

## Amended Offering Document under the Listed Issuer Financing Exemption

(Amending the Offering Document under the Listed Issuer Financing Exemption dated December 6, 2022 and filed in each of the Provinces of Canada)

December 22, 2022



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 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 ‘ <b>VIK</b> ’.
<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.

*“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.”

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This offering document contains “forward-looking information” within the meaning of applicable Canadian securities laws, which is based upon the Company’s current internal expectations, estimates, projections, assumptions and beliefs. The forward-looking information included in this offering document is made only as of the date of this offering document. Such forward-looking statements and forward-looking information include, but are not limited to, statements concerning the NEBC Project; becoming a Vertically Integrated Energy Producer; the Carbon Capture and Sequestration program in West Central Alberta; the timelines and anticipated costs of these projects; the Company’s expectations with respect to the use of proceeds and the use of the available funds following completion of the Offering; the future expansion of aforementioned projects; the completion of the Offering, the exercise of the Agent’s Option in whole or in part, and the expected Closing Date. Forward-looking statements or forward-looking information relate to future events and future performance and include statements regarding the expectations and beliefs of management based on information currently available to the Company. Such forward-looking statements and forward-looking information often, but not always, can be identified by the use of words such as “plans”, “expects”, “potential”, “is expected”, “anticipated”, “is targeted”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements or forward-looking information are subject to a variety of risks and uncertainties, which could cause actual events or results to differ from those reflected in such forward-looking statements and forward-looking information, including, without limitation, risks with respect to: investing in an emerging market; exploitation and exploration successes; success and commitment of customers to the EnerTwin product; maintaining the Licensing Rights; additional financing requirements; volatility of the capital markets; early stage of development; attracting and retaining qualified personnel; competition risks; insurance risks; operating hazards and risks; potential conflicts of interest; political instability and hyperinflation; coronavirus; Russia’s military action in Ukraine; environmental risks; litigation risks; volatility in the price of the Common Shares; potential dilution of present and prospective shareholdings; currency risks; financial reporting standards; and climate change. This list is not exhaustive of the factors that may affect any of the Company’s forward-looking statements or forward-looking information. Forward-looking information includes statements about the future and are inherently uncertain, and the Company’s actual achievements or other future events on conditions may differ materially from those reflected in the forward-looking information due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in this Company’s offering document and other filings available at [www.sedar.com](http://www.sedar.com).

The Company provides no assurance that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements and information. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, changing circumstances, or otherwise.

## 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 has an established path underway towards the material reduction of tier 1, tier 2 and tier 3 carbon dioxide (CO<sub>2</sub>) emissions. The Company continues to work towards becoming a *Vertically Integrated low-cost Carbon Neutral Energy Producer* through the downstream development of the Company's energy business by establishing direct to consumer sales of the power, heating and cooling through the anticipated installation of the EnerTwin (the "**EnerTwin**") microturbines into consumers' homes. The primary energy source of the EnerTwin technology of the "Microturbines" is natural gas. The acquisition of the NEBC Property (as defined below) is in accordance with the Company's plan to procure future gas reserves to ensure the future and continued supply of gas, including for the EnerTwin "Microturbines". 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.

### 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 June 29<sup>th</sup>, 2022, the Company entered into an agreement with its joint venture partner to assume 7% of working interest in northeast British Columbia from their joint venture partner 611890 Alberta Inc. (the "**NEBC Property**"). The board of directors of the Company (the "**Board**") decided to increase their ownership in the NEBC Property by acquiring an additional 17%. As of September 30, 2022, the Company assumed 24% of the working interest from their joint venture partner 611890 Alberta Inc. As the Board had previously decided in July 2022 to assume 100% of the NEBC Property over the course

of 2022, this acquisition was a strategic investment to move forward the Company's plan to launch the *Vertically Integrated Energy Producer* referred to above.

