AVILA ENERGY

Financial Statements

For the Three and Nine Months Ended September 30, 2023, and 2022

NOTICE OF NO AUDIT REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3(3) (a), if an auditor has not performed a review of the interim condensed financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by the auditor. The accompanying unaudited interim condensed financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants for a review of the interim financial statements by the entity's auditors.

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

As at		September 30, 2023		December 31, 2022 *(restated)*
Assets				
Current assets				
Cash	**$**	**217,171**	$	6,564,110
Advances *(note 4)*		**-**		2,340,000
Accounts receivable		**632,404**		897,902
Prepaid expenses *(note 5)*		**2,489,294**		762,647
Total current assets		**3,338,869**		10,564,659
Property, plant and equipment *(note 7)*		**22,091,724**		21,913,886
Exploration and evaluation assets *(note 9)*		**12,154,901**		12,154,901
Right-of-use asset *(note 8)*		**112,249**		119,732
Deferred tax asset		**1,962,353**		1,962,353
Investment (*note 10*)		**3,540,227**		-
Intangible assets *(note 11)*		**2,140,518**		9,382
Total non-current assets		**42,001,972**		36,160,254
Total assets	**$**	**45,340,841**	$	46,724,913
Liabilities and Shareholders' Equity				
Current liabilities				
Account payable and accrued liabilities	**$**	**4,112,659**	$	1,716,512
Flow-through share premium liability *(note 24)*		**1,630,624**		2,006,889
Promissory notes *(note 13)*		**600,000**		1,800,000
Dividend payable *(note 16)*		**103,101**		-
Derivative liability *(note 15)*		**-**		631,983
Current loan payable *(note 15)*		**284,999**		267,329
Interest payable on debentures		**240,940**		126,499
Lease liabilities *(note 8)*		**16,045**		32,897
Total current liabilities		**6,988,368**		6,582,109
Interest payable on debentures		**95,197**		76,497
Lease liabilities *(note 8)*		**78,542**		90,643
Convertible debentures *(note 15)*		**3,921,051**		3,785,673
Convertible preferred share dividend liability *(note 16)*		**-**		542,202
Term loan *(note 14)*		**3,000,000**		-
Decommissioning liability *(note 12)*		**3,309,005**		3,334,487
Total liabilities		**17,392,163**		14,411,611
Shareholders' Equity				
Share capital *(note 16)*		**57,563,710**		56,883,006
Contributed surplus		**4,454,073**		4,454,073
Convertible debentures – equity portion *(note 15)*		**1,293,483**		1,293,483
Deficit		**(35,362,588)**		(30,317,260)
Total equity		**27,948,678**		32,313,302
Total liabilities and shareholders' equity	**$**	**45,340,841**	$	46,724,913

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

Nature of Operations and Going Concern (*note 1*)
Subsequent events (note 25)
Commitments *(note 21)*
Economic Dependence *(note 19)*

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

(unaudited)	Three months ended September 30 **2023**	Three months ended September 30 2022 (restated)	Nine months ended September 30 **2023**	Nine months ended September 30 2022 (restated)
Revenue				
Petroleum and natural gas sales (*note 18*)	**$ 416,957**	$ 841,204	**$ 1,952,156**	$ 1,991,376
Gain on convertible preferred share (*note 16*)	**-**	-	**553,048**	-
Change in derivative liability (*note 15*)	**-**	87,335	**631,983**	87,335
Flow-through pemium liability (*note 24*)	**-**	-	**376,265**	-
Gain on acquisition of assets	**-**	(32,003)	**-**	-
Interest income *(note 20)*	**-**	-	**31,729**	-
Processing income	**-**	-	**3,691**	-
Other income	**(12,463)**	-	**22,514**	-
	404,494	896,536	**3,571,386**	2,078,711
Expenses				
Production and operating	**341,479**	225,495	**1,686,217**	779,266
General and administrative	**898,027**	346,251	**2,111,105**	559,945
Write off advance *(note 4)*	**-**	-	**3,000,000**	-
Acquisition expense	**-**	1,345,000	**-**	1,345,000
Impairment on goodwill	**-**	11,516,303	**-**	11,516,303
Impairment on PP&E	**-**	10,083,608	**-**	10,083,608
Change in convertible debenture - liability	**-**	106,117	**-**	106,117
Change in convertible debenture - equity	**-**	156,014	**-**	156,014
Depletion and depreciation *(notes 7 & 8)*	**222,448**	58,465	**863,660**	81,953
	1,461,954	23,837,253	**7,660,982**	24,628,206
Results from operating activities	**(1,057,460)**	(22,940,717)	**(4,089,596)**	(22,549,495)
Finance expense *(note 20)*	**(565,571)**	(158,030)	**(955,732)**	(240,021)
Net loss and comprehensive net loss	**$ (1,623,031)**	$(23,098,747)	**$ (5,045,328)**	$(22,789,516)
Net loss per share *(note 16(e))*				
Basic	**$ (0.01)**	$ (0.58)	**$ (0.04)**	$ (0.57)
Diluted	**$ (0.01)**	$ (0.58)	**$ (0.04)**	$ (0.57)

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

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

(restated)

	Number of Preferred Shares	Number of Common Shares	Share Capital	Convertible Debenture - Equity	Contributed Surplus	Deficit	Total Equity
Balance, at January 1, 2023	30,000,000	111,437,322	$ 56,883,006	$1,293,483	$ 4,454,073	$ (30,317,260)	$ 32,313,302
Conversion of debentures *(note 15)*	-	452,632	180,704	-	-	-	180,704
Conversion of preferred shares (*note 16*)	(30,000,000)	30,000,000	-	-	-	-	-
Subscription receipts (note 16)	-	-	500,000	-	-	-	500,000
Loss and comprehensive loss	-	-	-	-	-	(5,045,328)	(5,045,328)
Balance at September 30, 2023	**-**	**141,889,954**	**$ 57,563,710**	**$1,293,483**	**$ 4,454,073**	**$ (35,362,588)**	**$ 27,948,678**

(restated)

	Number of Preferred Shares	Number of Common Shares	Share Capital	Convertible Debenture - Equity	Contributed Surplus	Deficit	Total Equity
Balance, at January 1, 2022	-	35,651,341	$ 9,023,278	$ 235,500	$ 3,358,412	$ (9,939,443)	$ 2,677,747
Shares issued for acquisition *(note 6)*	30,000,000	44,440,000	41,174,122	-	-	-	41,174,122
Shares issued for services (*note 6*)	-	4,222,222	1,345,000	-	-	-	1,345,000
Share issuance costs	-	-	(155,790)	-	-	-	(155,790)
Warrants exercised *(note 16*)	-	1,686,065	379,519	-	-	-	379,519
Conversion of debentures *(note 15)*	-	960,000	397,000	1,377,157	-	-	1,774,156
Conversion of interest on debentures	-	23,958	5,147	-	-	-	5,147
Loss and comprehensive loss	-	-	-	-	-	(22,789,516)	(22,789,516)
Balance at September 30, 2022	**30,000,000**	**86,983,586**	**$ 52,168,276**	**$1,612,657**	**$ 3,358,412**	**$ (32,728,959)**	**$ 24,410,385**

