherwise transfer any New Shares until the expiry of the 12-month resale restriction. The direct registration system (DRS) advices or certificates representing the New Shares may contain a legend reflecting the foregoing.

6.4 No Fractional Shares

No fractional New Shares shall be issued under this Proposal, and any fractional share interests shall not entitle any Unsecured Creditor to any rights of a holder of New Shares. Any legal, equitable, contractual or any other rights or claims (whether actual or contingent, and whether or not previously asserted) of any Unsecured Creditor with respect to fractional New Shares pursuant to this Proposal shall be rounded down to the nearest whole number of New Shares without compensation therefor.

6.5 Minimum Increments

The New Shares issued pursuant to this Proposal shall each be issued in minimum increments of $1.00, and the amount of New Shares that each Unsecured Creditor shall be entitled to under this Proposal shall in each case be rounded down to the nearest multiple of $1.00 without compensation therefor.

6.6 Multilateral Instrument 61-101

As the Debtor is a public company with its shares listed for trading on the CSE, the Debtor is subject to Multilateral Instrument 61-101 ("**MI 61-101**") governing, among other things, transactions between listed issuers and related parties of such issuers. In accordance with MI 61-101, the issuance of the New Shares by the Debtor would constitute a "related party transaction" for the purposes of MI 61-101 if any of the Unsecured Creditors receiving New Shares are insiders of the Debtor. In accordance with MI 61-101, absent an exemption, MI 61-101 would require the Debtor to receive a formal valuation of the subject matter and "majority of the minority" shareholder approval to proceed with the issuance of such New Shares to such insiders. The Debtor wishes to rely on the exemptions set forth in Section 5.5(f) of MI 61-101 (as it relates to formal valuations) and the exemption set out in 5.7(1)(d) of MI 61-101 (as it relates to shareholder approval), which exemptions provide that any issuance of shares to any "related party" will be exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 provided that the court is advised of the valuation and minority shareholder approval requirements set forth in MI 61-101 and does not otherwise mandate the necessity for a valuation or minority shareholder approval in accordance with MI 61-101.

ARTICLE 7
COMPLETION OF THE PROPOSAL

7.1 Conditions to Proposal Implementation

The implementation of the Proposal by the Debtor will be conditional upon the fulfilment or satisfaction of the following conditions:

(a) The acceptance of the Proposal by the Affected Creditors of the Debtor in accordance with Article 4.7 hereof;

(b) The granting of an Approval Order by the Court in respect of the Debtor and the expiry of all appeal periods, provided that the Debtor may agree to waive the expiry of the appeal period in respect of the Approval Order; and

(c) On or before April 11, 2025, the granting of a full or partial revocation of the Cease Trade Order by the Alberta Securities Commission, the resumption of trading of the common shares of the Debtor on the CSE and the ability of the Debtor to issue the New Shares.

7.2 Certificate of Full Performance

Upon distribution of all cash amounts, or New Shares contemplated by Article 5 of this Proposal, this Proposal shall have been fully performed and the Proposal Trustee shall issue the certificate referred to in section 65.3 of the BIA.

7.3 Discharge of Proposal Trustee

Upon the issuance of the certificate of full performance contemplated by Article 7.2 hereof, the Proposal Trustee shall have discharged its duties as Proposal Trustee, this Proposal shall be fully performed and the Proposal Trustee shall be discharged.

The Proposal Trustee is acting in its capacity as Proposal Trustee and not in its personal capacity and no officer, director, employee or agent of the Proposal Trustee shall incur any liabilities or obligations in connection with this Proposal or in respect of the business or obligations of the Debtor and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a willful misconduct or gross negligence.

7.4 Completion of the Proposal

The payment, compromise, extinguishment or other satisfaction of any Proven Claim under the Proposal will be binding upon each Affected Creditor, its heirs, executors, administrators, successors and assigns, for all purposes, and as and from the Implementation Date all Unsecured Claims against the Debtor shall be forever discharged and released, excepting only the obligations to make distributions in respect of such Proven Claims in the manner and to the extent provided for in this Proposal.

ARTICLE 8
PREFERENCES, TRANSFERS AT UNDER VALUE, ETC.

8.1 Section 95 - 101 of the BIA

In conformity with Section 101.1 of the BIA, Sections 95-101 of the BIA and any provincial statute related to preference, fraudulent conveyance, transfer at undervalue, or the like shall not apply to this Proposal.

ARTICLE 9
MISCELLANEOUS

9.1 Modification of Proposal

The Debtor may propose an alteration or modification to the Proposal prior to the vote taking place on the Proposal. After the Creditors' Meeting (and both prior to and subsequent to the issuance of the Approval Order) and subject to the consent of the Proposal Trustee, the Debtor may at any time and from time to time vary, amend, modify or supplement the Proposal if the Court determines that such variation, amendment, modification or supplement is of a minor, immaterial or technical nature or would not be materially prejudicial to the interest of any of the Creditors under the Proposal and is necessary in order to give effect to the substance of the Proposal or the Approval Order.

9.2 Consents, Waivers and Agreements

As at 12:01 a.m. on the Implementation Date, each Affected Creditor will be deemed:

(a) to have executed and delivered to the Debtor all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;

(b) to have waived any default by the Debtor in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor and the Debtor that has occurred on or prior to the Implementation Date;

(c) to have agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and the Debtor as at the Implementation Date (other than those entered into by the Debtor on, or with effect from, the Implementation Date) and the provisions of this Proposal, that the provisions of this Proposal will take precedence and priority and the provisions of such agreement or other arrangement will be amended accordingly; and

(d) to have released the Debtor, the Proposal Trustee and all of its respective affiliates, employees, agents, directors, officers, shareholders, advisors, consultants and solicitors from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein;

provided that nothing herein will release the Debtor of its obligation to make the payments contemplated in this Proposal or to comply with any of its obligations thereunder.

9.3 Effect of Proposal Generally

As at 12:01 a.m. on the Implementation Date, the treatment of all Claims under the Proposal shall be final and binding on the Debtor and all Affected Creditors (along with their respective heirs, executors, administrators, legal personal representatives, successors and assigns) and the Proposal shall constitute (i) a full, final and absolute settlement of all rights of the holders of the Claims affected hereby; and (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Debtor of or in respect of such Claims.

9.4 Notices

Any notices or communication to be made or given hereunder will be in writing and will refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail, telecopier or by email addressed to the respective parties as follows:

(a) if to the Debtor

Avila Energy Corp.
c/o Miller Thomson LLP
Attention: Dustin Gillanders/ James Reid
Eighth Avenue Place
525-8th Avenue SW
Calgary, Alberta
T2P 1G1
dgillanders@millerthomson.com / jwreid@millerthomson.com

(b) if to an Affected Creditor, to the address, telecopier number or email address for such Affected Creditor specified in the claims notice sent in accordance with the Claims Procedure Order or, to such other address, telecopier number or email address at which the notifying party may reasonably believe that the Affected Creditor may be contacted; and

(c) if to the Proposal Trustee:

FTI Consulting Canada Inc.
Attention: Dustin Olver
520 5th Avenue SW
Suite 1610
Calgary, Alberta
T2P 3R7
Dustin.Olver@fticonsulting.com

or to such other address, telecopier number or email address as any party may from time to time notify the others in accordance with this section. In the event of any strike, lock-out and other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery, by telecopier or email and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. All such notices and communications will be deemed to have been received, in the case of notice by email or telecopier or by delivery prior to 5:00 p.m. (Calgary time) on a Business Day, when received or if received after 5:00 p.m. (Calgary time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and in to case of notice mailed as aforesaid, on the fifth (5th) Business Day following the date on which such notice or other communication is mailed. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.

9.5 Assignment of Claims

No assignment of a Claim by an Affected Creditor is effective to give the assignee any rights in respect of the Proposal unless written notice of the assignment is given to the Debtor and the Proposal Trustee in accordance with the requirements of Article 9.4. The assignment of the Claim will not be effective for a five (5) Business Day period from the date of effective receipt of the notice of assignment by the Debtor and by Proposal Trustee as determined in accordance with Article 9.4.

9.6 Notice of Presentation of Approval Application

Each of the Creditors and the Official Receiver (as defined by and appointed under the BIA) are hereby given notice that, after acceptance of this Proposal by the Creditors in accordance with the relevant provisions of the BIA, the Proposal Trustee will present an application to the Court seeking the Approval Order at such date and time that may be fixed following the Creditors' Meeting.

9.7 Foreign Currency Obligations

For purposes of this Proposal, Claims denominated in a currency other than Canadian funds will be converted to Canadian Dollars at the closing spot rate of exchange of the Bank of Canada on the Filing Date.

9.8 Applicable Law

This Proposal will be construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and will be treated in all respects as an Alberta contract.

9.9 Non Severability

It is intended that all provisions of this Proposal will be fully binding on and effective between all Persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is or are found to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions will be void and of no force or effect.

9.10 Deeming Provisions

In this Proposal the deeming provisions are not rebuttable and are conclusive and irrevocable.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK]

DATED at the City of Calgary, in the Province of Alberta, this 28th day of February, 2025.

AVILA ENERGY CORP.

Per: ______________________________

Name: Donald Benson

Title: CEO

I have the authority to bind the corporation

Schedule “C”

Trustee’s Report on the Proposal

COURT FILE NUMBER	25-3131451
COURT	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT,* RSC 1985, C B-3, AS AMENDED AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF AVILA ENERGY CORPORATION
DOCUMENT	PROPORAL TRUSTEE'S REPORT ON THE PROPOSAL FTI CONSULTING CANADA INC., **March 20, 2025**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>**PROPOSAL TRUSTEE**</u> FTI Consulting Canada Inc. Suite 1610, 520 Fifth Avenue S.W. Calgary, AB T2P 3R7 Dustin Olver Telephone: (403) 454-6032 Fax: (403) 232-6116 E-mail: dustin.olver@fticonsulting.com <u>**COMPANY COUNSEL**</u> Miller Thomson LLP Barristers and Solicitors 525-8th Avenue SW, 43rd Floor Calgary, AB, Canada T2P 1G1 Attention: Dustin L. Gillanders/James W. Reid Phone: 306.667.5616/402-298-2418 Email: dgillanders@millerthomson.com jwreid@millerthomson.com

PROPOSAL TRUSTEE REPORT ON THE PROPOSAL

Table of Contents

INTRODUCTION

1. On September 20, 2024 (the "**Filing Date**"), Avila Energy Corporation ("**Avila**" or the "**Company**"), a public corporation listed on the Canadian Stock Exchange (CSE:VIK.CN) filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to subsection 50.4(1) of the Bankruptcy and Insolvency Act (Canada) ("**BIA**").

2. FTI Consulting Canada Inc. ("**FTI**") consented to act as proposal trustee (the "**Proposal Trustee**") in the NOI proceedings of Avila (the "**Proposal Proceedings**").

3. On October 18, 2024, the Court of King's Bench of Alberta (the "**Court**"), granted an Order which, among other things, extended the stay of proceedings to December 2, 2024.

4. On November 27, 2024, the Court, granted an Order which extended the stay of proceedings to January 16, 2025.

5. On January 13, 2025, the Court, granted an Order which extended the stay of proceedings to March 2, 2025. This was the final extension of time allowable under Section 50.4(9) of the BIA for Avila to file a proposal.

6. On February 28, 2025, Avila lodged a proposal with the Proposal Trustee, a copy of which was filed with the Office of the Superintendent of Bankruptcy (the "**OSB**") and the same was sent to known creditors on by ordinary mail. Subsequent to the filing of the proposal there have been amendments to: (i) section 2.11 clarifying that interest would accrued in respect of the secured debt of Girouard Investments and (ii) add Alberta's Ministry of Minerals and Canadian Natural Resources Limited [confirm updated language]. A copy of the amended proposal ("**Proposal**") is attached as Appendix A and is posted on the Proposal Trustee's website at http://cfcanada.fticonsulting.com/avilaenergy/.

7. A meeting of creditors ("**Creditors' Meeting**") to consider the Proposal has been scheduled to be held virtually at 1:00 pm (MST) on March 21, 2025.

8. Electronic copies of all materials filed by the Company in connection these proceedings and other statutory materials are available on the Proposal Trustee's website at: http://cfcanada.fticonsulting.com/avilaenergy/.

PURPOSE

9. FTI, in its capacity as Proposal Trustee, has reviewed the Proposal. The purpose of this report is to provide Avila's creditors with:

a. background information on the Avila;

b. a summary of terms of the Proposal;

c. an estimated liquidation analysis in an alternative bankruptcy scenario;

d. the Proposal Trustee's opinion as it relates to the inclusion of a provision that sections 95-101 of the BIA do not apply to the Proposal;

e. additional information on the Creditors' Meeting and voting on the Proposal;

f. a summary of the status of claims received in advance of the Creditors' Meeting; and

g. the Proposal Trustee's conclusion.

TERMS OF REFERENCE

10. In preparing this report, the Proposal Trustee has relied upon unaudited financial information, other information available to the Proposal Trustee and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "**Information**").

11. Except as described in this report:

a. the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*;

b. the Proposal Trustee has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*; and

c. future oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.

12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

COMPANY BACKGROUND

13. Avila is a junior oil and gas exploration and production company headquartered in Calgary, Alberta. It is publicly listed on the Canadian Stock Exchange under the ticker symbol (CSE:VIK.CN). A cease trade order ("**Cease Trade Order**") was issued for Avila's stock and trading was suspended on November 25, 2024. Refer to the Proposal Trustee's first report dated October 10, 2024 for further background on the Company and the financial difficulties that resulted in filing for these Proposal Proceedings.

14. The Company currently owns interest in 73 wells. Currently, 48 of these wells are producing approximately 750 thousand cubic feet ("**MCF**") per day (or 125 barrels of oil equivalent ("**BOE**") per day). The production is split approximately 85% natural gas and 15% condensate.

15. The Company also owns a natural gas processing plant located in Wetaskiwin County that has a current capacity of approximately 3.5 million cubic feet per day and a shut-in natural gas processing plant in the Donalda area.

16. The Company's main objectives during the Proposal Proceedings were to:

    a. stabilize the Company's operations including satisfying licencing requirements of the Alberta Energy Regulator ("**AER**") with respect to its oil and gas licenses; and

    b. and raise sufficient capital through an equity funding round to fund and present a proposal to its creditors (collectively, the "**Objectives**").

17. The prior extensions to the Stay Period allowed the Company additional time to work towards completing the Objectives.

18. Since commencing the Proposal Proceedings, the Proposal Trustee understands that the Company has taken the following steps, among others:

    a. brought 48 wells back online with production for the majority of these wells restarting around the last week of October 2024. Shortly after restarting production accidental damage occurred to a pipeline located adjacent to an Avila facility which caused the production for 32 of the Company's 48 wells to be shut in for approximately 3 weeks. Production for these wells was brought back online on or around December 4, 2024;

    a. continued to hold discussions with the AER with respect to the assets, wells and operating status of Avila. On February 18, 2025, Avila received a letter stating that the AER was restricting Avila's eligibility requirements from general eligibility to limited eligibility. The Proposal Trustee understands that Avila has appealed this decision;

b. the Company is in the process of preparing and issuing amended and restated financial statements for the period ending December 31, 2023 (the "**Amended 2023 FS**"). A copy of the Amended 2023 FS is attached as Appendix "**B**". The Company is estimating the Amended 2023 FS will be finalized and issued by the end of March 2025.

19. Through the finalization and issuance of the Amended 2023 FS, the Company believes it will have addressed the deficiencies in its financial reporting which caused the Alberta Securities Commission to issue the Cease Trade Order.

20. The lifting of the Cease Trade Order is important as the Proposal is reliant on Avila's ability to issue new shares to the unsecured creditors in accordance with the Proposal and to raise sufficient liquidity through a new equity financing. This liquidity is required to fund payments required to be made to the Canada Revenue Agency, the AER, the Orphan Well Association and the creditors who are unaffected by the Proposal.

PROPOSAL TRUSTEE'S OBSERVATIONS

21. Since commencement of the Proposal Proceedings, Avila struggled with liquidity constraints and reporting:

a. Cash flow - the Proposal Trustee's prior reports included cash flow budget to actual analysis that demonstrated a consistent inability to achieve forecasted cash flows. Due to the limited receipts generated by Avila, they have been restrained in the disbursements they have been able to make over these periods, including being unable to keep current their post filing expenses including professional fees associated with these Proposal Proceedings. The reasons for missing budgeted revenue forecasters were mainly due to:

i. operational issues that resulted in lower than expected production; and

ii. forecasted insurance proceeds that did not materialize.

b. Reporting - the Company struggled with timely, accurate and current information that would typically be available for a publicly traded oil and gas company. For example:

   i. financial statements are being restated, currently Avila is working on finalizing December 31, 2023 statements and Q1 2024, Q2 2024 and Q3 2024 quarterly financial statements;

   ii. the Company was unable to provide up to date monthly lease operating statements; and

   iii. the Company does not have a current reserve report. The most current reserve report provided to the Proposal Trustee has an effective date of December 31, 2023.

   ("collectively the "**Reporting Issues**")

22. In the Proposal Trustee's view many of these issues were caused by poor historical accounting practices and lack of liquidity. Current management inherited a dysfunctional and incomplete accounting process and are working diligently with the minimal resources they have available to correct the above noted issues, however lack of liquidity continues to be a significant constraint.

TERMS OF THE PROPOSAL

23. Key terms of the Proposal are summarized as follows:

a. The Proposal includes two classes of Affected Creditors who will vote on the Proposal:

   i. Secured Creditor Class, with only one creditor, Marc Girouard Investments Inc.; and

ii. An Unsecured Creditor Class.

b. The Proposal will be binding on each class of Affected Creditors if they vote in support of the Proposal in accordance with the required double majority as follows:

   i. In order for the Proposal to be binding on the Secured Creditor Class it must be accepted by Marc Girouard Investments Inc. voting (in person or by proxy) at the Creditors' Meeting, by a Voting Letter or otherwise; and

   ii. In order for the Proposal to be binding on the single class of Unsecured Creditors it must be accepted by a majority in number of the Creditors of the Unsecured Creditor Class representing two-thirds in value ("**Statutory Majority**") of the Unsecured Creditors Claims who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting, by a Voting Letter or otherwise.

c. The Proposal makes the following compromise to each class of creditors:

   i. Secured Creditor Class – full repayment of the debt owed to Marc Girouard Investment Inc. plus accrued and accruing interest, however the repayment will occur upon a revised amortization schedule as outline in Section 5.3 of the Proposal;

   ii. Unsecured Creditors Class - in full and final settlement of all Unsecured Claims, each Unsecured Creditor with a Proven Claim will receive such number of New Shares which is equal to the amount of their Proven Claim, divided by $0.05 (being the deemed issue price per New Share), subject to Canadian Stock Exchange ("**CSE**") policies. For greater certainty, each Unsecured Creditor would receive 20,000 New Shares for every $1,000 of its Proven Claim, subject to applicable statutory withholdings and all trading restrictions or such other requirements or conditions as set out by securities laws and the CSE;

iii. Crown claims – are to be paid within six (6) months after Proposal Implementation. Crown Claims are defined to include source deductions including CPP, EI and tax deducted from employee pay plus penalties;

iv. Unaffected Creditors - means Creditors with Claims in respect of the Administrative Fees and Expenses, any Post-Filing Claims, any Crown Claims, the OWA, the AER, Preferred Creditors, and Municipal Tax Creditors, the Alberta Ministry of Energy and Minerals and Canadian Natural Resources Limited for debts that are secured by a valid operator's lien. The Unaffected Creditors are not being compromised by the Proposal and therefore are not entitled to vote on the Proposal.

d. The implementation of the Proposal is conditional upon the fulfilment or satisfaction of the following conditions:

i. the acceptance of the Proposal by the Affected Creditors of the Debtor in accordance with Article 4.7 of the Proposal;

ii. the granting of an Approval Order by the Court in respect of the Debtor and the expiry of all appeal periods, provided that the Debtor may agree to waive the expiry of the appeal period in respect of the Approval Order; and

iii. On or before April 11, 2025, the granting of a full or partial revocation of the Cease Trade Order by the Alberta Securities Commission, the resumption of trading of the common shares of the Debtor on the CSE and the ability of the Debtor to issue the New Shares. This is required for the Debtor to fulfill to offer of New Shares to the Unsecured Creditor Class.