On July 26, 2022, the Company announced its election to assume 100% of the interests and activities of 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 November 30, 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. The acquisition of the NEBC Property is a related party transaction under the definition found in IFRS International Accounting Standards ("IAS") 24 due to Leonard Van Betuw being a member of the key management personnel of the Company and the joint venture partner 611890 Alberta Inc. In compliance with Part 5 of the Multilateral Instrument 61-101 – *Protection Of Minority Security Holders In Special Transactions* ("MI 61-101"), the Company has performed the following assessment:

- the definition of a related party under MI 61-101 is met as Leonard Van Betuw is a director of both the Company and 611890 Alberta Inc.;
- the Company does not meet the formal valuation requirements under Section 5.4(1) as the related party transaction is not described in any of paragraphs (a) to (g) of the definition of a related party transaction: a

- Below are paragraphs (a) to (g) MI 61-101:

*"related party transaction" means, for an issuer, a transaction between the issuer and a person that is a related party of the issuer at the time the transaction is agreed to, whether or not there are also other parties to the transaction, as a consequence of which, either through the transaction itself or together with connected transactions, the issuer directly or indirectly:*

*(a) purchases or acquires an asset from the related party for valuable consideration,*

- This test is not met as the consideration paid is \$2,400,000 which is a material amount but is less than the fair value of the NEBC Property which is at \$5,200,004 (Total Property, Plant and Equipment ("PPE") \$26,078,923 less decommissioning liabilities of \$18,478,879). The consideration paid is less than or equal to the value of the NEBC Property.

*(b) purchases or acquires, as a joint actor with the related party, an asset from a third party if the proportion of the asset acquired by the issuer is less than the proportion of the consideration paid by the issuer,*

- This test is also not met, as the Company is acquiring 100% of the NEBC Property as of November 30, 2022.

*(c) sells, transfers or disposes of an asset to the related party,*

- This test is not met, as the Company is acquiring the NEBC Property from a related party.

*(d) sells, transfers or disposes of, as a joint actor with the related party, an asset to a third party if the proportion of the consideration received by the issuer is less than the proportion of the asset sold, transferred or disposed of by the issuer,*

- This test is not met as the Company is acquiring 100% of the NEBC Property as of November 30, 2022.

*(e) leases property to or from the related party,*

- This test is not met as the Company is acquiring 100% of the NEBC Property as of November 30, 2022.

*(f) acquires the related party, or combines with the related party, through an amalgamation, arrangement or otherwise, whether alone or with joint actors,*

- This test is not met as the Company is acquiring 100% of the NEBC Property as of November 30, 2022.

*(g) issues a security to the related party or subscribes for a security of the related party,*

This test

- This test is not met as the issuer is acquiring 100% of the NEBC Property as of November 30, 2022, for a consideration paid in cash of \$2,400,000.
  - As part of MI 61-101 Section 5.5(a) MI 61-101 – *Exemption from Formal Valuation Requirement*, Section 5.4 – *Formal Valuation* does not apply as the fair market value of the NEBC Property, nor the fair market value of the consideration for, the transaction, insofar as it involves interested parties, exceeds 25 per cent of the Company’s market capitalization. This calculation is as follows: (i) 25% of market capitalization equals \$8,480,899.64 (0.25\*0.39) share price as of September 30, 2022), and there were 86,983,586 (outstanding shares as of September 30, 2022), and (ii) the consideration paid for the NEBC Property is \$2,400,000 where the fair market value is \$5,200,044 (Total PPE \$26,078,923 less decommissioning liabilities of \$18,478,879) and both of which are less than 25% of the issuer’s market capitalization.
  - As part of Section 5.7(1)(a) MI 61-101 – *Exemption from Minority Approval Requirement*, Section 5.6 – *Minority Approval* does not apply as the fair market value of the NEBC Property does not exceed 25% of the market capitalization for the reasons stated above.

On August 11, 2022, the Company announced the closing procedure respecting the Transaction set forth in its agreement of purchase and sale dated June 29, 2022. The only outstanding matter for the closing is for the Company to provide the deposit (the “**Deposit**”) to the British Columbia Oil and Gas Commission (the “**BCOGC**”) and once completed, the BCOGC will transfer the BA codes into the Company’s name. The Deposit is being satisfied by way of the Letter of Credit from the Company’s main bank. As a cautionary note, until the BCOGC transfers the BA codes, there remains a risk that the seller of the NEBC Property can terminate the acquisition. The Company’s management has assessed this risk as very minor due to a clause in the Purchase and Sale Agreement that the Company has the right to cure any deficiencies associated to the transfer of the BA codes.

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 approval by the Court of King's Bench of Alberta.

On November 14, 2022, the Company announced the launch of its *Vertically Integrated Energy Business*, being to target its first direct-to-consumer sales in North America in 2023 and net zero tier 3 (scope 3) CO2 emission energy deliveries in 2027. Notwithstanding this launch, the Company will continue to primarily focus its activities to operate in the oil and gas sector of the energy business and will start to develop business downstream only when economically feasible.