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

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

(unaudited)	Three months ended September 30 2023	Three months ended September 30 2022 (restated)	Nine months ended September 30 2023	Nine months ended September 30 2022 (restated)
Operating activities				
Loss for the period	**$(1,623,031)**	(23,098,747)	**$ (5,045,328)**	$(22,789,516)
Adjustments for non-cash items:				
Depletion and depreciation *(notes 7 & 8)*	**222,448**	58,465	**863,660**	81,953
Gain on acquisition of property	**-**	32,003	**-**	-
Acquisition expense *(note 6)*	**-**	1,345,000	**-**	1,345,000
Impairment on goodwill	**-**	11,516,303	**-**	11,516,303
Impairment on PP&E	**-**	10,083,608	**-**	10,083,608
Finance expense *(note 20)*	**565,571**	158,030	**955,732**	240,021
Gain on convertible preferred share *(note 16)*	**-**	-	**(553,048)**	-
Flow-through premium liability (*note 24*)	**-**	-	**(376,265)**	-
Change in convertible debenture - liability	**-**	106,117	**-**	106,117
Change in convertible debenture – equity	**-**	156,014	**-**	156,014
Change in derivative liability *(note 15)*	**-**	(87,335)	**(631,983)**	(87,335)
Interest paid	**(60,895)**	-	**(60,895)**	-
Changes in non-cash working capital *(note 17)*	**2,105,561**	(194,276)	**2,973,049**	(2,433,898)
Net cash from (used in) operating activities	**1,209,654**	75,182	**(1,875,078)**	(1,781,733)
Financing activities				
Issue of convertible debenture (*note 15*)	**-**	-	**-**	4,772,235
Warrants exercised *(note 16)*	**-**	379,519	**-**	379,519
Subscription receipts *(note 16)*	**500,000**	-	**500,000**	-
Term loan *(note 14)*	**3,000,000**	-	**3,000,000**	-
Lease liability payments *(note 8)*	**(14,025)**	-	**(37,919)**	-
Promissory note repayment *(note 13)*	**-**	-	**(1,200,000)**	(67,429)
Share issuance costs *(note 16)*	**-**	-	**-**	(155,790)
Net cash from financing activities	**3,485,975**	379,519	**2,262,081**	4,928,535
Investing activities				
Expenditures on oil and natural gas properties	**(89,103)**	(1,016,392)	**(1,062,579)**	(2,571,382)
Expenditures on exploration and evaluation	**-**	(454,283)	**-**	(533,188)
Expenditures on investments *(note 10)*	**(2,393,855)**	-	**(3,540,227)**	-
Expenditures on intangible assets *(note 11)*	**(2,124,136)**	-	**(2,131,136)**	-
Net cash used in investing activities	**$ (4,607,094)**	$ (1,470,675)	**$ (6,733,942)**	$ (3,104,570)
Change in cash	**$ 88,535**	$ (1,015,974)	**$(6,346,939)**	$ 42,232
Cash, beginning of period	**128,636**	1,471,543	**6,564,110**	413,337
Cash, end of period	**$ 217,171**	$ 455,569	**$ 217,171**	$ 455,569

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

1. NATURE OF OPERATIONS

Avila Energy Corporation ("Avila" or the "Company") was incorporated on January 13, 2010 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta). Avila is a company that is engaged in the business of acquiring, exploring and developing crude oil, natural gas, and natural gas liquids ("NGLs") in Western Canada. The Company's assets consist of the West Central Alberta assets ("WCA") located 50 kilometres southwest of Edmonton, Alberta and the East Central Alberta assets ("ECA") located 90 kilometres east of Red Deer, Alberta. The Company in the initial phases of development of a Carbon Capture and Sequestration Plan in WCA. On November 14, 2022, the Company announced the launch of its Vertically Integrated Energy Business with the Micro Turbine Technology.

The head office is located at Suite 201, 1439 – 17th Avenue S.E., in Calgary, Alberta.

Going Concern

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the nine-month period ended September 30, 2023, the Company incurred a net loss of $ 5,045,328 and had net cash used in operating activities of $ 1,875,078. In addition, the Company has a deficit of $ 35,362,588.

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

The Company's ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business, meet its corporate administrative obligations and continue its exploration activities in the 2023 fiscal year, is dependent upon management's ability to obtain additional financing, through various means including, but not limited, to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favourable to the Company.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These condensed interim financial statements are unaudited and have been prepared in accordance with IAS 34, "Interim Financial Reporting". The condensed interim financial statements do not include all the information and footnotes required by IFRS for a complete set of financial statements. The condensed interim financial statements have been prepared using the same accounting policies and methods of computation as disclosed in the Company's December 31, 2022 restated and amended financial statements except as stated below and should be read in conjunction with those financial statements. The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts and expenses during the reported period. Actual results may differ from these estimates.

Voluntary change in accounting policy

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

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

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

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

Impact on the Statement of Financial Position

	June 30, 2023	**March 31, 2023**	**December 31, 2022**
Right-of-use asset - previously reported	$ 1,291,343	$ 1,338,815	$ 1,386,287
Restatement adjustment	(1,176,600)	(1,221,577)	(1,266,555)
Right-of use asset restated	114,743	117,238	119,732
Total assets - previously reported	$ 45,400,687	$ 45,473,756	$ 47,991,468
Restatement adjustment	(1,176,600)	(1,221,577)	(1,266,557)
Total assets restated	44,224,087	44,252,179	46,724,913
Lease liabilities - previously reported	$ 1,325,123	$ 1,420,030	$ 1,415,354
Restatement adjustment	(1,219,195)	(1,299,875)	(1,291,815)
Lease liabilities restated	105,928	120,155	123,540
Deficit - previously reported	$ (33,782,151)	$ (33,893,964)	$ (30,342,519)
Restatement adjustment	42,595	78,297	25,259
Deficit restated	(33,739,556)	(33,815,667)	(30,317,260)
Total liabilities and shareholders' equity	$ 45,400,687	$ 45,473,756	$ 47,991,468
Restatement adjustment	(1,176,600)	(1,221,577)	(1,266,557)
Total liabilities and shareholders' equity	44,224,087	44,252,179	46,724,913

Reconciliation of the Statement of Loss and Comprehensive Loss

	Q2 2023	Q1 2023	2022
Production and operating – previously	$ 667,453	$ 527,046	$ 1,699,945
Restatement adjustment	118,778	31,460	79,137
Production and operating restated	786,231	558,506	1,779,082

Finance expense - previously reported	$ 110,933	$ 356,847	$ 49,996
Restatement adjustment	(38,099)	(39,521)	(45,514)
Finance expense restated	72,834	317,326	4,482

Depreciation - previously reported	$ 333,973	$ 397,194	$ 62,208
Restatement adjustment	(44,978)	(44,978)	(58,882)
Depreciation restated	288,995	352,216	$ 3,326

