



Avila Energy Announces \$8 Million Private Placement of Flow-Through Units

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CALGARY, AB / December 6, 2022 / Avila Energy Corporation ("**Avila**" or the "**Company**"), trading symbol (CSE:VIK), is pleased to announce that it has entered into an agreement with Echelon Capital Markets ("**Echelon**"), as sole agent, pursuant to which Echelon has agreed to sell, on a fully marketed private placement basis, up to approximately \$8,000,000 of flow-through units in respect of Canadian renewable and conservation expenses ("**CRCE**") within the meaning of the *Income Tax Act* (Canada) to be comprised of up to \$4,000,000 of traditional flow-through units (the "**FT Units**") at a price of \$0.335 per FT Share, and up to \$4,000,000 of charity flow-through units (the "**Charity FT Units**" and with the FT Units, the "**Offered Securities**"), pursuant to the to the listed issuer financing exemption (the "**Listed Issuer Financing Exemption**") available under Part 5A of National Instrument 45-106 ("**NI 45-106**"), at a price of \$0.39 per Charity FT Unit (the "**Offering**").

Each Offered Security will be comprised of one common share (a "**Unit Share**") and one half of one common share purchase warrant (each whole warrant a "**Warrant**"). Each Warrant shall be exercisable to acquire one common share (a "**Warrant Share**") in the capital of the Company at an exercise price of \$0.50 per Warrant Share for a period of 24 months following the closing of the Offering.

It is anticipated that the net proceeds from the Offering will be used to fund Canadian renewable and conservation expenses. More specifically, the net proceeds will be used to advance the Company's *Vertically Integrated Energy Business*, a combination of tier 1, tier 2, and tier 3 carbon dioxide (CO₂) emissions reductions. The Offered Securities issued as a result of the Offering will be issued on a "flow-through" basis in respect of CRCE within the meaning of the *Income Tax Act* (Canada). CRCE receives tax treatment similar to that of Canadian exploration expense under Section 66 of the *Income Tax Act* (Canada), but is a distinct category for fully deductible expenditures relating to the start-up of renewable energy and energy conservation projects. Upon issuing the Offered Securities at the closing of the Offering, the Company will renounce 100% of the to-be-incurred eligible expenses to the Offering subscribers which can be deducted from ordinary income in calculating the subscriber's liability for income tax. The Company is then committed to incur an amount of eligible expenses equal to the Offering proceeds prior to December 31, 2023.

The Company has also granted Echelon an option to purchase a minimum of an additional 20% of Offered Securities (or in agreement with the Company, such other greater amount, provided the Company can renounce the CRCE for such amount, and subject to maximum amounts under the Listed Issuer Financing Exemption) as Echelon may determine, exercisable at any time until 48 hours prior to Closing.

Echelon will receive a cash commission (the "**Commission**") equal to 7.0% of the gross proceeds from the Offering. The Company shall issue to Echelon compensation options (the "**Compensation Options**") equal to 7.0% of the number of Offered Securities sold under the Offering. Each Compensation Option shall entitle the holder to subscribe for a non-flow-through unit (each comprising of one common share and one half of one Warrant) at a price of \$0.34 for a period of 24 months following the Closing Date.

The Offering is scheduled to close on or about December 23, 2022, or such other date not exceeding 45 days from the date hereof as determined by the Company and Echelon, and is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory and other approvals including the approval of the Canadian Securities Exchange and the securities regulatory authorities.

Subject to compliance with applicable regulatory requirements and in accordance NI 45-106, the Charity FT Units will be offered for sale to purchasers' resident in Canada pursuant to the Listed Issuer Financing Exemption under Part 5A of NI 45-106. Because the Offering of Charity FT Units is being completed pursuant to the Listed Issuer Financing Exemption, the Unit Shares and Warrant Shares underlying the Charity FT Units will not be subject to a hold period pursuant to applicable Canadian securities laws. The FT Units will be subject to a four month hold period from the date of closing.

There is an offering document related to this offering that can be accessed under Avila Energy's profile at www.sedar.com and at <https://avilaenergy.com/>. Prospective investors should read this offering document before making an investment decision.

The securities to be offered pursuant to the Offering have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any U.S. state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, United States persons absent registration or any applicable exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. This news release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

About Avila Energy Corporation

The Company is an emerging CSE listed corporation trading under the symbol ('VIK'), and in combination with an expanding portfolio of 100% Owned and Operated oil and natural gas production, pipelines and facilities is a licensed producer, explorer, and developer of Energy in Canada. The Company through the implementation of a closed system of carbon capture and

sequestration and an established path underway towards the material reduction of Tier 1, Tier 2 and Tier 3 emissions continues to work towards becoming an integrated low-cost Carbon Neutral Energy Producer. The Company continues to grow and achieve its results by focusing on the application of a combination of proven geological, geophysical, engineering, and production techniques.

For further information, please contact:

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ON BEHALF OF THE BOARD

Leonard B. Van Betuw
President & CEO

Cautionary and Forward-Looking Statements

Certain information set forth in this news release contains forward-looking statements or information ("forward-looking statements"), including details about the business of the Company. All statements in this news release, other than statements of historical facts, that address events or developments that the Company expects to occur, are forward-looking statements, including, but not limited to the successful closing of the Offering, the anticipated closing date of the Offering, the anticipated use of proceeds and the availability of the Listed Issuer Financing Exemption for the Offering. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, environmental risks, operational risks, competition from other industry participants, stock market volatility. Although the Company believes that the expectations in its forward-looking statements are reasonable, its forward-looking statements have been based on factors and assumptions concerning future events which may prove to be inaccurate. Those factors and assumptions are based upon currently available information. Such statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause actual results or events to differ materially from those stated, anticipated or implied in the forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on the forward-looking statements, as no assurance can be provided as to future results, levels of activity or achievements. Risks, uncertainties, material assumptions and other factors that could affect actual results are discussed in the Company's public disclosure documents available at www.sedar.com. Furthermore, the forward-looking statements contained in this document are made as of the date of this document and, except as required by applicable law, the Company does not undertake any obligation to publicly update or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

SOURCE: Avila Energy Corporation