Avila Energy Corporation

Form 51-102F1
Amended Management's Discussion and Analysis

For The Three and Nine Months Ended September 30, 2022, and 2021

GENERAL

Management's Discussion and Analysis ("MD&A" or "Report") of the financial condition of Avila Energy Corporation. ("Avila" or the "Company") and results of operations of the Company for the three and nine months ended September 30, 2022, has been prepared by management in accordance with the requirements under National Instrument 51-102 as of March 22, 2023, (the "Report Date"). The Report should be read in conjunction with the Unaudited Interim September 30, 2022. Financial Statements and the Condensed Audited Financial Statements for the years ended December 31, 2021, and 2020 (collectively, the "Financial Statements"). The Financial Statements are presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and Avila's accounting policies as described in the notes to the Financial Statements. All dollar amounts in the Report are in Canadian dollars unless otherwise noted.

This MD&A has been prepared by management and approved by the Board of Directors on March 22, 2023.

The Financial Statements, together with the MD&A, are intended to provide investors with a reasonable basis for assessing the performance and potential future performance of the Company and are not necessarily indicative of the results that may be expected in future periods. The information in the MD&A may contain forward looking statements by the Company are not guarantee of future performance, as they are subject to significant risks and uncertainties that may cause projected results or events to differ materially from actual results or events. Please refer to the risks and cautionary notices of this MD&A. Additional information about the Company and its business activities is available on SEDAR at **www.sedar.com**.

FORWARD LOOKING INFORMATION

Some statements contained in this MD&A constitute forward looking statements including, without limitation, anticipated developments in the Company's operations in future periods and other events or conditions that may occur in the future. These statements are about the future and are inherently uncertain and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties, and other factors, including, without limitation, those mentioned herein under heading "RISKS AND UNCERTAINTIES". Management believes that the expectations reflected in those statements are reasonable, but no assurance can be given that these expectations will prove to be correct. It is recommended not to place undue reliance on forward looking statements as the plans, intentions, or expectations upon which they are based might not occur. The Company undertakes to update any forward-looking information should the material factors or assumptions change resulting in a material change to the statements made.

For the purposes of calculating unit revenues and costs, natural gas is converted to a barrel of oil using six thousand cubic feet equal to one barrel unless otherwise stated. A barrel is a very approximate comparative measure that, in some cases, could be misleading if used in isolation.

DESCRIPTION OF BUSINESS

The Company is reporting company registered in Alberta under the Business Corporations Act and has its records and principal address located at 1439 17th avenue SE, Suite 201, Calgary, Alberta.

On December 3, 2021, the Company changed its name to Avila Energy Corporation, formerly known as PetroViking Energy Inc.

On March 10, 2023, the Company decided to write off the Acquisition in Northeast British Columbia. The Company's assets consist of the West Central Alberta (WCA) assets.

The WCA acquisition closed on September 1, 2022 after the assessment. See below for the details. On August 18th, 2022, the Company's updated their reserves evaluation ("Evaluation") by its independent Qualified Reserves Evaluators ("QRE"); Deloitte LLP, who was engaged to complete an evaluation of 100% of the Company's consolidated interests, only in West Central Alberta are based on 41,873 acres (net) of a total of 43,659 acres (gross) including 51.43 wells (net) and 52.37 wells (gross), and 2 facilities. The Company received this independent Evaluation in accordance with the COGE Handbook from the QRE. The Company's Proven plus Probable basis (2P) in West Central Alberta are 3,959,700 boe valued at $38.3 million in future cash flows based on a net present value discounted 10% before income taxes *(NPV10% BT).* The $38.3 million is an estimate of future cash flows and do not represent fair market value. The Evaluation** completed by the QRE was based on the Company's current assets in, the following reserves and before tax values being assigned to the Company by the QRE:

	West Central Alberta	
Category	**BOE**	**NPV 10% BT**
Proven Developed Producing (PDP)	680,000	$7,098,200
Proven Developed (PD)	1,244,400	$12,939,600
Total Proven (TP)	2,830,800	$28,136,500
Total Proven + Probable (2P)	3,959,700	$38,300,000

DESCRIPTION OF BUSINESS (continued)

**Based on the QRE (Deloitte LLP) published Price Deck dated June 30, 2022, a summary of which is as follows:

(i) The QRE prepared an independent evaluation of reserves and future net revenues derived from, the Petroleum and Natural Gas assets interests of Avila according to the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook"); and

(ii) As required, these reserves and future net revenues were estimated using forecast prices and costs (before and after income taxes) according to the requirements of National Instrument 51-101 ("NI 51-101"). The effective date of this evaluation is July 1, 2022. The acquisition of the WCA properties did not close prior to the effective date of this report. The closing date of the WCA acquisition is September 1, 2022.

The Company's reserves are based on an initial capital program totaling $13.7 million to be completed on an organic basis, from the working capital and future cash flow, the upgrade of 2 facilities and the remediation of 6 wells, 5.7 wells (net). And the drilling of 18 wells, 17 wells (net) The Capital budget for the drilling Proven Developed program as of March 14, 2023 is approximately $0.8 million resulting in production growing to average 1,084 boe/d, followed by the drilling program of 18 wells in the 3rd quarter of 2023 growing production to an average rate of 1,500 boe/d for the balance of 2023.

Upon the completion of the aforesaid facilities upgrades and remediation of the shut-in proven developed assets, pursuant to the Evaluation, the Company is projected to be producing approximately 1,500 boe/d (net) 95% natural gas and liquids, 5% oil, all production is based on a 6:1 gas/oil ratio (1bbl = 6 mcf) per boe. In 2023 and working towards 2,000 boe/d in 12 months, Upon the consolidation of all operations in West Central Alberta (WCA) and the Company's petroleum and natural gas reserves and associated developed mineral rights are projected by management to have a book value of approximately $1.80 per boe including the recognition of all the Company's asset retirement obligations ("ARO") as defined under IFRS.

The Evaluation on an undiscounted basis determined that the Company's future net income from its proven and probable reserves is $68.6 million, net of the assumption of all operating costs, royalties, budgeted capital expenditures and accrued decommissioning obligations. This determination is based on an average future price of CDN $5.46 per mcf/d for natural gas and CDN $80.52/barrel for oil.

The Company's natural gas, liquids and oil production are currently unhedged (and anticipated to remain so), with all future drilling programs budgeted to be funded from current and future cash-flow upon the completion of the budgeted facilities upgrades and remediation of the Company's 18 (net) well remediation and workover program, 6 wells in Alberta.

