

## Offering Document under the Listed Issuer Financing Exemption

December 6, 2022



**AVILA ENERGY**

**Avila Energy Corporation (the “Company” or “Avila”)**

### PART 1 – DETAILS OF THE OFFERING

#### What are we offering?

<b>Offering:</b>	<p>Up to \$4,000,000 of charity flow-through units (the “<b>Charity FT Units</b>”). Each Charity FT Unit will be comprised of one common share (a “<b>Unit Share</b>”) and one-half of one common share purchase warrant (each whole warrant a “<b>Warrant</b>”). Each Warrant will be exercisable to acquire one common share (a “<b>Warrant Share</b>”) 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 (the “<b>Offering</b>”), subject to adjustment in certain events.</p> <p>It is anticipated that the net proceeds from the Offering will be used to fund Canadian renewable and conservation expenses (“<b>CRCE</b>”). The Charity FT Units issued as a result of the Offering will be issued on a “flow-through” basis in respect of CRCE within the meaning of the <i>Income Tax Act</i> (Canada). CRCE receives tax treatment similar to that of Canadian exploration expense under Section 66 of the <i>Income Tax Act</i> (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 Charity FT Units 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.</p>
<b>Offering Price:</b>	\$0.39 per Charity FT Unit (the “ <b>Charity FT Unit Issue Price</b> ”).
<b>Offering Amount:</b>	<p>Up to 10,256,410 Charity FT Units for a maximum gross proceeds of \$4,000,000. There are only a maximum number of Charity FT Units that must be distributed.</p> <p>The Agent (as defined herein) shall have the option (the “<b>Agent’s Option</b>”) to purchase an additional 20% of the Charity FT Units sold pursuant to the Offering (or in agreement with the Company, such other greater amount, provided the Company can renounce the CRCE for such amount) exercisable at any time until 48 hours prior to closing.</p>
<b>Closing Date:</b>	On or about December 23, 2022 (the “ <b>Closing Date</b> ”).
<b>Exchange:</b>	The Company’s common shares are listed on the Canadian Securities Exchange (the “ <b>CSE</b> ”) under the trading symbol ‘VIK’.

<b>Last Closing Price:</b>	The last closing price of the Company's common shares on the CSE on December 5, 2022, was \$0.34.
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*“No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this document. Any representation to the contrary is an offence. This offering may not be suitable for you and you should only invest in it if you are willing to risk the loss of your entire investment. In making this investment decision, you should seek the advice of a registered dealer.”*

**Avila is conducting a listed issuer financing under section 5A.2 of National Instrument 45-106 Prospectus Exemptions. In connection with this offering, the issuer represents the following is true:**

- **The issuer has active operations and its principal asset is not cash, cash equivalents or its exchange listing.**
- **The issuer has filed all periodic and timely disclosure documents that it is required to have filed.**
- **The total dollar amount of this offering, in combination with the dollar amount of all other offerings made under the listed issuer financing exemption in the 12 months immediately before the date of this offering document, will not exceed \$5,000,000.**
- **The issuer will not close this offering unless the issuer reasonably believes it has raised sufficient funds to meet its business objectives and liquidity requirements for a period of 12 months following the distribution.**
- **The issuer will not allocate the available funds from this offering to an acquisition that is a significant acquisition or restructuring transaction under securities law or to any other transaction for which the issuer seeks security holder approval.”**

## **PART 2 – SUMMARY DESCRIPTION OF OUR BUSINESS**

### **What is our business?**

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 carbon dioxide (CO<sub>2</sub>) emissions, continues to work towards becoming a *Vertically Integrated low-cost Carbon Neutral Energy Producer*. The Company continues to grow and to achieve its results by focusing on the application of a combination of proven geological, geophysical, engineering, and production techniques.

The Company's principal assets are located in Alberta and British Columbia.

Further information regarding the business of the Company or its operations and its properties can be found in the annual information form of the Company dated July 22, 2022, which is available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Recent Developments**

On May 11, 2022, the Company closed a first tranche of a partially brokered private placement of in excess of \$2,512,000 of a contemplated issue of a total of \$5,000,000 in debenture units financing (the

“**Debenture Units Financing**”). Each unit (“**Debenture Unit**” or “**Debenture Units**”) of the Debenture Units Financing was comprised of a \$1,000 principal amount bearing interest at 4% per annum, which is convertible and unsecured, due on April 1, 2025. Included in the Unit is a right held by the holder of full conversion of the entire principal and accrued interest of the Debenture Units into common shares at \$0.50 per common share (the “**Conversion**”), as well as upon the Conversion to the issuance of one (1) additional common share purchase warrant per share issued on Conversion (the “**Conditional Warrants**”) to the holder entitling the holder to purchase one (1) common share per each common share received on the Conversion at a price of \$0.75 for a period of two (2) years following the date of the Conversion. The Company has paid some brokerage fees to Research Capital Corporation, being a percentage in money of their brokered financing raised for the Debenture Units Financing, as well as broker warrants associated therewith to purchase 187,200 common shares at \$0.75 per common share exercisable until May 12, 2024.