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

Reconciliation of the Statement of Cash Flow

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

Finance expense - previously reported	$ 110,933	$ 356,847	$ 49,996
Restatement adjustment	(38,099)	(39,521)	(45,514)
Finance expense restated	72,834	317,326	4,482

Depreciation - previously reported	$ 333,973	$ 397,194	$ 62,208
Restatement adjustment	(44,978)	(44,978)	(58,882)
Depreciation restated	288,995	352,216	3,326

Cash flow (used) in operations	$ (451,529)	$ (3,350,452)	$(1,991,301)
Restatement adjustment	(118,778)	(31,460)	(79,137)
Cash flow from (used) restated	(570,307)	(3,381,912)	(2,070,438)

Lease payments - previously reported	$ 136,023	$ 38,110	83,137
Restatement adjustment	(118,778)	(31,460)	(79,137)
Lease payments restated	17,245	6,650	4.000

The condensed interim financial statements were authorized for distribution by the Company's Board of Directors on November 28, 2023.

3. ACCOUNTING RESTATEMENT FOR THIRD QUARTER 2022

During the annual audit of the Company's December 31, 2022 financial statements it was determined the Company had incorrectly recorded amounts for intangible assets, the West Central Alberta ("WCA") property acquisition and the proposed British Columbia ("BC") property acquisition in its financial statements as presented at September 30, 2022.

Impact on the Statement of Financial Position

(unaudited)	**Q3 2022**
Advances – current asset previously reported	$ 1,492,000
B.C. property acquisition adjustment	908,000
Advance – MTT adjustment	1,700,000
Advances - restated	**4,100,000**
Joint venture rec. – current asset previously reported	$ 259,656
WCA property acquisition adjustment	123,572
Joint venture receivable - restated	**383,228**
PP&E - long term asset previously reported	$ 33,083,752
B.C. property acquisition adjustment	(6,258,942)
WCA property acquisition adjustment	(5,205,507)
WCA PP&E impairment	(10,083,608)
Property, plant and equipment - restated	**11,535,695**
E&E assets - long term asset previously reported	$ 14,709,550
WCA property acquisition adjustment	(4,185,741)
Property, plant and equipment - restated	**10,523,809**
Intangible assets - long term asset previously reported	$ 8,228,111
Advance – WTT adjustment	(1,700,000)
Long term loan payables adjustment	(6,528,111)
Intangible assets - restated	**-**
Goodwill - long term asset previously reported	-
WCA property acquisition adjustment	11,516,603
WCA goodwill impairment	(11,516,603)
Goodwill - restated	**-**
Deferred tax asset - long term asset previously reported	-
WCA property acquisition adjustment	5,640,021
Deferred tax asset - restated	**5,640,021**
Total assets previously reported	$ 59,823,672
Restatement adjustment	(25,590,316)
Total assets - restated	**34,233,356**

Decommissioning liability - previously reported	$ 14,160,967
B.C. property acquisition adjustment	(4,434,931)
WCA property acquisition adjustment	(6,994,274)
Decommissioning liability - restated	**2,731,762**

Long term loan payable - previously reported	$ 6,528,111
Intangible assets adjustment	(6,528,111)
Long term loan payable - restated	**-**

Convertible preferred share dividend - previously reportec	-
WCA property acquisition adjustment	529,179
Convertible preferred share dividend - restated	**529,179**

Share capital - previously reported	$ 34,814.953
WCA property acquisition adjustment	17,353,321
Share capital - restated	**52,168,274**

Deficit - previously reported	$ 7,213.460
Gain on property acquisition	2,570,589
Acquisition expense	1,345,000
WCA PP&E impairment	10,083,608
WCA goodwill impairment	11,516,603
Deficit - restated	**32,728,960**

Total shareholders' equity - previously reported	$ 32,572.562
Restatement adjustment	(8,162,179)
Total shareholders' equity - restated	**24,140,383**

Total liabilities and shareholder's equity - previously repoı	$ 59,823.672
Restatement adjustment	(25,590,316)
Total liabilities and shareholders' equity - restated	**34,233,356**

Reconciliation of the Statement of Loss and Comprehensive Loss

(unaudited)	**Q3 2022**
Gain on acquisition of assets– previously reported	$ 2,570,589
B.C. property acquisition adjustment	(916,010)
WCA property acquisition adjustment	(1,654,579)
Gain on acquisition of assets - restated	**-**

Acquisition expense -previously reported	-
WCA property acquisition adjustment	1,345,000
Acquisition expense -restated	**1,345,000**

Impairment on goodwill - previously reported	-
WCA property acquisition	11,516,303
Impairment on goodwill - restated	**11,516,303**

Impairment of PP&E - previously reported	-
WCA property acquisition	10,083,608
Impairment of PP&E - restated	**10,083,608**

Net income & comprehensive income- previously reporte(	$ 2,725,984
Restatement adjustment	(25,515,500)
Net loss and comprehensive loss- restated	**(22,789,516)**

4. ADVANCES

A reconciliation of the advances is provided below:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Advance – MTT	**$ 4,083,720**	$ 2,340,000
Transfer to License Fee (MTT)	**(1,650,690)**	-
Transfer to Non-Voting Shares (MTT)	**(2,393,855)**	-
Transfer to Interest Expense (MTT)	**(39,175)**	-
Advance to 611890 Alberta Inc – NE BC	**3,000,000**	-
Write off NE BC Advance	**(3,000,000)**	-
Balance, end of period	**$ -**	$ 2,340,000

At December 31, 2022, the advance to 611890 Alberta Inc. (“611890) was for the assumption of the contract with Micro Turbine Technology (“MTT”).

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

5. PREPAID EXPENSES

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Data analysis	**$ 1,474,494**	$ 737,247
MTT Phase 1 CSA certification fees	**198,788**	-
MTT Phase 2 CSA certification fees	**738,753**	-
Lawyer retainer fees	**2,500**	-
Valuation retainer fees	**15,350**	-
Land service retainer fees	**5,000**	25,400
Prepaid financing fees	**18,375**	-
AER decommissioning and crown royalty deposit	**36,034**	-
Balance, end of period	**$ 2,489,294**	$ 762,647

In December 2022, the Company prepaid $737,247 to Terra Land Development Ltd. and an additional $737,247 in 2023 for data analysis to collect the information from 1,050 potential customers, site preparation and their current power, heating, and cooling needs. This expense qualifies as a Canadian Renewable Conservation Expense (“CRCE”) for flow-through share purposes.

6. BUSINESS COMBINATION

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

The aggregate consideration paid of $41.703.300 is comprised of 30,000,000 convertible preferred shares valued at $0.55 per share for the total value of $16,372,500 and 44,440,000 common shares at the September 14, 2022 closing share price of $0.57 on which the shares were transferred for a total value of $25,330,800.

