

Form 51-102F3
Material Change Report

Item 1 Name and Address of Company

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

Item 2 Date of Material Change

March 23, 2023

Item 3 News Release

The news release was disseminated on March 23, 2023 by way of the facilities of Newswire and Yahoo Finance. A copy was filed on SEDAR with the Alberta Securities Commission. A copy is on the Company’s website.

Item 4 Summary of Material Change

Avila Energy Corporation (CSE:VIK) (“Avila” or the “Company”) is pleased to announce the transfer of EURO 2,500,000 equity interest in Micro Turbine Technology B.V. (“MTT”) from AVEX Energy (611890 Alberta Inc.) or (“AVEX”)

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

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. The launch of Avila Energy’s “Vertically Integrated Energy Business” is supported by over 10 years of investment in research and development, including a 2.7 million Euro cash investment in MICRO TURBINE TECHNOLOGY (“MTT”) B.V., a leader in Micro-turbine Combined Heat and Power Technology. See: <https://www.mtt-eu.com/> and <https://www.enertwin.com>. The Company wishes to clarify the November 14, 2022 news release that stated that the 611890 Alberta Inc. invested 5 million euros in MTT. Only 2.5 million has been loaned to date, and the amount can increase to \$5.0 million Euro if 611890 Alberta Inc loans an additional \$2.5 million Euro to MTT.

The Company chooses to withdraw the forward-looking comments and assumptions pertaining to the future sales of the EnerTwin from the November 14, 2022 press release because the customer sales projection were based on internal market research which may seem speculative and misleading. The comments regarding the sales projections of customer numbers did not have any assumptions or risks as per Part 4A of NI51-102. At this time, the Company chooses to not provide the details of the assumptions as releasing this information has the possible implications of the Company losing their competitive advantage of being a first mover of this technology in North America. Continuing to protect the Company’s competitive edge, at a later time, the Company will provide the appropriate level of details and properly substantiate the numbers with assumptions and risks.

Upon completion of the transfer, the Company will become a shareholder, representing Seventeen-point Two Percent (17.2%) of the equity in Micro Turbine Technology B.V. (MTT) with all contracts and preferred license being transferred from AVEX to Avila Energy Corporation.

In the November 14, 2022 press release, the investment in MTT was disclosed as a Euro 5,000,000 cash investment. The initial investment in MTT was Euro 2,500,000 cash investment by AVEX who was the original party to the agreement with MTT. Avex sold the preferred license agreement to the Company for CAD \$8,228,111. During 2022, the Company has advanced \$2,340,000 to AVEX for the investment in MTT.

Effective January 31, 2023, the Letter of Confirmation and Working Appointments transferred all rights and obligations from AVEX to the Company. The Company will receive a Seventeen-point Two Percent (17.2%) equity stake in MTT and will assume the loan balance of Euro 2,500,000 due to MTT from AVEX. Once the Company advances the Euro 2,500,000 to MTT, the Company will convert the loan payments into shares and receive a total equity interest of Twenty-nine point Four (29.4%) in MTT.

The Company will be reimbursing AVEX for their initial cash investment of Euro 2,500,000 which is approximately CAD \$3,600,000, (Euro 2,500,000 times a foreign exchange rate of 1.44 equal to the rate on January 31, 2023) less the payments made in 2022 of CAD \$2,340,000 by the Company to equal a total outstanding balance owing to AVEX of \$1,260,000.

Cautionary Note

All statements in this material change report, that address future revenue, gross margins and events or developments that the Company expects are forward looking statements. 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

5 . 2Disclosure for Restructuring Transactions

Not applicable.

Item 6Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7Omitted Information

Not applicable.

Item 8Executive Officer

The following senior officer of the Company is knowledgeable about the material change and this Material Change Report and may be contacted:

Leonard Van Betuw, Chief Executive Officer and Director
Business Telephone: 403-451-2786

Date of Report

March 23, 2023