



Clerk' Stamp

COURT / ESTATE FILE NUMBERS

B301-131451
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

COM
April 28, 2025

AND IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF
AVILA ENERGY CORPORATION

APPLICANT

FTI CONSULTING CANADA INC., IN ITS
CAPACITY AS THE PROPOSAL TRUSTEE

DOCUMENT

APPLICATION

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

MILLER THOMSON LLP
Barristers and Solicitors
525-8th Avenue SW, 43rd Floor
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Attention: Dustin L. Gillanders/James W. Reid
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jwreid@millerthomson.com

File No.: 0287592.0001

NOTICE TO RESPONDENT(S):

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the application judge / judge.

To do so, you must be in Court when the application is heard as shown below:

Date	<u>April 28, 2025</u>
Time	<u>3:00 p.m.</u>
Where	<u>Calgary Courts Center Via WEBEX</u>
Before Whom	<u>The Honourable Justice R. W. Armstrong</u>

Go to the end of this document to see what else you can do and when you must do it.

Remedy claimed or sought:

1. All capitalized terms otherwise not defined herein shall have the meaning ascribed to them in the Proposal (defined herein).
2. The Applicant, FTI Consulting Canada Inc. ("**FTI**" or the "**Proposal Trustee**") in its capacity as the Proposal Trustee of Avila Energy Corporation seeks an Order substantially in the form attached hereto as **Schedule "A"** granting the following relief:
 - (a) abridging if necessary, the time for service of this notice of application and the notice of hearing contemplated in Section 58(b) of the BIA (the "**Application**") and declaring that this Application is properly returnable on the day heard, if necessary, and further service of this Application, is hereby dispensed with;
 - (b) declaring that the Division I proposal filed by the Proposal Trustee on behalf of Avila Energy Corporation (the "**Proposal**"), which was accepted by the required majority of creditors, is fair and reasonable;
 - (c) approving the Proposal in accordance with section 58 and 60(5) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the "**BIA**");
 - (d) declaring that notwithstanding sections 60(2) and 60(3) of the BIA, the New Shares shall be issued and transferred by a designated transfer agent with the oversight of the Proposal Trustee and completion shall be evidenced by a certificate filed by the Proposal Trustee; and
 - (e) such further and other relief as counsel may request and this Honourable Court may deem appropriate.

Grounds for making this Application:

NOI Proceedings

3. On September 20, 2024, Avila filed a Notice of Intention to Make a Proposal with the Official Receiver on September 20, 2024 (the "**NOI Proceedings**"). FTI consented to act as proposal trustee in the NOI Proceedings.
4. Pursuant to section 50.4(8) of the BIA, the initial stay period under the NOI Proceedings was from September 20, 2024 to October 20, 2024.

5. On October 18, 2024, on application by Avila, the Court of King's Bench of Alberta (the "**Court**") granted an Order extending the time for filing a proposal pursuant to section 50.4(9) of the BIA up to and including December 2, 2024.
6. On November 27, 2024, on application by Avila, the Court granted a further Order extending the time for filing a proposal pursuant to section 50.4(9) of the BIA up to and including January 16, 2025.
7. On January 13, 2025, on application by Avila, the Court granted a further Order extending the time for filing a proposal pursuant to section 50.4(9) of the BIA up to and including March 2, 2025.

Proposal and Amendments

8. On February 28, 2025, FTI filed the Proposal with the Office of the Superintendent of Bankruptcy.
9. FTI sent notice of the Creditors' Meeting to the Creditors of Avila.
10. On March 21, 2025, the Proposal Trustee held the Creditors' Meeting pursuant to section 51(1) of the BIA for the Affected Creditors to consider and vote on the Proposal by teleconference.
11. The Proposal was passed with the requisite majority required by section 54(2)(d) of the BIA.
12. The Proposal contemplates the issuance of New Shares of Avila to the Unsecured Creditors.
13. In addition to the acceptance of the Proposal and the Court's approval, the Proposal is conditional on 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 Avila on the Canadian Securities Exchange and the ability of Avila to issue the New Shares on or before April 11, 2025.
14. The Cease Trade Order was not or will not be lifted by April 11, 2025 and Avila has not met the conditions to proposal implementation. Avila requests an amendment of section 7.1(c) of the Proposal to June 30, 2025 to obtain sufficient time to lift the Cease Trade Order. Avila requires a further amendment to section 7.1(c) such that the date of the

trading of shares and the issuance of New Shares be amended from April 11, 2025 to on or before September 30, 2025.