EXCLUSION OF 95-101 OF THE BIA

24. Pursuant to section 50(10)(b) of the BIA, the Proposal Trustee is to provide its opinion as to the reasonableness of a decision to include a provision that sections 95 to 101 of the BIA do not apply to any proposal. The Proposal Trustee is not aware of any potential preferences or transfers at undervalue. Furthermore, all unsecured creditors are being treated equally as one class of creditor and therefore, no creditor is viewed by the Proposal Trustee as being preferred pursuant to the terms of the Proposal. Based on the foregoing, the Proposal Trustee believes that it is reasonable and appropriate to include this clause in the Proposal.

PLAN COMPARED TO ALTERNAITVE LIQUIDATION IN A BANKRUPTCY

25. In the event the Proposal is not approved by the Statutory Majority of Affected Creditors or the Court, the Company will become automatically bankrupt. Accordingly, the Proposal Trustee has considered the value of Avila's assets in a bankruptcy liquidation scenario. Due to the Reporting Issues described above, the Proposal Trustee was working with limited information the complete this analysis.

26. The following table summarizes the Proposal Trustee's view on liquidation, starting with assets listed at their net book value contained in Avila's December 31, 2023 financial statements and adjusting for the Proposal Trustee's view of the current fair market value of each asset.

Asset Type	Net Book Value 12/31/23	Liquidaiton Value Low	High
Cash	66,572	-	-
Advances	-	-	-
Accounts Receivable	914,993	-	60,000
Prepaid Expenses	84,793	-	-
Property, plant and equipment	25,997,038	212,500	675,000
Right-of-use asset	109,755	-	-
Intangible assets	16,381	-	-
Deferred taxes	-	-	
Total Assets	**$ 27,189,532**	**$ 212,500**	**$ 735,000**

27. The Proposal Trustee has the following comments on each category contained in the table above:

a. Cash – per discussion with the Company the Company does not have any current cash;

b. Accounts Receivable – the Company has no recoverable accounts receivables currently other then a potential $60,000 insurance claim. This claim could be pursued in a bankruptcy litigation however the collection is uncertain;

c. Prepaids – based on discussions with management the Company does not currently have any prepaids that could be recovered in a liquidation scenario;

d. Property, plant and equipment ("**PP&E**") – is the Company's oil and gas operations. The net book value of the PP&E as at December 31, 2023 was $25.9 million. In the Proposal Trustee's experience, the net book value is the oil and gas assets is not reflective the recoverable value in a bankruptcy liquidation sale for the following reasons:

i. Buyers of distressed oil and gas assets use the net present value of the proved development producing ("**PDP**") reserves at a discount rate of 20%

and further adjust downwards for risks such as environmental remediation obligations. The Company's December 31, 2023 Reserve and Present Worth Appraisal Report ("**2023 Reserve Report**") was prepared by an independent reserve evaluator. A summary of the economic results are presented below. The value of the PDP reserves discounted at 20% is $3.0 million.

ECONOMIC RESULTS

The present worth of future net revenue *(net after royalties, operating expenses and capital investments),* for the interests appraised herein is presented by Company, property, and entity on Table No.'s 1 through 4 herein, and summarized as follows:

Avila Energy Corporation
PRESENT WORTH OF FUTURE NET REVENUE
Before Income Tax (*M$ Cdn.*)
December 31, 2023

		Proved Developed Producing	*Total Proved*	*Proved Plus Probable*
Undiscounted		4,598.4	23,394.0	39,222.9
Discounted @	5%	4,529.2	18,843.7	29,207.5
	10%	3,968.0	15,232.6	22,606.7
	15%	3,438.9	12,536.0	18,102.8
	20%	3,007.8	10,500.3	14,883.2

ii. The natural pricing used in the 2023 Reserve Report is substantially higher than the current strip pricing. A copy of the strip pricing for AECO gas prices published by the National Bank of Canada is attached as Appendix "**C**". If the current strip pricing were used to re-run the 2023 Reserve Report the net present value would be substantially lower. In the Proposal Trustee's experience buyers in bankruptcy or liquidation sales pay for reserves valued at strip pricing. The table below compares strip pricing of AECO gas as at March 13, 2025 to the pricing used in the 2023 Reserve Report. Where comparable years exist the strip pricing is approximately 30% lower than the pricing used 2023 Reserve Report.

AECO (CAD/GJ)		
Year	2023 Reserve	Strip price
2024	2.01	n/a
2025	3.42	2.306
2026	4.3	3.102
2027	4.39	3.062
2028	4.47	3.025
2029	4.56	2.987
2030	4.65	
2031	4.75	
Thereafter	2.00%	

iii. Avila has a substantial number of wells that are currently shut-in and not producing. Avila has 73 total wells of which 48 are producing and 34% or 25 are shut in. The shut-in wells are negative in value as they cannot be disclaimed or abandoned in a bankruptcy sale. The OWA and the AER would require a bankruptcy Trustee to sell all wells in a bankruptcy liquidation sale, therefore the shut-in wells would erode the recoverable value of the sale as a whole. In the Proposal Trustee's experience buyers in bankruptcy sales often deduct the environmental reclamation and abandonment obligations of shut-in wells off the purchase price. The Proposal Trustee estimates potential buyers would deduct approximately $1,000,000 off of a purchase price on account of the 34% of wells being shut in. The $1,000,000 deduction was estimated based on 34% of the total decommissioning liability appearing in the December 31, 2023, financial statements of $2,790,224.

iv. The below table summarizes the Proposal Trustee's view of potential sales value of Avila's PP&E in a bankruptcy liquidation sale:

	Liquidation Value Low	High
Approach #1		
Production Multiple		
Flowing barrels (boe/d)	125	125
Multiple	$ 5,000	$ 10,000
Production Multiple	**$ 625,000**	**$ 1,250,000**
Approach #2		
Net Present Value		
2023 Reserve Report @ NPV20%	$ 3,007,800	$ 3,007,800
Discount to Current Strip Pricing	60.0%	70.0%
NPV at Current Strip Pricing	**$ 1,804,680**	**$ 2,105,460**
Average of Approaches	**$ 1,214,840**	**$ 1,677,730**
Less ARO Adjustment	(1,000,000)	(1,000,000)
Liquidation Value	**$ 214,840**	**$ 677,730**

28. In the Proposal Trustee's estimation of liquidation value, it considered the average of two commonly used oil and gas valuation techniques 1) production multiple and 2) Reserve value and then adjusted for the environmental obligations of the shut-in wells.

a. Production multiple – based off current production of 125 boe/day multiplied by $5,000/boe/day on the low and $10,000/boe/day on the high.

b. Net present value – based on the 2023 Reserve Report using the net present value of the PDP reserves discounted at 20% then adjusted down by 30% to 40% to consider decrease in current strip natural gas prices compared to the pricing used in the 2023 reserve report.

c. Deducted $1,000,000 for the environmental asset retirement obligation ("**ARO**") of the shut-in wells.

29. Based on the above, in the Proposal Trustee's view, the potential realizable value of Avila's assets in a liquidation scenario ranges between $212,500 and $675,000. Both of these amounts are well below the secured debt held by Marc Girouard Investments Inc.

Therefore, in a bankruptcy liquidation sale there would be no recovery for unsecured creditors. It is on this basis that the Proposal Trustee is of the view that the Proposal presents a higher potential recovery for the Unsecured Creditor Class than what would be achieved in a bankruptcy liquidation sale. Additionally, the Proposal presents a higher potential recovery to Marc Girouard Investments Inc. than what would be realized in bankruptcy liquidation sale.

30. The Proposal Trustee notes that there is no assurance that the shares issued to the unsecured creditors will ultimately be able to be sold for positive value after the 12-month hold period referred to in Section 6.3 of the Proposal. Nor is there assurance that Avila will be able to make the payments proposed to Marc Girouard Investments Inc. outlined in Section 5.3 of the Proposal. The Proposal Trustee understands that ability to make these payments is contingent on raising additional equity proceeds through a private placement and investing in operations to increase cash flow. There is no assurance of the success of these efforts and the Proposal Trustee has not seen a financial forecast model outlining specifically how this will be achieved.

31. The Proposal Trustee cautions that the above liquidation analysis is illustrative and was compiled using out of date and incomplete information due to the Reporting Issues described above. However, the Proposal Trustee used best efforts to summarize the information available and estimate liquidation value based on the information available. The actual liquidation results could vary significantly.

PROPOSAL TRUSTEE'S CONCLUSIONS

32. Given the reasons outlined above, the Proposal Trustee views the Proposal submitted by the Company as reasonable based on the information made available to the Trustee by the Company and other third party sources. On this basis, the Proposal Trustee is supportive of the Proposal as it presents the possibility of a higher recovery then a bankruptcy liquidation sale. The ultimate decision will be based on the creditors who cast their votes, and it will be subject to the ratification of the Court.

*****

All of which is respectfully submitted this 20th day of March 2025.

FTI Consulting Canada Inc., in its capacity as
the Proposal Trustee of
Avila Energy Corporation.
and not in its personal or corporate capacity

Dustin Olver, CA, CPA, CIRP, LIT
Senior Managing Director
FTI Consulting Canada Inc.

Appendix "A"

Division 1 Proposal
as amended on March 20, 2025

Clerk' Stamp

COURT / ESTATE FILE NUMBERS	25-3131451
COURT	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
	IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT,* RSC 1985, c B-3, AS AMENDED
	AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF AVILA ENERGY CORPORATION
DOCUMENT	**PROPOSAL**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	MILLER THOMSON LLP Barristers and Solicitors 525-8th Avenue SW, 43rd Floor Calgary, AB, Canada T2P 1G1 Attention: Dustin L. Gillanders/James W. Reid Phone: 306.667.5616/402-298-2418 Email: dgillanders@millerthomson.com / jwreid@millerthomson.com File No.: 0287592.0001

WHEREAS Avila Energy Corp. (collectively the "**Debtor**") submits the following proposal under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the "**BIA**");

AND WHEREAS on September 20, 2024, the Debtor filed a notice of intention to make a proposal to its creditors under section 50.4 of the BIA and thereby commenced proceedings to restructure its financial affairs under Division I of the BIA;

AND WHEREAS FTI Consulting Canada Inc., of Calgary, Alberta, is a licensed trustee under the BIA, which has consented to act as a Proposal Trustee in these proceedings of the Debtor under the BIA;

ARTICLE 1
DEFINITIONS

1.1 Definitions

In this Proposal:

(a) "**Administrative Fees and Expenses**" means the proper fees, expenses, including legal fees and disbursements, of the Proposal Trustee and the Debtor, and including the fees and disbursements of Miller Thomson LLP, counsel to the Debtor, on and incidental to the negotiation, preparation, presentation, consideration and implementation of the Proposal, and all proceedings and matters relating to or arising out of the Proposal;

(b) "**AER**" means the Alberta Energy Regulator;

(c) "**Affected Claim**" means all Claims that are not an Unaffected Claim;

(d) "**Affected Creditor**" means a Creditor having an Affected Claim;

(e) "**Approval**" means:

(i) Acceptance of this Proposal by the statutory majority of Creditors in the each of the creditor classes entitled to vote thereon in accordance with the relevant provisions of the BIA; and

(ii) The approval of this Proposal by the Court by the granting of the Approval Order, which is a Final Order;

(f) "**Approval Order**" means an Order of the Court which, among other things, approves this Proposal;

(g) "**Business Day**" means a day, other than a Saturday or Sunday, on which banks are generally open for business in Calgary, Alberta;

(h) "***Canada Pension Plan***" means the *Canada Pension Plan*, RSC 1985, c C-8, as amended;

(i) "**Cease Trade Order**" means the Order under the securities legislation of Alberta dated November 22, 2024;

(j) "**Claim**" means a claim provable in bankruptcy against the Debtor and includes any indebtedness, liability, action, cause of action, suit, debt, account, bond covenant, counterclaim, demand, claim, right and obligation of any kind of the Debtor to any Person, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, the right or ability of any Person to make a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commence in the future based in whole or in part on facts which existed prior to or as of the Filing Date and a reference to a "Claim" or "Claims" shall include, as the case may be, Unsecured Claims, and Secured Claims;

(k) "**CNRL**" means Canadian Natural Resources Limited a Creditor holding a Secured Claim and Unsecured Claim;

(l) "**Court**" means the Court of King's Bench of Alberta (in Bankruptcy and Insolvency), Judicial District of Calgary;

(m) "**Creditor**" means any Person, having a Claim and may, if the context requires, means a trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;

(n) "**Creditors' Meeting**" means the meeting of the Affected Creditors called for the purpose of considering and voting upon the Proposal;

(o) "**Creditors' Meeting Date**" means the date and time as may be called by the Proposal Trustee for the meeting of creditors to consider this Proposal, but in any event will be no later than twenty-one (21) days following the Proposal Date;

(p) "**Creditors' Meeting Notice**" means the notice and document package delivered to the Creditors in respect of the Creditors' Meeting;

(q) **Crown Claims**" means an amount due to His Majesty in Right of Canada or a Province and that are of a kind that could be subject to a demand under:

(i) subsection 224(1.2) of the *Income Tax Act*;

(ii) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts;

(iii) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:

(A) has been withheld or deducted by a Person from a payment to another Person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or

(B) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection;

(r) "**CSE**" means the Canadian Securities Exchange;

(s) "**Disputed Claim**" means any Claim that has been received by the Proposal Trustee in accordance with the terms of this Proposal and the BIA but has not been accepted as proven or which is being disputed in whole or in part by the Proposal Trustee, or any other Person entitled to do so and has not been resolved by agreement of by Order of the Court;

(t) "**Disputed Creditor**" means a Person holding a Disputed Claim to the extent of its Disputed Claim'

(u) "***Employment Insurance Act***" means the *Employment Insurance Act*, SC 1996 c 23, as amended;

(v) “**Filing Date**” means September 20, 2024 (the date the Debtor filed a Notice of Intention to Make a Proposal);

(w) “**Implementation Date**” means the date upon which the conditions set forth in Article 7.1 have been satisfied or, if applicable, waived;

(x) “***Income Tax Act***” means the *Income Tax Act*, RSC 1985, c 1 (5th Supp), as amended;

(y) “**Inspectors**” will have the meaning ascribed thereto in the BIA;

(z) “**Girouard Investments**” means Marc Girouard Investments Inc.;

(aa) “**Girouard Investments Creditor Class**” means a class comprised of the Secured Creditor Girouard Investments;

(bb) “**Miller Thomson LLP**” means Miller Thomson LLP, counsel for the Debtor;

(cc) **“Municipal Tax Creditors**” means a Creditor with a charge or lien against the Debtor for property taxes;

(dd) “**New Shares**” means the common shares in the capital of the Debtor to be issued to the Unsecured Creditors pursuant to the Proposal;

(ee) “**Official Receiver**” will have the meaning ascribed thereto in the BIA;

(ff) “**Person**” means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;

(gg) “**Post-Filing Claim**” means any Claims arising in respect of services rendered, goods supplied or other consideration given to the Debtor after the Filing Date;

(hh) “**Preferred Claim**” means that portion of a Claim that is accepted by the Proposal Trustee as entitling the Creditor to receive payment in priority to other Creditors as provided in section 136 of the BIA;

(ii) “**Preferred Creditors**” means holders of Preferred Claims;

(jj) **“Proof of Claim”** means the proof of Claim required by the BIA to be mailed to each known Creditor prior to the Creditors' Meeting;

(kk) “**Property**” means all of the Debtor’s current and future assets, undertakings and property of every nature and kind whatsoever, and wherever situate, including all proceeds thereof;

(ll) “**Proposal**” means this proposal together with any amendments or additions thereto;

(mm) “**Proposal Date**” means the date of the filing of the Proposal with the Official Receiver;

(nn) “**Proposal Trustee**” means FTI Consulting Canada Inc., in its capacity as the proposal trustee of the Debtor, or its duly appointed successor or successors;

(oo) “**Proven Claim**” of a Creditor means the amount of the Claim of such Creditor determined finally in accordance with the provisions of the BIA;

(pp) “**Secured Claim**” of a Creditor means the amount of the Claim of such Creditor determined finally in accordance with the provisions of the BIA;

(qq) “**Secured Creditor**” means a Person holding a mortgage, hypothec, charge, pledge, or lien on or against the property or assets of the Debtor as security for a debt due or accruing due the Person from the Debtor, and shall include, for greater certainty, the applicable municipalities in respect of property taxes;

(rr) “**OWA**” means the Orphan Well Association

(ss) “**Unaffected Claims**” means any Claims of the Unaffected Creditors;

(tt) “**Unaffected Creditors**” means Creditors with Claims in respect of the Administrative Fees and Expenses, any Post-Filing Claims, any Crown Claims, the OWA, the AER, Preferred Creditors, Municipal Tax Creditors, Alberta's Ministry of Energy and Minerals, and CNRL (but only in respect of its Secured Claim);

(uu) “**Unsecured Claim**” means the amount of an Unsecured Creditor’s Claim, as determined under Article 3.3, and includes any Preferred Claim, as applicable;

(vv) “**Unsecured Creditors**” means the Creditor with an Unsecured Claim;

(ww) “**Unsecured Creditor Class**” means a class comprised of all Unsecured Creditors;

(xx) “**Voting Letter**” means the voting letter required by section 51(1) of the BIA to be mailed to each known Creditor prior to the Creditors’ Meeting.

1.2 Articles of Reference

The terms “hereof”, “hereunder”, “herein” and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In the Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

1.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

1.4 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day that is a Business Day.

1.5 Time

All times expressed herein are local times in Calgary, Alberta, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified herein, the time will be deemed to be 5:00 p.m. local time in Calgary, Alberta, Canada.

1.6 Numbers

In the Proposal, where the context requires, a word importing the singular number will include the plural and *vice versa* and a word or words importing gender will include all genders.

1.7 Currency

Unless otherwise stated herein, all references to currency in the Proposal are to lawful money of Canada.

1.8 Statutory References

Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

1.9 Successors and Assigns

The Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Proposal.

1.10 Including

The word “including”, or any variation thereof means “including without limitation”, and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

ARTICLE 2
PURPOSE AND EFFECT OF PROPOSAL

2.1 Purpose

The purpose of the Proposal is to allow the Debtor to effect the restructuring of its indebtedness in the manner contemplated herein and as permitted by the BIA in the expectation that all Affected Creditors will derive greater benefit from the restructuring than they would otherwise receive from a bankruptcy of the Debtor.

This Proposal applies to all Affected Creditors, whether or not any such Affected Creditor proves a Claim against the Debtor under this Proposal. The Proposal does not effect Unaffected Creditors.

2.2 Binding Effect of Proposal

This Proposal will be binding on the Debtor and the Affected Creditors, and effective on the Implementation Date, all Unsecured Claims shall be discharged and the Debtor shall thereon be released from all Unsecured Claims, other than the obligation to make payment in the manner and to the extent described in this Proposal.

