



Environmental, Social &
Governance Report

20
23

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**Committed to
delivering a
diversified choice
of environmentally
and socially
responsible energy
worldwide.**

Letter from the CEO and Chairman

I am thrilled to present Avila Energy's 2023 Environmental, Social, and Governance (ESG) report, which outlines our commitment to sustainability and progress towards achieving ESG goals. Our company's approach to ESG is rooted in the belief that we can create value for both consumers and shareholders while also contributing to a sustainable future for all.

Looking ahead, we are excited to build on our ESG goals. The roadmap to 2030 and beyond is anchored in the goals set at COP26, which was a landmark event that brought together global leaders to address climate change. We are committed to achieving net-zero carbon emissions, Tier (Scope) 1, 2 and 3 by 2035, steps ahead of the Paris Agreement, and have set ambitious targets for the next decade.

To achieve our ESG goals, Avila's focus is on several key areas. First, The Company and its employees are committed to reducing our carbon footprint by retrofitting our facilities and wells.

Second, Avila Energy is focused on delivering energy to the Consumer for their Consumption that is Net Zero as defined by Tier 3 (Scope 3). Avila understands the value chain that is associated with this statement. Upstream, we expect to generate offsetting Emissions through our Carbon Capture and Sequestration (CCUS) program. Downstream, Avila is working towards the process of transitioning customers from Natural Gas as a fuel to hydrogen, by 2030 or sooner.

Third, Avila Energy is prioritizing social responsibility by promoting diversity, equity, and inclusion in our workforce and communities. We are committed to creating a work environment that is inclusive and welcoming to all employees, regardless of their race, gender, or background. Finally, we will strengthen our governance practices to ensure accountability and transparency.

"As Avila Energy continues to grow and evolve, we remain steadfast in our commitment to sustainable and responsible practices. Our 2023 ESG report reflects our unwavering dedication to ESG issues, and showcases our progress towards a more sustainable future. We are proud to share our accomplishments and recognize the work that still needs to be done to build a better world for generations to come."



As part of our commitment to ESG, we will also report on our progress transparently and regularly. Avila's foundation is to engage with our stakeholders and seek their input to improve our ESG performance. The Company believes that our stakeholders' feedback is crucial to our success and will help us achieve our ESG goals.

In conclusion, Avila Energy is committed to creating a sustainable future for all. We are proud of our progress so far and excited to continue our journey towards a more sustainable world. We thank you for your continued support and look forward to updating you on our progress.

Leonard Van Betuw

Sincerely,
Leonard B. Van Betuw
President, CEO & Director





Avila Energy Our business

About

Avila Energy Corporation is a Canadian energy company focused on its long-term commitment to the consumer through the development of its ***Vertically Integrated Energy Business***.

The initial foundation for growth is its focus on sustainable production, processing, and the development of carbon neutral natural gas, liquids, and conventional oil production.

In 2024, Avila Energy will be harnessing its upstream production and midstream processing operations to ***Avila “IES” our, Integrated Energy Solution***.

Founded, on January 13, 2010, Avila Energy is listed and trading on the Canadian Securities Exchange (CSE:VIK) and continued to prepare in 2023 to commence to materially grow all 3 of the Company's revenue streams, as a ***Vertically Integrated Energy Business in 2024***; with a sustainable economic path for both the Company's Customers and Shareholders.

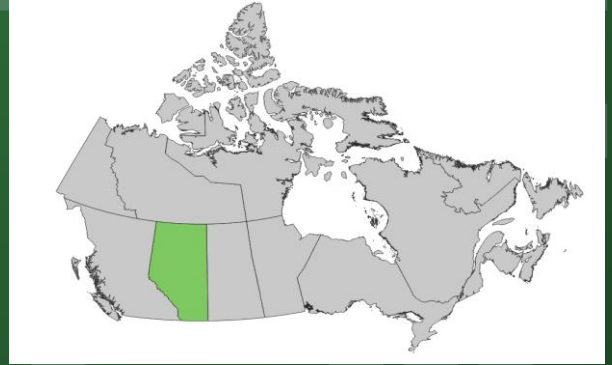
Sustainable Growth

To achieve its goal of becoming a carbon-neutral energy business, Avila Energy has identified two complementary proven technologies over the past 10 years; including a certified and patented combined cycle microturbine technology. (“CHP”)

Avila Energy's CCUS driven, Power Generation in combination with sales by **Avila IES**, of our “Integrated Energy Solution” a Direct-to-Consumer energy solution and service; Avila has established its foundation for sustainable growth starting in 2024. A viable energy solution without boundaries that is formulated to become the “Best-in-Class” alternative energy solution for consumers now and beyond 2035.