On June 29, 2022, the Company’s common shares were approved for listing on the CSE and were trading again on June 30, 2022, following a trading halt pending the completion of a “fundamental change” transaction with Avex Energy Inc. (formerly 611890 Alberta Inc.) (the “**Transaction**”) pursuant to CSE Policy 8.

On July 5, 2022, the Company closed the second and final tranche of the Debenture Units Financing totaling \$5,000,230. The Company has paid some brokerage fees to Research Capital Corporation, in series, being a percentage in money of their brokered financing raised for the Debenture Units Financing, as well as broker warrants associated therewith to purchase a total 431,200 common shares at \$0.75 per common share, with the last series exercisable until June 28, 2024.

On July 26, 2022, the Company announced its election to assume 100% of the interests and activities of its joint venture in northeast British Columbia (the “**NEBC Property**”) in, and for, the fiscal year ended December 31, 2022. Pursuant to this election, the Company has (i) agreed to assume, effective July 1, 2022, 100% of the interests and obligations of the joint venture in the NEBC Property and (ii) engaged the Company’s independent Qualified Reserves Evaluators (“**QRE**”), Deloitte LLP, to complete an evaluation of 100% of the interests in the NEBC Property consisting of 89,825 (net) acres and 97,743 (gross) acres, 73.6 wells (net) and 78 wells (gross), and 2 facilities.

On August 11, 2022, the Company announced the closing procedure respecting the Transaction set forth in its agreement of purchase and sale dated June 23, 2022.

On August 22, 2022, the Company announced increases of *Proven plus Probable* reserves to 30.964 million barrels of oil equivalent (“**BOE**”) valued at \$209.8 million dollars. The Company’s updated reserves evaluation was recently completed by its independent QRE who was engaged to complete an evaluation of 100% of the Company’s consolidated interests in western Canada of 125,875 acres (net) of a total of 138,858 acres (gross) including 125.3 wells (net) and 126.6 wells (gross), and 4 facilities. Based on such evaluation, effective July 1, 2022, the consolidated reserves of the Company on a *Proven plus Probable basis* (2P) are 30.964 million (“**BOE**”) valued at \$209.8 million based on a net present value discounted by 10% before income taxes (NPV10% BT).

On September 14, 2022, the Company closed the fundamental change acquisition following shareholder approval and the Court of King’s Bench of Alberta approval.

On November 14, 2022, the Company announced the launch of its *Vertically Integrated Energy Business*, targeting its first direct-to-consumer sales in North America in 2023 and net zero tier 3 (scope 3) CO2 emission energy deliveries in 2027.

## **Material Facts**

There are no material facts about the securities being distributed that have not been disclosed in this offering document or in any other document filed by the Company in the 12 months preceding the date of this offering document.

**What are the business objectives that we expect to accomplish using the available funds?**

The Company will be using the proceeds to for Canadian renewable and conservation expenses, more specifically to advance its *Vertically Integrated Energy Business* a combination of tier 1, tier 2, and tier 3 carbon dioxide (CO<sub>2</sub>) emissions reductions.

**PART 3 – USE OF AVAILABLE FUNDS**

**What will our available funds be upon the closing of the Offering?**

		<b>Assuming 100% of the Offering</b>	<b>Assuming 100% of the Offering and the exercise of the Agent’s Option</b>
A	Amount to be raised by this Offering	\$4,000,000	\$4,800,000
B	Selling commissions and fees	\$280,000	\$336,000
C	Estimated Offering costs (e.g., legal, accounting, audit)	\$344,000	\$344,000
D	Net proceeds of the Offering D = A – (B + C)	\$3,376,000	\$4,120,000
E	Working capital as at November 30, 2022	\$2,134,079	\$2,134,079
F	Additional sources of funding: traditional flow-through units offering	\$4,000,000	\$4,800,000 <sup>(1)</sup>
G	Total available funds G = D+E+F	\$9,510,079	\$11,054,079

Notes:

- (1) The traditional flow-through units offering is also subject to a similar provision to the Agent’s Option.