In furtherance of the *Vertically Integrated Energy Business* (which the Company expects will positively impact the environment by offering consumers the option to heat, power and cool their homes with the EnerTwin microturbine fueled by the Company's natural gas) the Company purchased from a related party, 611890 Alberta Inc., the preferred licensing rights to manufacture, sell, lease and service the EnerTwin in Canada and the United States. The total consideration paid for this purchase is \$8,228,111 which was satisfied by a deposit of \$1,700,000 and a \$6,528,111 long term payable note to 611890 Alberta Inc. that bears 0% interest and is due on January 1, 2025.

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

- 1) 1<sup>st</sup> quarter of 2023 the preparation and filing of the application for the Canadian Standards Association ("CSA") and Underwriter Laboratories ("UL") Certifications for the EnerTwin in North America, based on past applications for CSA approval of KIWA certified equipment. KIWA is a member of NVCi – the Dutch Association of Certification services. NVCi is the branch organization for certification and inspection in the Netherlands. The Company has estimated that this process is anticipated to 10-12 months in duration.
- 2) 1<sup>st</sup> half of 2023 the commencement of conditional pre-sales and servicing of the EnerTwin.
- 3) The development of the Company's manufacturing of the EnerTwin, including the assembly or 3<sup>rd</sup> part manufactured sub-assemblies and the final testing prior to shipping to the customer. The ramp up of this manufacturing facility is to be completed in parallel to the CSA approval, with the first 100 installations being demonstration installations to be replaced by CSA approved equipment within targeted markets in North America utilizing the EnerTwin as KIWA Certified equipment.
- 4) Initial contracts are anticipated to be executed 3 months after receiving CSA Certification.
- 5) In addition to sale of the EnerTwin, the Company anticipates that it will be billing \$500 per month per customer for the supply of power, heat and cooling through the EnerTwinCooling.

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

- Motivation for Customer Adaptation:
  - a) Power, Heat, Cooling and Daily Transportation in one invoice;
  - b) Average consumer requires an additional 5,000 KWh of energy to either generate heat or cooling in their homes. Therefore, the total energy consumed per month by a family of four including the charging of one electric vehicle is more than 6,000 KWh:
    - a. or  $\$300/6,000 = \$0.05$  per KWh - highly competitive pricing;
  - c) Reduce Consumers Carbon footprint by 40% and save the consumer money;
  - d) Mitigates concern for brownouts and protection from increasing transmission fees;

- e) Fixed Contract plus only an annual inflation adjustment; and
- f) Capacity to transition to Hydrogen in the future.

For better clarity on sources, please consult the Company's news release issued on November 14, 2022.

- The Company's natural gas reserves are to be allocated to the customers as a source of fuel with the cost of energy being billed to the customer at a fixed price plus an annual inflation rate adjustment. The Company assumes that inclusion of maintenance and the price stability will entice consumers into a long-term contracts.
- Fuel is to be delivered from centralized locations by way of refrigerated compressed natural gas in certified (under existing transportation laws as Liquids, Petroleum, Gas) insulated storage containers.
- The Company assumes that in addition to a security deposit received by the customer of \$2,500 per installation, early market development will qualify for government subsidies both in Canada and the United States as an efficient upgrade and or substitute for current heating and cooling. For example, the Company while it is completing its CSA certification anticipates that the EnerTwin will qualify under the existing Canadian Greener Homes Program which offers up to \$5,000 per eligible home retrofits.

The Company acquired the preferred licensing rights to manufacture, sell, lease, and service the EnerTwin in Canada and the United States (the "**Licensing Rights**") from 611890 Alberta Inc., which is a related party to the Company (being a company controlled by the Chief Executive Officer of the Company, Leonard Van Betuw). 611890 Alberta Inc. previously acquired the Licensing Rights with Micro Turbine Technology B.V. in February, 2022.

The acquisition of the Licensing Rights is a related party transaction under the definition found in IFRS IAS 24 due to Leonard Van Betuw being a member of the key management personnel of the Company and 611890 Alberta Inc. In compliance with Part 5 MI 61-101, the Company has performed the following assessment:

- the definition of a related party under MI 61-101 is met as Leonard Van Betuw is a director of both the Company and 611890 Alberta Inc.
- the Company does not meet the formal valuation requirements under Section 5.4(1) as the related party transaction is not described in any of paragraphs (a) to (g) of the definition of a related party transaction:

- Below are paragraphs (a) to (g):

*"related party transaction" means, for an issuer, a transaction between the issuer and a person that is a related party of the issuer at the time the transaction is agreed to, whether or not there are also other parties to the transaction, as a consequence of which, either through the transaction itself or together with connected transactions, the issuer directly or indirectly:*

(a) *purchases or acquires an asset from the related party for valuable consideration,*

- The test is not met as the consideration paid is \$8,228,111 which is a material amount but is equal to the fair value determined of the intangible assets using the NPV of future after tax cash flows from sales of the microturbines. As per IAS 38, the Company assessed the intangible asset, measured and recognized the intangible asset at the best estimate of fair value and used amounts based on an established European market.