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

Net assets acquired		Total
Petroleum and natural gas properties and equipment		$8,063,320
Exploration and evaluation assets		8,453,325
Facilities		5,416,566
Pipelines		5,883,660
Goodwill		11,516,303
Deferred tax asset		5,640,021
Joint venture payable owed to the Company by 611890		(1,087,818)
Decommissioning liabilities		(2,182,077)
Fair value of net assets acquired	**$**	**41,703,300**

Consideration		
Common shares	**$**	**25,330,800**
Preferred shares		**15,843,321**
Convertible preferred share dividend liability		**529,179**

The business combination resulted in a good will value of $11,516,303 which Management impaired to Nil for the nine months ended September 30, 2023. Best estimates were determined based on available information at the time of preparation of these Financial Statements. The Company continued its review to determine the identification of intangible assets, assumption of liabilities, identification of contingent liabilities and working capital adjustments during the allowable measurement period, which shall not exceed one year from the closing date.

The purchase of the WCA assets meets the definition of a related party transaction as the purchase was between 611890 Alberta Ltd. and the Company. The CEO of 611890 Alberta Ltd. is the CEO of the Company.

Acquisition Cost

The Company incurred acquisition costs fair valued at $1,345,000 for services related to arranging the acquisition between the buyer and seller settled with 4,222,222 common shares issued (note 16 (a)).

Revenue and operating income

The acquisition contributed $874,582 in revenues, royalty expenses of $84,916 and $560,070 in direct operating expenses for the year ended December 31, 2022 resulting in $229,866 of net operating income.

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

		Total
Cost		
Balance at December 31, 2021	$	882,127
Additions – property acquisitions		38,135,149
Additions - regular		214,283
Additions – cash call		1,399,999
Balance at December 31, 2022	$	40,631,558
Additions		1,062,579
Change in decommissioning provisions		(28,564)
Balance at September 30, 2023	**$**	**41,665,573**
Balance at December 31, 2021	$	(44,252)
Depletion and depreciation for the period		(229,082)
Impairment		(18,444,338)
Balance at December 31, 2022	$	(18,717,672)
Depletion and depreciation for the period		(856,177)
Balance at September 30, 2023	**$**	**(19,573,849)**
Net carrying value:		
Balance December 31, 2022	$	21,913,886
Balance September 30, 2023	$	22,091,724

As at September 30, 2023, no impairment triggers were identified and therefore an impairment test was not performed.

8. RIGHT-OF-USE ASSETS AND LEASES

Voluntary change in accounting policy

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

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

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

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

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

Right-of-use Assets

(restated)		**Total**
Cost		
Balance at December 31, 2021	$	-
Initial recognition		123,058
Depreciation		(3,326)
Balance at December 31, 2022	$	119,732
Depreciation		(7,483)
Balance at September 30, 2023	**$**	**112,249**

Lease Liability		**Total**
Balance at December 31, 2021	$	-
Initial recognition		123,058
Surface lease payments		(4,000)
Interest expense		4,482
Balance at December 31, 2022	$	123,540
Surface lease payments		(37,919)
Interest expense		8,966
Balance at September 30, 2023	**$**	**94,587**

Leases

Statement of Financial Position

($)	**September 30, 2023**
Current lease liabilities	16,045
Non-current lease liabilities	78,542

Results of Operations

($)	**Nine months ended September 30, 2023**
Interest expense of lease liabilities	8,966

9. EXPLORATION ASSETS ("E & E")

	Nine months ended September 30, 2023	Year ended December 31, 2022
Cost		
Balance, beginning of period	**$ 12,154,901**	$ 1,537,296
Additions – regular	**-**	533,714
Additions - acquisitions	**-**	10,083,891
Balance, end of period	**$ 12,154,901**	$ 12,154,901

Exploration and evaluation assets consist of the Company's exploration projects for which the determination of proved or probable reserves is indeterminable at this time.

As at September 30, 2023, no impairment indicators were identified and therefore an impairment test was not performed.

10. INVESTMENTS

	Nine months ended September 30, 2023	Year ended December 31, 2022
Cost		
Balance, beginning of period	**$ -**	$ -
Additions – MTT Non-Voting Shares	**3,540,227**	-
Balance, end of period	**$ 3,540,227**	$ -

The investment in MTT non-voting shares represents a 15% equity stake in MTT so the investment is being recorded at the lower of cost and fair market value.

11. GOODWILL AND INTANGIBLE ASSET

	Total
Cost	
Balance at December 31, 2021	$ -
Additions – goodwill property acquisitions	11,516,303
Additions – intangible assets	9,382
Balance at December 31, 2022	$ 11,525,685
Additions – intangible assets	7,000
Additions – MTT license	2,124,136
Balance at September 30, 2023	**$ 13,656,821**
Balance at December 31, 2021	$ -
Goodwill Impairment for the period	(11,516,303)
Balance at December 31, 2022	$ (11,516,303)
Depletion and depreciation for the period	-
Balance at September 30, 2023	**$ (11,516,303)**
Net carrying value:	
Balance December 31, 2022	$ 9,382
Balance September 30, 2023	$ 2,140,518

12. DECOMMISSIONING LIABILITY

The Company's decommissioning provision results from ownership interests in oil and natural gas assets including well site, gathering systems and processing facilities. The total provision is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company estimated the total undiscounted amount required to settle its decommissioning provision at September 30, 2023 to be approximately $7,620,706 (December 31, 2022 - $7,620,706). These payments are expected to be incurred over a period of one to 50 years with the majority of costs to be incurred in 2038. A discount rate of 5.39 percent (December 31, 2022 – 5.39 percent) and an inflation rate of 2.0 percent (December 31, 2022 – 2.0 percent) was used to calculate the decommissioning provision.

A reconciliation of the decommissioning liability is provided below:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of period	**$ 3,334,487**	$ 282,594
Provisions made during the period - acquisitions	**-**	3,163,821
Changes in decommissioning provision	**(28,564)**	(282,553)
Accretion adjustment from prior period	**(127,988)**	-
Accretion	**131,070**	170,625
Balance, end of period	**$ 3,309,005**	$ 3,334,487

13. PROMISSORY NOTES

A reconciliation of the promissory note is provided below:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of period	**$ 1,800,000**	$ 67,429
Interest (i)	**-**	9,495
Repayment of promissory note (i)	**-**	(76,924)
Promissory note (ii)	**-**	1,800,000
Repayment of promissory note (ii)	**(1,200,000)**	-
Balance, end of period	**$ 600,000**	$ 1,800,000

(i) On September 15, 2020, the Company converted related party liabilities to unsecured promissory notes in the amount of $217,195. The promissory notes bear simple interest at 5% per annum with principal and interest payable on maturity being two years from the date of issuance. During the year ended December 2022, a total of $76,924 (2021 - $142,780) was applied against the balance of the promissory notes.