Avila Energy's focus is to sustainably deliver energy, and to materially grow and as a Company in North American and potentially worldwide.

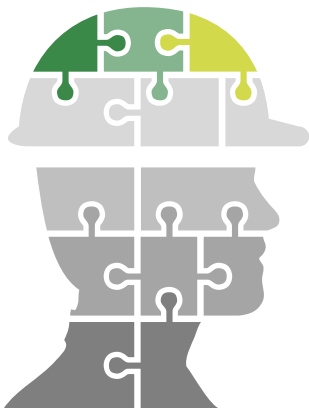
Avila Energy Our Operations



Alberta



The company's operations are primarily located in Alberta, Western Canada. In addition to its focus on conventional energy, Avila Energy is committed to reducing its carbon footprint and has implemented various initiatives to achieve this goal. The company is developing a vertically integrated carbon-neutral energy business, investing in renewable energy sources, energy storage, and other technologies that reduce greenhouse gas emissions.



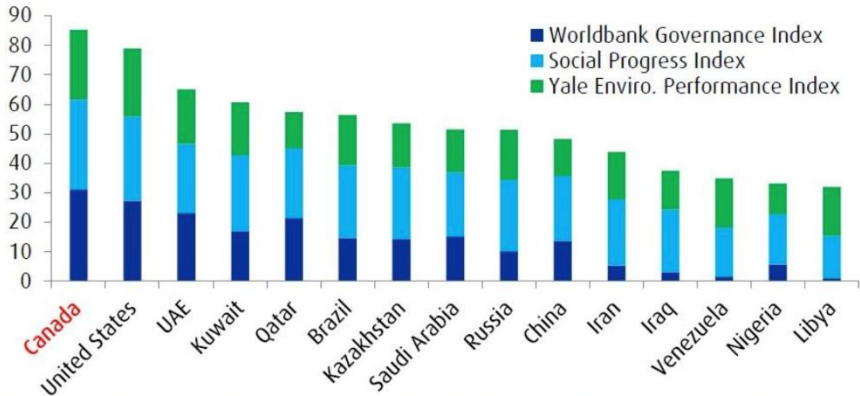
East and West Central Alberta

- ✓ **100% Owned and Operated Production & Facilities**
- ✓ **300+ kilometers of Pipeline with 3 points of Sale**
- ✓ **Up to 200,000 acres of available mineral rights**
- ✓ **Greater than 20 years of proven reserves**

Avila Energy At a Glance



ESG Ratings - World's Top Oil Reserve Holders



Source: Yale Environmental Performance Index (EPI); Social Progress Imperative; World Bank Governance Indicators, BMO Capital Markets



