

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1. **Reporting Issuer**

Avila Energy Corporation (the “**Company**” or “**Avila**”)
Suite 2500, 500 4th Avenue SW
Calgary, AB T2P 3K2

Item 2. **Date of Material Change**

A Settlement Agreement and Undertaking was entered into on October 21, 2024.

Item 3. **News Release**

On October 24, 2024 a News Release was issued relating to the Settlement Agreement and Undertaking.

Item 4. **Summary of Material Change**

On October 21, 2024 a Settlement Agreement and Undertaking was entered into between the Alberta Securities Commission (“**ASC**”), Avila Energy Corporation (“**Avila**”) and Leonard Van Betuw (“**Van Betuw**”), president and Chief Executive Officer of the Company, as a result of an investigation by the ASC for misleading investors of Avila related to a non-brokered private placement.

Item 5. **Full Description of Material Change**

On December 6, 2022, Avila filed a Form 45-106F19 offering document (the “**Initial Offering Document**”) with the Commission and issued a corresponding news release (the “**Initial Offering News Release**”). Collectively, the Initial Offering Document and Initial Offering News Release stated that Avila would use the net proceeds of the Offering to advance Avila’s “*Vertically Integrated Energy Business*” and the securities would be issued on a “flow-through basis” in respect of Canadian Renewable and Conservation Expenses (“**CRCE**”) within the meaning of the *Income Tax Act* (Canada), RSC 1985, c 1 (5th Supp.).

After receiving Corporate Finance’s (ASC) concerns about the Initial Offering Document and Initial Offering News Release, on December 22, 2022, Avila filed an amended Form 45-106F19 offering document under the Listed Issuer Financing Exemption (the “**Amended Offering Document**”), and on December 22, 2022, issued a corresponding news release.

The Amended Offering Document represented that Avila would use the net proceeds of the Offering to advance Avila’s “*Vertically Integrated Energy Business*”), by using \$1.5 million CAD of the net proceeds of the Offering on data analysis, which included the collection of information on more than 1,000 potential customers’ current power, heating and cooling needs (the **Data Analysis Representations**).

Following the closing of the Offering, Mr. Van Betuw directed Avila to send \$1.5 million CAD of the net proceed of the Offering to Terra Land, as a payment for the Data Analysis

Representation, and then directed Terra Land to send a significant amount of the remaining proceeds from the Offering to Micro Turbine Technology BV (“MTT”) to further advance the Company’s Vertically Integrated Energy Business.

Staff of the Enforcement division of the Alberta Securities Commission (“Staff” and the Commission, respectively) conducted an investigation into Avila Energy Corporation (Avila) and Leonard Van Betuw (Van Betuw) (collectively, the Respondents) in respect of a December 2022 exempt market offering, as particularized in paragraphs 12 to 30 of this Settlement Agreement and Undertaking (Agreement), to determine if Alberta securities laws had been breached (the Investigation).

As a result of the investigation by the Staff, it was concluded that the Respondents contravened subsection 92(4.1) of the *Securities Act*, RSA 2000. cS-4 by making statements they knew, or reasonably ought to have known, was misleading or untrue in a material respect, or which failed to state a fact necessary to make the statement not misleading, and which would reasonable be expected to have a significant effect on the market price or value of Avila’s securities.

On October 24, 2024 Avila issued a news release announcing the settlement and conclusion of its matter with the ASC for misleading disclosure (“Settlement Agreement”).

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

Not applicable.

Item 7. **Omitted Information**

Not applicable.

Item 8. **Executive Officer**

Donald Benson, CEO, 403 451-2786. Donald.b@avilaenergy.com

Item 9. **Date of Report**

Dated at Calgary, in the Province of Alberta on November 5, 2024

This material change report may include forward-looking statements that are subject to risks and uncertainties. All statements within, other than statements of historical fact, are to be considered forward looking. Although the Company believes the expectations expressed in such forward-look 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 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. There can be no assurances that such statements will prove accurate and therefore, readers are advised to rely on their own evaluation of such uncertainties. We do not assume any obligation to update any forward-looking statements except as required under applicable law.