WCA Acquisition

On March 17, 2021, the Company completed the acquisition of mineral rights that resulted in the Company holding a 50% interest in 7,680 acres of mineral rights, (3,840 acres net) within its currently held mineral rights in WCA. Upon the completion of this acquisition in the 4th quarter of 2021 the Company advanced it's evaluation of the assets, identifying an additional 5 booked and 10 un-booked potential locations of the 5 locations (2.5 Net) have been booked, 2 locations being Proven (1.0 Net) and 3 locations being Probable (1.5 Net) increasing significantly both Proven and Probable reserves. The Gross Purchase Price was $285 per acre, with the total net cost to Petro Viking, being $747,640 including administrative fees from its Joint Venture partner of approximately $10,000. The mineral rights acquired are strategically located within a proven region where the mineral rights acquired are economically producing from the Belly River, Viking, Ellerslie, Duvernay and Wabamun.

On June 14, 2021, the Company entered into a binding agreement for the purchase of interest in 53,835 Acres, 43,935 (Net) of mineral rights (the "Acquisition"). On September 1, 2022, the Company completed the acquisition. The consideration paid of $23,820,800 for the Acquisition was by way of the issuance of 44,440,000 Class A common shares the "Common Shares") at $0.32 per share and 30,000,000 convertible preferred shares (the "Convertible Shares") convertible at a price of $0.32 per share. The Convertible Shares will have a term of five years (5) and earn an accruing annual dividend at a rate of two percent (2%), payable upon conversion. The Conversion of the Convertible Preferred Shares at the election of the holder can only occur after one of three milestones has been achieved: a) the Company exceeds the production rate of 3,000 BOE/d, b) the Common Shares trade at a volume weighted average price (VWAP) of more than $1.00 per share for twenty (20) consecutive business days or c) the second- year anniversary since the issuance of the Common Shares has occurred. At maturity upon the fifth anniversary of their, issuance, the Convertible Shares are automatically redeemed on a 1:1 basis along with any accrued dividends through the issuance of Common shares in exchange for the Convertible Preferred Shares.

On June 30th, the Company was re-listed and commenced trading on the Canadian Securities Exchange (CSE) at which point the Company took measured steps and continued to advance the business plan in anticipation of the approval and closing of the acquisition in West Central Alberta.

On August 31st the Company held a Special Meeting to Vote on the approval of the Acquisition proposed for 100% of the assets in WCA. The Company on August 31, 2022, received proxy votes from shareholders approving the Acquisition representing

DESCRIPTION OF BUSINESS (Continued)

WCA Acquisition (Continued)

60.21% of the Company's issued shares with 98.86% of the proxy votes received being in favor of the Acquisition. Following the approval, an application for court approval was prepared including the results which were presented to the Justice at the Court of King's Bench of Alberta on September 13th, 2022. The courts approval signified the closing of the acquisition, in WCA, taking effect September 1, 2022. The Company identifies the trends and risks that have affected the financial statements, and future trends and risks that are likely to affect them as the following:

1. Gas prices in North America are trending upwards in comparison to 2021. By acquiring the WCA properties, which is approximately 18% heavy oil, 80% natural gas and 2% natural gas liquids, the acquisition increases the Company's revenues and cash flow.
2. The increasing production rates in the WCA properties contribute to the reduction in the Company's overall cost of production and general administrative costs per boe/d.
3. Risk of natural gas prices decreasing, due to over-supply, resulting in reduced revenues, margins and cashflow.
4. Seasonal prices for natural gas can potentially result in greater volatility in the Company's revenues, margins and cashflow.
5. The Company's current oil production and future oil developments planned are expected to be a counter to the volatility in pricing associated with Natural Gas production.
6. The company increases their production of oil by acquiring the WCA assets which diversifies the Company's revenue stream. A decrease in natural gas prices will not necessarily decrease the Company's oil revenue and a decrease in oil prices will not decrease the Company's natural gas revenue.

NEBC Acquisition

On June 26, 2022, the Company participated in a Joint Venture with its partner, 611890 Alberta Inc and acquired a 7% of interest in oil and gas properties in the northeast British Columbia Area ("NEBC"). As of September 30, 2022, the Company, through its initial Joint Venture with its Partner, 611890 Alberta Inc. acquired an additional 17%, for a cumulative total of 24%. On December 1, 2022, the Company acquired the remaining 76% interest for a cumulative total of 100%. The total amount paid to 611890 Alberta Inc. was $2,400,000. The acquired oil and gas interest was valued at $7,600,044 and the assumption of $21,497,890 in decommissioning liabilities based from the British Columbia Government amount disclosed to the Company that includes amounts for 4 facilities and 111 wells that are either shut in or producing. The joint venture in NEBC is a related party transaction under the definition found in IFRS IAS 24 due to Leonard B. Van Betuw being a member of the key management personnel of the Company and the joint venture partner, 611890 Ltd. In November of 2022 the initial assessment completed by the BCOGC was completed and a deposit of $11,800,000 was requested by BCOGC to be posted by the Company. At this time the Company requested the BCOGC to complete a review of the assessment based on the 600% increase of $1,800,000 that was currently held as security for the assets, representing a material difference. The seller and the buyer both recognized that the assessment was materially more than what was contemplated and agreed to extend the post-closing conditions for the transfer, at which time Avila agreed to advance an additional non-refundable deposit of $3,000,000 as part of an understanding that with more time the Seller will submit all of the decommissioning activities completed in 2022 by the seller on behalf of Avila as the buyer to the BCOGC as part of a request to the BCOGC recompletion the assessment including the work in progress that underway in the months of January and February of 2023. Therefore, the Company, withdrew from the NEBC acquisition and will write off of $5,400,000 which is the $2,400,000 consideration paid to 611890 Alberta Inc and the $3,000,000 advance to the Seller.

Development of the Company's "Carbon Capture and Sequestration plan":

The Company has not submitted a proposal for a CCUS or CCS project to the Government of Alberta. In Western Central Alberta, Avila's projected levels of Carbon Capture and Sequestration are to be part of our secondary and production programs in our existing oil fields currently in their primary production phase. **The Company plans** to initiate the engineering in 2023 and expects the engineering to be completed by the end of 2023. By the end of 2023, the Company expects the completion of our CRCE expenditures. Then the application would be submitted to the Government of Alberta.

Avila's Carbon Capture and Sequestration plans are in the initial phases of development. The objectives and milestones with respect to Carbon Capture and Sequestration is the following:

Configuration of the Equipment - $1,200,000 to be used to complete the modeling and configuration of the natural gas fired turbine generators which is to be integrated with the installation of heat and exhaust recovery equipment. The purpose of this equipment will to integrate the proposed Amine Plant to be located on site. The commercial suitability is to be determined by the amount of CO2 to be recovered and combined with the Company's future secondary oil recovery and the associated sequestering of CO2 in the Company's Rex oil field being current in the early stages of development and located in the same area as the Carbon Capture facility in West Central Alberta, all prior to June 30, 2023.

