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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 THIRD REPORT OF FTI CONSULTING CANADA
INC., IN ITS CAPACITY AS PROPOSAL TRUSTEE OF
AVILA ENERGY CORPORATION



C10426 COM
Jan 13, 2025

January 8, 2025

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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THIRD REPORT OF THE PROPOSAL TRUSTEE

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Appendix “A” – Third Cash flow statement for the period ending January 19, 2025

Appendix “B” – Fourth Cash flow statement for the period ending March 2, 2025

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 November 27, 2024, the Court of King's Bench of Alberta (the "**Court**"), granted an Order which, among other things, extended the stay of proceedings to January 16, 2025.
4. This third report of the Proposal Trustee (the "**Third Report**") is being delivered in connection with the Company's application currently scheduled to be heard on January 13, 2025 (the "**January 13 Application**"), whereby the Company is seeking an extension of the stay of proceedings for Avila to March 2, 2025 (the "**Stay Period**").
5. Electronic copies of all materials filed by the Company in connection with the January 13 Application and other statutory materials are available on the Proposal Trustee's website at: <http://cfcanada.fticonsulting.com/avilaenergy/>.

PURPOSE

6. FTI, in its capacity as Proposal Trustee, has reviewed the Court materials filed by the Company in support of the January 13 Application. The purpose of this Third Report is to provide information and analysis to this Court pertaining to:
 - a. the Company's operations, assets and creditors;
 - b. the status of these Proposal Proceedings;

- c. budget to actual cash flow results for the period ended January 5, 2025;
- d. the Company's updated cash flow statement (the "**Fourth Cash Flow Statement**") for the period ending March 2, 2025;
- e. the Company's request to extend the Stay Period though March 2, 2025; and
- f. the Proposal Trustee's conclusions and recommendations.

TERMS OF REFERENCE

- 7. In preparing this Third 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**").
- 8. Except as described in this Third 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.

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

STATUS OF THESE PROPOSAL PROCEEDINGS

10. The Company's main objective in these Proposal Proceedings is stabilize the Company's operations including satisfying licencing requirements of the Alberta Energy Regulator ("AER") with respect to its oil and gas licenses and raise sufficient capital through an equity funding round to fund and present a proposal to its creditors (collectively, the "Objectives").
11. The extension to the Stay Period will provide the Company additional time to work towards completing the Objectives.
12. Since the date of the Second Report, 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;
 - b. rectified accidental damage 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;
 - c. working towards bringing 22 gas wells and one oil well back online that are currently shut in. The Company expects this production to come online in mid January 2025;
 - d. continued to hold discussions with the Alberta Energy Regulator ("AER") with respect to the assets, wells and status of Avila. On December 19, 2024, the AER sent the Company an email in which the AER acknowledged they are aware of

these Proposal Proceedings and that the AER is deferring any discussions about regulatory matters until these Proposal Proceedings are completed;

- e. subsequent to the amalgamation of Avila Exploration and Development Ltd. (“**Avila Exploration**”), all of the oil and gas operating licenses are now held within the Company. The AER has advised by way of a letter dated December 17, 2024, that through the amalgamation with Avila Exploration, the Company has had its licencing eligibility updated to “General Eligibility”;
 - f. continued to review historical transactions and records of the Company. In reviewing these transactions, the Company has become aware of certain suspicious financial transactions (the “**Transactions**”). The Company continues its work on this matter, but has as an interim step issued a demand email on December 18, 2024 for an amount in excess of \$1.4 million to Terra Land Development Ltd. (“**Terra Land**”) relating to funds that were transferred out of the Company and to Terra Land without approval from the Company’s board of directors;
 - g. 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**”). The Company is estimating the Amended 2023 FS will be finalized and issued by the end of January 2025.
13. 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 a cease trade order in respect of Avila on November 22, 2024 (the “**Cease Trade Order**”).
14. The Proposal Trustee understands that the Company plans to complete an equity financing that is expected to provide the necessary liquidity to fund these proceedings and create a viable proposal.

