



Avila Energy Corporation Provides Updates on its Convertible Debenture Units Financing and the MTT Transaction

Calgary, Alberta, June 22, 2023 – Avila Energy Corporation (“**Avila**” or the “**Company**” or “**Avila Energy**”), trading symbol “CSE:VIK.CN”, clarifies its news release dated June 7, 2023 regarding the convertible debenture units financing and the Micro Turbine Technology B.V. (“**MTT**”) transaction.

Convertible Debenture Units Financing

As previously stated in its June 7, 2023 news release, Avila Energy has agreed to enter into non-brokered private placement discussions with two groups of accredited investors according to National instrument 45-106 *Prospectus Exemptions* located in the United States and continue to work towards the completion of the private placements totaling US \$10,000,000 on or before July 15, 2023, of convertible debenture units offering for a minimum of US\$5,000,000 and a maximum of US\$30,000,000 (the “**Offering Amount**”), subject to an additional US\$5,000,000 to cover any oversubscription (the “**Over-Allotment**”), the whole on a best efforts basis only.

The offering price per unit is US\$1,000 with a minimum subscription of US\$5,000,000 (5,000 units), The Company may accept subscriptions for less than the minimum in its sole discretion.

The convertible debenture units (the “**Units**”) shall consist of (i) one 24-month convertible Unit with a stated value of US\$1,050 per Unit (the “**Stated Value**”) with an automatic extension; and (ii) a two-year warrant (the “**Warrant**”) representing the right to purchase one (1) Company common share (“**Common Shares**”) for every dollar of the stated value of the Units subscribed for at an exercise price of US\$0.50 per Common Share (the whole referred to as the “**Offering**”).

Each holder of the Units shall be entitled to receive interest payable on the Stated Value of such Unit at the rate of 9% per annum, which shall be cumulative and be due and payable in Common Share on the applicable conversion date or in cash at the discretion of the Company. , subject to the Canadian Securities Exchange (“**CSE**”) policies. In the event, the accrued interest is paid in Common Shares, the number of Common Shares shall be calculated using the conversion price.

Upon completion of the business combination announced by the Company on April 3, 2023, the holders of the Units shall be entitled to demand a full or partial redemption of 115% of the Stated Value plus 115% of the amount of accrued but unpaid interest thereon to the extent that the residual post-redemption trust balance of the Company exceeds US\$10,000,000. The redemption shall be allocated on a pro-rata basis to all holders of the Units. Thereafter, Units shall be redeemable, in whole or in part, at the option of the holder of the units, in cash, at a price per share equal to 115% of the Stated Value plus 115% of the amount of accrued but unpaid interest thereon, unless extended as described as the Extension (as defined herein).

The holder of the Units shall be entitled to convert any portion of the Units, plus any accrued but unpaid interest, into Common Shares at any time after the earlier of:

- (i) the date of the completion of the business combination (the “**Closing Date of the Business Combination**”); or
- (ii) twenty-four (24) months after the initial closing date of the Offering (the “**Offering Closing Date**”), at the conversion price set forth below.

If no conversion has taken place within 24 months of the Offering Closing Date, the Units, plus any accrued but unpaid interest, will automatically convert into Common Shares at the conversion price set forth below if the share price is at US\$4.00 or higher. In the event the business combination is not consummated within 24 months of the Offering Closing Date, the Units shall remain an obligation of the Company. In this case, the Units may be converted into Common Shares of the Company listed on a Canadian exchange at the choice of the holder of the Units. If the holder of the Units decides not to convert into Common Shares at the end of that 24-month period, then the Units will be automatically extended for 12 months unconditionally, and the exchange price will be increased from 115% to 122% (the “**Extension**”). During the Extension period, the holder of the Units can convert into Common Shares as described herein. If at the end of the Extension period, the share is trading at or above US\$4.00 per Common Share, the Units will be automatically converted into Common Shares. If the Common Shares is trading below US\$4.00 per Common Share, the Units will become due and payable at 122% of the unpaid principal and accrued interest amount. If this occurs, the Company and the holder of the Units agree to negotiate the terms in good faith. In such case, the holder of the Units will have full rights and remedies to be repaid in full as described herein unless the parties agree to new terms. In addition, once the Company has raised US\$25 million, the Units will become secured by all the assets of the Company.

If the Units are converted into Common Shares, the conversion price is the lower of (the “**Conversion Price**”):

- (i) US\$6.00 per share; or
- (ii) Eighty percent (80%) of the lowest closing price of the Company during 21 consecutive trading days ending on the trading day immediately prior to receiving a conversion notice from the holder of the Units. The Conversion Price shall be subject to a floor price of US\$4.00 per share, subject to compliance with CSE policies.