DESCRIPTION OF BUSINESS (Continued)

I. Construction of the Temporary Road- $200,000 to be used to prepare the right way for the installation of the power generation associated carbon capture equipment prior to September 30, 2023, in advance of the completion of this work, the Company will be completing a site survey and solicitation for the completion of the work.

II. Site Preparation and Approvals - $600,000 to be used for the negotiation of the proposed inter-connect of the power generation, as well as the approvals, access and site preparation for the sale of power.

To do the above, Avila currently has access to a site that is associated with its 100% owned and operated facilities, as well as a low-pressure natural gas gathering system and high-pressure sales pipelines that are associated with its oil and natural as production in the region. This provides Avila the foundation to complete a Carbon Capture and Sequestration program in the West Central Alberta area. The cost for the construction of an integrated closed system on site is estimated at $12,000,000 and expected to commence in 2024 or 2025.

Vertically Integrated Energy Business

On November 14, 2022, the Company announced the launch of its Vertically Integrated Energy Business, being to target its first direct-to-consumer sales in North America in 2023 and net zero tier 3 (scope 3) CO2 emission energy deliveries in 2027. Notwithstanding this launch, the Company will continue to primarily focus its activities to operate in the oil and gas sector of the energy business and will start to develop business downstream only when economically feasible. Avila Energy has obtained from MTT the preferred licensing rights to manufacture, sell, lease, and service the "EnerTwin" in Canada and the United States (the "Licensing Rights"). The launch of Avila Energy's "Vertically Integrated Energy Business" is supported by over 10 years of investment in research and development, including a 2.5 million Euro cash investment made by 611890 Alberta Inc in MICRO TURBINE TECHNOLOGY ("MTT").

611890 Alberta Inc. sold the preferred license agreement to the Company for $8,228,111 CAD. During 2022, the Company has advanced $2,340,000 to 611890 Alberta Inc. for the investment in MTT. On January 31, 2023, a new agreement was signed between MTT and the Company. The Company will receive a 15% equity stake in MTT and will assume the outstanding loan balance of $2,500,000 Euro from 611890 Alberta Inc. Once the Company advances the $2,500,000 Euro to MTT, the Company will receive an additional equity share in MTT of 15% for a combined total of 30%. The Company will have to reimburse 611890 Alberta Inc for their initial cash investment of $2,500,000 Euro which is $3,600,000 CAD, ($2,500,000 times a foreign exchange rate of 1.44 equal to the rate on January 31, 2023) less the payments made in 2022 of $2,340,000 by the Company to equal a total outstanding balance owing to 611890 Alberta Inc. of $1,260,000.

In the 2nd quarter, the Company plans to submit their application to the Canadian Standards Association (CSA). After the CSA completes its review of the application submitted by the Company for approval of the EnerTwin and their review of the KIWA Certification in support of this application for CSA certification of the "EnerTwin" product line in Canada, the Company is positioning itself to commence manufacturing and initial deliveries in late 2023 in Canada for 2024. The timeline to commence manufacturing is contingent upon CSA approval which could take longer than anticipated resulting in delays to the anticipated manufacturing commencement date.

Upon the receiving CSA approval, the sale and distribution of the "EnerTwin" in the United States is automatically UL approved by way of the agreements between Canada and the United States.

The Company is advancing negotiations at its current location for warehousing, manufacturing, monitoring and support services in North America and expects to finalize negotiations in the 3rd quarter of 2023.

Avila Energy's launch of its Vertically Integrated Energy Business is based on MTT's proven technology of the EnerTwin and is an opportunity to strengthen Avila's activities in the field of integrated energy supply to energy consumers with a high-tech micro-CHP generation system. The growing collaboration complements Avila's portfolio in the most meaningful way possible and is a reassuring step towards its vision of delivering a vertically integrated energy solution.

The Company's overview of the development of the Vertically Integrated Energy Business are the following:

1) 2nd quarter of 2023 the preparation and filing of the application for the Canadian Standards Association ("CSA") and Underwriter Laboratories ("UL") Certifications for the EnerTwin in North America, based on past applications for CSA approval of KIWA certified equipment. KIWA is a member of NVCi – the Dutch Association of Certification services. NVCI is the branch organization for certification and inspection in the Netherlands. The Company has estimated that this process is anticipated to 10-12 months in duration. 1st half of 2023 the commencement of pre-sales and servicing of the EnerTwin that are conditional on the Company attaining CSA and UL approval. In the event that the CSA and UL approval is not attained, the sales would be refunded to customers.

DESCRIPTION OF BUSINESS (continued)

Vertically Integrated Energy Business (Continued)

2) The development of the Company's manufacturing of the EnerTwin, including the assembly or 3rd part manufactured sub-assemblies and the final testing prior to shipping to the customer. The ramp up of this manufacturing facility is to be completed in parallel to the CSA approval, with the first 100 installations being demonstration installations to be replace by CSA approved equipment within targeted markets in North America utilizing the EnerTwin as KIWA Certified equipment.
3) Initial contracts are anticipated to be executed 3 months after receiving CSA Certification.

The Company's Vertically Integrated Energy Business is based on the following assumptions:

- Motivation for Customer Adaptation:
  a) Power, Heat, Cooling and Daily Transportation in one invoice;
  b) Reduce Consumers Carbon footprint by 40% and save the consumer money;
  c) Mitigates concern for brownouts and protection from increasing transmission fees;
  d) Fixed Contract plus only an annual inflation adjustment; and
  e) Capacity to transition to Hydrogen in the future.

- The Company's long-term goal is to allocate a portion of its natural gas production to its newly acquired customers as a source of fuel with the cost of energy being billed to the customer at a fixed price plus an annual inflation rate adjustment. The Company's strategy is to include the delivery of fuel and the maintenance, under long-term contracts that offers price stability. The Company plans to continue to still sell their current suite of customers in addition to the newly acquired customers from the Vertically Integrated Business.

- Fuel is to be delivered from centralized locations by way of refrigerated compressed natural gas in certified (under existing transportation laws as Liquids, Petroleum, Gas) insulated storage containers.

- The Company assumes early market development will qualify for government subsidies both in Canada and the United States as an efficient upgrade and or substitute for current heating and cooling. For example, the Company anticipates that the EnerTwin will qualify under the existing Canadian Greener Homes Program which will offer rebates on eligible home retrofits.

