

Form 62-103F1

Required Disclosure under the Early Warning Requirements

Item 1 – Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

Common shares (“**Common Shares**”) of Avila Energy Corporation (the “**Issuer**”) of Suite 201, 1439 17th Avenue SE, Calgary, AB T2G 1J9.

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

The Transaction took place through the facilities of the Canadian Securities Exchange (the “**CSE**”).

Item 2 – Identity of the Acquiror

2.1 State the name and address of the acquiror.

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2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

The Issuer closed on December 23, 2022 a brokered private placement of 11,940,298 flow-through units and 10,256,410 charity flow-through units (the “**Issuance**”), which increased the share capital of the Issuer by 22,196,708 Common Shares.

2.3 State the names of any joint actors.

Not applicable.

Item 3 – Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the acquiror’s securityholding percentage in the class of securities.

On December 23, 2022, the Issuer issued 22,196,708 Common Shares from treasury pursuant to the Issuance. Prior to the Issuance, the Acquiror held 16.02% of the issued and outstanding Common Shares of the Issuer as a result of a related party transaction between the Issuer and 611890 Alberta Inc. (now Avex Energy Inc.) closed on September 14, 2022. Following the Issuance, the Acquiror's holdings held fell to 12.8% (the "**Dilution**").

The Dilution arose solely as a result of the Issuance without any action being taken by the Acquiror.

3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.

The Acquiror disposed of Common Shares of the Issuer without any action being take by the Acquiror that triggered the requirement of file this report.

3.3 If the transaction involved a securities lending arrangement, state that fact.

Not Applicable.

3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

Prior to the Issuance, the Acquiror held 14,287,000 Common Shares representing 16.02% of the issued and outstanding Common Shares of the Issuer based on a total of 89,209,897 Common Shares outstanding as of December 7, 2022.

Subsequent to the Transaction, the Acquiror holds 14,287,000 Common Shares representing 12.82% of the issued and outstanding Common Shares of the Issuer based on a total of 111,437,322 Common Shares outstanding as of December 29, 2022.

3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

- (a) **the acquiror, either alone or together with any joint actors, has ownership and control,**

See Section 3.4 above.

- (b) **the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and**

Not applicable.

- (c) **the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

Not applicable.

- 3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.**

Not applicable.

- 3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.**

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

- 3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.**

Not applicable.

Item 4 – Consideration Paid

- 4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.**

The Issuance of 11,940,298 Flow-Through Units was completed at a price of at a price of \$0.335 per Flow-Through Unit with each Flow-Through Unit comprised of one Common Share issued on a flow-through basis and one-half of one Common Share purchase warrant of the Issuer issued on a flow-through basis.

The Issuance of 10,254,410 Charity Flow-Through Units was completed at a price of \$0.39 per Charity Flow-Through Unit, with each Charity Flow-Through Unit comprised of one Common Share issued on a flow-through basis and one-half (1/2) of one Common Share purchase warrant of the Corporation issued on a flow-through basis.

Each common share purchase warrant entitles the holder thereof to purchase one Common Share at a price of \$0.50 per share for a period of 24 months following the closing date, being December 23, 2024.

- 4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.**

Not applicable.

- 4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.**

Not applicable.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;**
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;**
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;**
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;**
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;**
- (f) a material change in the reporting issuer’s business or corporate structure;**

- (g) a change in the reporting issuer’s charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;
- (j) a solicitation of proxies from securityholders;
- (k) an action similar to any of those enumerated above.

In accordance with applicable securities laws, the Acquiror may, from time to time and at any time, acquire additional shares and/or other equity, debt or other securities or instruments (collectively, “**Securities**”) of the Issuer in the open market or otherwise, and reserves the right to dispose of any or all of his Securities in the open market or otherwise at any time and from time to time and to engage in similar transactions with respect to the Securities, the whole depending on market conditions, the business and prospects of the Issuer and other relevant factors.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder’s fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

Not applicable.

Item 7 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer’s securities.

Not applicable.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

Item 9 – Certification

I, as the Acquiror, certify, or I, as the agent filing this report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

December 29, 2022

Date

(signed) "Leonard Van Betuw"

Signature

Leonard Van Betuw, President, CEO and Director of the Issuer

Name/Title