If the transaction does not close, then the units will be converted into Common Shares at the Conversion Price at the lower of: (i) CDN \$1.25 per share; or (ii) 80% of the lowest closing price of the Company during 21 consecutive trading days ending on the trading day immediately prior to receiving a conversion notice from the Unitholder. The Conversion Price shall be subject to a floor price of CDN \$0.50 per share. For clarification, there can be no conversion into the Common Shares of the Company as long as the transaction is still progressing.

The financing is to be completed by way of private placement offering (i) pursuant to Section 4(a)(2) and/or Rule 506(b) of Regulation D under the US Securities Act of 1933 (the “**US Securities Act**”), as amended, or (ii) pursuant to Canada’s applicable securities laws, including National Instrument 45-106 (the “**CDN Act**”) and any and all applicable state/provincial securities laws.

Closing is anticipated to close on or before July 15, 2023, or as may be extended by the Company.

The Units and underlying securities will be subject to a four months and one day regulatory hold period from the date of issuance. The Units and its underlying securities offered have not been registered under the US Securities Act, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The proceeds of the Offering will be used for the following purposes. The proceeds will be applicable on a pro rata basis based on the actual proceeds raised:

<u>Use of Proceeds - 2023</u>	<u>US \$</u>
Vertically Integrated Energy Business	\$ 2,300,000
Capital Program and Working Capital - West Central Alberta	\$ 1,700,000
Capital Program – East and West Central Alberta (~1,750 boe/d)	\$ 4,000,000
Business Combination, Legal, and Associated Accounting Services	\$ 1,000,000
Vertically Integrated Energy Business – Initial Sales and Installations	\$ 1,000,000
Total	\$ 10,000,000

MTT Transaction (Update)

On April 13, 2023, MTT sent a termination notice to the Company alleging that the Company has not complied with its obligations under the Loan (as defined in the License Agreement entered into between Avila and MTT on March 22, 2022) (the “**Termination Notice**”). However, the Company is disputing the Termination Notice for the two following reasons:

1. MTT cannot validly terminate the License Agreement as the alleged default purports to the Loan as the Loan did not exist as at the Termination Notice. The Loan was converted into equity of MTT on January 31, 2023, which extinguished the Loan;

This is further supported by a payment agreement entered into between MTT and Avila on March 17, 2023 (the “**Payment Agreement**”) whereby Avila (debtor) owes MTT (creditor) an amount of €2.15M for late payment of the Loan. The extinguished Loan has been replaced by the Payment Agreement. The Termination Notice will be withdrawn once the Payment Agreement has been executed between the parties, a confirmation that the wire instructions of MTT have been received by Avila and the confirmation by Avila that a first payment of €300,000 has been received. A first €300,000 was to be paid by March 21, 2023 and the balance of €2,000,000 was supposed to be paid by April 4, 2023. The amount owed bears an interest rate of 5.25%, compounded annually. And;

2. MTT is in default due to an unpaid judgment against MTT which puts in peril the loss by MTT of the patents underlying the License Agreement. As such, the Company has issued a notice of default to MTT on April 13, 2023 (“**Avila’s Default Notice**”) and the defaults have not been cured yet by MTT.

Notwithstanding the foregoing, the parties are currently negotiating the transaction details and are looking forward to amicably resolve the ongoing dispute. The legal issues surrounding the termination or not of the License Agreement will be settled once MTT cures Avila’s Default Notice. Avila intends to honor its other financial contractual obligations towards MTT of €2.15M.

Forward-Looking Information & Forward-Looking Statements Cautionary Statement

Certain information in this news release, including the operations at the Company's properties, constitute forward-looking statements under applicable securities laws. Although Avila Energy Corporation believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them because Avila Energy Corporation can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. The forward-looking statements contained in this news release are made as at the date of this news release and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. This release includes certain statements that may be deemed "forward-looking statements." All statements in this release, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities 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 market prices, exploitation, and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. It should not be assumed that the estimates of net present value of future net revenue attributable to the Company's reserves presented above represent the fair market value of the reserves. The recovery and reserve estimates of the Company's oil, NGL, and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. 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. Barrel ("bbl") of oil equivalent ("boe") amounts may be misleading particularly if used in isolation. All boe conversions in this report are calculated using a conversion of six thousand cubic feet of natural gas to one equivalent barrel of oil (6 mcf=1 bbl) and is based on an energy conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. This news release shall not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The securities offered have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or applicable exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Trading in the securities of Avila Energy Corporation should be considered highly speculative. Neither the Canadian Share Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Canadian Share Exchange) accepts responsibility for the adequacy or accuracy of this release. For more information on the Company, Investors should review the Company's registered filings which are available at www.sedar.com.