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

14. TERM LOAN

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of period	**$ -**	$ -
Repayment of promissory note (ii)	**3,000,000**	-
Balance, end of period	**$ 3,000,000**	$ -

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

15. CONVERTIBLE DEBENTURES

A reconciliation of the convertible debentures is provided below:

	Convertible debenture - liability component	Derivative liability	Equity Component	Total
Balance at January 1, 2022	$ 521,039	$ 729,318	$ 235,500	$1,485,857
Proceeds, net of transaction costs	3,580,045	-	1,057,983	4,638,028
Conversions	(356,870)	(48,191)	-	(405,061)
Fair value change	-	(49,144)	-	(49,144)
Accretion expense	308,788	-	-	308,788
Balance at December 31, 2022	**4,053,002**	**631,983**	**1,293,483**	**5,978,468**
Conversions	(179,137)	-	-	(179,137)
Maturity	(284,999)	(631,983)	-	(916,982)
Accretion expense	332,185	-	-	332,185
Balance at September 30, 2023	**$3,921,051**	**-**	**$1,293,483**	**$5,214,534**

	Nine months ended September 30, 2023	Year ended December 31, 2022
Convertible debenture (i)	**$ 330,089**	$ 308,041
Convertible debenture (ii)	**-**	267,329
Convertible debenture (iii)	**3,590,962**	3,477,632
Balance, end of period	**$ 3,921,051**	$ 4,053,002
Short term	**-**	267,329
Long term	**3,921,051**	3,785,673
Derivative liability (ii)	**-**	631,983
Short term	**-**	631,983

(i) On December 9, 2019, the Company issued a debenture for $500,000 as payment for the business combination in which the Company acquired a 50% interest in non-operating assets. The debenture is unsecured and bears a compound interest of 5% per annum. The debenture matures on July 31, 2027, at which time the debenture and any accrued interest is payable. The convertible debenture can be converted at the lower of $0.25 or 80% of the major event price. The major event price means the price per common share that (i) a common share is being issued by the Company before the maturity date pursuant to an initial public offering of the common shares for listing on a recognized stock exchange; or (ii) a common share is being issued by the Company pursuant to a financing of no less than $500,000 net of fees and commissions; or (iii) results from a purchase by a third party of substantially all the assets of the Company by dividing the said purchase price by the number of issued common shares on a fully diluted basis.

The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability. As a result of the conversion price of the debenture not being fixed at the time of the issuance, the conversion feature is considered a derivative liability and is revalued each month.

During the year ended December 31, 2021, the Company obtained a waiver for the convertible debenture conversion clause of conversion at the lower of $0.25 or 80% of the major event price to be fixed at $0.25 effective March 1, 2021. As a result of the conversion price of the debenture being fixed at the time of change, the convertible debentures have been separated into a liability and equity components using the effective interest rate method. The fair value of the liability component of the convertible debentures at the time of change was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature.

The fair value of the equity component (conversion feature) was determined at the time of change as the difference between the face value of the convertible debenture and the the fair value of the liability component. The value of the equity component was determined to be $235,500 and the value of the liability component was determined to be $265,000.

(ii) On June 28, 2020, the Company offered a non-brokered private placement of $400,000 debenture units, each unit being comprised of an aggregate $1,000 principal amount of a 10% convertible unsecured subordinated debenture due on April 30, 2023, and one detachable common share purchase warrant entitling the holder to purchase 10,000 common shares at a price of $0.10 for a period of 36 months following the closing. The debenture bears an interest rate of 10% per annum payable semi-annually, payable either in cash or common shares in the capital of the issuer at the option of the subscriber. The offering closed on July 7, 2020, for gross proceeds of $400,000. The fair value of the liability component of the convertible debentures at the time of issue was initially calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature. As the fair value of the derivative liability component and the fair value of the liability component were determined to have a greater combined fair value than the face value of the debentures, the difference between the face value of the debentures and the fair value of the derivative liability was attributed to the debt component. The fair value of the derivative was determined to be $151,800 and the fair value of the debt component was determined to be $248,200 on the date of issuance.

The value of the warrants is determined by allocating the residual of the debenture units transaction price after all financial liabilities in the debenture units are recognized. As the financial liabilities make up the full amount of the debenture unit transaction price, no value has been assigned to the warrants.

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

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

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Expected stock price	**-**	0.32
Risk-free interest rate *(%)*	**-**	4.30
Expected life *(months)*	**-**	4
Expected volatility (%)	**-**	90.48
Expected forfeiture rate (%)	**-**	-
Expected dividend yield *(%)*	**-**	-

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

The convertible debenture was determined to be a compound financial instrument composed of liability and equity components, meeting the fixed-for-fixed criteria. The fair value of the liability component of the convertible debentures at the time of issue was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 14.47%. The effective interest rate was based on the estimated interest rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component.

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

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

During the year ended December 31, 202, convertible debentures with a stated value of $340,895 were converted into 911,847 common shares at the holder's option. There were 911,847 conversion warrants valued at nil issued in connection with conversion, exercisable at $0.75 for a period of 24 months.

During the nine months ended September 30, 2023, convertible debentures with a stated value of $179,137 were converted into 450,000 common shares (452,632 with accrued interest) at the holder's option. There were 450,000 conversion warrants valued at nil issued in connection with conversion, exercisable at $0.75 for a period of 24 months.

On September 20, 2023, the Company announced it intends to amend the terms of its unsecured convertible debentures by extending the maturity date of the convertible debentures by an additional year as well as repricing the underlying Common Shares and Warrants at a price of $0.25 per Common Share and Warrant upon conversion. The approval was received by the CSE and has been implemented by the Company per the announcement.

16. SHAREHOLDERS' EQUITY

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

(a) Issued and outstanding

			Nine months ended September 30, 2023			Year ended December 31, 2022
	Number of Common Shares	**Number of Preferred Shares**	**Amount**	Number of Common Shares	Number of Preferred Shares	Amount
Balance, beginning of period	**111,437,322**	**30,000,000**	**$ 56,883,006**	35,651,341	-	$ 9,023,278
Issue of Common Shares (i)	**-**	**-**	**-**	22,196,708	-	8,000,000
Flow through premium (i)	**-**	**-**	**-**	-	-	(2,006,889)
Issue of Common Shares (ii)	**-**	**-**	**-**	44,440,000	30,000,000	41,174,122
Issue of Common Shares (iii)	**-**	**-**	**-**	4,222,222	-	1,345,000
Issue of Common Shares (iv)	**-**	**--**	**-**	3,790,623	-	1,173,155
Issue of Common Shares (v)	**452,632**	**-**	**180,704**	1,136,428	-	405,061
Warrants issued (i)	**-**	**-**	**-**	-	-	(1,212,126)
Conversion of preferred shares	**30,000,00**	**(30,000,00)**	**-**	-	-	-
Subscription receipts (vi)	**-**	**-**	**500,000**	-	-	-
Share issue costs	-	**-**	**-**	-	-	(1,018,595)
Balance, end of period	**141,889,954**	**-**	**$ 57,563,710**	111,437,322	30,000,000	$ 56,883,006

Issued shares for cash

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

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

On October 31, 2023, the Company announced it closed the first tranche of $1,033,000 of its non-brokered private placement by issuing 20,660,000 units at a price of $0.05 per unit. The Company received $500,000 of subscription receipts prior to the closing date.