Average Production

500 boe/d

Production to increase

4x in 12 months



100% ownership of wells, pipelines and facilities

>\$10MM Market Capitalization



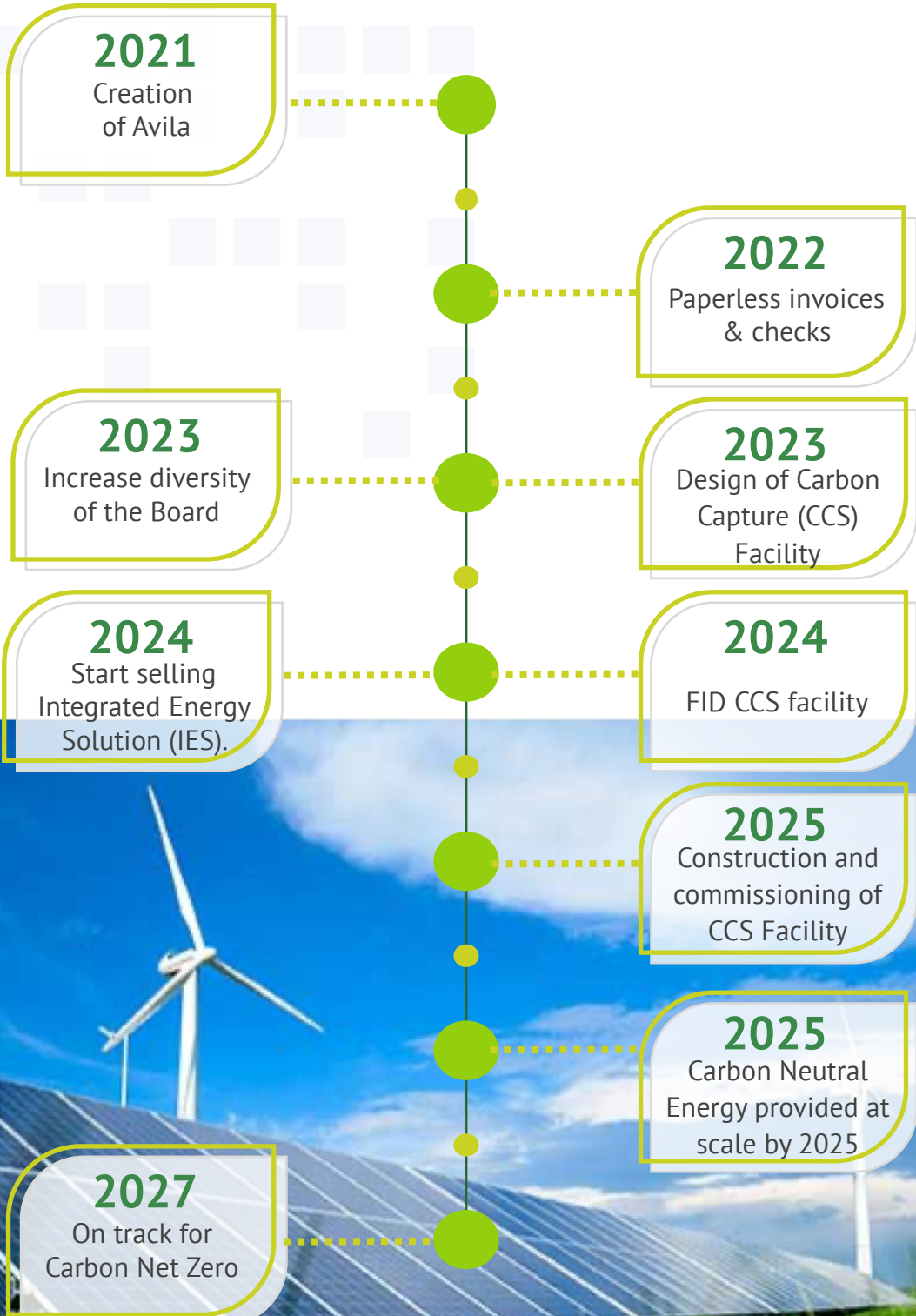
90% reduction in emissions by 2027

On track to be Net Negative Neutral CO₂ Emitter in 2025



Projecting to install the first of Avila's integrated energy solutions in 2024

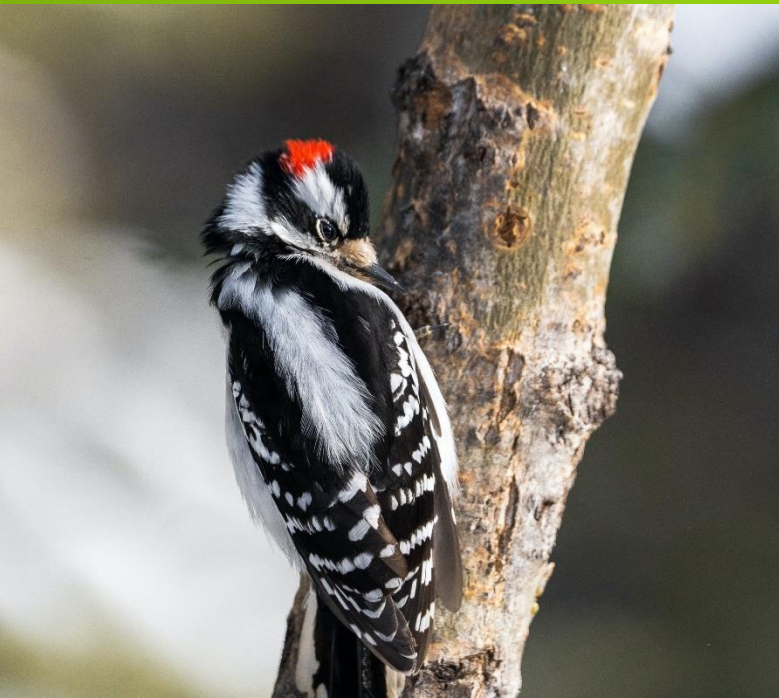
Avila Energy ESG Journey - Timeline





Avila Energy's Vertical Integrated Energy Business is fueled by Natural Gas capable of reducing Tier 1, 2 and Tier 3 CO² emissions by up to 90%

We are a diverse company with 50/50 ratio of men to women and we are ethically diverse.



For every 1,000 customers brought on-line by Avila Energy, Consumer emissions are projected to be reduced by up to 20,000 tons Annually, "Tier 3 / Scope 3"

