

**FORM 51-102F3**

**MATERIAL CHANGE REPORT**

- Item 1 :**      **Name and Address of Company**  
Avila Energy Corporation (the “Corporation” or “Avila”)  
Suite 201, 1439 17th Av. SE  
Calgary, Alberta  
T2G 1J9
- Item 2 :**      **Date of Material Change**  
  
December 28, 2023
- Item 3:**      **News Release**  
  
A news release was issued and disseminated on May 28, 2024, and filed on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)).
- Item 4:**      **Summary of Material Change**  
  
A Loan Agreement was entered into between Avila Energy Corporation and QVB energy Ltd. for the purpose of providing a loan (“Power Generation Loan” or “Loan”) for an amount of \$5,994,314, relating to its power generation, carbon capture and sequestration facility located in West Central Alberta.
- Item 5:**      **Full Description of Material Change**  
  
The Loan is an unsecured loan bearing interest of 6% per annum (0.05% per month). The payment terms are interest only for two years prior to receiving a request to commence construction and commissioning of the Power Generation Facility.  
The purpose of the Loan is to provide engineering equipment and construction services for the power generation facility. The expenditure of \$5,994,314 included the preliminary design, equipment, and various components of the facility, including the supply of two Caterpillar Solar Turbine power generators are to be upgraded and load tested to perform in the manner intended when they are installed to become a natural gas fired Power Generation, Carbon Capture and Sequestration facility.  
The Power Generations, preliminary designs were advanced to where long lead items were acquired by the Company as part of the progression and completion of the 1st stage of approximately 10MW of Continuous Duty Power Generation on or before the end of the 2nd quarter of 2025. The application to the federal government and Alberta Utilities Commission of facility will be completed by Avila.  
The expenditure of \$5,994,314 (the “Transaction”) includes the preliminary design, equipment, and various components of the facility, including the supply of two Caterpillar Solar Turbine power generators which are to be upgraded and load tested to perform in the manner intended when they are installed to become a natural gas fired Power Generation, Carbon Capture and Sequestration facility.  
This transaction constitutes a related party transaction pursuant to Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions (“MI 61-101”) as the Corporation and QVB Energy Inc. share the same significant shareholder, Chief Executive Officer and Director, Mr. Leonard Van Betuw. Pursuant to MI 61-101, the Corporation will file a material change report providing disclosure in relation to the "related party transaction" on SEDAR+ under the

Corporation's issuer profile at [www.sedarplus.ca](http://www.sedarplus.ca). The Corporation did not file the material change report more than 21 days before the expected closing date of the Agreement as the details of the Agreement were not settled until shortly prior to the conclusion of the Agreement, and the Corporation wished to sign the Agreement on an expedited basis for sound business reasons, with an effective date of December 28, 2023.

The Corporation is relying on exemptions from the formal valuation requirement under MI 61-101. The Corporation is exempt from the formal valuation requirement in section 5.4 of MI 61-101 in reliance on sections 5.5(b) of MI 61-101 as no securities of the Corporation are listed or quoted for trading on prescribed stock exchanges or stock markets. Additionally, the Corporation is exempt from minority shareholder approval requirement in section 5.6 of MI 61-101 in reliance on section 5.7(f) as the transaction is a loan on reasonable commercial terms that are not less advantageous to the Corporation than if the transaction were obtained from a person dealing at arm's length with the Corporation and no component is directly or indirectly convertible into equity or voting securities of the issuer or a subsidiary entity of the Corporation, or otherwise participating in nature or repayable as to principal or interest, directly or indirectly, in equity or voting securities of the Corporation or a subsidiary entity of the Corporation.

This transaction does not involve issuance of securities and therefore, the percentage of securities held by Mr. Van Betuw in Avila remains unchanged as a result of this transaction.

The power generation facility was previously approved by the board of directors of the Corporation including disinterested directors. No special committee was established in connection with the transaction, and no materially contrary view was expressed or made by any director.

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

Not applicable

**Item 7 : Omitted Information**

None

**Item 8 : Executive Officer**

Leonard Van Betuw  
Chief Executive Officer and Director  
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[leonard.v@avilaexpl.com](mailto:leonard.v@avilaexpl.com)

**Item 9: Date of Report**

May 28, 2024