2.3 Administrative Fees and Expenses

Within two(2) months of the Implementation Date, all Administrative Fees and Expenses and all amounts incurred up to the Implementation Date which remain unpaid shall be paid in full by the Debtor from the operational revenue of the Debtor.

2.4 Unaffected Creditor

No Unaffected Creditor in respect of an Unaffected Claim will be entitled to vote on this Proposal or attend the Creditors' Meeting.

2.5 Unsecured Creditors

The Proven Claims of the Unsecured Creditors of the Debtors will be satisfied or paid as provided by Article 5.2.

2.6 Girouard Investments

The Proven Claim of Girouard Investments will be satisfied or paid as provided by Article 5.3.

2.7 Crown Claims

Unless His Majesty in Right of Canada agrees otherwise, the Crown Claims shall be paid by the Debtor from the Proposal Proceeds to His Majesty in Right of Canada within six (6) months of the Approval Order.

2.8 Disputed Claims

An Affected Creditor with a Disputed Claim shall not be entitled to receive any distribution hereunder with respect to such Disputed Claim unless and until such Claim becomes a Proven Claim. Distributions made pursuant to this Proposal shall be made in respect of any Disputed Claim that is finally determined to be a Proven Claim.

2.9 Post-Filing Claims

Post-Filing Claims, if any, will be paid in full by the Debtor in the ordinary course of business and on regular trade terms, or as may otherwise be arranged with the holders of such Post-Filing Claims.

2.10 Superintendent of Bankruptcy Levy

Payments to each Creditor in respect of its Affected Claim will be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the BIA and the Proposal Trustee will remit the amount of such levy to the Office of the Superintendent of Bankruptcy contemporaneous with the distributions to Affected Creditors.

2.11 Interest on Claims

Interest will not accrue or be paid on Unsecured Claims after or in respect of the period following the Filing Date.

ARTICLE 3
PROCEDURE FOR VALIDATION AND VALUATION OF CLAIMS

3.1 Filing of Proofs of Claim

In order to vote on, or to receive a distribution under this Proposal, each Affected Creditor must file a Proof of Claim with the Proposal Trustee as required by the BIA.

3.2 Allowance or Disallowance of Claims

Upon receipt of a completed Proof of Claim, the Proposal Trustee will examine the Proof of Claim and will, in consultation with the Debtor, allow, disallow or revise each Proof of Claim in accordance with the provisions of the BIA.

3.3 Procedure for the Valuation of Unsecured Claims

The procedure for (a) determining and valuing Claims of the Affected Creditors that are contingent or unliquidated; and (b) disallowing and resolving disputes with respect to Claims, will be as set forth in Section 135 of the BIA.

The Proposal Trustee reserves the right to seek the assistance of the Court in valuing the claim of any Affected Creditor, if required, to ascertain the result of any vote on this Proposal or the amount payable or to be distributed to such Creditor under this Proposal, as the case may be.

3.4 Claims Bar Process

Forthwith after the Creditors' Meeting, the Proposal Trustee shall give notice pursuant to Section 149 of the BIA, by registered mail, to every Person with an Affected Claim that the Proposal Trustee has notice or knowledge of, but whose Claim has not been filed or proved that if such Person does not prove its Claim within a period of thirty (30) days after the mailing of the notice, the Proposal Trustee will proceed to declare a final dividend without regard to such Person's Claim. Any Person so notified who does not provide its Claim within the said thirty (30) day period shall be barred from making a Claim in this Proposal or sharing in any distribution hereunder, subject to any exceptions set out in Subsections 149(2), (3) and (4) of the BIA.

ARTICLE 4 MEETING OF CREDITORS

4.1 Creditors’ Meeting

On the Creditors’ Meeting Date, the Proposal Trustee will hold a Creditors’ Meeting in order for the Creditors to consider and vote upon the Proposal.

4.2 Time and Place of Meeting

The Creditors’ Meeting will be held on the Creditors’ Meeting Date. Due to location of the Proposal Trustee and Affected Creditors, the Creditors Meeting will be held virtually, on such terms and parameters as the Proposal Trustee considers appropriate, with video and teleconference access for any Affected Creditors who wish to virtually attend. The Proposal Trustee may engage a third-party service provider to virtually host the Creditors’ Meeting. The Proposal Trustee shall make available to all known Affected Creditors the necessary connection, dial-in and other information about the Creditors’ Meeting. Unless otherwise ordered by the Court, the Creditors’ Meeting will be held at a time to be established by the Official Receiver, or the nominee thereof, and confirmed in the notice of Creditors' Meeting to be mailed to Creditors pursuant to the BIA.

4.3 Conduct of Meeting

The Official Receiver or the nominee thereof, will preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only Persons entitled to attend the Creditors' Meeting are those Persons, including the holders of proxies, entitled to vote at the Creditors' Meeting, and its respective legal counsel, if any, and the officers, directors, auditors and legal counsel of the Debtor, together with such representatives of the Proposal Trustee as the Proposal Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other Person may be admitted on invitation of the chair of the Creditors' Meeting or with the consent of the Creditors.

4.4 Adjournment of Meetings

The Creditors' Meeting may be adjourned in accordance with sections 52 of the BIA.

4.5 Classes of Creditors

For the purposes of considering, voting on and receiving distributions under this Proposal, the Affected Creditors shall consist of two creditor classes: one secured creditor class being the Girouard Investments Creditor Class and one unsecured creditor class being the Unsecured Creditor Class.

4.6 Voting by Creditors

Persons virtually in attendance at the Creditors Meeting by video or teleconference who are eligible to vote shall cast their vote in the manner prescribed by the Proposal Trustee. All votes will be recorded and tabulated by the Proposal Trustee, who may seek the assistance of the Court with respect to any dispute arising from or out of the tabulation of votes. Any Proof of Claim in respect of a Claim of an Affected Creditor that is not a Proven Claim as at the Creditors' Meeting Date will be marked as objected to in accordance with section 108(3) of the BIA.

4.7 Approval by Creditors

In order that the Proposal be binding on the Girouard Investments Creditor Class it must first be accepted by a majority in number of the Creditors of such class who actually vote upon this Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter, which represent two-thirds in value of the Proven Claims of the Creditors who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter.

In order that this Proposal be binding on the single class of Unsecured Creditors hereof, in accordance with the BIA, it must first be accepted by a majority in number of the Creditors of such class who actually vote upon this Proposal (in person or by proxy) at the Creditors' Meeting, by a Voting Letter, or otherwise, representing two-thirds in value of the voting Claims of the Creditors of such class who actually vote upon this Proposal (whether in person or by proxy) at the Creditors' Meeting, by a Voting Letter or otherwise.

Voting Letters as provided for in the BIA submitted to the Proposal Trustee prior to the Creditors' Meeting must indicate whether the Creditor wishes to cast its vote in favour of or against the Proposal.

4.8 Appointment of Inspectors

At the Creditors' Meeting, the Creditors may appoint up to three (3) Inspectors whose powers will be limited to: (a) advising the Proposal Trustee concerning any dispute which may arise as to the validity or valuation of Claims; and (b) advising the Proposal Trustee from time to time with respect to any other matter that the Proposal Trustee may refer to them. Any decision, direction or act of the Inspectors may be referred to the Court by the Proposal Trustee and the Court may confirm, reverse or modify the decision, direction or act and make such order as it deems just. The authority and term of office of the Inspectors will terminate upon the discharge of the Proposal Trustee.

ARTICLE 5
DISTRIBUTION

5.1 Payment of Administrative Fees and Expenses

The unpaid Administrative Fees and Expenses up to and including the making of the Approval Order will be paid in full by the Debtor on or before the Business Date that is ten (10) Business Days after the Approval Order is made. The Debtors will continue to pay any professional fees and disbursements to be incurred subsequent to the making of the Approval Order. Any amount of the retainer paid to the Proposal Trustee that is unused will be returned to the Debtor. The Proposal Trustee is authorized to pay Administrative Fees and Expenses prior to final taxation of its accounts.

5.2 Distribution/Issuance of New Shares to Unsecured Creditors

In accordance with this Proposal and in full and final satisfaction of the Proven Claims of the Unsecured Creditors, each Unsecured Creditor shall receive New Shares as set forth in Article 6 only to the extent that such Unsecured Creditor's Claim is a Proven Claim and has not been paid, released, or otherwise satisfied prior to the Implementation Date.

5.3 Girouard Investments Creditors

The Debtor shall provide an assignment of all its property to be held in trust by Girouard Investments. In the event there is a default in the Proposal, Girouard Investments is entitled to exercise on the assignment.

The Proven Claim of Girouard Investments will be paid in full by the Debtor in the following manner:

(a) on or before June 1, 2025 the Debtor shall pay $30,000;

(b) beginning July 1, 2025 and each month thereafter the Debtor shall pay to Girouard Investments 70% of the net income of the Debtor from the previous month to a maximum of $30,000.00;

(c) on or before December 31, 2025 the Debtor shall make a balloon payment of any outstanding amounts owing to Girouard Investments which has accrued between June 2, 2025 and December 2, 2025; and

(d) on July 1, 2026, the Debtor shall make a payment in full and final satisfaction of being of any balance owing to Girouard Investments.

5.4 Crown Claims

Within six (6) months after Proposal Implementation, the Debtor will pay in full to Her Majesty in Right of Canada or any province any amount of a kind that could be subject to a demand under the statutory provision referred to in Section 54(2.1) of the BIA that was outstanding on the Filing Date which has not been paid by Proposal Implementation.

ARTICLE 6
IMPLEMENTATION

6.1 Issuance of New Shares to Unsecured Creditors

Upon the fulfillment, satisfaction or waiver of the conditions set out in Article 7.1, in full and final settlement of all Unsecured Claims, each Unsecured Creditor with a Proven Claim will receive such number of New Shares which is equal to the amount of their Proven Claim, divided by $0.05 (being the deemed issue price per New Share), subject to CSE policies. For greater certainty, each Unsecured Creditor would receive 20,000 New Shares for every $1,000 of its Proven Claim, subject to applicable statutory withholdings and all trading restrictions or such other requirements or conditions as set out by securities laws and the CSE.

6.2 Distribution of New Shares

The Debtor or the Proposal Trustee will instruct the Debtor’s transfer agent to issue the New Shares to the Unsecured Creditors in accordance with and subject to CSE policies and other required regulatory approval. The New Shares may be uncertificated and issued to Unsecured Creditors by way of direct registration system (DRS) advices.

6.3 Resale Restriction on New Shares

Notwithstanding anything to the contrary herein, the New Shares shall be subject to a resale restriction for a period of 12 months from the date such New Shares are issued. The holders of the New Shares shall not trade, sell, pledge or otherwise transfer any New Shares until the expiry of the 12-month resale restriction. The direct registration system (DRS) advices or certificates representing the New Shares may contain a legend reflecting the foregoing.

6.4 No Fractional Shares

No fractional New Shares shall be issued under this Proposal, and any fractional share interests shall not entitle any Unsecured Creditor to any rights of a holder of New Shares. Any legal, equitable, contractual or any other rights or claims (whether actual or contingent, and whether or not previously asserted) of any Unsecured Creditor with respect to fractional New Shares pursuant to this Proposal shall be rounded down to the nearest whole number of New Shares without compensation therefor.

6.5 Minimum Increments

The New Shares issued pursuant to this Proposal shall each be issued in minimum increments of $1.00, and the amount of New Shares that each Unsecured Creditor shall be entitled to under this Proposal shall in each case be rounded down to the nearest multiple of $1.00 without compensation therefor.

6.6 Multilateral Instrument 61-101

As the Debtor is a public company with its shares listed for trading on the CSE, the Debtor is subject to Multilateral Instrument 61-101 ("**MI 61-101**") governing, among other things, transactions between listed issuers and related parties of such issuers. In accordance with MI 61-101, the issuance of the New Shares by the Debtor would constitute a "related party transaction" for the purposes of MI 61-101 if any of the Unsecured Creditors receiving New Shares are insiders of the Debtor. In accordance with MI 61-101, absent an exemption, MI 61-101 would require the Debtor to receive a formal valuation of the subject matter and "majority of the minority" shareholder approval to proceed with the issuance of such New Shares to such insiders. The Debtor wishes to rely on the exemptions set forth in Section 5.5(f) of MI 61-101 (as it relates to formal valuations) and the exemption set out in 5.7(1)(d) of MI 61-101 (as it relates to shareholder approval), which exemptions provide that any issuance of shares to any "related party" will be exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 provided that the court is advised of the valuation and minority shareholder approval requirements set forth in MI 61-101 and does not otherwise mandate the necessity for a valuation or minority shareholder approval in accordance with MI 61-101.

ARTICLE 7
COMPLETION OF THE PROPOSAL

7.1 Conditions to Proposal Implementation

The implementation of the Proposal by the Debtor will be conditional upon the fulfilment or satisfaction of the following conditions:

(a) The acceptance of the Proposal by the Affected Creditors of the Debtor in accordance with Article 4.7 hereof;

(b) The granting of an Approval Order by the Court in respect of the Debtor and the expiry of all appeal periods, provided that the Debtor may agree to waive the expiry of the appeal period in respect of the Approval Order; and

(c) On or before April 11, 2025, the granting of a full or partial revocation of the Cease Trade Order by the Alberta Securities Commission, the resumption of trading of the common shares of the Debtor on the CSE and the ability of the Debtor to issue the New Shares.

7.2 Certificate of Full Performance

Upon distribution of all cash amounts, or New Shares contemplated by Article 5 of this Proposal, this Proposal shall have been fully performed and the Proposal Trustee shall issue the certificate referred to in section 65.3 of the BIA.

7.3 Discharge of Proposal Trustee

Upon the issuance of the certificate of full performance contemplated by Article 7.2 hereof, the Proposal Trustee shall have discharged its duties as Proposal Trustee, this Proposal shall be fully performed and the Proposal Trustee shall be discharged.

The Proposal Trustee is acting in its capacity as Proposal Trustee and not in its personal capacity and no officer, director, employee or agent of the Proposal Trustee shall incur any liabilities or obligations in connection with this Proposal or in respect of the business or obligations of the Debtor and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a willful misconduct or gross negligence.

7.4 Completion of the Proposal

The payment, compromise, extinguishment or other satisfaction of any Proven Claim under the Proposal will be binding upon each Affected Creditor, its heirs, executors, administrators, successors and assigns, for all purposes, and as and from the Implementation Date all Unsecured Claims against the Debtor shall be forever discharged and released, excepting only the obligations to make distributions in respect of such Proven Claims in the manner and to the extent provided for in this Proposal.

ARTICLE 8
PREFERENCES, TRANSFERS AT UNDER VALUE, ETC.

8.1 Section 95 - 101 of the BIA

In conformity with Section 101.1 of the BIA, Sections 95-101 of the BIA and any provincial statute related to preference, fraudulent conveyance, transfer at undervalue, or the like shall not apply to this Proposal.

ARTICLE 9
MISCELLANEOUS

9.1 Modification of Proposal

The Debtor may propose an alteration or modification to the Proposal prior to the vote taking place on the Proposal. After the Creditors' Meeting (and both prior to and subsequent to the issuance of the Approval Order) and subject to the consent of the Proposal Trustee, the Debtor may at any time and from time to time vary, amend, modify or supplement the Proposal if the Court determines that such variation, amendment, modification or supplement is of a minor, immaterial or technical nature or would not be materially prejudicial to the interest of any of the Creditors under the Proposal and is necessary in order to give effect to the substance of the Proposal or the Approval Order.

9.2 Consents, Waivers and Agreements

As at 12:01 a.m. on the Implementation Date, each Affected Creditor will be deemed:

(a) to have executed and delivered to the Debtor all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;

(b) to have waived any default by the Debtor in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor and the Debtor that has occurred on or prior to the Implementation Date;

(c) to have agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and the Debtor as at the Implementation Date (other than those entered into by the Debtor on, or with effect from, the Implementation Date) and the provisions of this Proposal, that the provisions of this Proposal will take precedence and priority and the provisions of such agreement or other arrangement will be amended accordingly; and

(d) to have released the Debtor, the Proposal Trustee and all of its respective affiliates, employees, agents, directors, officers, shareholders, advisors, consultants and solicitors from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein;

provided that nothing herein will release the Debtor of its obligation to make the payments contemplated in this Proposal or to comply with any of its obligations thereunder.

9.3 Effect of Proposal Generally

As at 12:01 a.m. on the Implementation Date, the treatment of all Claims under the Proposal shall be final and binding on the Debtor and all Affected Creditors (along with their respective heirs, executors, administrators, legal personal representatives, successors and assigns) and the Proposal shall constitute (i) a full, final and absolute settlement of all rights of the holders of the Claims affected hereby; and (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Debtor of or in respect of such Claims.

9.4 Notices

Any notices or communication to be made or given hereunder will be in writing and will refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail, telecopier or by email addressed to the respective parties as follows:

(a) if to the Debtor

Avila Energy Corp.
c/o Miller Thomson LLP
Attention: Dustin Gillanders/ James Reid
Eighth Avenue Place
525-8th Avenue SW
Calgary, Alberta
T2P 1G1
dgillanders@millerthomson.com / jwreid@millerthomson.com

(b) if to an Affected Creditor, to the address, telecopier number or email address for such Affected Creditor specified in the claims notice sent in accordance with the Claims Procedure Order or, to such other address, telecopier number or email address at which the notifying party may reasonably believe that the Affected Creditor may be contacted; and

(c) if to the Proposal Trustee:

FTI Consulting Canada Inc.
Attention: Dustin Olver
520 5th Avenue SW
Suite 1610
Calgary, Alberta
T2P 3R7
Dustin.Olver@fticonsulting.com

or to such other address, telecopier number or email address as any party may from time to time notify the others in accordance with this section. In the event of any strike, lock-out and other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery, by telecopier or email and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. All such notices and communications will be deemed to have been received, in the case of notice by email or telecopier or by delivery prior to 5:00 p.m. (Calgary time) on a Business Day, when received or if received after 5:00 p.m. (Calgary time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and in to case of notice mailed as aforesaid, on the fifth (5th) Business Day following the date on which such notice or other communication is mailed. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.

9.5 Assignment of Claims

No assignment of a Claim by an Affected Creditor is effective to give the assignee any rights in respect of the Proposal unless written notice of the assignment is given to the Debtor and the Proposal Trustee in accordance with the requirements of Article 9.4. The assignment of the Claim will not be effective for a five (5) Business Day period from the date of effective receipt of the notice of assignment by the Debtor and by Proposal Trustee as determined in accordance with Article 9.4.

9.6 Notice of Presentation of Approval Application

Each of the Creditors and the Official Receiver (as defined by and appointed under the BIA) are hereby given notice that, after acceptance of this Proposal by the Creditors in accordance with the relevant provisions of the BIA, the Proposal Trustee will present an application to the Court seeking the Approval Order at such date and time that may be fixed following the Creditors' Meeting.

9.7 Foreign Currency Obligations

For purposes of this Proposal, Claims denominated in a currency other than Canadian funds will be converted to Canadian Dollars at the closing spot rate of exchange of the Bank of Canada on the Filing Date.

9.8 Applicable Law

This Proposal will be construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and will be treated in all respects as an Alberta contract.

9.9 Non Severability

It is intended that all provisions of this Proposal will be fully binding on and effective between all Persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is or are found to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions will be void and of no force or effect.

9.10 Deeming Provisions

In this Proposal the deeming provisions are not rebuttable and are conclusive and irrevocable.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK]

DATED at the City of Calgary, in the Province of Alberta, this 28th day of February, 2025.