Our Commitment

Avila Energy is dedicated to coordinating its ESG initiatives with its common goal of fostering long-term corporate value creation and transformative growth. We believe that our actions should be consistent with our awareness that ESG concerns have a substantial influence on our stakeholders and our business.



People: Our greatest asset. We foster a workplace culture that values diversity, equity, and inclusion while creating opportunities for personal and professional growth.

COMMUNITY

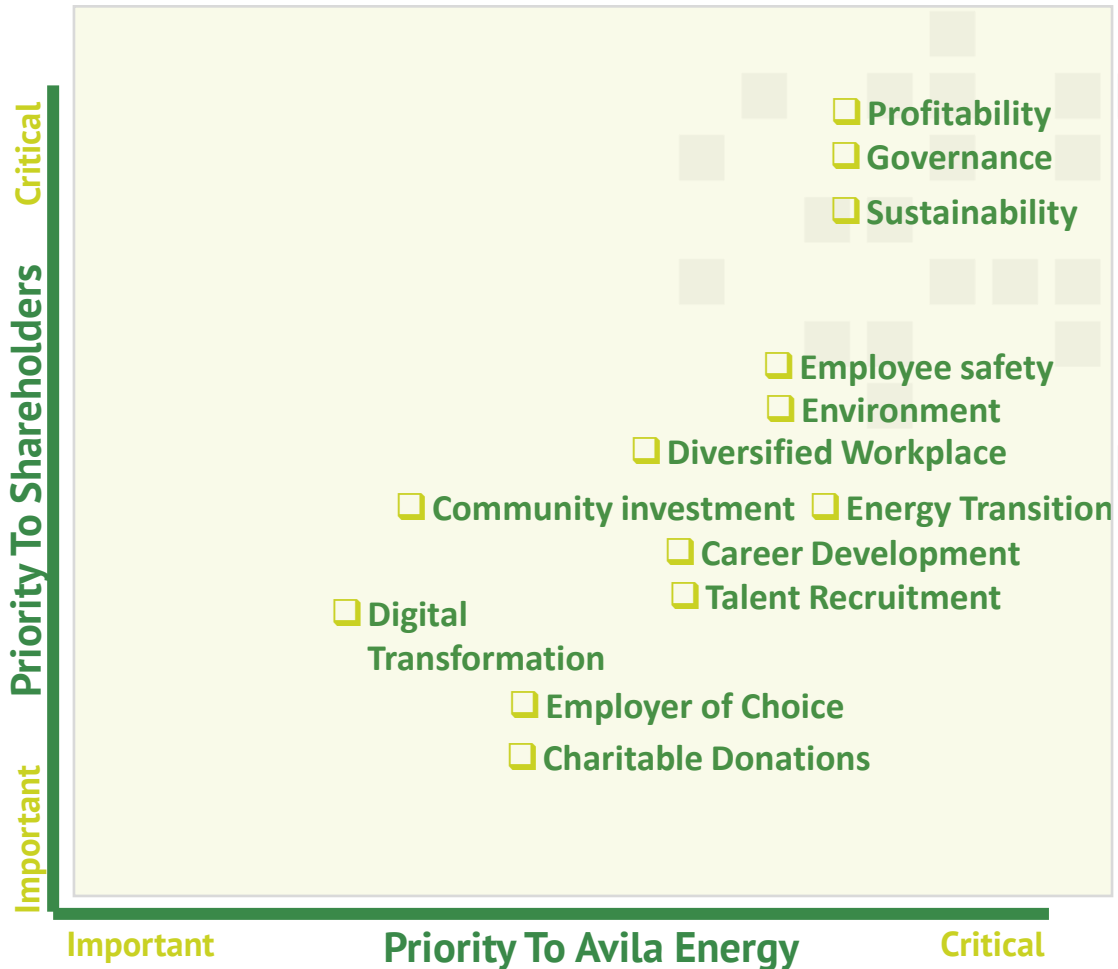
We continuously develop new technologies and improve our operations to assist our company, customers, suppliers, and communities in achieving their climate and sustainability objectives, while also positively impacting the world.