15. Additionally, the Canada Revenue an unsecured creditor in respect of certain of its claims is not permitted by law to take any New Shares. As such, Avila shall amend the Proposal to include that the Canada Revenue Agency is an Unaffected Creditor in respect of its unsecured claims.
16. The amendments being sought are minor and immaterial. Further, no Creditors are prejudiced by the amendments.
17. Avila has contacted the first secured creditor regarding the amendments and as at the date of filing has not received any opposition.
18. Pursuant to section 9.1 of the Proposal, Avila with the Proposal Trustee's consent 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.
19. The requirements of the BIA have been satisfied. Specifically:
 - (a) The terms of the Proposal are fair and reasonable;
 - (b) The terms of the Proposal are calculated to benefit the general body of creditors of Avila;
 - (c) The Proposal is made in good faith; and
 - (d) The formalities of the BIA have been complied with and the terms required by the BIA to be included in the Proposal are contained therein.
20. Avila has not committed any of the offences mentioned in sections 198 to 200 of the BIA and none of the facts referred to in section 173 have any application to Avila.

Material or evidence to be relied on:

21. The Fourth Report of the FTI, to be filed.

22. Such further and other materials as counsel may advise and this Honourable court may permit.

Applicable rules:

23. *Alberta Rules of Court*, Alta Reg 124-2010.
24. *The Bankruptcy and Insolvency General Rules*, CRC, c. 368 section 3.
25. Such other Rules as counsel may refer to or that this Honourable Court may permit.

Applicable Acts and regulations:

26. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, including Division I of Part III, and without limitation, sections 58 and 59 .
27. Such further and other Acts and Regulations as counsel may advise and this Honourable Court may permit.

Any irregularity complained of or objection relied on:

28. None.

How the application is proposed to be heard or considered:

29. On the Commercial List, via Webex before the Honourable Justice R. W. Armstrong.

WARNING

You are named as a respondent because you have made or are expected to make an adverse claim in respect of this originating application. If you do not come to Court either in person or by your lawyer, the Court may make an order declaring you and all persons claiming under you to be barred from taking any further proceedings against the applicant(s) and against all persons claiming under the applicant(s). You will be bound by any order the Court makes, or another order might be given or other proceedings taken which the applicant(s) is/are entitled to make without any further notice to you. If you want to take part in the application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of this form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.

SCHEDULE "A"

Proposed form of Order

COURT / ESTATE FILE NUMBER 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

APPLICANT FTI CONSULTING CANADA INC., IN ITS CAPACITY
AS THE PROPOSAL TRUSTEE

DOCUMENT **ORDER**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT MILLER THOMSON LLP
Barristers and Solicitors
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File 0287592.0001
No.:

DATE ON WHICH ORDER WAS PRONOUNCED: April 28, 2025

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary Courts Centre

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice R.W. Armstrong

UPON THE APPLICATION by FTI Consulting Canada Inc. in its capacity as the Proposal Trustee in the Division I Proposal (in such capacity, the “**Proposal Trustee**”) of Avila Energy Corporation. (“**Avila**”) for an Order approving the Proposal (defined below) (the “**Approval Application**”) pursuant to section 58 and 60(5) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the “**BIA**”);

AND UPON HAVING READ the previously filed Reports of the Proposal Trustee, and the Fourth Report of the Proposal Trustee dated April 17, 2025 (the “**Fourth Report**”);

AND UPON HAVING READ the Proposal filed with the Office of the Superintendent of Bankruptcy Canada (the “**OSB**”) on February 28, 2025 (the “**Proposal**”) and described to the general meeting of creditors on March 21, 2024 (the “**Creditors’ Meeting**”);

AND UPON being satisfied that the Proposal was made in good faith, and that its terms are reasonable and calculated to benefit the general body of creditors;

AND UPON HEARING the oral submissions of counsel for the Proposal Trustee and any other interested party;

IT IS HEREBY ORDERED THAT:

DEFINITIONS

1. All capitalized terms used herein that are not otherwise defined have the meaning ascribed to them in the Proposal or the notice of Application for this Order, as applicable.