AVILA ENERGY CORP.

Per: ______________________

Name: Donald Benson

Title: CEO

I have the authority to bind the corporation

Appendix "B"

Amended 2023 FS

Restated Financial Statements

For the Years Ended December 31, 2023, and 2022

Independent Auditors' Report

To: The Shareholders of **Avila Energy Corporation**

Opinion

We have audited the restated financial statements of Avila Energy Corporation (the "Company"), which comprise the restated statement of financial position as at December 31, 2023 and the restated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the restated financial statements, including material accounting policy information.

In our opinion, the accompanying restated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Auditors' Responsibilities for the Audit of the Restated 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 restated 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 the Nature of Operations in the notes to the restated financial statements which indicates that the Company incurred a net loss of $26,727,181 for the year ended December 31, 2023 and, as of that date, the Company's current liabilities exceeded its current assets by $9,305,938. These conditions, along with other matters as set forth in the Nature of Operations, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Emphasis of Matter – Restated Financial Statements

We draw attention to Note 29 to the restated financial statements, which explains that the financial statements as at and for the year ended December 31, 2023, have been changed from those on which we originally reported on April 29, 2024. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the restated financial statements of the current period and not otherwise addressed in our report. These matters were addressed in the context of our audit of the restated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

Evaluation of value of property, plant and equipment for impairment

Description of the matter:

As reported in the statement of restated financial position, on December 31, 2023 the Company had property, plant and equipment at a net book value of $25,997,038 and during the year then ended recorded an impairment of $7,346,961. As indicated in Notes 2 and 3 the Company assesses its property, plant and equipment for impairment using market information. When necessary, the Company will record a provision for impairment in order to reflect any decreases in value.

Why the matter is a key audit matter:

We determined that auditing the evaluation of property, plant and equipment for impairment is a key audit matter due to the relative significance and requirement to use judgements and estimates.

How the matter was addressed in the audit:

We reviewed management’s impairment calculations and the related reserve report, prepared by an independent reserves engineer, to assess the reasonableness of the carrying value of property plant and equipment and the corresponding impairment.

Other Matter

The financial statements of the Company for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified option on those statements on August 8, 2023.

Information Other than the Restated Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the restated 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 restated 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 auditors' 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 in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Restated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors’ Responsibilities for the Audit of the Restated 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 auditors' 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 judgement 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 auditors’ 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 auditors’ 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.

Independent Auditors’ Report (continued)

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 Auditors' report is Roland A. Bishop, CPA, CA.

Kenway Mack Slusarchuk Stewart LLP

Chartered Professional Accountants

March 14, 2025
Calgary, Alberta

AVILA ENERGY CORPORATION
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at	**December 31, 2023 *(restated – note 29)***	December 31, 2022 *(restated – note 1)*
Assets		
Current assets		
Cash	**$ 66,572**	$ 6,564,110
Advances *(note 5)*	**-**	2,340,000
Accounts receivable	**914,993**	897,902
Prepaid expenses *(note 6)*	**84,793**	762,647
Total current assets	**1,066,358**	10,564,659
Property, plant and equipment *(notes 7 & 8)*	**25,997,038**	34,068,787
Right-of-use asset *(note 9)*	**109,755**	119,732
Intangible assets (*note 12*)	**16,381**	9,382
Deferred tax asset *(note 18)*	**-**	1,962,353
Total non-current assets	**26,123,174**	36,160,254
Total assets	**$ 27,189,532**	$ 46,724,913
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 5,329,384**	$ 1,716,512
Lease liabilities *(note 9)*	**16,186**	32,897
Promissory note *(note 14)*	**600,000**	1,800,000
Derivative liability *(note 17)*	**-**	631,983
Loan payable *(note 17)*	**284,999**	-
Convertible debenture *(note 17)*	**-**	267,329
Dividend payable *(note 19)*	**103,101**	-
Flow-through share premium *(note 21)*	**-**	2,006,889
Flow-through share liability provision *(note 21)*	**3,750,900**	-
Interest payable on convertible debentures	**287,726**	126,499
Total current liabilities	**10,372,296**	6,582,109
Interest payable on convertible debentures	**101,497**	76,497
Lease liabilities *(note 9)*	**80,941**	90,643
Decommissioning liability *(note 13)*	**2,790,224**	3,334,487
Term loan *(note 15)*	**3,000,000**	-
Convertible debentures *(note 17)*	**4,035,969**	3,785,673
Convertible preferred share dividend liability *(note 19)*	**-**	542,202
Total liabilities	**20,380,927**	14,411,611
Shareholders' Equity		
Share capital *(note 19)*	**57,900,721**	56,883,006
Contributed surplus	**4,710,167**	4,454,073
Convertible debentures – equity portion *(note 17)*	**1,242,158**	1,293,483
Deficit	**(57,044,441)**	(30,317,260)
Total equity	**6,808,605**	32,313,302
Total liabilities and shareholders' equity	**$ 27,189,532**	$ 46,724,913

See accompanying notes which are an integral part of these financial statements.

Nature of Operations and Going Concern (*note 1*)
Contingencies *(note 16)*
Subsequent events *(note 28)*

AVILA ENERGY CORPORATION
STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS)
(Expressed in Canadian dollars)

Year ended December 31,	**2023 (restated – note 29)**	2022 (restated – note 1)
Revenue		
Oil and natural gas *(Note 22)*	**$ 2,235,788**	$ 3,081,531
Gain on acquisition of assets *(note 7)*	**-**	13,942,757
Change in derivative liability *(note 17)*	**631,983**	49,144
Gain on convertible preferred share *(note 19)*	**553,048**	-
Interest income *(note 24)*	**31,729**	-
Processing income	**27,111**	-
Gain on settlement of debt	**-**	1,432
Other income	**22,143**	7,696
	3,501,802	17,082,560
Expenses		
Production and operating	**2,807,977**	1,779,082
General and administrative	**2,289,891**	1,066,062
Write off advance *(note 5)*	**3,000,000**	2,400,000
Acquisition expense *(note 7)*	**-**	1,345,000
Impairment on goodwill *(note 7 & 11)*	**-**	11,516,303
Impairment on property and equipment *(note 8)*	**7,346,961**	18,444,338
Impairment of investment *(note 10)*	**3,564,711**	-
Depletion and depreciation (*note 8)*	**1,726,661**	232,408
Impairment of intangible assets *(note 11)*	**4,210,547**	-
Flow-through liability provision *(note 21)*	**1,744,011**	-
Finance expense (note 24)	**1,575,870**	677,184
	28,266,629	37,460,377
Net loss before taxes	**(24,764,827)**	(20,377,817)
Deferred tax expense *(note 18)*	**(1,962,354)**	-
Loss and comprehensive loss	**$ (26,727,181)**	$ (20,377,817)
Net loss per share (*note 19(e))*		
Basic	**$ (0.19)**	$ (0.39)
Diluted	**$ (0.19)**	$ (0.39)

See accompanying notes which are an integral part of these financial statements.

AVILA ENERGY CORPORATION
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

(restated – note 29)

	Number of Preferred Shares	Number of Common Shares	Share Capital	Convertible Debenture - Equity	Contributed Surplus	Deficit	Total Equity
Balance, at January 1, 2023	30,000,000	111,437,322	$ 56,883,006	$1,293,483	$ 4,454,073	$ (30,317,260)	$ 32,313,302
Conversion of debentures *(note 17)*	-	452,632	232,092	(51,325)	-	-	180,704
Conversion of preferred shares (*note 19*)	(30,000,000)	30,000,000	-	-	-	-	-
Issued shares for cash (note 19)	-	21,160,000	801,906	-	256,094	-	1,058,000
Subscription receipts (note 19)	-	-	45,180	-	-	-	45,180
Share issue costs (note 19)	-	-	(61,400)	-	-	-	(61,400)
Loss and comprehensive loss	-	-	-	-	-	(26,727,181)	(26,727,181)
Balance at December 31, 2023 *(Restated)*	**-**	**163,049,954**	**$ 57,900,721**	**$1,242,158**	**$ 4,710,167**	**$ (57,044,441)**	**$ 6,808,605**

(restated – note 1)

	Number of Preferred Shares	Number of Common Shares	Share Capital	Convertible Debenture - Equity	Contributed Surplus	Deficit	Total Equity
Balance, at January 1, 2022	-	35,651,341	$ 9,023,278	$ 235,500	$ 3,358,412	$ (9,939,443)	$ 2,677,747
Issued shares for cash (note 19)	-	22,196,708	8,000,000	-	-	-	8,000,000
Warrants issued (note 19)	-	-	(1,212,126)	-	1,212,126	-	-
Warrants issued as finder's fee	-	-	-	-	58,912	-	58,912
Shares issued for acquisition *(note 7)*	30,000,000	44,440,000	41,174,122	-	-	-	41,174,122
Shares issued for services (*note 7*)	-	4,222,222	1,345,000	-	-	-	1,345,000
Share issuance costs (note 19)	-	-	(821,247)	-	-	-	(821,247)
Compensation options issued	-	-	(197,348)	-	197,348	-	-
Warrants exercised (*note 19*)	-	3,790,623	1,173,155	-	(372,725)	-	800,430
Conversion of debentures *(note 17)*	-	1,136,428	405,061	-	-	-	405,061
Equity portion of debenture (note 17)	-	-	-	1,057,983	-	-	1,057,983
Flow-through share premium (note 21)	-	-	(2,006,889)	-	-	-	(2,006,889)
Loss and comprehensive loss	-	-	-	-	-	(20,377,817)	(20,377,817)
Balance at December 31, 2022 (*Restated*)	**30,000,000**	**111,437,322**	**$ 56,883,006**	**$1,293,483**	**$ 4,454,073**	**$ (30,317,260)**	**$ 32,313,302**

See accompanying notes which are an integral part of these financial statements.

AVILA ENERGY CORPORATION
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

Year ended December 31,	**2023** **(Restated – note 29)**	2022 (Restated – note 1)
Operating activities		
Income (loss) for the period	**$ (26,727,181)**	$ (20,377,817)
Adjustments for:		
Impairment on goodwill *(note 7)*	**-**	11,516,303
Gain on acquisition of assets *(note 7)*	**-**	(13,942,757)
Acquisition expense (note 7)	**-**	1,345,000
Impairment of investment	**3,564,711**	-
Impairment of intangible assets *(note 12)*	**4,210,546**	-
Impairment on property & equipment (note 8)	**7,346,961**	18,444,338
Depletion and depreciation *(note 8)*	**1,726,661**	232,408
Change in derivative liability *(note 17)*	**(631,983)**	(49,144)
Deferred tax expense *(note 18)*	**1,962,354**	-
Convertible preferred share *(note 19)*	**(553,048)**	-
Flow-through premium liability *(note 29)*	**1,744,011**	-
Finance expense *(note 24)*	**1,575,870**	677,184
Gain on settlement of debt	**-**	(1,432)
Interest paid	**(472,490)**	**-**
Changes in non-cash working capital (*note 20)*	**5,721,057**	**(602,611)**
Net cash used in operating activities	**(532,531)**	(2,758,528)
Financing activities		
Shares issued for cash *(note 19)*	**801,906**	8,000,000
Warrants issued for cash *(note 19)*	**256,094**	-
Subscription receipts *(note 19)*	**45,180**	-
Warrants exercised *(note 19)*	**-**	800,430
Share issuance costs *(note 19)*	**(61,400)**	(821,245)
Surface lease payments *(note 9)*	**(37,919)**	(4,000)
Promissory note repayment *(note 14)*	**(1,200,000)**	(67,429)
Proceeds from term loan *(note 15)*	**3,000,000**	-
Proceeds from debenture issuance (note 17)	**-**	4,697,017
Net cash provided by financing activities	**2,803,861**	12,604,773
Investing activities		
Oil and natural gas properties *(notes 7 & 8)*	**(1,060,868)**	(3,688,472)
Property acquisitions (note 7)	**(522,969)**	-
Investments *(note 10)*	**(3,564,711)**	-
Expenditures on intangible assets *(note 12)*	**(3,620,320)**	(7,000)
Net cash used in investing activities	**$ (8,768,868)**	$ (3,695,472)
Change in cash	**$ (6,497,538)**	$ 6,150,773
Cash, beginning of period	**6,564,110**	413,337
Cash, end of period	**$ 66,572**	$ 6,564,110

See accompanying notes which are an integral part of these interim financial statements.

NATURE OF OPERATIONS

Avila Energy Corporation ("Avila" or the "Company") was incorporated on January 13, 2010 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta). Avila is a company that is engaged in the business of acquiring, exploring and developing crude oil, natural gas, and natural gas liquids ("NGLs") in Western Canada. The Company's assets consist of the West Central Alberta assets ("WCA") located 50 kilometres southwest of Edmonton, Alberta and the East Central Alberta assets ("ECA") located 90 kilometres east of Red Deer, Alberta. The Company is in the initial phases of development of a Carbon Capture and Sequestration Plan in WCA.

The head office is located at Suite 2500, 500 4th Avenue SW., in Calgary, Alberta.

Going Concern

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the twelve-month period ended December 31, 2023, the Company incurred a net loss of $ 26,727,181 and had net cash used in operating activities of $745,309. In addition, the Company has a deficit of $ 57,044,441.

The above factors indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for several reasons including the Company's own resources and external market conditions.

The Company's ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business, meet its corporate administrative obligations and continue its exploration activities in the 2024 fiscal year, is dependent upon management's ability to obtain additional financing, through various means including, but not limited, to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favourable to the Company.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary to the carrying amounts of assets and liabilities, the reported expenses and the classifications used in the statements of financial position.

1. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

These restated financial statements were authorized for distribution by the Company's Board of Directors on March 14, 2025.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in note two.

Expenses in the statement of operations and comprehensive loss are presented as a combination of function and nature in conformity with industry practice. Share-based compensation and depreciation are presented on separate lines by their nature, while operating expenses and net general and administrative expenses are presented on a functional basis.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Amendments to IAS 1 – Disclosure of Accounting Policies

The Company adopted Amendments to IAS *1 Disclosure of Accounting Policies* effective January 1, 2023. The amendments replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies and establish guidance on how to apply the concept of materiality in determining material accounting policy disclosures. The amendments have been reflected by emphasizing the most relevant aspect of Avila's accounting policies below.

Voluntary change in accounting policy
Avila re-assessed its policy for the measurement of it's right-of-use of assets and lease liability.

Prior to the exploration and development of oil and natural gas, an entity must enter into both a mineral rights agreement (commonly referred to as a "mineral lease") with the mineral rights owner as well into a surface-land-use agreement (commonly referred to as a "surface lease") with the landowner, who may be a government body or private owner. IFRS 16 contains a specific scope exemption for "leases to explore for or use minerals, oil, natural gas and similar non-generative resources."

Previously, Avila's right-of-use assets was measured using all of the Company's surface leases. The Company has elected to only calculate the right-of-use asset and lease liability for the surface leases in which the Company has no corresponding mineral lease.

The Company has accounted for the change in accounting policy using retroactive restatement of prior periods.

Impact on the Statement of Financial Position

	June 30, 2023	March 31, 2023	December 31, 2022
Right-of-use asset - previously reported	$ 1,291,343	$ 1,338,815	$ 1,386,287
Restatement adjustment	(1,176,600)	(1,221,577)	(1,266,555)
Right-of use asset restated	114,743	117,238	119,732
Total assets - previously reported	$ 45,400,687	$ 45,473,756	$ 47,991,468
Restatement adjustment	(1,176,600)	(1,221,577)	(1,266,555)
Total assets restated	44,224,087	44,252,179	46,724,913
Lease liabilities - previously reported	$ 1,325,123	$ 1,420,030	$ 1,415,354
Restatement adjustment	(1,219,195)	(1,299,875)	(1,291,814)
Lease liabilities restated	105,928	120,155	123,540
Deficit - previously reported	$ (33,782,151)	$ (33,893,964)	$ (30,342,519)
Restatement adjustment	42,595	78,297	25,259
Deficit restated	(33,739,556)	(33,815,667)	(30,317,260)
Total liabilities and sharehold equity	$ 45,400,687	$ 45,473,756	$ 47,991,468
Restatement adjustment	(1,176,600)	(1,221,577)	(1,266,555)
Total liabilities and shareholders' equity	44,224,087	44,252,179	46,724,913

Reconciliation of the Statement of Loss and Comprehensive Loss

	Q2 2023	Q1 2023	2022 YTD
Production and operating – previously	$ 667,453	$ 527,046	$ 1,699,945
Restatement adjustment	118,778	31,460	79,137
Production and operating restated	786,231	558,506	1,779,082
Finance expense - previously reported	$ 110,933	$ 356,847	$ 722,698
Restatement adjustment	(38,099)	(39,521)	(45,514)
Finance expense restated	72,834	317,326	677,184
Depreciation - previously reported	$ 333,973	$ 397,194	$ 291,290
Restatement adjustment	(44,978)	(44,978)	(58,882)
Depreciation restated	288,995	352,216	$ 232,408
Income (loss) - previously reported	$ 111,813	$ (3,551,445)	$ (20,403,076)
Restatement adjustment	(35,702)	53,039	25,259
Income (loss) restated	76,111	(3,498,406)	(20,377,817)

Reconciliation of the Statement of Cash Flow

	Q2 2023	Q1 2023	2022
Income (loss) – previously reported	$ 111,813	$ (3,551,445)	$ (20,403,076)
Restatement adjustment	(35,702)	53,039	25,259
Income (loss) restated	76,111	(3,498,406)	(20,377,817)

Finance expense - previously reported	$ 110,933	$ 356,847	$ 722,698
Restatement adjustment	(38,099)	(39,521)	(45,514)
Finance expense restated	72,834	317,326	677,184

Depreciation - previously reported	$ 333,973	$ 397,194	$ 291,290
Restatement adjustment	(44,978)	(44,978)	(58,882)
Depreciation restated	288,995	352,216	232,408

Cash flow (used) in operations	$ (451,529)	$ (3,350,452)	$(2,679,391)
Restatement adjustment	(118,778)	(31,460)	(79,137)
Cash flow from (used) restated	(570,307)	(3,381,912)	(2,758,528)

Lease payments - previously reported	$ 136,023	$ 38,110	$17,828
Restatement adjustment	(118,778)	(31,460)	(13,828)
Lease payments restated	17,245	6,650	4,000

2. MATERIAL ACCOUNTING POLICIES

Cash and cash equivalents

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

Property, plant and equipment and exploration and evaluation assets

Exploration and evaluation ("E&E") assets: E&E expenditures, including the costs of acquiring licenses and directly attributable general and administrative costs, are initially capitalized pending determination of technical feasibility and commercial viability. Pre-license costs are recorded in profit and loss when incurred.

E&E assets are not depreciated and are carried forward until technical feasibility and commercial viability of the oil and natural gas property is determined, which is generally when proven or probable reserves are determined to exist. A review of each exploration project is carried out, at least annually, to ascertain whether proven or probable reserves have been discovered. Upon determination of technical and commercial viability, E&E assets are first tested for impairment and then reclassified from exploration assets to oil and natural gas properties and equipment.

E&E assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to cash-generating units ("CGUs") or groups of CGUs.

Oil and natural gas properties and equipment: Items of oil and natural gas properties and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, net of reversals. Each significant part of an item of oil and natural gas properties and equipment which have different useful lives have been accounted for and depleted or depreciated as separate items (major components). Oil and natural gas assets are grouped into cash-generating units for impairment testing.