Issued shares for the property acquisition

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

Issued shares for services

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

Issued shares for warrants exercised

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

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

Issued shares for convertible debentures

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

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Number of Warrants	***$***	Number of Common Shares	*$*
July 29, 2022 (iii)	**-**	**-**	20,000	$ 7,400
September 20, 2022 (iii)	**-**	**-**	182,100	67,377
September 30, 2022 (iii)	**-**	**-**	557,277	206,192
September 30, 2022 (ii)	**-**	**-**	224,580	64,166
October 20, 2022 (iii)	**-**	**-**	50,625	18,731
November 22, 2022 (iii)	**-**	**-**	71,128	26,317
December 9, 2022 (iii)	**-**	**-**	30,717	14,878
February 8, 2023 (iii)	**401,684**	**163,153**	-	-
February 21, 2023 (iii)	**50,948**	**17,551**	-	-
	452,632	**$ 180,704**	1,136,428	$ 405,601

Convertible debenture (note 15 (ii))

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

Convertible debenture (note 15(iii))

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

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

During the nine months ended September 30, 2023, convertible debentures with a stated value of $179,137 ($180,704 stated value of debenture plus accrued debenture interest converted to shares of $1,566) were converted into 452,632 common shares at the holder's option.

(b) Convertible preferred shares

On September 14, 2022, 30,000,000 convertible preferred shares were issued to Leonard B. Van Betuw as consideration paid for the WCA acquisition. The Convertible shares will have a term of 3.75 years, expiring June 14, 2026, and earn an accruing annual dividend at a rate of two percent based on the value of $0.32 share, payable upon conversion. The conversion of the Convertible shares at the election of the holder can only occur after one of three milestones have been achieved: a) the Company exceeds the production rate of 3,000 BOE/d; b) the Common Shares trade at a volume weighted average price (VWAP) of more than $1.00 per share for 20 consecutive business days or c) the second year anniversary since the issuance of the Common Shares has occurred. At maturity upon the fifth anniversary of their issuance, the Convertible Preferred Shares and any unpaid dividend shall automatically be redeemed on a 1:1 basis by the issuance of Common shares.

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

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

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

On March 29, 2023, there was a forced conversion of the 30,000,000 convertible preferred shares to 30,000,000 common shares, as a result of a significant event taking place which was the signing of the Business Combination Agreement announced on April 3, 2023 with Insight Acquisition Corp. As a result the Company has written off the Convertible Preferred Shares dividend liability, recording a $553,048 gain on conversion and $103,101 in dividend payable.

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of period	**$ 542,202**	$ -
Initial recognition	**-**	529,179
Accretion	**10,846**	13,023
Gain on write off	**(553,048)**	-
Balance, end of period	**$ -**	$ 542,202

(c) Share-based compensation plans

Stock Option Plan

The Company grants stock options to employees, directors, officers and consultants as compensation for services pursuant to its Stock Option Plan (the "Plan"). Options issued pursuant to the Plan must have an exercise price greater than or equal to the market price of the Company's stock on the grant date less applicable discounts. Options have a maximum expiry period of up to five years from the grant date and are subject to the minimum vesting requirements, as determined by the Board of Directors. The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. Stock options granted to management, employees, and directors vest immediately on the grant date.

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

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

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Number of Options	**Weighted Average Exercise Price *($/share)***	Number of Options	Weighted Average Exercise Price *($/share)*
Balance, beginning of period	**1,753,770**	**$ 0.36**	200,000	$ 0.35
Granted	**-**	**-**	717,949	0.39
Granted	**-**	**-**	835,821	0.34
Balance, end of period	**1,753,770**	**$ 0.36**	1,753,770	$ 0.36
Exercisable, September 30, 2023	**1,753,770**	**$ 0.36**	1,753,770	$ 0.36

The following table summarizes information regarding stock options outstanding at September 30, 2023:

Options Outstanding at September 30, 2023				**Options Exercisable at September 30, 2023**	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *($/share)*	Number Exercisable	Weighted Average Exercise Price *($/share)*
$ 0.35	**200,000**	**1.1**	**$ 0.35**	**200,000**	**$ 0.35**
$ 0.39	**717,949**	**1.2**	**$ 0.39**	**717,949**	**$ 0.39**
$ 0.34	**835,821**	**1.2**	**$ 0.34**	**835,821**	**$ 0.34**

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Risk-free interest rate *(%)*	**-**	3.85
Expected life *(years)*	**-**	2
Expected volatility (%)	**-**	109
Expected forfeiture rate (%)	**-**	0
Expected dividend yield *(%)*	**-**	-
Fair value of stock options granted ($/share)	**-**	0.03

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

Share-based compensation from options recognized in net loss during the period ended September 30, 2023 was $nil (December 31, 2022 - $44,993).

(d) Share purchase warrants

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

	Nine months ended September 30, 2023		Year ended December 31, 2022	
	Number of Warrants	**Weighted Average Exercise Price *($/share)***	Number of Warrants	Weighted Average Exercise Price *($/share)*
Balance, beginning of period	**21,627,850**	**$ 0.44**	12,984,694	$ 0.28
Issued – May 10, 2022	**-**	**-**	200,800	0.75
Issued – May 12, 2024	**-**	**-**	226,400	0.75
Issued – May 16, 2024	**-**	**-**	8,000	0.75
Issued – June 9, 2022	**-**	**-**	4,000	0.75
Issued – June 28, 2022	**-**	**-**	110,000	0.75
Issued – July 28, 2022	**-**	**-**	20,000	0.75
Issued – Sept. 14, 2022	**-**	**-**	40,000	0.75
Issued -Sept. 15, 2022	**-**	**-**	100,000	0.75
Issued – Sept. 30, 2022	**-**	**-**	550,000	0.75
Issued – October 20, 2022	**-**	**-**	50,000	0.75
Issued – December 9, 2024	**-**	**-**	30,000	0.75
Issued – Dec. 23, 2022	**-**	**-**	11,098,354	0.50
Issued – February 8, 2023	**400,000**	**0.75**	-	-
Issued – February 21, 2023	**50,000**	**0.75**	-	-
Exercised *(note 13 (a)(iv))*	**-**	**-**	(3,790,623)	(0.21)
Expired - May 6, 2023	**(876,666)**	**(0.35)**	-	-
Expired - June 1, 2023	**(412,500)**	**(0.40)**	-	-
Expired - July 7, 2023	**(1,000,000)**	**(0.25)**	-	-
Expired - August 26, 2023	**(168,200)**	**(0.35)**	-	-
Expired	**-**	**-**	(3,775)	(0.20)
Balance, end of period	**19,620,484**	**$ 0.44**	21,627,850	$ 0.44

On September 20, 2023, the Company announced it intends to extend by one year 7,472,130 outstanding Warrants with exercise prices of $0.35, $0.15, $0.20, and $0.75 and with expiration dates ranging from September 9, 2023, to December 9, 2024.