The Company will be using the proceeds from the $8,000,000 funds raised from flow through shares for Canadian renewable and conservation expenses, more specifically to advance its Vertically Integrated Energy Business a combination of tier 1, tier 2, and tier 3 carbon dioxide (CO2) emissions reductions; incurring the completing work associated with the CRCE eligible expenditures, the Company's objectives and milestones with respect to the integration of sales of EnerTwin microturbines is the following:

- To establish the foundation for the sale of a total of 1,000 installations in 2024 upon completing the data analysis, configuration of the equipment to be used and preparation of the site for the installation of the EnerTwin at an average cost of $6,000 per location. The assumption of 1,000 units in a region is based on a potential site that the Company identified in southern Alberta that is capable of and contains the capacity for 1,000 units to be installed. There is a risk that the site could no longer be feasible, but the company would look for a similar site. There is a risk that the number of locations could be lower in a region due to a lack of customer demand.

  I. Data Analysis - $1,500,000 will require the collection of information of more than 1,000 potential customer's current power, heating, and cooling needs. Prior to June 30 of 2023, the Company anticipates using the data to determine the commercial suitability of each potential customer's location. The commercial suitability is determined by usage, carbon footprint reduction and proximity to the Company natural gas distribution hubs.

  II. Configuration of the Equipment - $2,500,000 to be used to complete the modeling and configuration of the heating, chilling, and storage batteries with the EnerTwin in prior to September 30, 2023. The successful integration of the equipment will result in commercially viable supply of off Grid Power, Heating, Cooling, and the Supply of natural gas as a fuel, including the options to charge an electric vehicle.

  III. Site Preparation and Approvals - $1,000,000 to be used for the site preparation to clear the land in advance of the installation of up to 1,000 sites for the storage and the tie-in of insulated natural gas storage containers, prior to December 31, 2023. The 1,000 sites are for residential homes in which the Company would enter into an agreement with a developer and builder. The Company would be installing the EnerTwin units into each residential home. There are a number of risks in relying on other parties to progress the development as the following:

DESCRIPTION OF BUSINESS (continued)

Vertically Integrated Energy Business (Continued)

a. Permitting requirements – there is a risk that the developer and builder do not attain a building and development permit. The company has found land zoned for residential construction but there is a risk the Company is unable to close the deal.
b. Timing – relying on other parties could cause timing delays and drive-up costs and prevent the Company from reaching milestones and targets.
c. Costs – relying on other parties could cause cost increases that are out of the Company's control.
d. Installation permits – there is a risk that the Company is unable to obtain installation permits from the government.
e. CSA approval – there is a risk that the EnerTwin does not receive CSA approval. There is a risk that the CSA approval is delayed which would drive up costs, cause timing delays and prevent the company from reaching milestones and targets.
f. Market risk – there is a risk that interest rates increase which would drive down demand for customers to purchase the residential homes. Also, if demand is lower for residential homes, there is a risk that 1,000 units are not sold in 2024 which would cause timing delays and prevent the company from reaching milestones and targets.
g. Collection risk – there is a risk of not collecting all of the proceeds from the sales of 1,000 units.

IV. Installation costs Analysis - The Company will need to make the determinations respecting the installation cost of installing each micro turbine into residential homes meets the criteria of making a service connection because each micro turbine will transmit electricity to each customer.
Cost: 1,000 locations at an average cost of $2,000 per location. Anticipated to commence in 2024.

The Company's capital budget for the next 12 months is as follows.

WCA PROPERTY

The initial proposed Capital Program for the Company in West Central Alberta ("WCA") is as follows:

	2022 Budgeted	2022 Actual Spent	2023 Budgeted
New Drills	$Nil	$Nil	11,059,000
Well Equipping	Nil	Nil	Nil
Facility Upgrades	10,000	10,000	400,000
Well Tie Ins	260,000	260,000	Nil
Well Workovers	150,000	150,000	400,000
Total	**$ 420,000**	**$ 420,000**	**$ 11,859,000**

There are no changes or updates to the 2022 budget. To date, $420,000 of the budged capital expenditures have been spent.

The Company plans to finance the expenditures from a combination of cash-flow, debt and as needed a through the issuance of equity to the degree necessary that the Directors of the Company deem is necessary to maintain a strong financial position.

The Company is planning to drill one well into the Wabamun Formation in West Central Alberta in the first half of 2023 at a cost of $1,000,000 including a contingency for inflation of 15%, including the tie-in to the Company's existing pipelines and facilities. The well is projected to produce at an average rate of 250 BOE/d over the following 12 months.
At the Company's 5-29 in facility in 2023 the Company has capital program approved to increase the Capacity of the facility to separate additional natural gas liquids from raw production at an estimated cost of $400,000 including a contingency of 25%.

The Company in 2022 completed an analysis of up-hole potential in shallower geological horizons in West Central Alberta and the first re-completion in 2022 has resulted in the Company identifying 3 similar horizon that the Company plans to re-complete in 2023 at a total cost of $400,000.

Assuming that commodity prices remain stable and inflation does not persist long into 2023, upon completion of the Company's current capital program production is anticipated to grow in Alberta to consistently be delivering a sustainable 1,000 boe/d by June of 2023, the Company will be assessing the market prior to mobilizing one drilling rig to meet the Company's needs for the balance of 2023 to drill initially up to 12 wells, 4 natural gas and 8 oil wells

Overview of completed Upstream Program and Proposed Capital Program to Date and Future Milestones

The Company outlines their production achievements as the following:

In September of 2022, the Company scheduled a well workovers in the West Central Alberta region which was completed in early October. Since completion, the well is producing at an average rate of 45 boe/d, with 45% heavy oil and 55% natural gas and liquids. Also, the Company advanced its exploitation of the West Central Alberta region through an up-hole re-completion of a vertical well. The initial production results were volumes of 70 boe/d which is the combination of 90% natural gas and 10% light oil. The production results confirmed a geological concept that was under development by the Company in the region. Currently, the well is producing 30 boe/d, 170 mcf/d of natural gas.

To ensure that the Company has the capacity to process natural gas and oil, in the WCA Area, at a sustainable rate of more than 960 boe/d, the Company has executed the following:

-The 13-2 facility's construction was complete on February 28th, 2023.

-The 5-29 facility upgrades if currently being reviewed by 3rd Party process Engineers, at its 5-29 facility on or before June 30, 2023 is in place.

The Company also has one commitment to process up to 3,000 mcf/d of 3rd party natural gas volumes in West Central Alberta and also sees the potential to expand its exploration for oil in East Central Alberta in 2024 based on test results that were completed in the 3rd quarter of 2022. If commodity prices remain stable, and inflation does not persist long into 2023, production is anticipated to grow from 960 boe/d in Alberta to 1,200 boe/d of sustainable production by June of 2023 at an additional cost of $1,725,000, supported by the Evaluation issued by the Company's QRE in August of 2022, upon the completion of work-overs, tie-ins and the drilling of one well and the tie-in of this well to our 100% owned and operated existing pipelines and facilities.