Gains and losses on the disposal of an item of oil and natural gas properties and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of oil and natural gas properties and equipment and are recognized net within other income.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of oil and natural gas properties and equipment are recognized as oil and natural gas properties and equipment only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas properties and equipment generally represent costs incurred in developing proved and / or probable reserves and bringing in or enhancing production from such reserves. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of oil and natural gas properties and equipment are recognized in profit or loss as incurred.

The net carrying value of developed oil and natural gas properties and equipment is depleted using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves, including estimated future development costs. Future development costs are estimated taking into account the level of development required to bring reserves into production. These estimates are reviewed by independent reserve engineers at least annually.

Proven and probable reserves are estimated at least annually by the Company's independent reservoir engineering consultants, and estimates are updated internally each quarter. Proven and probable reserves represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 percent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable and a 50 percent statistical probability that it will be less. The equivalent statistical probabilities for the proven component of proven and probable reserves are 90 percent and 10 percent, respectively.

Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon;

- a reasonable assessment of the future economics of such production;
- a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proven and probable if producibility is supported by either actual production or conclusive formation tests. The area of reservoir considered proven includes a) that portion delineated by drilling and defined by gas-oil and / or oil-water contacts, if any, or both, and b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geophysical, geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of oil and natural gas controls the lower proved limit of the reservoir.

Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are only included in the proven and probable classification when successful testing by a pilot project, the operation of an installed program in the reservoir, or other reasonable evidence (such as, experience of the same techniques on similar reservoirs or reservoir simulation studies) provides support for the engineering analysis on which the project or program was based.

For corporate assets, depreciation is recognized in profit or loss on a 20 to 33 percent declining balance basis. Where facilities and equipment, including major components, having differing useful lives, they are depreciated separately on a straight-line basis over the estimated useful lives:

Corporate assets	20 percent
Facilities and equipment	25 years
Pipelines	25 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A lease liability is initially measured at the present value of the unpaid lease payments, discounted using the lessee's incremental borrowing rate applied to the lease liabilities. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments did not include the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation or any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

Non-monetary transactions

Gains and losses on the disposal of an item of oil and natural gas properties and equipment in development assets, including oil and gas interests and non-monetary transactions such as farm-outs and asset swaps, are determined by comparing the proceeds from disposal with the carrying amount of petroleum and natural gas properties and equipment and are recognized net in profit or loss.

Gains and losses on the disposal of an item of E&E assets, including oil and gas interests and non-monetary transactions such as farm-outs and asset swaps, are not recognized in profit or loss.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. The estimated decommissioning provision is recorded as a liability in the period in which it is incurred, with a corresponding increase in the carrying amount of the related asset. Decommissioning provision is measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position using the risk free rate. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as a finance cost and increases / decreases in the provision due to changes in estimated future cash flow are recorded as adjustments to the carrying amount of the related asset. The capitalized amount is depreciated along with the related asset using the unit-of-production method based on proved and probable reserves. Actual costs incurred upon the settlement of the decommissioning provision are charged against the decommissioning provision to the extent the provision was established.

Financial instruments

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("(FVTPL"). Financial assets are categorized based on the Company's objective for the asset and the contractual cash flows. A financial asset is classified as amortized cost if the asset is held with the objective to collect contractual cash flows that are solely payments of principal and interest on principal amounts outstanding. A financial asset is classified as FVOCI if the asset is held with the objective to both collect contractual cash flows and sell the financial asset. All other financial assets are measured at FVTPL. Financial assets are assessed for impairment using an expected credit loss model. Trade and other receivables are classified and measured at amortized cost. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Transaction costs that are directly attributable to the acquisition or issue of a financial asset or a financial liability classified as FVTPL are expensed at inception of the contract. For a financial asset or a financial liability carried at amortized cost, transaction costs directly attributable to acquiring or issuing the asset or liability are added to, or deducted from, the fair value on initial recognition and amortized through net income or loss over the term of the financial instrument.

The measurement categories for each class of financial asset and financial liability are summarized in the following table:

Financial Instrument	Classification
Cash and cash equivalents	Amortized cost
Advances	Amortized cost
Accounts receivable	Amortized cost
Investments	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost
Convertible preferred shares dividend liability	Amortized cost
Loan payable	Amortized cost
Lease liability	Amortized cost
Trade payable	Amortized cost
Term loan	Amortized cost
Derivative liability	FVTPL
Promissory notes payable	Amortized cost

Financial instruments may be utilized by the Company to manage its exposure to commodity price fluctuations and foreign currency exposures. The Company's practice is not to utilize financial instruments for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting, even though the Company considers all financial derivative contracts to be economic hedges. As a result, all financial derivative contracts are classified at fair value through profit or loss and are recorded on the statement of financial position at fair value. Transaction costs are recognized in profit or loss when incurred.

Impairment of financial assets is determined by calculating the expected credit loss ("ECL"). The Company measures an ECL allowance for trade and other receivables. The Company determines the ECL which is the probability of default events related to the financial asset by using historical realized bad debts and forward-looking information. The carrying amounts of financial assets are reduced by the amount of the ECL through an allowance account and losses are recognized with general and administrative expense in the statement of income or loss.

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 is 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.

Intangible assets

Intangible Assets IAS 38 Intangible Assets was amended in March 2021 to revise how to recognize costs in relation to the configuration or customization of application software. The Company adopted the amendment in 2022 and the adoption did have an impact on the Company's financial statements by way of the Company recording to costs associated to the internally generated website as an intangible asset.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in the statement of income/loss.

Goodwill is subsequently measured at cost less accumulated impairment losses. Impairment losses recorded on goodwill do not reverse.

Business combinations

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the statement of income/loss.

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. Convertible Preferred Shares are classified as an equity instrument under IAS 32 due to the redemption being satisfied by way of the Company exchanging one preferred share for one common share. The fair value of the Convertible Preferred Shares is recorded by an independent valuation due to the variability in the conversion features. The dividend payments are recorded as a Convertible Preferred Share Dividend Liability and the fair value is the discounted present value of the future dividend payments. Changes to these estimates could result in the fair value of the Convertible Preferred Share Dividend Liability being less than or greater than the amount recorded.

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 flowthrough 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.

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. Goodwill represents the excess of the cost of an acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in the statement of income/loss.

Revenue from processing and other miscellaneous sources is recognized in accordance with service agreements upon completion of the relevant service.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

Share-based compensation

Compensation expense associated with share-based compensation plans is recognized in profit or loss, over the vesting period of the plan, with a corresponding increase in contributed surplus.

Compensation expense is based on the fair value of the equity-based compensation at the date of the grant determined in part based on the Black-Scholes option pricing model. The amount recognized as an expense is adjusted to reflect the actual number of stock options for which the related service conditions are met. The amount of non-cash compensation expense for equity-based plans is recognized in contributed surplus and is recorded as an increase in shareholders' equity when equity based compensation plans are exercised.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is also recognized in equity.

Current tax is the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on laws enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities when the Company intends to settle current tax liabilities and assets on a net basis, or when the tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Impairment of financial assets is determined by calculating the expected credit loss ("ECL"). The Company measures an ECL allowance for trade and other receivables. The Company determines the ECL which is the probability of default events related to the financial asset by using historical realized bad debts and forward-looking information. The carrying amounts of financial assets are reduced by the amount of the ECL through an allowance account and losses are recognized with general and administrative expense in the statement of income or loss.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. E&E assets are assessed for impairment when they are reclassified to oil and natural gas properties and equipment, as oil and natural gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When testing producing assets or oil and natural gas interests, the CGU is generally the field except where several field interests are grouped because cash inflows are interdependent. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the CGUs that are expected to benefit from the synergies of the combination. E&E assets are allocated to related CGUs when they are assessed for impairment, both at the time of any triggering event and circumstances as well as on reclassification to oil and natural gas properties.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset'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.

Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured. Thereafter, generally, the assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on assets held for sale is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets or deferred tax assets which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as assets held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss. An impairment loss in respect of goodwill is not reversed.

Finance income and expenses

Finance income consists of interest income on funds invested. Interest income is recognized as it accrues in profit and loss, using the effective interest method.

Finance expense consists of interest expense on borrowings, accretion of the discount on provisions and impairment losses recognized on financial assets.

Borrowing costs incurred for the construction of qualifying assets, except E&E assets, are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in profit or loss using the effective interest method. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's outstanding borrowings during the year.
Foreign currency gains and losses, reported under finance income and expenses, are reported on a net basis.

Net income (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.

3. MATERIAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenue and expenses for the period then ended. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 1 – nature of operations and going concern
- Note 8 – impairment of oil and natural gas properties
- Note 10 – investments
- Note 11 – intangible assets
- Note 18 – deferred income taxes
- Note 19 – measurement of share-based payments
- Note 21 – Flow through share provision and liability premium

Note 2 refers to reserves estimates which impact a number of the areas referred to above, in particular the impairment of oil and natural gas properties, exploration assets and the calculation of depletion and depreciation.

Material judgments in applying accounting policies

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Taxes
The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company's deductible temporary differences which are based on management's judgement on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of deferred tax assets management judges is probable.

Financial instruments
The Company is required to classify its various financial instruments into certain categories for the financial instruments' initial and subsequent measurement. This classification is based on management's judgement as to the purpose of the financial instrument and to which category is most applicable.

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.

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.

Going concern
Management has applied judgment in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the year ended December 31, 2023. Management prepares the financial instruments on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considers a wide range of factors relating to current and expected profitability, debt repayment schedules and potentials source of financing.

Establishing CGU
For the purpose of assessing impairment of its long-term assets, the Company determines the CGU, as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The determination of the CGU and the classification of the Company's assets to the determined CGU require significant judgment having a potentially significant influence on the result of the subsequent impairment analysis. The Company periodically reviews the determination of the CGU and the corresponding grouping of the Company's assets, including its assets classified as common assets. Management has determined that the Company has one CGU.

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.

Common shares
As the Company's shares are 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.

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 judgments 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 a business and the Company obtains control of the business inputs and processes.

Contingent liability
The Company recognizes a contingent liability when there is a possible obligation arising from a past event that can be reliably estimated for which the possibility of future economic outflow is more than remote but less than probable. If the Company believes the possibility of an outflow of funds is more then remote but less than probable, but the amount is not reliably estimable, the outflow is not included in the contingent liability estimate. In addition, if the Company believes the possibility of an outflow of funds is remote, the outflow is not included in the contingent liability estimate.

Key sources of estimation uncertainty

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in these financial statements.

Fair value of financial instruments
The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires estimates as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the options, the Company's share price and its expected volatility, the risk-free interest rate and the expected dividends.

Taxes
Provisions for taxes are made using the best estimate of the amount expected to be paid based on qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions

at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Property and equipment
Estimation of recoverable quantities of proven and probable reserves include estimates and assumptions regarding future oil, natural gas and natural gas liquids prices, exchange rates, discount rates and production and transportation costs for future cash flows as well as the interpretation of complex geological and geophysical models and data. Changes in reported reserves can affect the impairment of assets, the decommissioning obligations, the economic feasibility of exploration and evaluation assets and the amounts reported for depletion, depreciation and amortization of property, plant and equipment. These reserve estimates are verified by third party professional engineers, who work with information provided by the Company to establish reserve determinations in accordance with National Instrument 41-101.

Intangible assets
The Company evaluates the future benefit for initial recognition and measurement of goodwill and intangible assets as well as testing the recoverable amounts. The determination of the carrying value and recoverable amounts of the cash generating unit groupings for goodwill and cash generating units for intangible assets relies upon the determination of fair value or value-in-use using valuation methodologies.

Decommissioning liability
The Company estimates the decommissioning obligations for oil and natural gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies in determining the removal cost, and the estimate of the liability specific discount rates to determine the present value of these cash flows.

Flow through share provision
Flow-through share provisions are comprised of the Company's various tax penalties and indemnification liabilities relating to the deficiencies in incurring the required amount of qualifying expenditures related to past flow-through share issuances on a timely basis. The Company may also be required to indemnify the holders of such shares for any tax and other costs payable by them. Flow-through share provisions have been created based on internal estimates of the maximum penalties and indemnification liabilities the Company could be subject to.

Assumptions, based on the current tax regulations, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management.

4. DETERMINATION OF FAIR VALUES

Several of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Oil and natural gas assets and equipment and exploration assets
The fair value of oil and natural gas assets and equipment recognized because of a business combination, or for use in an impairment test, is based on market values. The market value is the

estimated amount for which oil and natural gas assets and equipment could be exchanged on the date of valuation 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 properties is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserves reports. Intangible exploration assets are compared to current land sales proceeds. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. These estimates are subject to change and could result in a material change to the carrying amounts of the assets.

Cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities
The fair value of cash, accounts receivable and accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2023, the fair value of these balances approximated their carrying value due to their short term to maturity. The bank debt, when outstanding, bears a floating rate of interest and therefore carrying value approximates fair value.

Investments and debt
When the fair values of investments, long-term investments, and debt recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Changes in assumptions relating to these judgements could affect the reported fair value of financial instruments.

Derivatives
The fair value of forward financial contracts when outstanding, is based on their listed market price, if available. If a listed market price is not available, then fair value is determined by discounting the difference between the contracted prices and published forward price curves as at the balance sheet date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published government rates). The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates.

Share-based payment transactions
The fair value of employee stock options and performance warrants is measured in part on the Black-Scholes option pricing models. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate.

5. ADVANCES

A reconciliation of the advances is provided below:

	Year ended December 31, 2023	Year ended December 31, 2022
Opening balance	**$ 2,340,000**	$ -
Advance – MTT	**1,450,000**	2,340,000
Transfer to License Fee (MTT)	**(1,665,381)**	-
Transfer to Non-Voting Shares (MTT)	**(2,124,619)**	-
Advance to 611890 Alberta Inc – NE BC	**3,000,000**	2,400,000
Write off NE BC Advance	**(3,000,000)**	(2,400,000)
Balance, end of period	**$ -**	$ 2,340,000

At December 31, 2022, the $2,340,000 advanced to 611890 Alberta Inc. ("611890" *see note 28 'related party transactions'*) was for the assumption of the contract with Micro Turbine Technology. During 2023, the Company advanced an additional $1,450,000 to Micro Turbine Technology which was transferred to investment and intangible assets during the year.

During 2022, the Company advanced $2,400,000 to 611890 for the purchase of the Northeast British Columbia ("NEBC") assets (*see note 28 'related party transactions'*) . This advance was written off by the Company during the year ended December 31, 2022. During 2023, The Company advanced an additional $3,000,000 to 611890 for an additional non-refundable security deposit to the vendor of the property *(see note 28 'related party transactions')*. On March 15, 2023, the Company withdrew from the NEBC acquisition and wrote off the $3,000,000 advance. The $2,400,000 advance was written off as of Dec 31, 2022.

6. PREPAID EXPENSES

Prepaid expenses consist of various payments that will be amortized over the monthly period to which they relate:

	Year ended December 31, 2023	Year ended December 31, 2022
Data analysis	**$ -**	$ 737,247
Investor relation fees	**30,000**	-
Land service retainer fees	**3,009**	25,400
Prepaid financing fees on term loan	**15,750**	-
AER decommissioning and crown royalty deposit	**36,034**	-
Balance, end of period	**$ 84,793**	$ 762,647

In December 2022, the Company prepaid $737,247 to Terra Land Development Ltd. and an additional $737,247 in 2023 for data analysis to collect the information from 1,050 potential customers, site preparation and their current power, heating, and cooling needs. The $1,474,494 advanced to Terra Land Development was transferred to intangible assets in 2023.

7. BUSINESS COMBINATION

West Central Alberta

On September 1, 2022, the Company purchased 100 percent of oil and gas properties in the West Central Alberta ("WCA") area. The transaction was accounted for as a business combination under IFRS – 3 "Business Combinations" as the assets met the definition of a business.

The aggregate consideration paid of $41,703,300 is comprised of 30,000,000 convertible preferred shares valued at $0.55 per share for the total value of $16,372,500 and 44,440,000 common shares at the September 14, 2022 closing share price of $0.57 on which the shares were transferred for a total value of $25,330,800.

The following purchase price allocation was based on management's best estimate of the fair value assigned to the Assets acquired and the liabilities assumed. Management determined the fair value of the oil and gas properties to be $16,516,645, which was based on the NPV of 10% discounted cash flows created by an Independent Qualified Reserves Evaluator ("QRE"). Management determined the fair value of the facilities to be $5,416,566 and pipeline to be $5,883,660. The Company assumed decommissioning liabilities and asset retirement obligation of $2,182,077 in discounted decommissioning liabilities was based on future value of $5,685,194, an inflation rate of 2.0 percent, credit adjusted risk free rate of 5.39 percent and life of the asset of one to 50 years.

Net assets acquired		Total
Petroleum and natural gas properties and equipment		$16,516,645
Facilities		5,416,566
Pipelines		5,883,660
Goodwill		11,516,303
Deferred tax asset		5,640,021
Joint venture receivable from 611890		(1,087,818)
Decommissioning liabilities		(2,182,077)
Fair value of net assets acquired	**$**	**41,703,300**
Consideration		
Common shares	**$**	**25,330,800**
Preferred shares		**15,843,321**
Convertible preferred share dividend liability		**529,179**

The business combination resulted in a goodwill value of $11,516,303 which Management impaired to nil for the year ended December 31, 2022. Best estimates were determined based on available information at the time of preparation of these Financial Statements. The Company continued its review to determine the identification of intangible assets, assumption of liabilities, identification of contingent liabilities and working capital adjustments during the allowable measurement period, which shall not exceed one year from the closing date.

The purchase of the WCA assets meets the definition of a related party transaction as the purchase was between 611890 and the Company *(see note 28 'related party transactions')*. The CEO of 611890 Alberta Ltd. is the former CEO of the Company.

During 2023, the Company recorded an additional $154,021 purchase price adjustment for additional costs incurred between the effective and closing date of the business combination.

Acquisition Cost

The Company incurred acquisition costs fair valued at $1,345,000 for services related to arranging the acquisition between the buyer and seller settled with 4,222,222 common shares issued (note 19 (a)).

Revenue and operating income

The acquisition contributed $1,501,797 in revenues, royalty expenses of $126,394 and $1,032,051 in direct operating expenses for the year ended December 31, 2022 resulting in $324,902 of net operating income.

Donalda

On November 1, 2022, the Company purchased 100 percent of oil and gas properties in the Donalda area. The transaction was accounted for as a business combination under IFRS – 3 "Business Combinations" as the assets met the definition of a business.

The total purchase is comprised of $1,800,000 in the form of a promissory note (*see note 14*).

The following purchase price allocation was based on management's best estimate of the fair value assigned to the Assets acquired and the liabilities assumed. Management determined the fair value of the oil and gas properties to be $11,007,129, which was based on the NPV of 10% discounted cash flows created by an Independent Qualified Reserves Evaluator ("QRE"). The Company assumed decommissioning liabilities and asset retirement obligation of $981,744 in discounted decommissioning liabilities was based on future value of $3,772,618, an inflation rate of 2.0 percent, credit adjusted risk free rate of 5.39 percent and life of the asset of nine to 50 years.

Net assets acquired		**Total**
Petroleum and natural gas properties and equipment		$11,007,129
Facilities		1,920,600
Pipelines		7,474,440
Deferred tax liabilities		(3,677,668)
Decommissioning liabilities		(981,744)
Fair value of net assets acquired	**$**	**15,742,757**
Less: promissory note issued		**(1,800,000)**
Gain on acquisition		**13,942,757**

Best estimates were determined based on available information at the time of preparation of these Financial Statements. The Company continued its review to determine the identification of intangible assets, assumption of liabilities, identification of contingent liabilities and working capital adjustments during the allowable measurement period, which shall not exceed one year from the closing date.