CASH FLOW STATEMENT

VARIANCE ANALYSIS

15. On November 20, 2024, management of the Company, in consultation with the Proposal Trustee, prepared the cash flow statement for the period ending January 19, 2025 (the “**Third Cash Flow Statement**”), which was filed with Official Receiver and is attached as Appendix “A” to this Report.
16. The Company’s actual cash flow compared to the forecast contained in the Third Cash Flow Statement for the period of November 11, 2024 to January 5, 2025 is summarized below:

8 Week Period ending Jan 5, 2025			
<i>(CAD\$)</i>	Actual	Forecast	Variance
Receipts			
Net production revenue	51,480	181,618	(130,138)
Other receipts	-	-	-
Insurance Refund	-	60,000	(60,000)
Total - Receipts	51,480	241,618	(190,138)
Disbursements			
Royalties	-	19,978	(19,978)
Transportation costs	2,500	4,166	(1,666)
Operating expenses	-	43,570	(43,570)
Contract operators	17,900	16,000	1,900
Capex	3,805	15,000	(11,195)
Salaries & Benefits	7,062	8,500	(1,438)
Consulting Fees (CEO/CF0)	17,000	16,000	1,000
Insurance	-	32,175	(32,175)
Professional fees	500	57,545	(57,045)
Miscellaneous	4,380	9,000	(4,620)
Total - Disbursements	53,147	221,934	(168,787)
Net Cash Flow	\$ (1,667)	\$ 19,684	\$ (21,351)
CASH			
Beginning Balance	2,125	4,022	(1,897)
Net Cash Inflows / (Outflows)	(1,667)	19,684	(21,351)
ENDING CASH	\$ 458	\$ 23,706	\$ (23,248)

17. The variances in actual receipts and disbursements as compared to the Third Cash Flow Statement as primarily due to the following:
- a. Receipts: negative variance of approximately \$190,000 due to accidental damage to the Company's ATCO pipeline, which caused production to be down for around 3 weeks as well as total receipts being net of royalties, whereas the Third Cash Flow Statement forecast production and royalties on separate lines;
 - b. Disbursements: positive variance of approximately \$169,000 primarily comprised of the following:
 - i. royalties which are included in the production revenue line;
 - ii. operating expenses were lower than forecast as the forecast was based on an annualized run rate and due to the Company's financial constraints, maintenance work has been delayed and ultimately, these forecasted expenses were not incurred;
 - iii. capital expenditures as start ups were lower than expected;
 - iv. salaries and benefits which are lower in part due to unpaid source deductions. The Proposal Trustee understands that there is a total of \$4,148.20 (inclusive of penalties and interest) of unpaid source deductions;
 - v. insurance premiums which are to be paid in future periods pending finalizing premium amounts with the Company's insurance broker;
 - vi. professional fees which have been incurred and are to be caught up in future periods; and
 - vii. miscellaneous expenses which were lower mostly due to reduction in share transfer agent fees during the period.

18. The Company in consultation with the Proposal Trustee, has prepared the Fourth Cash Flow Statement to estimate the Company's liquidity for the period from January 6, 2025, to March 2, 2025 (the "**Forecast Period**"), a summary of which is included below. A copy of the Fourth Cash Flow Statement is attached hereto as Appendix "**B**".

Fourth Cash Flow Statement	Total
(CAD\$)	8 Weeks
Receipts	
Net production revenue	\$ 220,853
Other receipts	65,000
Insurance Refund	-
Total - Receipts	\$ 285,853
Disbursements	
Royalties	-
Transportation costs	16,945
Operating expenses	7,000
Contract operator	20,000
Capex	62,500
Salaries & Benefits	5,000
Consulting Fees	18,000
Insurance	-
Professional fees	80,000
Miscellaneous	10,148
Total - Disbursements	219,594
Net cash flow	\$ 66,258
Opening cash	458
Ending cash	\$ 66,716

19. The Fourth Cash Flow Statement projects the Company will have positive net operating cash flow of approximately \$66,000 over the Forecast Period, including:
- a. total receipts of approximately \$286,000, primarily relating production revenue; and
 - b. operating disbursements of approximately \$220,000, primarily relating to contract operators, capital expenditures, consulting fees and professional fees.