1,160,000 warrants with an exercise price of $0.35 were set to expire September 9, 2023, 4,088,680 warrants with an exercise price of $0.35 were set to expire September 13, 2023, 100,000 warrants with an exercise price of $0.35 were set to expire September 20, 2023 and 309,200 warrants with an exercise price of $0.35 were set to expire September 23, 2023.

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

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

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

The following table summarizes information regarding share purchase warrants outstanding at September 30, 2023:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life *(years)*
$0.05	600,000	2.4
$0.15	377,000	1.1
$0.20	98,050	1.3
$0.35	5,657,880	0.9
$0.50	11,098,354	1.2
$0.75	1,789,200	1.6
	19,620,484	**1.2**

(e) Per share amounts

The Company calculates per share amounts based on the weighted average Common Shares outstanding for the three and nine months ended September 30, 2023 and for the three and nine months ended September 30, 2022. For periods ended September 30, 2023 or 2022 all the stock options and warrants were anti-dilutive and were omitted from the weighted average number of diluted Common Shares outstanding calculation.

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Weighted average shares outstanding	**141,889,954**	40,051,302	**132,264,085**	40,051,301
Weighted average diluted shares outstanding	**141,889,954**	40,051,302	**132,264,085**	40,051,301
Net loss per share				
Net loss	**$ (1,623,031)**	$(23,098,747)	**$ (5,045,328)**	$(22,789,516)
Basic *($/share)*	**(0.01)**	(0.58)	**(0.04)**	(0.57)
Diluted *($/share)*	**(0.01)**	(0.58)	**(0.04)**	(0.57)

17. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital comprise:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Change in receivables and advance	**$4,053,414**	$ (790,300)	**$2,605,498**	$ (2,823,349)
Change in prepaid expense and deposit	**(696,986)**	-	**(1,726,646)**	7,161
Change in accounts payable and accrued liabilities	**(1,250,867)**	596,024	**2,094,197**	382,290
	$2,105,561	$ (194,276)	**$2,973,049**	$ (2,433,898)
Change in operating non-cash working	**$2,105,561**	$ (194,276)	**$2,973,049**	$ (2,433,898)
Change in investing non-cash working capital	**-**	-	**-**	-

18. OIL AND NATURAL GAS REVENUE

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

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

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

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Oil and natural gas revenue				
Heavy oil	**$ 62,999**	$ 478,335	**$ 401,998**	$1,015,736
Natural gas	**437,454**	429,307	**1,719,367**	1,107,346
Natural gas liquids	**5,724**	15,626	**88,414**	67,909
Oil and natural gas revenue, gross	**506,177**	923,268	**2,209,779**	2,190,991
Less: Royalty expenses	**(89,220)**	(82,064)	**(257,623)**	(199,615)
Oil and natural gas revenue, net	**$ 416,957**	$ 841,204	**$ 1,952,156**	$ 1,991,376

19. ECONOMIC DEPENDENCE

Sales from the Company's business is substantially derived from very few customers and as a result, the Company is economically dependent on these customers. The Company's exposure to credit risk is limited to the carrying value of its account receivable. As at September 30, 2023, accounts receivable of $389,962 (December 31, 2022 - $376,988) were due from these customers and were collected subsequently to quarter and year end.

20. FINANCE INCOME (EXPENSE)

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Finance income:				
Interest income on bank deposits	**$ -**	$ -	**$ 31,729**	$ -
Finance expenses:				
Interest on promissory note	**-**	-	**-**	(7,814)
Interest on debentures	**(71,322)**	(7,150)	**(157,825)**	(7,150)
Interest	**-**	-	**465**	(6,482)
Part XII.6 interest on FTS	**(168,276)**	-	**(168,276)**	-
MTT interest expense	**(39,175)**	-	**(39,175)**	-
Term loan origination fee	**(2,934)**	-	**(2,934)**	-
Term loan interest and admin fee	**(128,240)**	-	**(128,240)**	-
Fair value of change in derivative liability	**-**	(7,453)	**-**	-
Interest on conversions	**-**	-	**(1,566)**	(5,871)
Interest expense on dividend liability	**-**	-	**(103,101)**	-
Accretion on lease liabilities	**(2,684)**	-	**(8,967)**	-
Accretion on convertible preferred share	**-**	-	**(10,846)**	-
Accretion on convertible debenture	**(108,947)**	(36,236)	**(332,185)**	(95,498)
Accretion on decommissioning provision	**(43,993)**	(107,191)	**(3,082)**	(117,206)
	(565,571)	(158,030)	**(955,732)**	(240,021)
Net finance expense recognized in loss	**$ (565,571)**	$ (158,030)	**$(924,003)**	$ (240,021)

21. COMMITMENTS

As a result of the issuance of flow0through shares on December 23, 2022, the Company has a commitment to incur $8,000,000 in qualifying flow-through expenditures. As at September 30, 2023, the Company has incurred $1,499,894 of flow-through expenditures with a $6,500,106 remaining amount to be incurred prior to December 23, 2023.

2023	$ 6,500,106
2024	-
2025	-
2026	-
Thereafter	-
	$ 6,500,106

22. FINANCIAL INSTRUMENTS

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

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(a) Credit risk

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

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners and oil and natural gas marketers. Virtually all of Avila's accounts receivable are from counterparties in the oil and gas industry and are subject to normal industry credit risks. As at September 30, 2023, the Company's accounts receivable consisted of $389,962 (December 31, 2022 - $ 376,988) from oil and natural gas marketers, $200,353 (December 31, 2022 – $372,544) from joint venture partners, and $42,089 (December 31, 2022 - $148,370) in taxes receivable from Canada Revenue Agency.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company did not have any allowance for doubtful accounts as at September 30, 2023 and did not provide for any doubtful accounts nor was it required to write-off any receivables during the period ended September 30, 2023.

As at September 30, 2023, 53 percent all the Company's accounts receivable were under 90 days in age and 47 percent were considered past-due.

Aging		
Current (less than 90 days)	$	337,461
Past due (over 90 days)		294,943
Total	**$**	**632,404**

(b) Liquidity risk

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

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will be able to secure additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financing.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in prices which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, not withstanding any potential success of the Company in creating revenue, cash flow or earnings.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of September 30, 2023:

	Carrying amount	Contractual cash flows total	< 1 year	1 – 2 years	2 – 5 years	More than 5 years
Accounts payable and other liabilities	$4,112,659	$4,112,659	$4,112,659	$ -	$ -	$ -
Lease liabilities	95,587	94,587	16,045	18,358	44,052	16,131

(c) Market risk

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

Foreign currency exchange rate risk

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

price physical sales contracts denominated in United States dollars, if applicable, would have been directly impacted by changes in the foreign exchange rate.

Commodity price risk

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

The Company had no contracts that have not been recorded at fair value during the nine months ended at September 30, 2023 or for the nine months ended September 30, 2022.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk on debt as they bear a fixed interest rate.