In July of 2023, the Company will be assessing market conditions and commodity prices in North America prior to determining the weighting of the balance of its capital plans in 2023 and 2024 to determine whether it will be dedicating capital to oil or natural gas in Canada to achieve its next milestone of exiting 2023 at a production rate of more than 2,000 boe/d.

Prior to processing volumes in excess of more than 1,000 boe/d through its 100% owned and operated facilities in West Central Alberta, the Company continues to upgrade its facilities and pipelines, which has and in the following 12 months may affect current production and cause variations as much as 15%. The Company plans to continue to upgrade and reconfigure its pipelines and facilities to increase production beyond 1,000 boe/d in Western Central Alberta.

Due to increasingly volatile commodity prices in the 1st quarter of 2023, the Company implemented a strategy to focus on reducing the cost of capital expenditures versus achieving projected production targets within a specific timeframe at any cost. The Company remains conservative on near term guidance for its rate of growth in production while remaining focused on the Company's capacity to exit 2023 at rates of more than 3,000 boe/d and up to 4,000 boe/d.

VERTICALLY INTEGRATED ENERGY BUSINESS

The Capital Budget for the Vertically Integrated Energy Business is as the following:

	2022 Budgeted	2022 Actual Spent	2023 Budgeted
Investment in MTT	$ 2,340,000	$ 2,340,000	$ 3,600,000
Property Acquisitions	2,000,000		2,600,000
Integration Analysis	1,500,000	750,000	750,000
Site Preparation			1,000,000
Contingencies			600,000
Equipment Configuration			2,500,000
CSA Approval			1,200,000
Total	**$ 4,040,000**	**$ 3,090,000**	**$ 12,250,000**

DESCRIPTION OF BUSINESS (Continued)

VERTICALLY INTEGRATED ENERGY BUSINESS (Continued)

In 2022, $3,090,000 of the budged capital expenditures have been spent. For the integration analysis, the Company spent $750,000 out of the $1,500,000. $750,000 of the remaining balance will be rolled over to 2023.

The Company plans to finance the expenditures from a combination of cash-flow, debt and as needed a through the issuance of equity to the degree necessary that the Directors of the Company deem is necessary to maintain a strong financial position.

The initial data from Europe KIWA certification is being compiled to commence the CSA Certification process in 2023. Acquisitions of property, includes equipment, and the buildout of warehousing and loading facilities as part of the Company's plan to be able to be ordering, warehousing, and assembling the EnerTwin in Canada by the fourth Quarter of 2023, upon receiving CSA Certification and subsequently UL Certification for the installation of the EnerTwin in North America.

DISCUSSION OF OPERATIONS

Results of operations for the three and nine months ended September 30, 2022:
Net income for the three months ending September 30, 2022, was $2,416,753 (2021 – $(209,996)) and for the nine months ended September 30, 2022, net income was $2,725,984 (2021 – $(339,970)). The increase in net income for the period was primarily an increase in oil and gas revenues due to increased volume produced and increases in commodity prices and a gain on acquisition of assets of $2,538,586.

Gross Oil and gas revenue for the three months period ended September 30, 2022, was $923,268 (2021 – $109,182). While the total volume produced was 236.7 boe/d (2021 – 49.74 boe/d) prior to shrinkage due to processing and transportation resulting in sales volumes of 21,535 boe (2021 – 4,526.7 boe) for an average of $42.87/boe or $7.15/mcf. (2021 – $24.12/boe or $3.84/mcf).

Gross Oil and gas revenue and volume for the nine months period ended September 30, 2022, was $2,190,991 (2021 – $210,883). While the volume produced was 177.2 boe/d (2021 – 24 boe/d) prior to shrinkage due to processing and transportation resulting in net sales volumes of 48,196 boe (2021 – 6,315 boe) for an average of $46.71/boe or $7.78/mcf. (2021 – $33.4 per boe and $5.32/mcf).

Net operating income for the nine months period ended September 30, 2022, was $1,212,109 (2021 $111,298) and $NOI/boe was $25.15 (2021 – $24.59).

The results listed above are for the three and nine months ended September 30, 2022 including only 100% of West Central Alberta for 30 days the post-closing closing approved on August 31, 2022, effective September 1, 2022.

Details related to the Company's oil and gas operations, please refer to the "Summary of Quarterly Results" section.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any special purpose entities, nor is it a party to any transactions or arrangements that would be excluded from the statement of financial position.

COMMITMENTS

The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian Development or Canadian Renewable Conservation Expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusal of certain expenses by tax authorities would have negative consequences for investors. On December 31, 2021, the Company had met all of its obligation to incur eligible expenses pursuant to the terms of the flow-through shares financing. A total of $515,893 was spent development expenditures from which $495,500 has been renounced to shareholders holding flow-through shares. On December 23, 2023, the Company raised $7,999,999.73 of charity flow-through units and traditional flow-through units in respect of Canadian renewable and conservation expenses. The Company is committed to expend the proceeds on or before the end of 2023.

ISSUED AND OUTSTANDING SHARE DATA AT THE REPORT DATE

At the Report date, the Company had the following securities outstanding:

For the nine months ending September 30,

	2022		2021	
	Number	$ Amount	Number	$ Amount
Convertible Preferred shares	30,000,000	9,600,000	0	0
Common shares	86,983,586	25,214,953	34,980,862	9,023,278
Warrants	12,048,629	3,373,616	12,260,694	4,168,635
Compensation Options [4]	200,000	49,993	0	0

During the period ending September 30, 2022, the Company issued 30,000,000 convertible preferred shares and 48,662,222 common shares and preferred shares for acquisitions of assets. The Company issued 960,000 common shares upon conversion of debentures and 1,686,065 warrants were exercised for common shares. The number of outstanding shares is 86,983,586

COMPENSATION OF KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of a member of the Company's Board of Directors, corporate officers, and special advisory personnel. The company incurred a total cost of $2,355,457 to various related parties on September 30, 2022.

