Form 51-102F3
Material Change Report

Item 1 Name and Address of Company

Avila Energy Corporation (the "**Company**")
201, 1439 – 17th avenue SE
Calgary, AB T2G 1J9

Item 2 Date of Material Change

March 15, 2023

Item 3 News Release

The news release was disseminated on March 15, 2023 by way of the facilities of Newswire and Yahoo Finance. A copy was filed on SEDAR with the Alberta Securities Commission. A copy is on the Company's website.

Item 4 Summary of Material Change

The material change is the write off the acquisition costs of the North East British Columbia assets, the update on Negotiations with Insight Acquisition Corporation to combine with the Company and the Company's withdrawal from forward looking information for the Vertically Integrated Energy Business.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

The Company chooses to withdraw the forward–looking comments and assumptions 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. At this time, the Company chooses to not provide the details of the assumptions as releasing this information has the possible implications of the Company losing their competitive advantage of being a first mover of this technology in North America. Continuing to protect the Company's competitive edge, at a later time, the Company will provide the appropriate level of details and properly substantiate the numbers with assumptions and risks.

The overall risks to the projections are identified as the following:

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.

Northeast British Columbia

On June 29, 2022, the Company participated in a Joint Venture with its partner, 611890 Alberta Inc. (''611'') 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 611 acquired an additional 17% interest, 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 611 for the acquisition of 100% in the Joint Venture for NEBC was $2,400,000. The acquired oil and gas interests in NEBC was valued at $7,600,044 together with the assumption of $21,497,890 in decommissioning liabilities based from the BCOGC (defined below). These decommissioning liabilities included amounts for 4 facilities and 111 wells that are either shut in or producing. The Joint Venture in NEBC is construed as being a related party transaction under 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, 611.

Operations in Western Canada for the Company have been challenged by the on-going attempts to negotiate reasonable terms to complete the post-closing conditions for the transfer of the wells and facilities in NEBC with the BCOGC.

In June 2022, the security deposit in place with the Province of British Columbia was $1,800,000, which the Company recognized was an assumed liability that was acceptable and warranted, within the context of gas prices being realized by the property of approximately $6.00/GJ and by way of the contract being to the benefit of the seller as agreed within the scope of the Purchase and Sale Agreement.

Upon the seller completing its independent submissions to the British Columbia Oil and Gas Commission (the "BCOGC") in September of 2022 (under the recently updated regulator process implemented in the first half of 2022), the Company submitted its application to receive the property as required by the recently updated legislation for the acceptance of licenses being sold to the Company.

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.

Accordingly, the Company has made a final assessment that the overall commitment to the region it was about to conclude was not economically justified; especially taking into account the acquisition and closing costs of $2.4 million, the financial posting of cash into a restricted account as security to the BCOGC totaling $11.8 million, an additional immediate financial capital commitments of $20.5 million and the assumption of a decommissioning obligations of $22.8 million that comes with a looming cloud of currently unknown but growing concerns. With all of these tangibles and intangibles taken into account, the total cash commitment of $57.5 million, Avila's management chose not to proceed with the transaction. Avila is exploring its options to recover a portion of the payments made to the seller and indirectly the BCOGC to date.

To date, the Company has incurred costs of $5,400,000 for the NEBC acquisitions which the Company will be writing off completely.

Related Party Transactions – Collateral Benefit from the NEBC Acquisition Costs

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 limiting administrative and acquisition costs, resulting in a collateral benefit of $1,200,000 for 611890.	$1,200,000
Total		**$1,200,000**

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

<u>Insight Acquisition</u>

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.

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.

Alberta

In Alberta average production is currently fluctuating between 500 boe/d and 700 boe/d. With an approximate capital investment of $800,000, the company expects the rates to increase to 1,000 boe/d with the completion of the balance of the Company's facilities upgrades, workovers and well completions in Alberta.

Recent results for one of the Company's best accomplishments, came on-line in March 1, 2023, after the facility had been tested and certified, the associated tied in cased and standing well continues to clean up with encouraging results. At the time of testing prior to completion the well tested at approximately 1,200 mcf, 10% liquids for a total of 200 boe/d. Currently the well and continues is trending towards a stabilized rate of 150 boe/d based with the production rate anticipated to be limited due to it only being perforated. After assessing the natural flow rate, the Company as evaluated by its QRE in the NI 51-101 issued on August 18, effective July 1, 2022 had estimated the potential for the well to produce at rates of 250 boe/d is possible upon completion of a stimulation program by way of up to a proposed frac.

The current cost to date for this well is underbudget; with current costs being $280,000 including the associated facilities and pipeline tie-ins. The total cost of $1,870 per boe/d assuming the well stabilizes at 150 boe/d or in comparison, 25% of the $7,250 boe/d in costs that were budgeted to be spent in Northeast British Columbia, this is approximately a 400% greater return on investment.

Cautionary Note

All statements in this material change report, that address future revenue, gross margins and events or developments that the Company expects are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward looking statements include sale price, consumer demand, manufacturing costs, interest rates, continued availability of capital and financing, and general economic, market or business conditions. It should not be assumed that the estimates of future revenue and gross margins are to be relied upon and there is no guarantee that the estimated revenue and gross margins will be realized. Further, there is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

The following senior officer of the Company is knowledgeable about the material change and this Material Change Report and may be contacted:

Leonard Van Betuw, Chief Executive Officer and Director

Business Telephone:403-451-2786

Date of Report
March 22, 2023