(d) Capital management

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

The Company monitors capital based on the ratio of net debt to the trailing funds flow from operations of the immediately preceding three-month period calculated on an annualized basis. This ratio is calculated as net debt, defined as outstanding bank debt plus or minus working capital, divided by annualized cash flow from operations in the previous three-month period before changes in non-cash working capital and decommissioning provision expenditures. Avila's current strategy is to maintain a ratio of no more than 1.0 to 1. This ratio may increase at certain times as a result of acquisitions. In order to facilitate the management of this ratio, the Company prepares annual capital expenditure budgets, which are updated as necessary depending on varying factors including current and forecast commodity prices, production, successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. As at September 30, 2023, Avila had a working capital deficit of $3,649,499 ($3,876,247 at December 31, 2022).

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

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

(e) Vertically Integrated Energy Business

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

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

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

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

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

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

At September 30, 2023 the Company has incurred the following expenditures related to the Vertically Integrated Business:

MTT Expenditures		
Investment in MTT Non-Voting Shares (15% equity)	$	3,540,227
Intangible assets (MTT license)		2,124,136
MTT Phase I CSA certification fees		198,788
MTT Phase II CSA certification fees		738,753
MTT interest		39,175
Total	**$**	**6,641,079**

In addition, the Company prepaid $737,247 to Terra Land Development Ltd. at December 31, 2022 and an additional $737,247 in 2023 for data analysis to collect the information from 1,050 potential customers, site preparation and their current power, heating, and cooling needs.

The Company continues to advance the development of Avila's Integrated Energy Solution ("I.E.S.") and development of the associated marketing platforms and foundation for the development of the initial analysis of customers data and needs to be completed by AI driven algorithms.

Additionally the Company in parallel is completing the process of placing the balance of its Private Placement dedicated to the fulfilment of its financial obligations to MTT in 2023 prior to advancing the CSA approval process further. Upon the completion of these payments, Avila will be in a position to commence the conversion of current marketing efforts and pre-sales of installations for both new homes and the conversion of existing homes to Avila's Integrated Energy Solution ('I.E.S.") into conditional contracts.

23. RELATED PARTY TRANSACTIONS

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

During the period ended September 30, 2023, executive services totalling $237,360 (December 31, 2022 - $246,650) were provided by companies that are affiliated with officers of Avila. At September 30, 2023, Avila still owes $147,373 for the services provided (December 31, 2022 - $228,657).

A $27,480 fee was paid to company that is affiliated with an officer of Avila for sourcing a potential convertible debenture offering.

During the period ended September 30, the Company accrued $3,042 on convertible debentures (September 30, 2023 $ 103,000) that are held by an officer of Avila and a Company whose President is an officer of Avila.

The Company has a $500,000 convertible secured debenture at September 30, 2023 (December 31, 2022 - $500,000) bearing 5% interest compounded semi-annually that is held by Avila Exploration & Development Canada Ltd. whose President is also President and Chief Executive Officer of the Company. At September 30, 2023 there is $95,197 interest owing on the convertible secured debenture due July 31, 2027 (December 31, 2022 - $76,497).

During September 2022, the Company purchased WCA assets from 611890 Alberta Inc for $25,909,100. Consideration for the WCA assets consisted of 30,000,000 preferred shares issued to Leonard Van Betuw, 12,180,000 common shares issued directly to Leonard Van Betuw and 3,600,000 common shares issued to Leonard Van Betuw's family members. The Company has a $103,101 dividend payable to Leonard Van Betuw, who is also President and Chief Executive Officer of the Company relating to the forced conversion of the convertible preferred shares on March 29, 2023 (see note 16 (b)).

During December 2022, the Company advanced $2,340,000 of funds to 611890 Alberta Inc. for the 15% equity stake and preferred license from Micro Turbine Technology. Leonard Van Betuw, who is President of 611890 Alberta Inc is also President and Chief Executive Officer of the Company. During the nine months ended September 30, 2023, the Company advanced an additional $1,455,720 of funds to 611890 Alberta Inc for the 15% equity stake and preferred license from Micro Turbine Technology. At September 30, 2023, Company owes $189,868 to 611890 Alberta Inc. At September 30, 2023, the Company has a $367,817 (December 31, 2022 - $228,657) joint venture receivable from 611890 Alberta Inc. as per the joint venture agreement.

During December 2022, the Company was intending to purchase NEBC assets from 611890 Alberta Inc. for $2,400,000. 611890 Alberta Inc. purchased the NEBC assets for $1,200,000 and incurred the costs associated with the preparation of the bid, post award negotiations, feasibility studies, engineering, budgeting and legal costs and then sold the assets to the Company for $2,400,000, resulting in a collateral benefit of $1,200,000 for 611890 Alberta Inc. Leonard Van Betuw, who is President of 611890 Alberta Inc is also President and Chief Executive Officer of the Company. During the nine months ended September 30, 2023, the Company advanced an additional $ 3,000,000 for the NEBC assets to 611890 Alberta Inc. This property acquisition was terminated resulting in the $2,400,000 being written off at December 31, 2022 and the $3,000,000 advance was written off at March 31, 2023.

During the nine months ended September 30, 2023, the Company advanced $1,200,000 of funds to 611890 Alberta Inc. for a partial payment of the promissory note (see note 13).

24. FLOW-THROUGH SHARE PREMIUM LIABILITY

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of period	**$ 2,006,889**	$ -
Issuance of flow-through shares (*note 16(a)(i)*)	**-**	2,006,889
Settlement pursuant to qualified expenditures	**(376,265)**	-
Balance, end of period	**$ 1,630,624**	$ 2,006,889

25. SUBSEQUENT EVENTS

On September 20, 2023, the Company announced it intends to complete a non-brokered private placement consisting of the issuance of up to 60,000,000 units 9the “Units”) at a price of $0.05 per Unit for gross proceeds of up to $3,000,000. Each Unit is comprised of one common share in the share capital of the Company and one-half (1/2) common share purchase warrant. Each full Warrant entitles its holder to purchase one additional common share at a price of $0.12 for a period of 24 months following the closing.

On October 21, 2023, the Company received a Notice of Termination of the License Agreement (the “Notice”) for an alleged breach of its payment obligations, from Micro Turbine Technology BV (“MTT”) in attempt to accelerate the collection of payments which were not aligned with the newly agreed upon terms and conditions of the Non-Exclusive License Agreement as disclosed in the Company’s press releases dated June 26, 2023 and July 26, 2023. The parties continue to work towards negotiating a mutually satisfactory resolution. The Company disputes the allegations as MTT has been withholding the requested supporting information related to the payments as per underlying agreements. The Company confirms that the amount owing under the License Agreement to date is Euro $509,670 as prepaid services for the annual maintenance of patents and services associated with the completion of the CSA approvals in 2024.

On October 31, 2023, the Company announced it closed the first tranche of $1,033,000 of its non-brokered private placement by issuing 20,660,000 units at a price of $0.05 per unit. The Company received $500,000 of subscription receipts prior to the closing date.