20. The Fourth Cash Flow Statement shows an ending cash balance at March 2, 2025 of approximately \$67,000.
21. The Fourth Cash Flow Statement contemplates the following:
- a. receipts relating to production revenue which includes approximately 1,100 mcf/d of natural gas and 138 boe/d of condensate for the production month of December with additional 1,500 mcf/d of natural gas and 20 bbl/d of oil expected to come online in mid January. Production revenue is shown net of royalties;
 - b. collection of a receipt related to a forward gas sales agreement whereby an investor will advance the Company \$65,000, supported by the Company's natural gas production. The advance is to be repaid, with interest by March 25, 2025;
 - c. production expenses including transportation costs, operating costs and contract operator expenses which stem from the Company restarting production and its mid-stream facility;
 - d. capital expenditures relate to work being completed to restart production and is to be funded by the forward gas sales agreement;
 - e. employees' salaries and benefits, which are shown on a gross basis and inclusive of source deductions, consultant fees and miscellaneous expenses relate to individuals required to operate the business and support its field production including accounting and administrative duties. The Company expects to terminate a clerical position which will reduce the employee expenses;
 - f. the Company is in discussions with its insurance provider to determine its go forward insurance expenses. At this time, the instalment payments during the forecast period are not known and therefore not included, however the Company

has confirmed it does have valid insurance policies required for operations and its assets which expire on October 25, 2026;

- g. payment in the week ending January 19, 2025 of \$4,148.20 in overdue source deductions which relate to the period after the Filing Date; and
 - h. professional fees for the Proposal Trustee and the Company's counsel. The Proposal Trustee currently does not have independent counsel as the Company does not have adequate funds available to engage independent counsel.
22. The Fourth Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Fourth Cash Flow Statement, including assumptions that goods and services incurred after the Filing Date are paid when incurred.
23. The Proposal Trustee's review of the Fourth Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to the Information supplied to it by the Company. Since probable and hypothetical assumptions need not be supported, the Proposal Trustee's procedures were limited to evaluating whether they were consistent with the purpose of the Fourth Cash Flow Statement, and there are no material assumptions contained therein which seem unreasonable in the circumstances.
24. Based on the Proposal Trustee's review, as at the date of this Third Report, nothing has come to its attention that causes it to believe that, in all material respects:
- a. the probable and hypothetical assumptions are not consistent with the purpose of the Fourth Cash Flow Statement; and
 - b. the probable and hypothetical assumptions developed by the Company are not supported and consistent with the plan of the Company or do not provide a reasonable basis for the Fourth Cash Flow Statement.

STAY EXTENSION

25. The stay of proceedings expires on January 19, 2025. The Company is requesting an extension of the stay of proceedings to March 2, 2025.
26. The Proposal Trustee is of the view that the requested extension of the stay of proceedings is appropriate pursuant to section 50.4(9) of the *BIA* for the following reasons:
- a. the Company and its management are acting in good faith and with due diligence in taking steps to continue the operations of the business;
 - b. the extension of the Stay Period will provide the Company additional time to continue its efforts towards:
 - i. stabilizing the Company's operations including bringing additional wells online;
 - ii. finalizing and issuing the Amended 2023 FS;
 - iii. completing its review of the Transactions for the benefit of the Company and its creditors; and
 - iv. preparing a proposal to its creditors.
 - c. the Fourth Cash Flow Statement indicates that the Company will have sufficient liquidity to continue to fund operations and the cost of the Proposal Proceedings to March 2, 2025;
 - d. although slower than initially expected, the Company is making positive progress towards being in a position to present a proposal to the creditors. Therefore, extending the Stay Period to allow the Company additional time to operate as a going concern will enhance the prospects of a viable proposal being presented to

the creditors. The Proposal Trustee is not aware of any reason that the extension of the Stay Period will materially prejudice any creditors; and

- e. the Proposal Trustee understands that Marc Girouard Investments Inc. (the “Secured Lender”) is not objecting to the Company’s requested extension.

PROPOSAL TRUSTEE'S RECOMMENDATIONS

- 27. The Proposal Trustee respectfully recommends that this Court grant the Company’s request for an extension of the Stay Period to March 2, 2025.

