

**FORM 51-102F3**  
**Material Change Report**

**1. Name and Address of Company**

Avila Energy Corporation (the “Company”)  
Suite 201, 1439 17th Avenue SE  
Calgary, AB  
T2G 1J9

**2. Date of Material Change**

December 23, 2022

**3. News Release**

The news release was disseminated and subsequently filed on SEDAR on December 23, 2022.

**4. Summary of Material Change**

The Company announced the closing of its \$7,999,999.73 brokered private placement with Echelon Wealth Partners Inc. of Flow-Through Units and Charity Flow-Through Units.

**5. Full Description of Material Change**

*5.1 Full Description of Material Change*

See Schedule “A” attached hereto.

*5.2 Disclosure for Restructuring Transactions*

Not applicable.

**6. Reliance on subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**7. Omitted Information**

None.

**8. Executive Officer**

Contact: Leonard Van Betuw; President, CEO, and Director; Telephone: (403) 277-8550; Email: [leonard.v@avilaexpl.com](mailto:leonard.v@avilaexpl.com)

**9. Date of Report**

December 29, 2022



## Avila Energy Closes \$ 8,000,000 Private Placement of Flow-Through Units and Charity Flow- Through Units

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CALGARY, AB / ACCESSWIRE / December 23, 2022 / Avila Energy Corporation (“**Avila**” or the “**Company**”), trading symbol “CSE:VIK.CN”, is pleased to announce that it closed through Echelon Capital Markets (“**Echelon**”), acting as the sole agent, \$7,999,999.73 of flow-through units in respect of Canadian renewable and conservation expenses (“**CRCE**”) within the meaning of the *Income Tax Act* (Canada) comprised of \$3,999,999.33 of traditional flow-through units (the “**FT Units**”) at a price of \$0.335 per FT Unit, and \$3,999,999.90 of charity flow-through units (the “**Charity FT Units**” and with the FT Units, the “**Offered Securities**”), pursuant 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 is 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 until December 23, 2024.

As previously disclosed and detailed in the Company’s amended Form 45-106F19 offering document posted on SEDAR earlier today, 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 (CO<sub>2</sub>) 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.

Echelon received a cash commission of \$559,999.98 (the “**Commission**”) equal to 7.0% of the gross proceeds from the Offering. The Company issued to Echelon 1,553,770 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 until December 23, 2024.

The Offering 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 were 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, Warrant Shares underlying the Charity FT Units and the compensation option shares and compensation option warrants underlying the Compensation Options issued pursuant to 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.

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.

### **Offering Document**

The offering document dated December 6, 2022 was amended and filed on SEDAR on December 23, 2022 pursuant to comments received by the Alberta Securities Commission pursuant to its review of continuous disclosure documents of the Company.

### **Advisors**

Dunton Rainville LLP acted as counsel to the Company. DLA Piper (Canada) LLP acted as counsel to Echelon.

### **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:

Peter Nesveda, Vice President of Corporate Affairs, and Investor relations  
Leonard Van Betuw, President & CEO or Jennifer Ottosen, CFO

Emails: peter@intuitiveaustralia.com.au; leonard.v@avilaexpl.com; jennifer.o@avilaexpl.com

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 use of proceeds 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](http://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.*

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