Management's assumptions used (as of September 30, 2022) for the calculation were the following:

- i. Present value factor of 30%;
- ii. Tax rate of 27%;
- iii. Total units sold over a ten-year period is 48,846;
- iv. Number of years is 10;
- v. Sales dollars/unit is \$33,600 which is based on current sales in Europe;
- vi. Royalty expense/unit is \$980;
- vii. Cost of good sold is 93% of sales cost which is based on current cost of goods sold in Europe;
- viii. Advertising costs is \$140/unit; and
- ix. Fixed costs are \$66,349/year.

*(b) purchases or acquires, as a joint actor with the related party, an asset from a third party if the proportion of the asset acquired by the issuer is less than the proportion of the consideration paid by the issuer,*

- The test is not met as the Company is acquiring 100% of intangible asset.

*(c) sells, transfers, or disposes of an asset to the related party,*

- The test is not met as the Company is acquiring the intangible asset from a related party.

*(d) sells, transfers, or disposes of, as a joint actor with the related party, an asset to a third party if the proportion of the consideration received by the issuer is less than the proportion of the asset sold, transferred, or disposed of by the issuer,*

- The test is not met as the Company is acquiring 100% of intangible asset.

*(e) leases property to or from the related party,*

- The test is not met as the issuer is acquiring 100% of intangible asset.

*(f) acquires the related party, or combines with the related party, through an amalgamation, arrangement or otherwise, whether alone or with joint actors,*

- The test is not met as the Company is acquiring 100% of intangible asset.

*(g) issues a security to the related party or subscribes for a security of the related party,*

- The test is not met as the Company is acquiring 100% of intangible asset for a consideration paid in cash and loans equal to the fair market value of \$8,228,111.

- As part of Section 5.5(a) MI 61-101 – *Exemption from Formal Valuation Requirement*, Section 5.4 – *Formal Valuation* does not apply as neither the fair market value of the NEBC Property, nor the fair market value of the consideration for, the transaction, insofar as it involves interested parties, exceeds 25 per cent of the Company's market capitalization, and for this purpose. The calculation: (i) 25% of market capitalization equals \$8,480,899.64 ( $0.25 \times 0.39$  (share price as of September 30, 2022)  $\times 86,983,586$  being the outstanding shares as of September 30, 2022, and (ii) the consideration paid is \$8,228,111 and the fair market value is \$8,228,111 and both of which are less than 25% of the issuer's market capitalization.

- As part of Section 5.7(1)(a) MI 61-101 – *Exemption from Minority Approval Requirement*, Section 5.6 – *Minority Approval* does not apply as neither the fair market value of the NEBC Property, nor the fair market value for transaction, does not exceed 25% of the market capitalization for the reasons stated above.

### **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 from the Offering 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; incurring the completing work associated with the CRCE eligible expenditures, the Company's objectives and milestones with respect to the integration of sales of EnerTwin microturbines is the following:

- To establish the foundation for the sale of a total of 1,000 installations in 2023 upon completing the data analysis, configuration of the equipment to be used and preparation of the site for the installation of the EnerTwin at an average cost of \$6,000 per location.
  - I. Data Analysis - \$1,500,000 will require the collection of information of more than 1,000 potential customer's current power, heating, and cooling needs. Prior to June 30 of 2023, the Company anticipates using the data to determine the commercial suitability of each potential customer's location. The commercial suitability is determined by usage, carbon footprint reduction and proximity to the Company natural gas distribution hubs.
  - II. Configuration of the Equipment - \$2,500,000 to be used to complete the modeling and configuration of the heating, chilling, and storage batteries with the EnerTwin in prior to September 30, 2023. The successful integration of the equipment will result in commercially viable supply of off Grid Power, Heating, Cooling, and the Supply of natural gas as a fuel, including the options to charge an electric vehicle.
  - III. Site Preparation and Approvals - \$1,000,000 to be used for the site preparation to clear the land in advance of the installation of up to 1,000 sites for the storage and the tie-in of insulated natural gas storage containers, prior to December 31, 2023.