CLIMATE

"We conduct our business with integrity, a long-term perspective, and a commitment to our values of trust, respect, collaboration, and innovation. By living these values, we deliver on our promises to all stakeholders.

CONDUCT

ESG Priorities and Commitment



Our focus is to concentrate our efforts on dealing with the ESG issues that are most in line with our mission and values. We are fully committed to coordinating our ESG strategy going forward with the overall COP26 objectives promoting net zero global emissions by the middle of the century, improving adaptation to the effects of climate change, and mobilising climate finance to support low-carbon, climate-resilient development.

We will implement energy-efficient techniques, drive strategies to reduce emissions, and cut back on waste in order to achieve these objectives. As part of our operations and throughout our value chain, we will also endeavour to mobilise climate finance and support low-carbon, climate-resilient development. We think we can help ensure a more sustainable future for our company, our stakeholders, and the planet by matching our ESG priorities with COP26's objectives and taking proactive measures to combat climate change.

ESG Priorities and Commitment

CARBON NEUTRAL TO NET ZERO BY 2027



Net Neutral CO2 Emitter and Social Workplace by year end 2023

- Diversification of the board.
- Revamped employee benefits package.
- Increased workplace flexibility.
- Avila generates industrial power to be sold to commercial businesses.
- CO2 captured from power generation to injected for sequestration and secondary recovery.
- Efficient use of water and recycling for other facilities.

Carbon Neutral Energy Provided at Scale by 2025



- 2024 North American Certification of Natural Gas fueled Combined Cycle Nodal Power Generation.
- 2023 Initial 100 installations in 2 distinct markets in North America by December 31, 2024.
- 2024 Ramp up of Manufacturing and increase Avila Sales & Distribution Centers.
- 2025 Continue to increase Manufacturing and Distribution units.



Avila Energy's Path to Net Zero – 2027 and Beyond

- Reformation of natural gas, supply and delivery of hydrogen to Avila's new customers.
- Customer upgrades to Hydrogen fueled Combined Cycle Nodal Power Generation.
- Avila distributors will be assigned to 10 trading areas within North America, by 2030.

ESG Goals – Carbon Neutral Actions



Avila announced detailed plans to develop a vertically integrated carbon neutral energy business

Avila acquired the licensing rights to manufacture, sell, lease, and service the “EnerTwin” in Canada and the United States, a market estimated to exceed 90M potential customers, from Micro Turbine Technology BV

EnerTwin is a patented microturbine technology which can operate as a modular high-end combined cycle 3,2kWe power plant for domestic and SME applications

Gas-fired power plant (natural gas)



Coal-fired power plant (natural gas)



EnerTwin (natural gas)



EnerTwin (green gas, hydrogen)



CO₂ emission reduction with EnerTwin

A simple calculation shows that EnerTwin can significantly reduce CO₂ emissions. In contrast to a power plant, hardly any heat is lost with locally generated electricity and there are not transport losses.

CO₂ emissions (when generating 16,000 kWh of electricity):

Environmental Opportunities



Policy

- Implementing carbon-pricing mechanisms to reduce greenhouse gas (GHG) emissions, shifting energy use towards lower emission sources, adopting energy-efficiency solutions, encouraging greater water efficiency measures, and promoting more sustainable land-use practices.
- These changes create an opportunity for Avila Energy to position itself as a leader in sustainability and responsible energy practices.
- By proactively implementing measures to comply with new policies and regulations, Avila Energy can attract investors who value ESG practices and help mitigate policy-related risks.
- Additionally, these policy changes could create new markets for Avila Energy's products and services, positioning the company for long-term growth and profitability.