The Company incurred the following transactions with directors and key management personnel during the nine months ended September 30:

	2022	**2021**
	$	$
Promissory Note [1]	Nil	67,429
Interest Owing on Convertible Debenture [2]	88,468	156,945
Convertible Debenture [2]	500,000	500,000
Legal costs [3]	15,333	85,409
Joint venture receivables [4]	259,656	158,565
Advances [5]	1,492,000	1,586,601
	2,355,457	**2,554,949**

1. On September 15, 2020, the Company issued promissory notes bearing interest at 5% compounded semi-annually in the amount of $217,195 maturing on September 15, 2022, in settlement of debt with 611890 Alberta Inc. of which, Leonard B. Van Betuw, is an officer and CEO of the Company and is also a director and CEO of 611890 Alberta Inc. As of September 30, 2022 the promissory note was paid off.
2. On September 30, 2019, the Company entered into an Asset Purchase Agreement for the acquisition of a 50% non-operating in 50% interest in a producing oil and gas property with 611890 Alberta Inc. by issuing a $500,000 convertible secured debenture bearing and interest rate of 5% compounded semi- annually with an asset acquisition between Avila Energy Corporation. ("AEC" or the "Company") and Avila Exploration & Development Canada LTD. ("Avila") whereby AEC will acquire a non-operating interest of fifty percent (50%) interest into a producing oil & gas property with a current NI 51-101- Standards of Disclosure for Oil and Gas Activities compliant Technical Report, as more fully described in Schedule A hereto (the "Property") by issuing a $500,000 convertible debt instrument in the share capital of Petro Viking to Avila. The Convertible secured debenture, bearing 5% interest compounded semi-annually, is held by Leonard Van Betuw, who is also the President and Chief Executive Officer of the Company.
3. Michel Lebeuf is a partner in a legal firm that the Company uses and is also a director of the Company. Amount owed to the legal firm on September 30, 2022, was $15,333.
4. The director of the Company, Leonard B. Van Betuw, is also a director of the joint venture partner 611890 Alberta Inc.
5. Funds have been advanced in respect to a joint venture agreement with 611890 Alberta Inc. having a common director, Leonard Van Betuw, who also a director and CEO with the Company.

COMPENSATION OF KEY MANAGEMENT PERSONNEL AND RELATED PARTIES (Continued)

Related Party Transactions

Date	Description	Amount
December 2022	Advance of $2,340,000 to 611890 Alberta Inc. for the 15% Equity stake and Preferred License from MTT..	$2,340,000
September 2022	Purchase of the WCA assets from 611890 Alberta Inc.	23,820,800
December 2022	Purchase of the NEBC assets from 611890 Alberta Inc.	2,400,000
Total		**$28,560,800**

1. The director of the Company is also a director of 611890 Alberta Inc.

Related Party Transactions – Collateral Benefit

Transactions	Description	Amount
Purchase of the NEBC assets from 611890 Alberta Inc.	611890 Alberta Inc. purchased the NEBC assets for $1,200,000 and then sold the assets to the Company for $2,400,000 resulting in a collateral benefit of $1,200,000 for 611890.	$1,200,000 CAD

2. Leonard Van Betuw is a director of the Company is also a director of 611890 Alberta Inc.

CHANGES IN ACCOUNTING POLICIES

The same accounting policies used in the preparation of the Financial Statements is the same as those used in the most recent audited annual financial statements and in the opinion of management reflects all the adjustments considered necessary for the fair presentation in accordance with IFRS of the result of the years presented.

FINANCIAL INSTRUMENTS

On September 30, 2022, the Company's financial instruments consist of cash, other receivables, accounts payable and accrued liabilities, due to related parties, and convertible debenture liabilities. IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of hierarchy are:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

As of September 30, 2022, the Company believes that the carrying values of other receivables, accounts payable and accrued liabilities, and due to related parties approximate their fair values because of their nature and relatively short maturity dates or durations.

RISK FACTORS AND UNCERTAINTIES

Avila Energy Corporation continues to work towards becoming a carbon neutral energy producer based in Calgary Alberta. Avila Energy Corporation is exposed to several risks in the normal course of its business that have the potential to affect its operating performance is disclosed in note 19 of the September 30, 2022 Financial Statements.

Market risk – Petroleum and Natural Gas

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

a. *Interest risk* - The Company does not have any current term debt or cash equivalents; therefore, interest risk is minimum.

b. *Foreign currency risk* - The Company conducts its activities in Canada with Canadian dollars; therefore, foreign currency risk is minimum.

RISK FACTORS AND UNCERTAINTIES (Continued)
Market risk – Petroleum and Natural Gas (Continued)

c. *Price risk* - The Company has exposure to price risk with regards to commodity prices. Commodity price risk is the risk that future cash flows will fluctuate as a result in commodity prices. Commodity prices for oil, and gas and liquids are impacted by world and continental/regional economic and other events that dictate the level of supply and demand.

Regarding the Company's oil and gas revenues, management has based the gross profit variances on the revenues in the last 12 months (see Summary of Quarterly Results).

Market risk – Vertically Integrated Energy Business

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, government approvals and certifications, manufacturing costs, supply chains, customer demand and market adaptations.

a. *Interest risk* - The Company does not have any current term debt or cash equivalents; therefore, interest risk is minimum.

b. *Foreign currency risk* - The Company conducts its activities in Canada with Canadian dollars; therefore, foreign currency risk is minimum.

c. *Government Approvals and Certifications* – The risk of unattaining manufacturing, installation and sales licenses, as well as CSA or UL approval exists but the Company deems this risk as low due to the fact that the EnerTwin is KIWI certified in Europe. The risk would be deemed higher if the EnerTwin has never been certified, manufactured or installed in any country. There is a risk that delays in government approvals and certifications could affect the Company's timelines. Company has estimated the time associated with the certification process based on estimated provided by 3rd party consultants but these time-lines are subject to availability of the Industry partners and Certification personal, resulting in unanticipated delays. There is a risk that the government denies the Company's future application for carbon capture and sequestration.

d. *Government subsidies* – The risk of governments not issuing subsidies is possible as is the risk of the subsidy to be a lower amount than what the Company budgets or that the subsidy could change which will create fluctuation in cash flow. The Company assess this risk as low due to the continuing government messaging about climate change and the importance in addressing climate change in the future.

e. *Manufacturing Costs* – The Company has based its manufacturing costs on past experiences from industry partners but as demand recoveries for materials (post COVID-19) costs could increase and are subject to interest rate and foreign exchange rate volatility.

f. *Supply Chain* – The Company's supply changes are currently under development and are subject to volatility, which may increase costs or cause interruptions in deliveries.

g. *Customer Demand* – Customer demand could be subject to change due to the introduction of a competitive technology.

h. *Market Adaptations* – Customer adaptation do not follow the Company's assumptions.

RUSSIA AND UKRAINE CONFLICT (COVID-19)

In addition, the Company has experienced significant volatility with crude oil prices since year end due to macro-economic uncertainty, due to (a) OPEC and Russia abandoning production quotas and increasing production levels; (b) demand reduction for crude oil products as a result of the COVID-19 outbreak and potential lack of storage forcing production shut-ins, and (c) the effects of the current war between Russia and Ukraine, which include significant sanctions having been imposed (and likely more to come) on Russia by NATO members, which are anticipated to reduce the supply of oil and natural gas from Russia to other countries, thereby reducing supply to the existing demand and presumptively increasing the global prices of oil and natural gas. The duration and impact of these global events remain uncertain and could impact cash flow and the Company's financial condition in the future.