All of which is respectfully submitted this 8th day of January 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

Avila Energy Corporation


Projected Cash Flow Statement for the periods ending November 11, 2024 to January 19, 2025

Cash Flow Statement (CAD\$)	Week Ending	Week 1 17-Nov	Week 2 24-Nov	Week 3 1-Dec	Week 4 8-Dec	Week 5 15-Dec	Week 6 22-Dec	Week 7 29-Dec	Week 8 5-Jan	Week 9 12-Jan	Week 10 19-Jan	Total	Notes
Receipts													
Net production revenue			\$ 71,437				\$ 110,181					\$ 181,618	1
Other receipts												-	2
Insurance Refund				60,000								60,000	3
Total - Receipts		-	71,437	60,000	-	-	110,181	-	-	-	-	241,618	
Disbursements													
Royalties				7,858				12,120				19,978	4
Transportation costs				1,666				2,500				4,166	5
Operating expenses				18,320				25,250				43,570	6
Contract operator				8,000				8,000				16,000	7
Capex				5,000				10,000				15,000	8
Salaries & Benefits				5,000				3,500				8,500	9
Consulting Fees (CEO/CFO)				8,000				8,000				16,000	10
Insurance			25,333	-	3,421		3,421				3,421	35,596	11
Professional fees			27,545	-	15,000		15,000			20,000		77,545	12
Miscellaneous				4,500				4,500				9,000	13
Total - Disbursements		-	52,878	58,344	18,421	-	18,421	73,870	-	20,000	3,421	245,355	
Net cash flow		-	18,559	1,656	(18,421)	-	91,760	(73,870)	-	(20,000)	(3,421)	(3,737)	
Opening cash		4,022	4,022	22,581	24,237	5,816	5,816	97,576	23,706	23,706	3,706	4,022	
Ending cash		\$ 4,022	\$ 22,581	\$ 24,237	\$ 5,816	\$ 5,816	\$ 97,576	\$ 23,706	\$ 23,706	\$ 3,706	\$ 285	\$ 285	

Avila Energy Corporation
Per: Donald Benson, CEO



Avila Energy Corporation
Per: Lars Glimhagen, CFO


FTI CONSULTING CANADA INC., TRUSTEE UNDER THE NOTICE
OF INTENTION TO MAKE A PROPOSAL
Per: Dustin Olver, SMD

Notes:

Management of Avila Energy Corporation has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of Avila Energy Corporation during the period of November 11, 2024 to January 19, 2025. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in Notes 1-13. Consequently, actual results will likely vary from actual performance and such variances may be material.

- 1 Week 2 revenue is based on production of 1.5 mmcf/d of Natural Gas and 12.5 bbl/d of NGLs during 15 days. It also includes the sale of 28 m3 of Heavy Crude Oil stored at the Bonnie Glen Battery.
- Week 6 revenue is based on production of 1.8 mmcf/d of Natural Gas, 15 bbl/d of NGLs and 20 bbl/d of Heavy Crude Oil . It also includes the sale of 400 bbls of Heavy Crude Oil stored at the Honeysuckle Battery. Natural Gas production at 5-29 Facility will be suspended during a week due to temporal closure of ATCO line.
- 2 Based on mid-stream processing . The facility was shut-in due to contamination by the customers gas entering the facility. This is being resolved by the customer, Nordcon. Mid-stream processing expected to be back online by December 15th, 2024.
- 3 Insurance refund is based on two reporting policies for previous 4 years that have not been previously filed. Receipt date is expected by December 29, 2024.
- 4 Royalties from production paid on the following week after the revenues are received.
- 5 Transportation costs paid on the following week after the revenues are received.
- 6 Operation costs for production include operating costs other than the contract operator and transportation.
- 7 Contract operator costs relates to the company's sole operator for managing all wells, pipelines and facilities operated by the company
- 8 Capex refers to the repairing and maintenance of the wells and facilities to resume production and revenue
- 9 Salaries & Benefits relate to two employees for accounting and administrative duties.
- 10 Consulting fees relate to the CEO at \$1,500 bi-weekly)and CFO at \$5,000 plus GST paid monthly.
- 11 Insurance relates to the initial payment on new insurance policy.
- 12 Professional fees includes estimates for the proposal trustee, proposal trustee's legal counsel and Avila Energy Corporation's legal counsel.
- 13 Miscellaneous expenses relate to other costs not categorized above such as the company's share transfer agent, monthly charges for technical support plans and any other general administrative costs not readily identified.