Upon receiving sales, and prior to incurring site preparation expenditures, the CSA Certification is to expect to be received.

If the CSA Certification is not received in 2023, the \$1,000,000 that is anticipated to expended on site preparation will be re-allocated to complete the analysis of additional customers.

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

- I. Configuration of the Equipment - \$1,200,000 to be used to complete the modeling and configuration of the natural gas fired turbine generators which is to be integrated with

the installation of heat and exhaust recovery equipment. The purpose of this equipment will to integrate the proposed Amine Plant to be located on site. The commercial suitability is to be determined by the amount of CO<sub>2</sub> to be recovered and combined with the Company's future secondary oil recovery and the associated sequestering of CO<sub>2</sub> in the Company's Rex oil field being current in the early stages of development and located in the same area as the Carbon Capture facility in West Central Alberta, all prior to June 30, 2023.

- II. Construction of the Temporary Road- \$200,000 to be used to prepare the right way for the installation of the power generation associated carbon capture equipment prior to September 30, 2023, in advance of the completion of this work, the Company will be completing a site survey and solicitation for the completion of the work.
- III. Site Preparation and Approvals - \$600,000 to be used for the negotiation of the proposed inter-connect of the power generation, as well as the approvals, access and site preparation for the sale of power.

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

### **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 of 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 Traditional and Charity FT Units Offering will be used to advance its *Vertically Integrated Energy Business*. More specifically, 75% of the total available funds will be used for data analysis, engineering and preparation for the installation of the *Combined Cycle Micro Turbine* which qualifies as CRCE eligible expenses as follows:

- The Company will perform analysis and make determinations respecting the specific major pieces of equipment needed for integration with the EnerTwin in order for residential homes to exit the power grid.  
Cost: 1,000 locations at an average cost of \$1,500 per location
  
- The Company will need to make the determinations respecting the installation cost of installing each micro turbine into residential homes meets the criteria of making a service connection because each micro turbine will transmit electricity to each customer.  
Cost: 1,000 locations at an average cost of \$2,000 per location

The Traditional and Charity FT Units Offering will be used to advance the Company's *Vertically Integrated Business* unit including the development of the qualified portion of its *Carbon Capture and Sequestration* program in West Central Alberta. Twenty-five percent (25%) of the total available funds will be allocated to the *Carbon Capture and Sequestration*, more specifically activities associated with heat recovery, carbon capture and inter-connection of power to the grid initial which qualifies as CRCE eligible expenses as the following:

- In relation to the Company's Carbon Capture and Sequestration, the Company will need to construct a temporary road to access the one or more of the carbon captures sites and the related inter-connections.
  - \$200,000 for the temporary access.
- The Company will need to remove trees, shrubbery, and stumps before beginning construction of the off-grid locations, as well as at the carbon capture and sequestration sites.
  - \$600,000 for the cost listed above.
- The Company will perform analysis and make determinations respecting the determine specific major pieces of equipment needed to integrate with the Power Generation Equipment; the objective being to capture the exhaust missions and the conversion of the associated CO2 by way of Amine Process.
  - \$1,200,000 for the cost listed above.

The most recent audited annual financial statements and interim financial report of the Company included a going-concern note. The Company is still in the early stage of operation and the ability to continue as a going concern is dependent upon its ability to obtain additional financing that will provide the Company with a sustainable revenue stream .The Offering is intended to permit the Company to continue to expand its operations, advance its *Vertically Integrated Energy Business* and the development of its *Carbon Capture and Sequestration* program with the goal of generating a sustainable positive cash flow and is not expected to affect the decision to include a going concern note in the next annual financial statements of the Company.

Description of intended use of available funds listed in order of priority	Assuming 100% of the Offering	Assuming 100% of the Offering and the exercise of the Agent's Option
Vertically Integrated Energy Business	\$7,132,559	\$8,290,559
Carbon Capture and Sequestration Program	\$2,377,520	\$2,763,520

#### 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:

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

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 “Agent”).
<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.
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**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 22, 2021, contains disclosure of all material facts about the securities being distributed and does not contain a misrepresentation.**

December 22, 2022

*“signed” Leonard Van Betuw*

Leonard Van Betuw

Chief Executive Officer

*“signed” Jennifer Ottosen*

Jennifer Ottosen

Chief Financial Officer