SUMMARY OF QUARTERLY RESULTS

Selected quarterly information for the eight most recently completed quarters is presented below in Canadian currency ($), and in accordance with the International Financial Reporting Standards ("IFRS").

Reporting Period	Q3– 2022 September 30	Q2– 2022 June 30	Q1– 2022 March 31	Q4 – 2021 December 31
Total assets	59,823,671	10,603,851	4,613,850	4,583,826
Property and equipment	33,083,752	3,694,901	1,196,482	837,875
Exploration and evaluation assets	14,709,550	1,616,201	1,616,201	1,537,296
Working capital (deficit)	1,902,424	5,269,084	1,467,571	1,835,527
Equity	34,814,953	4,052,330	2,736,226	2,677,747
Gross revenues (1)	923,268	752,428	513,110	90,457
Net revenues	841,204	706,107	445,316	38,876
Gross REV ($/bbl)	42.87	58.86	38.16	47.85
NET REV ($/bbl)	39.06	53.51	33.07	20.56
OPEX ($/bbl)	10.47	14.81	19.04	38.47
NOI ($/bbl)	28.59	38.71	14.03	(17.91)
Total BOE for the Quarter	21,535	13,195	13,466	1,891
Heavy Crude Oil (bbl/d)	53.1	36.5	19.56	0.28
Conventional Natural Gas (mcf/d)	1,070.3	581.3	743.9	93.6
Natural Gas Liquids (bbl/d)	2.39	24.22	16.17	3.21
Operating Expense	225,495	195,384	256,452	72,748
Total other items	2,363,790	32,003	-	(429,476)
Expenses	562,745	188,788	130,385	659,753
Income (loss) before income taxes	2,416,753	250,752	58,479	(1,280,237)
Basic income (loss) per share	0.06	0.01	0.00	(0.06)
Diluted income (loss) per share	0.04	0.01	0.00	(0.06)

Reporting Period	Q3 – 2021 September 30	Q2 – 2021 June 30	Q1 – 2021 March 31	Q4 – 2020 December 31
Total assets	$4,732,866	2,829,143	2,929,359	2,679,028
Property and equipment	773,011	773,011	773,011	773,011
Exploration and evaluation property	281,600	281,600	281,600	281,600
Working capital (deficit)	2,277,030	323,334	(204,063)	(211,461)
Equity	3,222,363	1,186,714	587,066	(548,742)
Gross revenues (1)	109,182	82,688	19,013	-
Net revenues	59,152	46,762	5,381	-
Gross REV ($/bbl)	23.89	22.44	29.32	-
NET REV ($/bbl)	12.94	12.67	8.29	
OPEX ($/bbl)	5.01	4.75	4.90	-
NOI ($/bbl)	7.93	7.92	3.40	-
Total BOE for the Quarter	4,571	3,691	649	-
Heavy Crude Oil (bbl/d)	0.48	0.37	0.11	-
Conventional Natural Gas (mcf/d)	278.9	223.4	38.4	-
Natural Gas Liquids (bbl/d)	3.71	3.4	0.69	
Operating Expense	22,890	17,524	3,177	-
Total other items	-	326,856	-	(159,747)
Operating expenses	269,150	302,673	231,161	473,067
Income (loss) before income taxes	(209,996)	100,324	(220,966)	(368,895)
Basic and diluted income (loss) per share	(0.01)	0.00	(0.01)	(0.10)

Notes:

1. The Company's 50% interest in revenues commenced March 2021 until August 31, 2022. Starting September 1, 2022, the Company's interest in revenue increases to 100%.

SUMMARY OF QUARTERLY RESULTS (Continued)

In the event of an increase/(decrease) of $1 in the unit prices for barrel and $0.25 for MCF, the effects on gross revenue of $2,190,991 based on the nine months ended September 30, 2022, would be as follows:

Product	Total production (units)	Price per Unit	Change in unit price	Increase / (Decrease)
Heavy Crude Oil (bbl)	9,969	$101.89	$1.00	9,969 / (9,969)
Conventional Natural Gas (mcf)	217,176	$5.06	$0.25	54,294 / (54,294)
Natural Gas Liquids (bbl)	3,843	$17.67	$1.00	3,843/(3,843)
Increase/(Decrease) on Gross Revenue				**68,106 / (68,106)**

	2022			2021				2020
Production per Quarter	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Heavy Crude Oil (bbl)	4,895	3,312.3	1761.7	25.7	43.9	34.0	9.7	Nil
Conventional Natural Gas (mcf)	98,523.5	52,745.5	65,906.5	8,425.4	25,100.2	20,104.5	3,456.6	Nil
Natural Gas Liquids (bbl)	220.2	2,182.6	1,440.4	460.4	343.4	306.3	62.9	Nil

A barrel of oil is determined by converting a volume of natural gas to barrels using the ratio of six (six) mcf to one (1) barrel.

SELECTED ANNUAL INFORMATION

The following table provides a summary of the Company's financial operations. For more detailed information refer to the financial statements.

	September 30, 2022	September 30, 2021	September 30, 2020
	$	$	$
Total net revenue	1,991,376	192,668	-
Total other items	2,395,793	Nil	-
Income/(Loss) before income taxes	2,725,984	326,856	-
Basic and diluted earnings (loss) per share	0.07	(0.01)	-
Diluted earnings (loss) per share	0.04		
Comprehensive income (loss)	2,725,984	(339,970)	-
Total assets	59,823,671	4,583,826	-
Working capital (deficit)	1,902,424	2,277,030	-

LIQUIDITY, FINANCIAL CONDITION AND GOING CONCERN

The Company's cash and cash equivalents are comprised of bank deposits. On September 30, 2022, the Company had cash, accounts receivable, prepaid expenses, and short-term advances in the amount of $2,335,502. Accounts payable and accrued liabilities in the amount of $433,078 are due September 30, 2022. September 30, 2022, the Company had a working capital of $1,902,424 (September 30, 2021 - $2,277,030) and a liquidity ratio of 5 (September 30, 2021 – 14). As of March 21, 2023, the company had cash, accounts receivable, prepaid expenses, and short-term advances in the amount of $4,787,000. Accounts payable and accrued liabilities in the amount of $1,378,924, of which $330,950 are due March 31, 2023. On March 21, 2022, the Company had a working capital of $3,408,075 and a liquidity ratio of 2.47.