SERVICE

2. With respect to service of the Approval Application and all accompanying materials, the dissemination of Avila’s Proposal to its creditors (the “**Creditors**”), the service of notice of the Creditors’ Meeting, and all other matters of technical compliance under the BIA:
 - (a) service of this notice of the Approval Application and all supporting materials is abridged and is hereby deemed to be good and sufficient;
 - (b) service of the Fourth Report, providing the Proposal Trustee’s report of the Creditors’ Meeting to the OSB following the Meeting as required by section 58(c) of the BIA is abridged and is hereby deemed good and sufficient;
 - (c) the dissemination of the Proposal and all accompanying materials to the Creditors has been duly effected;
 - (d) proper notice of the Creditors’ Meeting was duly given to all Creditors entitled to vote at the Meeting;
 - (e) the Creditors’ Meeting was duly convened and held in accordance with the provisions of the BIA; and

- (f) the distribution of the necessary materials for the Meeting is hereby deemed good and sufficient.

APPROVAL OF THE PROPOSAL

3. The Proposal is made in good faith and its terms are fair and reasonable and are calculated to benefit the general body of Creditors.
4. The Proposal has been agreed to and approved by a majority in number and two-thirds in value of the Affected Creditors present and voting either in person or by proxy at the Creditors' Meeting, as required by the BIA.
5. The Proposal attached hereto as **Schedule "A"** as it has been amended by this Court, is hereby approved and sanctioned, is effective in accordance with its terms and is binding upon and enures to the benefit of Avila, the Affected Creditors, and all other persons and parties named or referred to in, affected by, or subject to the Proposal, including their respective heirs, administrators, executors, legal representatives, successors and assigns, as provided in the Proposal, and in this Order.
6. Pursuant to and in accordance with the Proposal, all Proven Claims of the Unsecured Creditors shall be final and binding on Avila and all other Claims shall be and are hereby forever extinguished, except for the Unaffected Claims.
7. Avila and the Proposal Trustee are hereby authorized and directed to take all further actions or steps necessary or appropriate to implement and complete the Proposal, including but not limited to issuing the New Shares, and making any payments and distributions required to be made under the terms of the Proposal, and such steps and actions taken are hereby approved.
8. From and after the date of the Proposal, each Creditor of Avila and any person affected by the Proposal shall hereby be deemed to have consented and agreed to all of the provisions of the Proposal.

ISSUANCE OF NEW SHARES

9. Notwithstanding sections 60(2) and 60(3) of the BIA, the New Shares shall be issued and transferred by a designated transfer agent with the Proposal Trustee's oversight, and at no point shall the Proposal Trustee have physical control of the New Shares.

10. The Proposal Trustee shall file a certificate with this Court once it has reviewed and confirmed that the transfer agent has issued the New Shares in accordance with the Proposal.

GENERAL

11. Avila and the Proposal Trustee are hereby granted leave to apply to this Court for such further advice and direction or assistance as may be necessary to give effect to the terms of this Order and the Proposal.
12. Pursuant to the BIA, this Order shall have full force and effect in all provinces and territories of Canada against all persons, firms, corporations, governmental, municipal and regulatory authorities against whom it may be enforceable.
13. This Court hereby requests the aid and recognition of any court, tribunal, regulatory, or administrative body having jurisdiction in Canada or in any of its provinces or territories or in any foreign jurisdiction, to act in aid of and to be complimentary to this Court in carrying out the terms of this Order, to give effect to this Order, and to assist the Proposal Trustee and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such order and to provide such assistance to the Proposal Trustee, as an officer of the Court, as may be necessary or desirable to give effect to this Order or to assist the Proposal Trustee and its agents in carrying out the terms of this Order.
14. Each of Avila or the Proposal Trustee, shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

SERVICE OF ORDER

15. Service of this Order shall be deemed good and sufficient by:
 - (a) serving the same on:
 - (i) the persons listed on the service list created in these proceedings;
 - (ii) any other person served with notice of the Approval Application;

- (iii) any other parties attending or represented at the Approval Application; and service on any other person is hereby dispensed with.

16. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.

Justice of the Court of King's Bench of Alberta