Avila Energy Corporation

Projected Cash Flow Statement for the periods ending November 11, 2024 to January 19, 2025

Cash Flow Statement (CAD\$)	Week Ending	Week 1 17-Nov	Week 2 24-Nov	Week 3 1-Dec	Week 4 8-Dec	Week 5 15-Dec	Week 6 22-Dec	Week 7 29-Dec	Week 8 5-Jan	Week 9 12-Jan	Week 10 19-Jan	Total	Notes
Receipts													
Net production revenue			\$ 71,437				\$ 110,181					\$ 181,618	1
Other receipts												-	2
Insurance Refund				60,000								60,000	3
Total - Receipts			71,437	60,000			110,181					241,618	
Disbursements													
Royalties				7,858				12,120				19,978	4
Transportation costs				1,666				2,500				4,166	5
Operating expenses				18,320				25,250				43,570	6
Contract operator				8,000				8,000				16,000	7
Capex				5,000				10,000				15,000	8
Salaries & Benefits				5,000				3,500				8,500	9
Consulting Fees (CEO/CFO)				8,000				8,000				16,000	10
Insurance			25,333	-	3,421		3,421				3,421	35,596	11
Professional fees			27,545	-	15,000		15,000			20,000		77,545	12
Miscellaneous				4,500			4,500					9,000	13
Total - Disbursements			52,878	58,344	18,421		18,421	73,870		20,000	3,421	245,355	
Net cash flow			18,559	1,656	(18,421)		91,760	(73,870)		(20,000)	(3,421)	(3,737)	
Opening cash		4,022	4,022	22,581	24,237	5,816	5,816	97,576	23,706	23,706	3,706	4,022	
Ending cash		\$ 4,022	\$ 22,581	\$ 24,237	\$ 5,816	\$ 5,816	\$ 97,576	\$ 23,706	\$ 23,706	\$ 3,706	\$ 285	\$ 285	

Avila Energy Corporation
Per: Donald Benson, CEO

FTI CONSULTING CANADA INC., TRUSTEE UNDER THE NOTICE
OF INTENTION TO MAKE A PROPOSAL
Per: Dustin Olver, SMD

Avila Energy Corporation
Per: Lars Glimhagen, CFO

Notes:

Management of Avila Energy Corporation has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of Avila Energy Corporation during the period of November 11, 2024 to January 19, 2025. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in Notes 1-13. Consequently, actual results will likely vary from actual performance and such variances may be material.

- Week 2 revenue is based on production of 1.5 mmcf/d of Natural Gas and 12.5 bbl/d of NGLs during 15 days. It also includes the sale of 28 m3 of Heavy Crude Oil stored at the Bonnie Glen Battery.
Week 6 revenue is based on production of 1.8 mmcf/d of Natural Gas, 15 bbl/d of NGLs and 20 bbl/d of Heavy Crude Oil. It also includes the sale of 400 bbls of Heavy Crude Oil stored at the Honeysuckle Battery. Natural Gas production at 5-29 Facility will be suspended during a week due to temporal closure of ATCO line.
- Based on mid-stream processing. The facility was shut-in due to contamination by the customers gas entering the facility. This is being resolved by the customer, Nordcon. Mid-stream processing expected to be back online by December 15th, 2024.
- Insurance refund is based on two reporting policies for previous 4 years that have not been previously filed. Receipt date is expected by December 29, 2024.
- Royalties from production paid on the following week after the revenues are received.
- Transportation costs paid on the following week after the revenues are received.
- Operation costs for production include operating costs other than the contract operator and transportation.
- Contract operator costs relates to the company's sole operator for managing all wells, pipelines and facilities operated by the company
- Capex refers to the repairing and maintenance of the wells and facilities to resume production and revenue
- Salaries & Benefits relate to two employees for accounting and administrative duties.
- Consulting fees relate to the CEO at \$1,500 bi-weekly and CFO at \$5,000 plus GST paid monthly.
- Insurance relates to the initial payment on new insurance policy.
- Professional fees includes estimates for the proposal trustee, proposal trustee's legal counsel and Avila Energy Corporation's legal counsel.
- Miscellaneous expenses relate to other costs not categorized above such as the company's share transfer agent, monthly charges for technical support plans and any other general administrative costs not readily identified.