Increasing regulation

- Avila Energy will position itself as a leader in compliance and sustainability, attracting socially responsible investors who value companies with strong environmental, social, and governance practices.
- By proactively addressing regulatory risks and improving compliance measures, Avila Energy will increase its appeal to investors, protect shareholder value, and minimize the risk of costly penalties and forced shutdowns.

Additionally, by enhancing its regulatory reporting practices, the company can improve transparency and accountability, which can further enhance its reputation and appeal to investors.

Legal

- Avila is proactively addressing legal risks related to climate change to help avoid costly litigation and penalties, ultimately protecting shareholder value.
- Addressing these upfront will improve Avila Energy's reputation, making it more appealing to socially responsible investors.

Environmental Opportunities



Technology

- Avila Energy views technology as an opportunity for innovation and growth. For example, the CCUS and CHP Microturbines are our opportunity to invest in research and development to improve and innovate its energy technologies.
- The risk of oil and gas being phased out in favor of alternative energy sources is increasing so Avila Energy is diversifying its portfolio and investing in new energy technologies to meet the evolving energy needs of consumers.
- By proactively investing in innovative and sustainable technologies, Avila Energy can continue to stay ahead of the curve and remain competitive in the market.

Reputation

- Avila Energy recognizes the importance of maintaining its reputation and addressing climate issues and global warming. We have a commitment to sustainability and reducing our carbon footprint through our "Vertically Integrated Energy Business".
- By investing in renewable energy and other technologies, we are reducing our greenhouse gas emissions, positioning ourselves as leaders in the industry, and creating value for our investors.
- This focus on sustainability and innovation increases our reputational value and contributes to a more sustainable future for all.

Physical

- As a company committed to sustainability and reducing our carbon footprint, Avila Energy sees the physical impacts of climate change as an opportunity to demonstrate our resilience and adaptability.
- By anticipating and preparing for extreme weather events, such as hurricanes or droughts, we can ensure that our operations continue to run smoothly and that our employees remain safe.
- Additionally, we are improving our safety protocols, protecting our wells and facilities, and ensuring minimal disruption to production.
- By addressing these challenges proactively, we are well-positioned to thrive in a changing climate and deliver long-term value to our investors.



Social Summary

Our focus on empowering our people and the communities we serve:

Attracting, developing and retaining world-class talent

We have developed a strategy that focuses on supporting the educational and career aspirations of talented individuals. We prioritize diversity and inclusivity by recruiting individuals from all backgrounds and identities. Focusing on providing professional development opportunities, educational support, and an inclusive culture that fosters. We believe in providing equitable opportunities for all our employees to work and thrive in a supportive environment.

Ensuring the Health and Well-being of Our Employees

Whether our employees work remotely or on-site, we place a high priority on their physical well-being. We provide various programs and training to safeguard their health and safety, enabling them to continue driving innovation and meeting the demands of our customers. Additionally, we offer support to help our employees manage stress and achieve a better work-life balance. We believe that prioritizing our employees' safety and well-being not only benefits them but also contributes to the success of our organization as a whole.

Embracing Diversity, Equity, and Inclusion

We firmly believe that diversity, equity, and inclusion are key drivers of innovation. As an organization, we are committed to creating a workforce that reflects a broad range of backgrounds, experiences, and perspectives. We are proud to have 50% of our staff identified as female including equitable salaries for all staff. We value all forms of diversity, ability, and more, and strive to foster an inclusive workplace that empowers individuals to be their authentic selves. We remain steadfast in our commitment to promoting equity and inclusion for all

Empowering Our Communities

We are committed to making a positive impact in the communities where we operate. We focus our financial investments on select charitable organizations and encourage our employees to leverage their skills and resources to drive measurable change. Our community outreach strategy is centered around promoting lifelong learning and education, supporting and empowering local efforts to enhance equity and engagement. By partnering with our communities, we strive to create meaningful and sustainable improvements that benefit everyone.