During 2023, the Company recorded an additional $368,948 purchase price adjustment for costs incurred between the effective and closing date of the business combination.

Acquisition Cost

The Company did not incur any acquisition cost.

Revenue and operating income

The acquisition contributed $874,852 in revenues, royalty expenses of $84,916 and $560,070 in direct operating expenses for the year ended December 31, 2022 resulting in $229,866 of net operating income.

8. OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT ("PP&E")

		Total
Cost		
Balance at December 31, 2021	$	2,419,423
Additions – property acquisitions		48,219,040
Additions - regular		747,997
Additions – cash call		1,399,999
Balance at December 31, 2022	$	52,786,459
Additions – regular oil and natural gas properties		1,060,868
Additions – property acquisitions		522,969
Change in decommissioning provisions		(591,940)
Balance at December 31, 2023	**$**	**53,778,356**
Depletion and depreciation		
Balance at December 31, 2021	$	(44,252)
Depletion and depreciation for the period		(229,082)
Impairment		(18,444,338)
Balance at December 31, 2022	$	(18,717,672)
Depletion and depreciation for the period		(1,716,684)
Impairment		(7,346,962)
Balance at December 31, 2023	**$**	**(27,781,318)**

Net carrying value:		
Balance December 31, 2022	$	34,068,787
Balance December 31, 2023	$	25,997,038

At December 31, 2023, the Company evaluated its developed and producing assets for indicators of any potential impairment or related reversal. As a result of this assessment, indicators were identified and Avila recognized $7,346,961 of impairment expense. The Company used value in use, discounted at pre-tax rates of 10 percent.

The following table outlines forecast commodity prices used in the Company's impairment test at December 31, 2023. The forecast commodity prices are consistent with those used by the Company's external reserve evaluators and are a key assumption in assessing the recoverable amount. The reserve evaluators also include financial assumptions regarding royalty rates, and operating costs that can significantly impact the recoverable amount which are assigned based on historic rates and future anticipated activities by management can significantly impact the recoverable amount which are assigned based on historic rates and future anticipated activities by management.

December 31	WCS Oil Price (Cdn$/bbl) **2023**	AECO Gas Price (Cdn$/Mcf) **2023**
2024	**73.92**	**2.01**
2025	**78.15**	**3.42**
2026	**81.03**	**4.30**
2027	**83.05**	**4.39**
2028	**86.21**	**4.47**
2029	**87.93**	**4.56**
2030	**89.70**	**4.65**
2031	**91.48**	**4.75**
Thereafter	**+2.0%**	**+2.0%**

At December 31, 2022, the Company evaluated its developed and producing assets for indicators of any potential impairment or related reversal. As a result of this assessment, indicators were identified and Avila recognized $18,444,338 of impairment expense. The Company used value in use, discounted at pre-tax rates between 10 percent.

The following table outlines forecast commodity prices used in the Company's impairment test at December 31, 2022. The forecast commodity prices are consistent with those used by the Company's external reserve evaluators and are a key assumption in assessing the recoverable amount. The reserve evaluators also include financial assumptions regarding royalty rates, and operating costs that can significantly impact the recoverable amount which are assigned based on historic rates and future anticipated activities by management can significantly impact the recoverable amount which are assigned based on historic rates and future anticipated activities by management.

December 31	WCS Oil Price (Cdn$/bbl) 2022	AECO Gas Price (Cdn$/Mcf) 2022
2023	**74.30**	**5.05**
2024	**75.55**	**4.80**
2025	**73.55**	**4.60**
2026	**75.00**	**4.60**
2027	**76.50**	**4.60**
2028	**78.05**	**4.60**
2029	**79.60**	**4.60**
2030	**81.20**	**4.60**
Thereafter	**+2.0%**	**+1.5%**

9. RIGHT-OF-USE ASSETS AND LEASES

Voluntary change in accounting policy

Avila re-assessed its policy for the measurement of it's right-of-use of assets and lease liability.

Prior to the exploration and development of oil and natural gas , an entity must enter into both a mineral rights agreement (commonly referred to as a "mineral lease") with the mineral rights owner as well into a surface-land-use agreement (commonly referred to as a "surface lease") with the land owner, who may be a a government body or private owner. IFRS 16 contains a specific scope exemption for "leases to explore for or use minerals, oil, natural gas and similar non-generative resources."

Previously, Avila's right-of-use assets was measured using all of the Company's surface leases. The Company has elected to only calculate the right-of-use asset and lease liability for the surface leases in which the Company has no corresponding mineral lease.

The Company has accounted for the change in accounting policy using retroactive restatement of prior periods.

The lease payments are discounted using the Company's incremental borrowing rate of 12.26 percent at the inception of the lease to calculate the lease liability. The discounted cash flows relating to the lease liabilities included in the statement of financial position are $17,971 for 2024, $24,521 for 2025-2026 and $38,196 for years beyond 2026.

Right-of-use Assets

(restated)		**Total**
Cost		
Balance at December 31, 2021	$	-
Initial recognition		123,058
Depreciation		(3,326)
Balance at December 31, 2022	$	119,732
Depreciation		(9,977)
Balance at December 31, 2023	**$**	**109,755**

Lease Liability		**Total**
Balance at December 31, 2021	$	-
Initial recognition		123,058
Surface lease payments		(4,000)
Interest expense		4,482
Balance at December 31, 2022	$	123,540
Surface lease payments		(37,919)
Interest expense		11,506
Balance at December 31, 2023	**$**	**97,127**

10. INVESTMENT

	Year ended December 31, 2023	Year ended December 31, 2022
Cost		
Balance, beginning of period	**$ -**	$ -
Additions – MTT non-voting shares	**3,564,711**	-
Valuation allowance *(note 29)*	**(3,564,711)**	
Balance, end of period	**$ -**	$ -

The investment in MTT non-voting shares represents a 15% equity stake in MTT Solution Pty (MTT). Subsequent to yearend, Mirco Turbine Technology went into bankruptcy its assets were acquired by MTT Solution Pty, a related party with the 15% ownership intended to be continued intact. Due to uncertainty with respect to the continued operations of MTT, a valuation allowance was recorded to reduce the investment to an estimated fair value of $nil.

11. GOODWILL

		Total
Cost		
Balance at December 31, 2021	$	-
Additions – goodwill property acquisitions		11,516,303
Balance at December 31, 2022	$	11,525,685
Balance at December 31, 2023	**$**	**11,516,303**
Impairment		
Balance at December 31, 2021	$	-
Goodwill Impairment for the period		(11,516,303)
Balance at December 31, 2022	$	(11,516,303)
Goodwill Impairment for the period		-
Balance at December 31, 2023	**$**	**(11,516,303)**
Net carrying value:		
Balance December 31, 2022	$	-
Balance December 31, 2023	$	-

12. INTANGIBLE ASSETS

		Total
Cost		
Balance at December 31, 2021	$	-
Additions – other intangible assets		9,382
Balance at December 31, 2022	$	9,382
Additions – Terra Land Development Costs		1,474,494
Additions – MTT Phase I CSA Certification		198,788
Additions – MTT Phase II CSA Certification		398,438
Additions – MTT license		2,138,826
Additions – other intangible assets		7,000
Impairment provision		(4,210,547)
Balance at December 31, 2023	**$**	**16,381**

Net carrying value:		
Balance December 31, 2022	$	9,382
Balance December 31, 2023	$	16,381

The Company advanced funds for Terra Land Development data analysis, CSA Certification, and the MTT license. Due to the uncertainty with respect to its vertically integrated business, an impairment provision was recorded to reduce the intangible assets to a carrying value of $nil.

13. DECOMMISSIONING LIABILITY

The Company's decommissioning provision results from ownership interests in oil and natural gas assets including well site, gathering systems and processing facilities. The total provision is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company estimated the total undiscounted amount required to settle its decommissioning provision at December 31, 2023 to be approximately $7,347,230 (December 31, 2022 - $7,620,706). These payments are expected to be incurred over a period of one to 50 years with the majority of costs to be incurred in 2038. A discount rate of 6.30 percent (December 31, 2022 – 5.39 percent) and an inflation rate of 2.0 percent (December 31, 2022 – 2.0 percent) was used to calculate the decommissioning provision.

A reconciliation of the decommissioning liability is provided below:

	Year ended December 31, 2023	Year ended December 31, 2022
Balance, beginning of period	**$ 3,334,487**	$ 282,594
Provisions made during the period - acquisitions	**-**	3,163,821
Changes in decommissioning provision	**(591,940)**	(282,553)
Accretion adjustment from prior period	**(127,988)**	-
Accretion	**175,665**	170,625
Balance, end of period	**$ 2,790,224**	$ 3,334,487

14. PROMISSORY NOTES

A reconciliation of the promissory note is provided below:

	Year ended December 31, 2023	Year ended December 31, 2022
Balance, beginning of period	**$ 1,800,000**	$ 67,429
Interest (i)	**-**	9,495
Repayment of promissory note (i)	**-**	(76,924)
Promissory note (ii)	**-**	1,800,000
Repayment of promissory note (ii)	**(1,200,000)**	-
Balance, end of period	**$ 600,000**	$ 1,800,000

(i) 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. During the year ended December 2022, a total of $76,924 (2021 - $142,780) was applied against the balance of the promissory notes.

(ii) On November 1, 2022, the Company entered into a promissory note in the amount of $1,800,000 for the Donalda property acquisition. The unsecured promissory note is non-interest bearing, with $1,000,000 due on or before January 31, 2023, and $800,000 due on or before September 1, 2023 *(see note 28 'related party transaction" for $1,200,000 repayment').*

15. TERM LOAN

	Year ended December 31, 2023	Year ended December 31, 2022
Balance, beginning of period	**$ -**	$ -
Amount drawn	**3,000,000**	-
Balance, end of period	**$ 3,000,000**	$ -

On July 5, 2023, The Company signed a term sheet with a private Canadian investment company for a secured two year term loan of $3,000,000. The terms of the financing are interest only paid monthly, at an annualized rate of 12% plus the accrual of an additional administration fee of 10% payable at the time of the repayment of the term loan. The President and CEO of the Company has agreed to provide a personal guarantee for the $3,000,000 for which he will be compensated for providing this guarantee by the Company an amount of 0.25 percent per month calculated on the amount outstanding at the end of each month.

16. CONTINGENCY

The Company was invoiced in advance for a total of $5.7M including delivered generator sets for $4.1M and engineering completed for $1.6M. As at the financial statement date, the Company has determined that it has not incurred a liability as the generators and engineering reports have not been received. Therefore, an accrual for potential liabilities has not been made.

17. CONVERTIBLE DEBENTURES

A reconciliation of the convertible debentures is provided below:

	Convertible debenture - liability component	Derivative liability	Equity Component	Total
Balance at January 1, 2022	$ 521,039	$ 729,318	$ 235,500	$1,485,857
Proceeds, net of transaction costs	3,580,045	-	1,057,983	4,638,028
Conversions	(356,870)	(48,191)	-	(405,061)
Fair value change	-	(49,144)	-	(49,144)
Accretion expense	308,788	-	-	308,788
Balance at December 31, 2022	**4,053,002**	**631,983**	**1,293,483**	**5,978,468**
Conversions	(179,137)	**-**	(51,325)	(230,462)
Maturity	(284,999)	(631,983)	**-**	(916,982)
Accretion expense	447,103	**-**	**-**	447,103
Balance at December 31, 2023	**$4,035,969**	**-**	**$1,242,158**	**$5,278,127**

	Year ended December 31, 2023	Year ended December 31, 2022
Convertible debenture (i)	**$ 338,174**	$ 308,041
Convertible debenture (ii)	**-**	267,329
Convertible debenture (iii)	**3,697,795**	3,477,632
Balance, end of period	**$ 4,035,969**	$ 4,053,002
Short term	**-**	267,329
Long term	**4,035,969**	3,785,673
Derivative liability (ii)	**-**	631,983
Short term	**-**	631,983

(i) On December 9, 2019, the Company issued a debenture for $500,000 as payment for the business combination in which the Company acquired a 50% interest in non-operating assets. The debenture is unsecured and bears a compound 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 the issuance, the conversion feature is considered a derivative liability and is revalued each month.

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 at $0.25 effective March 1, 2021. As a result of the conversion price of the debenture being fixed at the time of change, the convertible debentures have been separated into a 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 and the value of the liability component was determined to be $265,000.

(ii) 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.

On February 15, 2022, convertible debentures with a stated value of $64,166 was converted into 224,580 common shares of the Company at the holder's option.

On April 30, 2023 $284,999 of the unconverted debt portion of the $400,000 convertible debenture matured and is reclassified to current loan payable. The debenture holders have not indicated to the Company whether they are going to request repayment or convert the convertible debentures into Common Shares. Since no more conversion feature exists the Company has removed the $631,983 derivative liability.

During the year ended December 31, 2022, the derivative liability was determined to be $631,983 using the Black-Scholes option pricing model fair value estimation method with the following inputs:

	Year ended December 31, 2023	Year ended December 31, 2022
Expected stock price	-	0.32
Risk-free interest rate *(%)*	-	4.30
Expected life *(months)*	-	4
Expected volatility (%)	-	90.48
Expected forfeiture rate (%)	-	-
Expected dividend yield *(%)*	-	-

(iii) From April 12, 2022 to June 28, 2022, the Company offered a partially brokered private placement of 4,975 debenture units for gross proceeds of $4,975,230. Each unit is comprised of an aggregate $1,000 principal amount of a 4% convertible unsecured subordinated debenture maturing April 1, 2025. Each debenture unit, convertible at the option of the holder, includes the right of full conversion of the entire principal and accrued interest into Class A Common Shares of the Company at $0.50 per share and the subsequent to conversion one common share purchase warrants received on the conversion exercisable at a price of $0.75 for a period of two years following the conversion date.

The convertible debenture was determined to be a compound financial instrument composed of liability and equity components, meeting the fixed-for-fixed criteria. 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 14.47%. The effective interest rate was based on the estimated interest 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.

At the time of issue, the value of the liability component was determined to be $3,580,045 with the residual value of $1,057,983 assigned to the equity component.

The value of the conversion warrants was determined by allocating the residual value of the debenture units transaction price after all financial liabilities in the debenture units were recognized. No value has been assigned to the warrants.

During the year ended December 31, 2022, convertible debentures with a stated value of $340,895 were converted into 911,847 common shares at the holder’s option. There were 911,847 conversion warrants valued at nil issued in connection with conversion, exercisable at $0.75 for a period of 24 months.

During the year ended December 31, 2023, convertible debentures with a stated value of $179,137 were converted into 450,000 common shares (452,632 with accrued interest) at the holder’s option. There were 450,000 conversion warrants valued at nil issued in connection with conversion, exercisable at $0.75 for a period of 24 months.

18. DEFERRED INCOME TAXES

The provision for income taxes in the financial statements differs from the result which would have been obtained in applying the combined federal and provincial tax rate to the Company's earnings before income taxes. The difference results from the following items:

	Year ended December 31, 2023	Year ended December 31, 2022
Loss before taxes	**$ (24,764,827)**	$ (20,377,817)
Combined federal and provincial tax rate	**23.0%**	23.0%
Computed "expected" income tax reduction	**(5,695,910)**	(4,686,898)
Increase (decrease) in income taxes resulting from:		
Permanent differences	**(451,647)**	(444,949)
Tax assets not recognized	**8,109,910**	5,131,847
Deferred income tax reduction	**$ 1,962,353**	$ -

The statutory tax rate was 23.0 percent in 2023 and 2022.

A summary of unrecognized tax assets at December 31, 2023 and 2022 is provided below:

	2023		2022	
	Amount	**Expiry Date**	Amount	Expiry Date
Share issue costs	**$ 147,214**	**n/a**	187,538	n/a
Decommissioning provision	**641,750**	**n/a**	-	n/a
Lease liabilities	**22,339**	**n/a**	325,531	n/a
Investment	**819,884**	**n/a**	-	n/a
Property, plant and equipment	**1,285,578**	**n/a**	3,459,111	n/a
Intangible asset	**(3,768)**	**n/a**	(108)	n/a
Right-of-use-asset	**(25,244)**	**n/a**	(318,846)	n/a
Flow-through liability premium	**-**	**n/a**	461,584	n/a
Flow-through liability provision	**256,458**	**n/a**	-	n/a
License	**467,333**	**n/a**	-	n/a
Assets under development	**476,495**	**n/a**	-	n/a
Non-capital losses	**8,642,854**	**2035**	5,372,601	2035
Total	**$ 12,730,893**		$ 9,487,411	
Valuation Allowance	**(12,730,893)**		(7,525,058)	
Deferred tax asset	**-**		1,962,353	

For the year ended December 31, 2022, a deferred income tax asset of $5,640,021 was recognized on the WCA acquisition (see note 7). The deferred income tax asset arises from the difference between the fair value of the net assets acquired and their tax basis. For the year ended December 31, 2022, A deferred income tax liability of $3,677,668 was recognized on the Donalda acquisition (see note 7). The deferred income tax liability arises from the difference between the fair value of the net assets acquired and their tax basis. The deferred tax asset has been offset against the deferred tax liability. 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. Management does not foresee sufficient taxable profit to utilize deferred income tax assets. Management derecognized deferred tax assets as of December 31, 2023.

A summary of tax pools at December 31, 2023 is provided below:

	Amount	Maximum Annual Deduction
Canadian exploration expense	$ -	100%
Canadian development expense	257,670	30%
Canadian oil and gas property expense	21,718,815	10%
Undepreciated capital cost	9,610,022	20% to 30%
Cumulative eligible capital	2,031,885	
Share issue costs	640,060	20%
Non-capital losses	37,577,627	100%
Total	$ 71,836,079	

At December 31, 2023, the Company has non-capital losses of approximately $37,577,627 available to shelter future taxable income. These losses begin to expire 2035.

19. SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares. All issued shares are fully paid. No dividends were declared or paid in the period.

(a) Issued and outstanding

			Year ended December 31, 2023			Year ended December 31, 2022
	Number of Common Shares	**Number of Preferred Shares**	**Amount**	Number of Common Shares	Number of Preferred Shares	Amount
Balance, beginning of period	**111,437,322**	**30,000,000**	**$ 56,883,006**	35,651,341	-	$ 9,023,278
Issue of Common Shares (i)	**-**	**-**	**-**	22,196,708	-	8,000,000
Flow through premium (i)	**-**	**-**	**-**	-	-	(2,006,889)
Issue of Common Shares (ii)	**-**	**-**	**-**	44,440,000	30,000,000	41,174,122
Issue of Common Shares (iii)	**-**	**-**	**-**	4,222,222	-	1,345,000
Issue of Common Shares (iv)	**-**	**--**	**-**	3,790,623	-	1,173,155
Issue of Common Shares (v)	**452,632**	**-**	**232,029**	1,136,428	-	405,061
Warrants issued (i)	**-**	**-**	**-**	-	-	(1,212,126)
Conversion of preferred shares	**30,000,00**	**(30,000,00)**	**-**	-	-	-
Issue of Common Shares (vi)	**21,160,000**	**-**	**801,906**	-	-	-
Subscription receipts (vi)	**-**	**-**	**45,180**	-	-	-
Share issue costs	**-**	**-**	**(61,400)**	-	-	(1,018,595)
Balance, end of period	**163,049,954**	**-**	**$ 57,900,721**	111,437,322	30,000,000	$ 56,883,006

Issued shares for cash

(i) On December 23, 2022, the Company issued 11,940,298 flow-through units at $0.335 and 10,256,410 charity flow-through units at $0.39 per share for gross proceeds of $8,000,000. Each Unit being comprised of one (1) Common Share and one-half (1/2) common share purchase warrants, each full warrant entitling the holder thereof to purchase one (1) additional common share at a price of $0.50 for a period of 24 months from the date of issuance. The flowthrough shares were issued at a premium of $0.065 and $0.12 per share and a premium was recognized as a liability of $2,006,889;

On September 20, 2023, the Company announced it intends to complete a non-brokered private placement consisting of the issuance of up to 60,000,000 units (the "Units") at a price of $0.05 per Unit for gross proceeds of up to $3,000,000. Each Unit is comprised of one common share in the share capital of the Company and one-half (1/2) common share purchase warrant. Each full Warrant entitles its holder to purchase one additional common share at a price of $0.12 for a period of 24 months following the closing.