**How will we use the available funds?**

The Charity FT Units Offering will be used to advance its *Vertically Integrated Energy Business*.

The traditional flow-through units offering will be used to advance its *Vertically Integrated Business* unit including the development of the qualified portion of its *Carbon Capture and Sequestration* program in West Central Alberta.

<b>Description of intended use of available funds listed in order of priority</b>	<b>Assuming 100% of the Offering</b>	<b>Assuming 100% of the Offering and the exercise of the Agent’s Option</b>
<b>Corporate G&amp;A including salaries, legal, audit and public listing costs</b>	\$ 540,000	\$ 540,000
<b>Vertically Integrated Energy Business</b>	\$ 8,000,000	\$ 9,600,000
<b>Unallocated working capital</b>	\$ 970,079	\$ 914,079

**How have we used the other funds we have raised in the past 12 months?**

Previous financing activity	Intended use of funds	Use of funds to December 4, 2022
\$5,000,230 Debenture Units Financing	General working capital and business development	\$ 5,000,230

General working capital and business development expenditures are detailed in the table below:

<b>NEBC Property</b>	\$ 2,400,000
<b>MTT Combined Cycle Power Generation Intangible Assets</b>	\$ 1,700,000
<b>General Administration</b>	\$ 160,800
<b>Commissions, Legal &amp; Closing Costs</b>	\$ 344,970
<b>Working Capital</b>	\$ 394,460
<b>Total use of funds to December 4, 2022</b>	\$ 5,000,230

Notes:

- (1) MTT or Micro Turbine Technology B.V. is a leader in *Micro-turbine Combined Heat and Power Technology*. See: <https://www.mtt-eu.com/> and <https://www.enertwin.com>.

**PART 4 – FEES AND COMMISSIONS**

**Who are the dealers or finders that we have engaged in connection with this offering, if any, and what are their fees?**

<b>Agent:</b>	Echelon Wealth Partners Inc., as sole agent (the “ <b>Agent</b> ”).
<b>Compensations Type:</b>	Cash commission and compensation options.
<b>Cash commission:</b>	7.0% of the gross proceeds of the Offering.
<b>Compensation Options:</b>	The Agent will receive, on the Closing Date, non-transferable compensation options (the “ <b>Compensation Options</b> ”) equal to 7.0% of the number of the Charity FT Units sold pursuant to the Offering. Each Compensation Option shall entitle the holder to subscribe for units at \$0.34 comprising of one (1) common share and one-half (1/2) of a common share purchase warrant at a price of \$0.50 for a period of 24 months following the Closing Date.

**Does Echelon Wealth Partners Inc. have a conflict of interest?**

The Company is not a “connected issuer” or “related issuer”, in each case within the meaning under National Instrument 33-105 *Underwriting Conflicts*, of the Agent.

**PART 5 – PURCHASERS’ RIGHTS**

**“Rights of Action in the Event of a Misrepresentation**

**If there is a misrepresentation in this offering document, you have a right**

- a) to rescind your purchase of these securities with Avila, or**
- b) to damages against Avila and may, in certain jurisdictions, have a statutory right to damages from other persons.**

**These rights are available to you whether or not you relied on the misrepresentation. However, there are various circumstances that limit your rights. In particular, your rights might be limited if you knew of the misrepresentation when you purchased the securities.**

**Purchasers who acquire the Charity FT Units through the Company or any liquidity provider assisting with the Offering shall have the same rights and remedies for rescission and/or damages against the Company as purchasers who acquires Charity FT Units through the Agent.**

**If you intend to rely on the rights described in paragraph (a) or (b) above, you must do so within strict time limitations.**

**You should refer to any applicable provisions of the securities legislation of your province or territory for the particulars of these rights or consult with a legal adviser.**

## **PART 6 – ADDITIONAL INFORMATION**

**Where can you find more information about us?**

Security holders can access Avila's continuous disclosure filings on SEDAR at [www.sedar.com](http://www.sedar.com) under Avila's profile.

For further information regarding Avila, visit our website at: <https://avilaenergy.com/>.

## CERTIFICATE OF THE ISSUER

**This offering document, together with any document filed under Canadian securities legislation on or after December 6, 2021, contains disclosure of all material facts about the securities being distributed and does not contain a misrepresentation.**

December 6, 2022

*“signed” Leonard Van Betuw*

Leonard Van Betuw

Chief Executive Officer

*“signed” Jennifer Ottosen*

Jennifer Ottosen

Chief Financial Officer