Appendix B

Avila Energy Corporation

Projected Cash Flow Statement

Period ending January 6 to March 2, 2025

Fourth Cash Flow Statement	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Total	Notes	
(CAD\$)	Week Ending	12-Jan	19-Jan	26-Jan	2-Feb	9-Feb	16-Feb	23-Feb	2-Mar		
Receipts											
Net production revenue				\$ 58,728					\$ 162,125	\$ 220,853	1
Other receipts	65,000									65,000	2
Insurance Refund										-	
Total - Receipts	65,000	-	58,728	-	-	-	-	-	162,125	\$ 285,853	
Disbursements											
Royalties										-	
Transportation costs				8,473				8,473		16,945	3
Operating expenses				3,000				4,000		7,000	4
Contract operator				10,000				10,000		20,000	5
Capex	57,500			5,000						62,500	6
Salaries & Benefits				2,500				2,500		5,000	7
Consulting Fees				9,000				9,000		18,000	8
Insurance										-	9
Professional fees				20,000				60,000		80,000	10
Miscellaneous		4,148		3,000				3,000		10,148	11
Total - Disbursements	57,500	4,148	60,973	-	-	-	-	96,973	219,594		
Net cash flow	\$ 7,500	\$ (4,148)	\$ (2,245)	\$ -	\$ -	\$ -	\$ -	\$ 65,152	\$ 66,258		
Opening cash	458	7,958	3,810	1,565	1,565	1,565	1,565	1,565	458		
Ending cash	\$ 7,958	\$ 3,810	\$ 1,565	\$ 1,565	\$ 1,565	\$ 1,565	\$ 1,565	\$ 66,717	\$ 66,716		

Avila Energy Corporation
Per: Donald Benson, CEO

Avila Energy Corporation
Per: Lars Glimhagen, CFO

Avila Energy Corporation

Projected Cash Flow Statement

Period ending January 6 to March 2, 2025

Notes:

Management of Avila Energy Corporation has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of Avila Energy Corporation during the period of January 6, 2025 to March 2, 2025. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in Notes 1-11. Consequently, actual results will likely vary from actual performance and such variances may be material.

- 1** Based on production (net of royalties) of approximately 1,100 mcf/d of gas plus 138 bbl/d of condensate for December 2024, to be received on January 25, 2025. Mid January, the Company expects to bring an additional production online which includes 1,500 mcf/d of gas and 20 bbl/d of oil.
- 2** Forward gas sale agreement whereby an investor will advance the Company \$65,000 based on future gas production. These amounts are to be repaid (with interest) by March 25, 2025.
- 3** Transportation costs paid in the same week that revenues are received.
- 4** Operation costs for production include operating costs other than the contract operator and transportation.
- 5** Contract operator costs relates to the company's sole operator for managing all wells, pipelines and facilities operated by the company
- 6** Capex refers to the repairing and maintenance of the wells and facilities to resume production and revenue. The funding for these expenses are being funded by the Forward gas sale agreement.
- 7** Salaries & Benefits relate to two employees for accounting and administrative duties, shown on a gross basis and inclusive of source deductions.
- 8** Consulting fees relate to the CEO at \$3,000, CFO at \$3,000 and Operations Manager at \$3,000.
- 9** The Company is in discussions with its insurance provider to determine its go forward insurance expenses. At this time, the instalment payments during the forecast period are not known and therefore not included. The Company's current policies will expire on October 25, 2026.
- 10** Professional fees includes estimates for the proposal trustee, proposal trustee's legal counsel and Avila Energy Corporation's legal counsel.
- 11** Miscellaneous expenses relate to other costs not categorized above such as the company's share transfer agent, monthly charges for technical support plans and any other general administrative costs not readily identified.
Payment of \$4,148,20, showing in week ending January 19, 2025 is payment of overdue post NOI filing date source deductions.