Social Focus

Empowering Our Employees for Inclusive Excellence

At Avila Energy, we believe that every employee plays an essential role in fostering a diverse, equitable, and inclusive workplace. We encourage our employees to embrace our motto of "every employee, every interaction, every time," recognizing that every interaction has the potential to shape the experience and culture of our organization. We prioritize respect, inclusion, and value in every interaction, ensuring that everyone feels welcomed and appreciated.

To promote equity and inclusion, we regularly assess our pay strategies to ensure they remain competitive and internally equitable. We are also dedicated to employee retention and have developed a retention program that helps predict an individual's retention risk while providing managers with a toolkit to improve retention. Our employee development programs are designed to retain high-potential and high-performing employees, particularly from underrepresented communities.

We value employee feedback and regularly conduct surveys to solicit input on a wide range of topics. Our commitment to our people is reflected in several highlights of our employment practices, which demonstrate our dedication to creating a workplace where everyone can thrive.

Employee and Labor Relations at Our Company

At our company, we recognize the mutual rights and obligations inherent in the employment relationship. We are committed to treating our employees fairly and with respect, and we encourage all employees to report any instances of unfair treatment through multiple available channels. Should this happen, we thoroughly investigate and address all to ensure a positive and productive workplace for everyone.

We also support our employees' right to discuss terms and conditions of employment that are both fair and competitive. Our approach is based on a respectful and robust system that ensures the fair treatment of our employees regarding labor rights.

Our leadership team leads by example to nurture our employee and labor relations practices across our business units. Through our leadership team, and positive work culture, we are committed to ensuring the highest standards of employee and labor relations in everything we do.



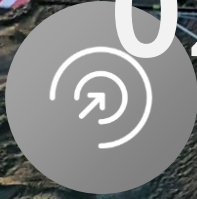
Social Goals

01



The Company is committed to making a positive impact in the communities in which we operate and live.

02



The Company supports charities and donates to children's, social economic development organizations and mental health organizations.

03



The Company is a registered member within the industry that strives to be a leader in support of a sustainable carbon neutral Energy industry that continues to fuel growth and prosperity in Canada and worldwide.

04



As an Energy producer and a committed manager of Green House Gases (GHG) the Company encourages and continues to invest in the Vertical integration of Energy and its continuing innovation.

Governance Goals

- The ESG Committee assesses and identifies the climate related risks and opportunities. Then the information is reviewed by the CEO and then sent to the board for final approval and review. Climate related risks are regularly reviewed by the board after passing through the CFO and CEO.
- Avila's strategy is to contribute to the transition to a lower carbon economy and climate change by investing in technology to directly reduce green house gas emission. Three technologies including CHP Microturbines delivers the opportunity for the consumer to reduce their carbon footprint by 40%.
- Avila is also completing the design and scheduling for the construction of sustainable power generation in combination with a carbon capture, and sequestration facility. This technology allows for the delivery of electricity to the Grid after removing the associated green house gases.
- The Company's priority is to ensure all stakeholders have a clear understanding of our approach to business operations and our Corporate strategy for exceeding our regulatory compliance goals.
- The Board is comprised of engaged and independent, members with no member having less than ten (10) years of executive experience with an average tenure for Board members of three (3) years.
- The foundation of our governance policies are based on Health, Safety and the Environment and include written documentation for Diversity, Business Conduct, Ethics Code of Conduct and an established Whistleblower Policy.

Our Directors



Leonard B. Van Betuw

President and CEO

Of Avila Energy Corporation since July 17 of 2021.
and founder of Avila Exploration and Development Canada Ltd.

Daniel Lucero

More than 15 years' experience in resource exploration in Latin America and the Western Canadian Sedimentary Basin, as Exploration Manager at Quattro Exploration and Production Ltd., for 6 years, WCSB and Latin America Chief Geoscientist at Kinetex Geosciences, Geologist at CoalCorp Mining and Andicoal.

Jeff Decter

With more than 35 years' experience including sales, management and financing and President of Integrity Financial Corp focused on financing since 1998 and restructuring.

Chris Valentine

Co-founder Celeres, co-Founder & co-managing partner of TSU Capital, a boutique financial firm advisory headquartered in New York, offering strategic and advisory services for institutional clients with a focus on structured finance, financial services, real estate and energy.

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