On October 31, 2023, the Company announced it closed the first tranche of $1,058,000 of its non-brokered private placement by issuing 21,160,000 units at a price of $0.05 per unit and 10,580,000 warrants with an exercise price of $0.12 per share. The Company received an additional $45,180 of subscription receipts that will be issued in the closing of the second tranche. The $1,058,000 of proceeds were allocated using the relative fair method between the value of the common shares $1,058,000 (10,580,000 common shares multiplied by the share price of $0.05 per share) and the value of the warrants using Black-Scholes model of $337,879. The relative fair allocation resulted in $801,906 being allocated to common shares and $256,094 to contributed surplus.

Issued shares for the property acquisition

(ii) On September 14, 2022, the Company purchased 100% of oil and gas properties in WCA. The aggregate consideration paid of $41,703,300 is comprised of 30,000,000 convertible preferred shares valued at $16,372,500 (30,000,000 shares at $0.59 discounted for illiquidity rate 7.5% less the fair value of the convertible preferred share dividend liability of $529,179 for a residual amount of $15,843,321) and 44,440,000 common shares at the September 14, 2022, closing share price of $0.57 on which shares were transferred for a total value of $25,330,800;

Issued shares for services

(iii) On September 20, 2022, the Company issued 4,222,222 common shares at a fair value of $1,345,000 as a share-based payment for services for arranging the acquisition between the buyer and seller for the WCA acquisition;

Issued shares for warrants exercised

(iv) The following table summarizes the activity under the Company's share purchase warrants:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number of Warrants	**$**	Number of Warrants	$
July 5, 2022 ($0.25)	**-**	**-**	375,000	$ 93,750
July 5, 2022 ($0.20)	**-**	**-**	53,500	10,700
July 5, 2022 ($0.15)	**-**	**-**	3,900	585
July 12, 2022 ($0.20)	**-**	**-**	12,000	2,400
July 14, 2022 ($0.25)	**-**	**-**	100,000	25,000
July 29, 2022 ($0.20)	**-**	**-**	16,666	3,333
August 2, 2022 ($0.25)	**-**	**-**	375,000	93,750
August 11, 2022 ($0.20)	**-**	**-**	75,000	15,000
August 15, 2022 ($0.20)	**-**	**-**	41,666	8,333
August 22, 2022 ($0.20)	**-**	**-**	50,000	10,000
August 31, 2022 ($0.20)	**-**	**-**	433,333	86,667
September 7, 2022 ($0.20)	**-**	**-**	150,000	30,000
October 12, 2022 ($0.20)	**-**	**-**	100,000	20,000
October 25, 2022 ($0.20)	**-**	**-**	50,000	10,000
October 26, 2022 ($0.20)	**-**	**-**	79,559	15,912
October 31, 2022 ($0.20)	**-**	**-**	325,000	65,000
November 2, 2022 ($0.20)	**-**	**-**	500,000	100,000
November 3, 2022 ($0.20)	**-**	**-**	83,333	16,667
November 3, 2022 ($0.20)	**-**	**-**	966,666	193,333
Contributed surplus transfer	**-**	**-**	-	372,725
	-	**$ -**	3,790,623	$ 1,173,155

Issued shares for convertible debentures

(v) The following table summarizes the activity under the Company's shares issued on conversion of debentures:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number of Common Shares	**$**	Number of Common Shares	$
July 29, 2022 (iii)	**-**	**-**	20,000	$ 7,400
September 20, 2022 (iii)	**-**	**-**	182,100	67,377
September 30, 2022 (iii)	**-**	**-**	557,277	206,192
September 30, 2022 (ii)	**-**	**-**	224,580	64,166
October 20, 2022 (iii)	**-**	**-**	50,625	18,731
November 22, 2022 (iii)	**-**	**-**	71,128	26,317
December 9, 2022 (iii)	**-**	**-**	30,717	14,878
February 8, 2023 (iii)	**401,684**	**209,493**	-	-
February 21, 2023 (iii)	**50,948**	**22,536**	-	-
	452,632	**$ 232,029**	1,136,428	$ 405,601

Convertible debenture (note 17 (ii))

On September 30, 2022, the Company issued 224,580 Common Shares for convertible debenture debt plus interest payable at $0.10 per share in accordance with the conversion price as determined in each debt instrument. Converted debenture had a stated value of $64,166.

Convertible debenture (note 17(iii))

On July 29, 2022, the Company issued 20,000 (September 20, 2022 – 182,100; September 30, 2022 - 557,277; October 20, 2022 – 50,625; November 22, 2022 – 71,128; December 9, 2022 - 30,717) common shares in exchange for the conversion of the convertible debenture plus interest payable at a price of $0.50 in accordance with the conversion price as determined in the debt instrument and interest payable. Each unit is comprised of one common share in the share capital of the Company at a price of $0.50 per common share and one warrant entitling the holder thereof to purchase one (1) additional Common Share at a price of $0.75 for a period of 24 months from the date of issuance.

During the year ended December 31, 2022, convertible debentures with a stated value of $340,895 were converted into 911,847 common shares at the holder's option.

During the year ended December 31, 2023, convertible debentures with a stated value of $179,137 ($180,704 stated value of debenture plus accrued debenture interest converted to shares of $1,566) were converted into 452,632 common shares at the holder's option.

(b) Convertible preferred shares

On September 14, 2022, 30,000,000 convertible preferred shares were issued to Leonard B. Van Betuw as consideration paid for the WCA acquisition. The Convertible shares will have a term of 3.75 years, expiring June 14, 2026, and earn an accruing annual dividend at a rate of two percent based on the value of $0.32 share, 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: 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 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 Preferred Shares and any unpaid dividend shall automatically be redeemed on a 1:1 basis by the issuance of Common shares.

Convertible Preferred Shares are classified as an equity instrument under IAS 32 due to the redemption being satisfied by way of the Company exchanging one preferred share for one common share. The dividends are classified as a financial liability under IAS 32 as they may be redeemed on early conversion in cash for a fixed price of $0.32, or in equity at maturity.

The Convertible Preferred Shares were valued at $16,372,500 (30,000,000 shares at $0.59 discounted for illiquidity rate 7.5%) by an independent evaluator.

The fair value of the Convertible preferred shares dividend liability of $529,179 is the present value of the future dividend payments of $720,132, at a discount rate of 14.46% with remaining life of 3.75 years. The residual amount of $15,843,321 of the convertible preferred shares was recorded as equity. The cash obligations associated with the dividend payable for the preferred shares with the assumption of no conversion to maturity.

On March 29, 2023, there was a forced conversion of the 30,000,000 convertible preferred shares to 30,000,000 common shares, as a result of a significant event taking place which was the signing of the Business Combination Agreement announced on April 3, 2023 with Insight

Acquisition Corp. As a result the Company has written off the Convertible Preferred Shares dividend liability, recording a $553,048 gain on conversion and $103,101 in dividend payable.

The following table summarizes the continuity of the Convertible Preferred Shares dividend liability is as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Balance, beginning of period	**$ 542,202**	$ -
Initial recognition	**-**	529,179
Accretion	**10,846**	13,023
Gain on write off	**(553,048)**	-
Balance, end of period	**$ -**	$ 542,202

(c) Share-based compensation plans

Stock Option Plan

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.

Compensation costs attributable to stock options granted are measured at their fair value at the grant date and are expensed over the expected vesting time-frame with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The following table summarizes the activity under the Company's stock option plan:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number of Options	**Weighted Average Exercise Price *($/share)***	Number of Options	Weighted Average Exercise Price *($/share)*
Balance, beginning of period	**1,753,770**	**$ 0.36**	200,000	$ 0.35
Granted	**-**	**-**	717,949	0.39
Granted	**-**	**-**	835,821	0.34
Balance, end of period	**1,753,770**	**$ 0.36**	1,753,770	$ 0.36
Exercisable, December 31, 2023	**1,753,770**	**$ 0.36**	1,753,770	$ 0.36

The following table summarizes information regarding stock options outstanding at December 31, 2023:

Options Outstanding at December 31, 2023				Options Exercisable at December 31, 2023	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *($/share)*	Number Exercisable	Weighted Average Exercise Price *($/share)*
$ 0.35	**200,000**	**0.8**	**$ 0.35**	**200,000**	**$ 0.35**
$ 0.39	**717,949**	**1.0**	**$ 0.39**	**717,949**	**$ 0.39**
$ 0.34	**835,821**	**1.0**	**$ 0.34**	**835,821**	**$ 0.34**

The weighted average fair value of each stock option granted and the assumptions used in the Black-Scholes option pricing model are as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Risk-free interest rate *(%)*	**-**	3.85
Expected life *(years)*	**-**	2
Expected volatility (%)	**-**	109
Expected forfeiture rate (%)	**-**	0
Expected dividend yield *(%)*	**-**	-
Fair value of stock options granted ($/share)	**-**	0.03

Expected volatility is based on management's evaluation of comparable companies in the public markets.

Share-based compensation from options recognized in net loss during the period ended December 31, 2023 was $nil (December 31, 2022 - $44,993).

(d) Share purchase warrants

The following table summarizes the activity under the Company's share purchase warrants:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number of Warrants	Weighted Average Exercise Price (*$/share*)	Number of Warrants	Weighted Average Exercise Price (*$/share*)
Balance, beginning of period	**21,627,850**	**$ 0.44**	12,984,694	$ 0.28
Issued – May 10, 2022	**-**	**-**	200,800	0.75
Issued – May 12, 2022	**-**	**-**	226,400	0.75
Issued – May 16, 2022	**-**	**-**	8,000	0.75
Issued – June 9, 2022	**-**	**-**	4,000	0.75
Issued – June 28, 2022	**-**	**-**	110,000	0.75
Issued – July 28, 2022	**-**	**-**	20,000	0.75
Issued – Sept. 14, 2022	**-**	**-**	40,000	0.75
Issued -Sept. 15, 2022	**-**	**-**	100,000	0.75
Issued – Sept. 30, 2022	**-**	**-**	550,000	0.75
Issued – October 20, 2022	**-**	**-**	50,000	0.75
Issued – December 9, 2022	**-**	**-**	30,000	0.75
Issued – Dec. 23, 2022	**-**	**-**	11,098,354	0.50
Issued – February 8, 2023	**400,000**	**0.75**	-	-
Issued – February 21, 2023	**50,000**	**0.75**	-	-
Issued – October 17, 2023	**4,500,800**	**0.12**	-	-
Issued – October 24, 2023	**600,000**	**0.12**	-	-
Issued – October 30, 2023	**5,850,000**	**0.12**	-	-
Issued - November 21, 2023	**250,000**	**0.12**	-	-
Exercised *(note 13 (a)(iv))*	**-**	**-**	(3,790,623)	(0.21)
Expired - May 6, 2023	**(876,666)**	**(0.35)**	-	-
Expired - June 1, 2023	**(412,500)**	**(0.40)**	-	-
Expired - July 7, 2023	**(1,000,000)**	**(0.25)**	-	-
Expired - August 26, 2023	**(168,200)**	**(0.35)**	-	-
Expired	**-**	**-**	(3,775)	(0.20)
Balance, end of period	**30,821,284**	**$ 0.34**	21,627,850	$ 0.44

On September 20, 2023, the Company announced it intends to extend by one year 7,472,130 outstanding Warrants with exercise prices of $0.35, $0.15, $0.20, and $0.75 and with expiration dates ranging from September 9, 2023, to December 9, 2024. 1,160,000 warrants with an exercise price of $0.35 were set to expire September 9, 2023, 4,088,680 warrants with an exercise price of $0.35 were set to expire September 13, 2023, 100,000 warrants with an exercise price of $0.35 were set to expire September 20, 2023 and 309,200 warrants with an exercise price of $0.35 were set to expire September 23, 2023.

In addition, 377,000 warrants with an exercise price of $0.15 were set to expire on November 4, 2023 have been extended by an additional year.

In addition, 98,050 warrants with an exercise price of $0.20 were set to expire on January 30, 2024 have been extended by an additional year.

In addition, 1,339,200 warrants with an exercise price of $0.75 were set to expire on May 10, 2024 to December 9, 2024 have been extended by an additional year.

The following table summarizes information regarding share purchase warrants outstanding at December 31, 2023 (*restated)*:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life *(years)*	Expiry
$0.05	600,000	2.1	February 1, 2026
$0.12	11,200,800	1.8	October 2025 to November 2025
$0.15	377,000	0.9	November 5, 2024
$0.20	98,050	1.1	January 31, 2025
$0.35	5,657,880	0.7	September 9,13,20,23 2024
$0.50	11,098,354	1.0	December 23, 2024
$0.75	1,789,200	1.5	February 2025 to December 2025
$0.20	**30,821,284**	**1.3**	

(e) Per share amounts

The Company calculates per share amounts based on the weighted average Common Shares outstanding for the year ended December 31, 2023, and for the year ended December 31, 2022. For both periods ended December 31, all the stock options and warrants were anti-dilutive and were omitted from the weighted average number of diluted Common Shares outstanding calculation.

Years ended December 31,	**2023**	2022
Weighted average shares outstanding	**138,608,578**	52,766,406
Weighted average diluted shares outstanding	**138,608,578**	52,766,406
Net loss per share		
Net income (loss)	**$ (26,727,181)**	$ (20,377,817)
Basic *($/share)*	**(0.19)**	(0.39)
Diluted *($/share)*	**(0.19)**	(0.39)

20. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital comprise:

Years ended December 31,	**2023**	2022
Change in receivables and advances	**$ 2,322,909**	$ (1,471,230)
Change in prepaid expenses	**677,854**	(734,001)
Change in accounts payable and accrued liabilities	**2,720,294**	1,602,620
Total	**$ 5,721,057**	$ (602,611)
Change in operating non-cash working capital	**$ 5,721,057**	$ (602,611)
Change in investing non-cash working capital	**-**	-

21. FLOW-THROUGH SHARE PREMIUM AND LIABILITY PROVISION

A reconciliation of the flow-through share premium liability and provision is provided below:

	Years ended December 31, 2023	Year ended December 31, 2022
Balance, beginning of period	**$ 2,006,889**	$ -
Issuance of flow-through shares (*note 19(a)(i)*)	**-**	2,006,889
Reversed upon expiry of look back period	**(2,006,889)**	-
Provision for liability as a result of unfulfilled flow-through obligations *(note 29)*	**3,750,900**	
Balance, end of period	**$ 3,750,900**	$ 2,006,889

During the year ended December 31, 2022, the Company completed a flow-through financing in the amount of $8,000,000. The Company has determined that the qualifying expenditures were not made and the company is making a provision for liability in the amount of $3,750,900, including estimated interest, penalties and reimbursement of shareholders' taxes.

22. OIL AND NATURAL GAS REVENUE

The Corporation sells its production pursuant to variable-price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location, or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis.

The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

The following table details the Company's petroleum and natural gas sales by product:

Years ended December 31,	**2023**	, 2022
Oil and natural gas revenue		
Heavy oil	**$ 419,100**	$ 1,270,998
Natural gas	**1,980,050**	2,059,400
Natural gas liquids	**146,100**	75,707
Total oil and natural gas revenue, gross	**$ 2,545,250**	$ 3,406,105
Less: Royalty expenses	**(309,462)**	(324,574)
Oil and natural gas revenue, net	**$ 2,235,788**	$ 3,081,531

23. ECONOMIC DEPENDENCE

Sales from the Company's business are substantially derived from very few customers and as a result, the Company is economically dependent on these customers. The Company's exposure to credit risk is limited to the carrying value of its account receivable. As at December 31, 2023, accounts receivable of $103,491 (December 31, 2022 - $376,988) were due from these customers and were collected subsequently to quarter and year end.

The Company's two significant customers accounted for more than 100% of its sales. For the year ended December 31, 2023, the two customers accounted for 73% and 15% respectively. For the year ended December 31, 2022, the two customers accounted for 69% and 27%, respectively.

24. FINANCE INCOME (EXPENSE)

Years ended December 31,	2023	2022
Finance income:		
Interest income on bank deposits	**$ 31,729**	$ -
Finance expenses:		
Interest on promissory note	**-**	(7,814)
Term loan interest and admin fee *(note 15)*	**(295,891)**	-
Interest on convertible debentures	**(210,924)**	(172,452)
Letter of credit interest (NEBC property acquisition)	**(136,364)**	-
Lates fees and interest on trade payables	**(84,769)**	-
Late fees and interest on MTT payables	**(38,116)**	-
Term loan origination fee *(note 15)*	**(5,559)**	-
Interest on conversion of debentures	**(1,566)**	-
Interest expense on dividend liability	**(103,101)**	-
Accretion on convertible debentures	**(447,103)**	(308,788)
Accretion on decommissioning provision	**(47,677)**	(170,625)
Accretion on lease liabilities	**(11,506)**	(4,482)
Accretion on convertible preferred share dividend	**(10,846)**	(13,023)
Other interest	**(182,448)**	-
	$ (1,575,870)	$ (677,184)
Net finance income (expense)	**$ (1,544,141)**	$ (677,184)

25. PERSONNEL EXPENSES

The aggregate payroll expense of employees and executive management is included in general and administrative expenses and comprises:

	Year ended December 31, 2023	Year ended December 31, 2022
Wages and salaries	**$ 264,570**	$ -
Benefits and other personnel costs	**17,676**	-
Total employee remuneration	**$ 282,246**	$ -

26. FINANCIAL INSTRUMENTS

The Company’s activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk.

The Board of Directors oversees management’s establishment and execution of the Company’s risk management framework. Management has implemented and monitors compliance with risk management policies. The Company’s risk management policies are established 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 activities.

(a) Credit risk

The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions and for accounts receivable by performing standard credit checks.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from joint venture partners and oil and natural gas marketers. Virtually all of Avila's accounts receivable are from counterparties in the oil and gas industry and are subject to normal industry credit risks. As at December 31, 2023, the Company's accounts receivable consisted of $346,606 (December 31, 2022 - $ 376,988) from oil and natural gas marketers, $241,898 (December 31, 2022 – $372,544) from joint venture partners, and $326,489 (December 31, 2022 - $148,370) in taxes receivable from Canada Revenue Agency.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company did not have any allowance for doubtful accounts as at December 31, 2023 and did not provide for any doubtful accounts nor was it required to write-off any receivables during the period ended December 31, 2023.

As at December 31, 2023, 53 percent all the Company's accounts receivable were under 90 days in age and 47 percent were considered past-due.

Aging		
Current (less than 90 days)	$	488,634
Past due (over 90 days)		426,359
Total	**$**	**914,993**

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Avila's financial liabilities on the balance sheet consist of accounts payable and accrued liabilities. The Company expects to satisfy its obligations under accounts payable in less than one year. Avila anticipates that it will have adequate liquidity to fund its financial liabilities as they come due.