RELIANCE ON KEY PERSONNEL

The Company relies on a relatively small number of directors, officers, and senior personnel. Loss of any one of those persons could have an adverse effect on the Company. The Company does maintain a limited amount of "key employee" insurance in respect to one senior member of management.

WITHDRAWAL OF FORWARD-LOOKING INFORMATION

The Company decided to withdraw the forward–looking comments pertaining to the future sales of the EnerTwin from the November 14, 2022 press release because the customer sales projection were based on internal market research which may seem speculative and misleading. The comments regarding the sales projections of customer numbers did not have any assumptions or risks as per Part 4A of NI51-102 Continuous Disclosure Obligations. At this time, the Company elects not to provide the details of the assumptions as releasing this information has the possible implications of the Company losing its competitive advantage of being a first mover of this technology in North America. In due time, the Company will provide the appropriate level of details and properly substantiate the numbers with assumptions and risks regarding potential sales related to the EnerTwin technology.

SUBSEQUENT EVENTS

In February, Thomas Valentine stepped down as director. The Company is actively searching for a replacement.

INSIGHT ACQUISITION

Avila Energy Corporation on January 26, 2023 announced a preliminary non-binding Letter of Intent (the "LOI") with Insight Acquisition Corp. (NYSE: INAQ.U) ("IAC"), a Delaware corporation and a Special Purpose Acquisition Company, pursuant to which IAC is to combine with the Company (the ''Resulting Company'') in a transaction that will result in the combined entity being publicly listed for trading on a major stock exchange in the United States (the "Transaction"). The Transaction remains subject to the approval of the boards of directors and stockholders of each of IAC and the Company, as well as other customary closing conditions, including negotiation and execution of a definitive business combination agreement for the Transaction (the "Definitive Business Combination Agreement"), which may or may not occur. The Transaction will also be subject to regulatory approvals.

The parties to the LOI have agreed to continue to negotiate the terms of a Transaction, including a Definitive Business Combination Agreement, on an exclusive basis with the intention of coming to a definitive Agreement on or before March 24, 2023, at which point IAC may extend such time for an additional 15 calendar days. Avila will issue a subsequent news release outlining the definitive terms for the Transaction once a Definitive Business Combination Agreement has been entered into.

As previously announced, the LOI remains non-binding and subject to constant evolution as the terms and conditions of the Transaction firm up. However, the negotiation and analysis of the Transaction continues to advance, since it was announced on January 26, 2023. IAC held its shareholder meeting on March 7, 2023, and post the declaration of initial redemptions, currently has approximately U.S. $28,000,000 cash in trust. In connection with the Closing, the shareholders of IAC will be entitled to seek a final redemption of outstanding public shares, in exchange for a pro-rata portion of such trust proceeds. Any proceeds that remain in trust following such redemption will be available to the Resulting Company at Closing. As a result of the redemptions, the 80% rule is now assessed on the balance remaining in trust at the signing of the Definitive Business Combination Agreement.

For better clarity, the Definitive Business Combination Agreement include the following provisions:

1. The Transaction will create the Resulting Company, the shareholders of which will be composed of the then current shareholders of Avila and shareholders and various participating parties of IAC and Insight Acquisition Sponsor LLC (the "Sponsor"). The Sponsor is the current sponsor of IAC.
2. By way of a Forward Purchase Sale Agreement ("FPSA") presently under negotiation, the Company will have the ability to retain US $25,000,000 in Trust with IAC at Closing. In addition, prior to Closing, U.S. $10,000,000 up to U.S. $35,000,000 is under consideration to be concurrently raised by way of convertible debentures or other financial instruments. Negotiations with several strategic investors are advancing (but not closed).
3. In one scenario (high), post-closing of the Transaction, assuming no additional capital is raised and the U.S.$25,000,000 FPSA is sold into the market at or above US $9.50 per share, it is anticipated that the current and converted shareholders of Avila will hold collectively 12,528,000 shares of the Resulting Company, being approximately 59.6% of the then issued and outstanding shares of the Resulting Company post-closing of the Transaction. Based on the assumptions above, post-closing, Leonard B. Van Betuw's interest will remain more than 10% of the outstanding of the Resulting Company.

SUBSEQUENT EVENTS (Continued)
INSIGHT ACQUISITION (Continued)

4. In another scenario (low), post-closing of the Transaction, assuming all U.S.$28,000,000 in Trust is converted in to Shares @ $10 per share and the FPSA is sold into the market at or above US $9.50 per share, it is anticipated that the current and converted shareholders of Avila will hold collectively 12,528,000 shares of the Resulting Company, being approximately 52.1% of the then issued and outstanding shares of the Resulting Company post-closing of the Transaction. Based on the assumptions above, post-closing, Leonard B. Van Betuw's interest will remain more than 10% of the outstanding of the Resulting Company.
5. While the final structuring of the Transaction has advanced significantly since January 24, 2023, Avila cautions that the Transaction continues to be subject to receipt of corporate, securities and tax advices for both Avila and IAC and closing of the Transaction shall be subject to successful negotiation and signing of the Definitive Business Combination Agreement and satisfaction of customary closing conditions including approval by Canadian and US securities regulators, approval by the IAC shareholders of any additional extensions that may be required from time to time in advance of consummating the contemplated initial business combination, and subsequent listing approval by a recognized United States Securities Exchange and approval by the boards of directors and shareholders of IAC and Avila, as may be applicable.
6. The Board of Directors of the Resulting Company is expected to consist of seven persons, five of which shall be appointed and designated by Avila, including three independent directors, and Leonard B. Van Betuw will remain the CEO and Chairman of the Board of the Resulting Company.
7. Avila has agreed to fully cooperate with IAC in the preparation of all documents required to be filed with the United States Securities and Exchange Commission (including all exhibits and amendments thereto), or any other regulatory body, in connection with the Transaction.
8. The earn-out provision, as part of the Transaction, as well as ancillary employment agreements are expected to be entered into between current members of Avila's management and the Resulting Company. Shares of the Resulting Company will be granted to certain persons (all to be named once the contemplated transaction is finalized and are to include namely, Employees, Executives, Directors, and Advisors) based on stock price performance on an earn-out structure basis. The presumed value is $100,000,000 but is subject to change. Leonard B. Van Betuw, current CEO and director of Avila, will receive a portion of the earn-out shares but the number of shares to be awarded to Mr. Van Betuw is yet to be determined. The Company understands that shareholder approval may be required for the final approval of the earn-out payout.

DIRECTORS AND OFFICERS

Leonard Van Betuw, President and Chief Executive Officer, and Director

Kyle Appleby, Director

Daniel Lucero, Director

Michel Lebeuf, Corporate Secretary and Director

Jeffrey Decter, Director

Jennifer Ottosen, CPA, Chief Financial Officer