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 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 prices 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, not withstanding any potential success of the Company in creating revenue, cash flow or earnings.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of December 31, 2023:

	Carrying amount	Contractual cash flows total	< 1 year	1 – 2 years	2 – 5 years	More than 5 years
Accounts payable and other liabilities	$5,329,384	$5,329,384	$5,329,384	$ -	$ -	$ -
Promissory note	600,000	600,000	600,000	-	-	-
Loan payable	284,999	284,999	284,999	-	-	-
Term loan	3,000,000	3,000,000	-	3,000,000	-	-
Lease liabilities	97,127	97,127	16,186	11,954	23,657	45,330

(c) Market risk

Market risk is the risk that fluctuations in currency rates, interest rates and commodity prices will affect a Company's income or the value of its financial assets and liabilities.

Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The underlying market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar. In general, while the underlying foreign exchange rate affects oil and natural gas prices, Avila does not sell any of its oil or natural gas denominated in United States dollars. Settlement of fixed price physical sales contracts denominated in United States dollars, if applicable, would have been directly impacted by changes in the foreign exchange rate.

Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined above, but also world economic events that dictate the levels of supply and demand.

The Company had no contracts that have not been recorded at fair value during the year ended at December 31, 2023 or for the year ended December 31, 2022.

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 debt as they bear a fixed interest rate.

(d) Capital management

Avila actively manages its capital structure which includes shareholders' equity and working capital. In order to maintain or adjust its capital structure, Avila considers the following: incremental investment and acquisition opportunities; the level of bank credit that may be obtainable from the credit facility as a result of reserves growth; the availability of other sources of debt with characteristics different from the existing bank debt; the sale of assets; limiting the size of its investment program; utilizing commodity price forecasts; and new share issuances, if available on favourable terms. The Company's objective is to maintain a flexible capital structure that will allow it to execute its investment program, including exploration and development of its oil and gas properties and acquisition and disposition transactions which all carry varying amounts of risk.

Avila will seek to balance the proportion of debt and equity in its capital structure to take into account the risk being incurred in its investment program. Avila may, from time to time, issue shares and / or adjust its capital spending to manage current and projected debt levels.

The Company monitors capital based on the ratio of net debt to the trailing funds flow from operations of the immediately preceding three-month period calculated on an annualized basis. This ratio is calculated as net debt, defined as outstanding bank debt plus or minus working capital, divided by annualized cash flow from operations in the previous three-month period before changes in non-cash working capital and decommissioning provision expenditures. Avila's current strategy is to maintain a ratio of no more than 1.0 to 1. This ratio may increase at certain times as a result of acquisitions. In order to facilitate the management of this ratio, the Company prepares annual capital expenditure budgets, which are updated as necessary depending on varying factors including current and forecast commodity prices, production, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. As at December 31, 2023, Avila had a working capital deficit of $9,305,938 ($3,982,550 working capital surplus at December 31, 2022).

The Company has declared a $103,101 dividend on the convertible preferred shares on March 30, 2023.

There were no changes in the Company's approach to capital management during the period.

(e) Vertically Integrated Energy Business

In addition to the risks mentioned above, the Company faces risks from their Vertically Integrated Energy Business as follows:

Government Approvals and Certifications: the Company has estimated the time associated with the certification process based on estimates provided by third party consultants but these timelines are subject to availability of the Industry partners and Certification personnel, resulting in unanticipated delays;

Manufacturing costs: The Company has based its manufacturing costs on past experience from industry partners but as demand recovers for materials (post COVID-19), costs could increase and are subject to interest rate and foreign exchange rate volatility;

Supply Chain: The Company's supply chains are currently under development and are subject to volatility, which may increase costs or cause interruptions in deliveries;

Customer Demand: Customer demand could be subject to change due to the introduction of competitive technology;

Market Adaptions: Customer adoption does not necessarily follow the Company's assumptions.

At December 31, 2023 the Company has incurred the following expenditures related to the Vertically Integrated Business:

Vertically Integrated Business Expenditures (inception to date)		
Investment in MTT Non-Voting Shares (15% equity)	$	3,564,711
Intangible assets - MTT license		2,138,826
Intangible assets – Terra Land Development report		1,474,494
Intangible assets – CSA certification		597,226
Total	**$**	**7,775,257**

The license for the EnerTwin product to manufacture and the full commercialize including sales, installation and servicing of the EnerTwin in North America (Canada, the United States of America and Mexico) and the marketing, and the sales and servicing in United Kingdom in accordance with the terms and conditions of the agreement.

Due to the uncertainty with respect to the vertically integrated business an impairment provision was recorded to reduce the assets to $nil.

27. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and initially measured at fair value.

During the year ended December 31, 2023, executive services totalling $214,280 (December 31, 2022 - $246,650) were provided by companies that are affiliated with a former officer of Avila. At December 31, 2023, Avila still owes $167,780 for the services provided (December 31, 2022 - $228,657).

During the year ended December 31, 2022, $737,247 and during the year ended December 31, 2023 an additional $737,247 for a total of $1,474,494 was advanced to a company controlled by a close family member of the former president and CEO of the Company for data analysis services.

During the year ended December 31, 2023, a $27,480 fee was paid to a company that is affiliated with a former officer of Avila for sourcing a potential convertible debenture offering.

During the year ended December 31, 2023, the Company accrued $2,820 on convertible debentures (December 31, 2022 $494) that are held by a former officer of Avila and a Company whose President is a former officer of Avila.

The Company has a $500,000 convertible secured debenture at December 31, 2023 (December 31, 2022 - $500,000) bearing 5% interest compounded semi-annually that is held by Avila Exploration & Development Canada Ltd. whose President is also the former President and Chief Executive Officer of the Company. At December 31, 2023 there is $101,497 interest owing on the convertible secured debenture due July 31, 2027 (December 31, 2022 - $76,497).

During September 2022, the Company purchased WCA assets from 611890 Alberta Inc. for $25,909,100. Consideration for the WCA assets consisted of 30,000,000 preferred shares issued directly to Leonard Van Betuw, 12,180,000 common shares issued directly to Leonard Van Betuw and 3,600,000 common shares issued to Leonard Van Betuw's family members. The Company has a $103,101 dividend payable to Leonard Van Betuw, who is also the former President and Chief Executive Officer of the Company relating to the forced conversion of the convertible preferred shares on March 29, 2023 (see note 19 (b)).

During December 2022, the Company advanced $2,340,000 of funds to 611890 Alberta Inc. for the 15% equity stake and preferred license from Micro Turbine Technology. Leonard Van Betuw, who is President of 611890 Alberta Inc., is also the former President and Chief Executive Officer of the Company. During the year ended December 31, 2023, the Company advanced an additional $1,455,720 of funds to 611890 Alberta Inc. for the 15% equity stake and preferred license from Micro Turbine Technology. Subsequent to yearend, Micro Turbine Technology went into bankruptcy and a company controlled by the former president and CEO purchased the assets with the license intended to be continued intact. At December 31, 2023, Company owes $59,461 to 611890 Alberta Inc. At December 31, 2023, the Company has a $446,440 (December 31, 2022 - $228,657) joint venture receivable from 611890 Alberta Inc. as per the joint venture agreement.

During December 2022, the Company was intending to purchase NEBC assets from 611890 Alberta Inc. for $2,400,000. 611890 Alberta Inc. purchased the NEBC assets for $1,200,000 and incurred the costs associated with the preparation of the bid, post award negotiations, feasibility studies, engineering, budgeting and legal costs and then sold the assets to the Company for $2,400,000, resulting in a collateral benefit of $1,200,000 for 611890 Alberta Inc. Leonard Van Betuw, who is President of 611890 Alberta Inc. is also the former President and Chief Executive Officer of the Company. During the year ended December 31, 2023, the Company advanced an additional $3,000,000 for the NEBC assets to 611890 Alberta Inc. This property acquisition was terminated resulting in the $2,400,000 being written off at December 31, 2022 and the $3,000,000 advance was written off at March 31, 2023.

During the year ended December 31, 2023, the Company advanced $1,200,000 of funds to 611890 Alberta Inc. for a partial payment of the promissory note (see note 14).

Mr. Leonard Van Betuw, former President and Chief Executive Officer resigned from the Company on September 23, 2024.

28. SUBSEQUENT EVENTS

On January 29, 2024, convertible debentures with a stated value of $128,796 (face value of $150,000) were converted into 600,000 common shares (631,500 with accrued interest of $7,875) at the holder's option. There were 600,000 conversion warrants valued at nil issued in connection with conversion, exercisable at $0.75 for a period of 24 months.

On March 20, 2024, the Company received a notice from a third-party customer that Avila should expect additional volumes of up to 4,000 Mcf/d to be processed at an Avila facility by the end of March 2024. First volumes were received by Avila on March 27, 2024 and during the initial test period combined rates have been 4,800 Mcf/d. In April, 2024, the facility was temporarily shut down due to H2S contamination. As of the date of these restated Audited Financial Statements, there has been no further volumes processed and the Company has not been able to determine when and if processing will resume.

As of the date of these restated financials, a new agreement has been reached with the third-party customer, and processing will resume during the month of February 2025.

On June 26, 2024, the Company issued 12,293,000 units at a price of $0.03 (the "Units") for gross proceeds of $368,790. Each Unit is comprised of one common share (each a "Common Share") in the share capital of the Company and one-half (1/2) common share purchase warrant (each a "Warrant"). Each full Warrant entitles its holder to purchase one additional common share at a price of $0.12 for a period of 24 months following the closing.

On August 27, 2024, the Company completed the sale of a 90% working interest in Non-Core Assets in Alberta to an arm's length Alberta based Company for $300,000.

On September 20, 2024, the Company filed a Notice of Intention to File a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act.

On September 23, 2024, Mr. Leonard Van Betuw resigned as the president and CEO of the Company and Mr. Donald Benson was appointed the president and CEO to fill the vacated positions.

On September 30, 2024, the Company issued 8,400,00 common shares as a bonus to a director and companies controlled by a director and key management. The shares were valued at $0.01 per share which was the fair market value on the date of issuance.

On October 24, 2024, the Company settled its matter of with the Alberta Securities Commission ("ASC") for misleading disclosure ("Settlement Agreement").

On November 25, 2024, the Company was served with a legal claim related to equipment rentals invoiced to AVED during 2021 in the amount of $324,488 plus undetermined interest charges. Management has not made any accrual for these charges as it has not received any underlying documents, including invoices or rental agreements to substantiate this claim. Upon receipt of these underlying documents, and approval of same, the Company will record these charges in the October 2024 year end Audited Financial Statements.

29. RESTATEMENT ADJUSTMENTS

The December 31, 2023 financial statements were previously issued on April 29, 2024 and were subsequently withdrawn on November 22, 2024 pending restatements relating to new and updated information. The effect of the changes is summarized as follows:

Impact on loss and comprehensive loss	As previously stated	As currently stated	Restatements
Impairment on property and equipment	$(12,239,831)	$(7,346,961)	$ 4,892,870[3]
Impairment of investments	-	(3,564,711)	(3,564,711)[1]
Impairment of intangible assets	-	(4,210,547)	(4,210,547)[1]
Flow through liability provision	2,006,889	(1,744,011)	(3,750,900)[2]
Change in loss and comprehensive loss			(6,633,288)
Previously reported loss and comprehensive loss			(20,093,893)
Restated loss and comprehensive loss			**$ (26,727,181)**

Impact on deficit	As previously stated	As currently stated	Restatements
Prepaid expenses	$351,031	$84,793	$ (266,238)[1]
Property, plant and equipment	26,600,261	25,997,038	(603,223)[3,4]
Investments	3,564,711	-	(3,564,711)[1]
Intangible assets	2,155,208	16,381	(2,138,827)[1]
Assets under development	2,071,720	-	(2,071,720)[1]
Accounts payable and accrued liabilities	(5,097,402)	(5,329,384)	(231,982)[1,3,4]
Flow through liability provision	-	(3,750,900)	(3,750,900)[2]
Long term trade payable	(5,994,313)	-	5,994,313[3]
Change in deficit			(6,633,288)
Previously reported deficit			(50,411,153)
Restated deficit			**$ (57,044,441)**

[1]The subsequent impairment of the vertically integrated business resulted in the Company estimating the fair value of the investment in MTT at $nil and recording an impairment provision on the prepaid expenses, intangible assets, and assets under development to reduce them to a carrying amount of $nil.

[2]The adjustment of the flow though share liability for qualified expenditures determined not to have been incurred resulted in the Company recording a provision for interest, penalties, and the reimbursement of shareholder's taxes.

[3]The reversal of the long term trade payable for an invoice for assets and services where delivery was not able to be verified resulted in the capital asset, trade payable, and the impairment initially recorded on the assets being reversed.

[4]A legal claim for unpaid services performed for AVED in 2022 was received after Avila's amalgamation with AVED. Upon review of the claim, it was determined that Avila was the beneficial owner of the invoices related to the claim and the assets were recorded in the December 31, 2023 yearend.

Appendix "C"

AECO Strip Pricing

NATIONAL BANK FINANCIAL MARKETS

Commodities:
Kevin Striemer 403-294-4940
Hannah Smerek 403-476-5777
Luke Puxley 403-294-4944
Katie Willis 403-440-3711
Davis Bottomley 403-294-4988

FX/Rates:
George Androulidakis 403-440-1126
Marc Miron 403-440-1126
Roy Fu 403-440-1126

Strategy:
Dave Nielsen 403-827-0371
Dean Kim 403-440-3712

Created: 14-Mar-25
Unoffical and indicative prices as of: 13-Mar-25

	AECO CAD/GJ		NYMEX NG USD/MMBtu		AECO BASIS USD/MMBtu		WTI USD/Bbl		WTI CAD/Bbl		WCS BASIS USD/Bbl		WCS CAD/Bbl		EDM SW BASIS USD/Bbl		EDM SW CAD/Bbl		CAD/USD	
	Settle	d/d Δ	Settle	d/d Δ	Settle	d/d Δ	Settle	d/d Δ	Settle	d/d Δ	Settle	d/d Δ	Settle	d/d Δ	Settle	d/d Δ	Settle	d/d Δ	Settle	d/d Δ
Apr-25	$1.961	$0.069	$4.111	$0.027	($2.675)	$0.018	$66.55	($1.13)	$95.91	($1.22)	-	-	$86.69	$8.25	-	-	$87.79	($0.90)	$1.441	$0.006
May-25	$1.927	$0.035	$4.183	$0.045	($2.770)	($0.025)	$66.27	($1.11)	$95.36	($1.19)	($10.80)	$0.50	$79.08	($0.48)	($4.45)	$0.20	$88.22	($0.87)	$1.439	$0.006
Jun-25	$1.982	$0.052	$4.348	$0.065	($2.893)	($0.033)	$65.89	($1.08)	$94.67	($1.15)	($11.10)	$0.10	$77.96	($1.00)	($4.25)	$0.10	$87.80	($0.96)	$1.437	$0.006
Q2-25	$1.957	$0.052	$4.214	$0.046	($2.779)	($0.013)	$65.76	($1.07)	$94.62	($1.13)	-	-	$81.24	$2.26	-	-	$87.94	($0.91)	$1.439	$0.006
Q3-25	$2.087	$0.099	$4.587	$0.082	($3.050)	($0.015)	$64.53	($0.96)	$92.46	($0.98)	($12.00)	$0.10	$75.27	($0.91)	($4.45)	$0.10	$86.09	($0.86)	$1.433	$0.006
Q4-25	$2.873	$0.124	$4.932	$0.097	($2.808)	($0.014)	$63.60	($0.88)	$90.76	($0.86)	($14.30)	($0.05)	$70.35	($1.02)	($5.45)	$0.45	$82.98	($0.26)	$1.427	$0.006
Q1-26	$3.226	$0.119	$5.052	$0.097	($2.658)	($0.018)	$63.06	($0.80)	$89.64	($0.76)	($14.10)	$1.00	$69.60	$0.58	($8.50)	$0.00	$77.56	($0.81)	$1.422	$0.006
Q2-26	$2.896	$0.062	$4.025	$0.060	($1.868)	($0.023)	$62.76	($0.72)	$88.91	($0.65)	($13.60)	$1.25	$69.64	$1.04	($6.75)	$0.00	$79.35	($0.69)	$1.417	$0.006
Q3-26	$2.891	$0.056	$4.225	$0.058	($2.065)	($0.025)	$62.48	($0.66)	$88.22	($0.56)	($14.85)	$0.00	$67.26	($0.65)	($4.50)	$0.00	$81.87	($0.58)	$1.412	$0.006
Q4-26	$3.393	$0.040	$4.480	$0.047	($1.937)	($0.028)	$62.30	($0.60)	$87.68	($0.47)	($15.85)	$0.00	$65.37	($0.56)	($6.20)	$0.00	$78.96	($0.50)	$1.408	$0.006
Q1-27	$3.470	$0.010	$4.454	$0.026	($1.845)	($0.030)	$62.11	($0.55)	$87.14	($0.39)	($15.85)	$0.00	$64.90	($0.48)	($3.25)	$0.00	$82.58	($0.41)	$1.403	$0.006
Q2-27	$2.624	$0.026	$3.404	$0.026	($1.425)	($0.015)	$62.03	($0.49)	$86.77	($0.30)	($13.85)	$0.00	$67.39	($0.38)	($3.25)	$0.00	$82.22	($0.32)	$1.399	$0.006
Apr-Dec25	$2.306	$0.092	$4.578	$0.075	($2.879)	($0.014)	$64.63	($0.97)	$92.61	($0.99)	-	-	$75.62	$0.11	-	-	$85.67	($0.68)	$1.433	$0.006
Cal-26	$3.102	$0.069	$4.446	$0.066	($2.132)	($0.024)	$62.65	($0.70)	$88.61	($0.61)	($14.60)	$0.56	$67.97	$0.10	($6.49)	$0.00	$79.43	($0.65)	$1.414	$0.006
Cal-27	$3.062	$0.026	$3.865	$0.026	($1.552)	($0.016)	$62.00	($0.47)	$86.59	($0.27)	($12.52)	$0.00	$69.09	($0.34)	($3.25)	$0.00	$82.05	($0.29)	$1.397	$0.006
Cal-28	$3.025	$0.044	$3.646	$0.023	($1.333)	$0.000	$61.83	($0.32)	$85.30	($0.05)	-	-	-	-	-	-	-	-	$1.380	$0.006
Cal-29	$2.987	$0.040	$3.511	$0.021	($1.199)	$0.000	$61.74	($0.25)	$84.17	$0.04	-	-	-	-	-	-	-	-	$1.363	$0.006
Winter 25/26	$3.178	$0.129	$5.065	$0.099	($2.710)	($0.013)													$1.423	$0.006
Winter 26/27	$3.508	$0.019	$4.508	$0.033	($1.873)	($0.030)													$1.405	$0.006
Winter 27/28	$3.492	$0.046	$4.145	$0.023	($1.489)	$0.000													$1.387	$0.006
Winter 28/29	$3.447	$0.045	$3.947	$0.023	($1.294)	$0.000													$1.371	$0.006
Summer 25	$2.077	$0.077	$4.433	$0.067	($2.905)	($0.017)													$1.435	$0.006
Summer 26	$2.916	$0.058	$4.145	$0.059	($1.969)	($0.024)													$1.414	$0.006
Summer 27	$2.779	$0.027	$3.544	$0.026	($1.444)	($0.015)													$1.396	$0.006
Summer 28	$2.708	$0.043	$3.342	$0.023	($1.270)	$0.000													$1.379	$0.006