



COURT FILE NO. B301-163430

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC 1985, C C-8, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF CLEO ENERGY CORP.

APPLICANTS CLEO ENERGY CORP.

DOCUMENT APPLICATION

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION
OF PARTY
FILING THIS
DOCUMENT

Gowling WLG (Canada) LLP
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File No. G10010664

Attention: Sam Gabor/ Tom Cumming

NOTICE TO THE RESPONDENTS

This application is made against you.

You have the right to state your side of this matter before the Judge.

To do so, you must be in Court when the application is heard as shown below:

Date: January 22, 2025

Time: 3:00 p.m.

Where: By Webex (see Webex details at **Schedule "A"**)

<https://albertacourts.webex.com/meet/virtual.courtroom86>

Before Whom: The Honourable Associate Chief Justice Neilson in
Commercial Chambers

Go to the end of this document to see what you can do and when you must do it.

Remedy claimed or sought:

1. The applicant, Cleo Energy Corp. (“**Cleo**” and the “**Applicant**”) applies for an Order in its proceedings (the “**Proposal Proceedings**”) under Division I of Part III of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”), substantially in the form attached hereto as **Appendix “A”**, for the following relief:
 - (a) abridging the time for service of notice of this Application, deeming service of notice of this Application to be good and sufficient, and declaring that there is no other person who ought to have been served with notice of this Application;
 - (b) approving the Applicant’s proposed sale and solicitation process (the “**Sale Process**”), as more particularly described below; and
 - (c) such further and other relief as the Applicant may request and this Honourable Court may grant.

Grounds for making this application:

Background

2. On December 8, 2024 Cleo filed a notice of intention to make a proposal (a “**NOI**”) under Section 50.4 of Division I of Part III of the *BIA* with the Office of the Superintendent of Bankruptcy (the “**OSB**”). Alvarez & Marsal Canada Inc. (“**A&M**”) was named as proposal trustee of Cleo (the “**Proposal Trustee**”).
3. Cleo is a privately owned oil and gas operator of medium gravity oil based in Calgary, Alberta with operations throughout East Central Alberta that has been operating since its incorporation in 2016. Cleo is a wholly owned subsidiary of Chimera Management Group Ltd. Cleo does not own shares in any other corporation.

4. Cleo's revenue is primarily linked to the productivity of its wells, as well as the market price of oil.
5. Cleo has recently experienced a significant reduction in production levels due to several factors, including:
 - (a) lack of repair and maintenance required at several of its main producing fields causing shut ins of wells;
 - (b) shut downs of its oil producing assets following verbal directives issued to Cleo by the Alberta Energy Regulator ("AER");
 - (c) thefts and vandalism at its oil and gas fields causing shutdowns over time and a recent complete shut down of Cleo's largest oil and gas field; and
 - (d) lower costs of oil and gas which Cleo produces.

As a result of these issues, Cleo is currently unable to meet its obligations as they become due and its liabilities exceed its assets.

6. Cleo has total indebtedness of approximately \$24,102,898, of which approximately \$6.7 million is secured indebtedness owing to a number of secured creditors.
7. On January 6, 2025, the Honourable Justice Lema granted an Order:
 - (a) extending the period within which Cleo is required to file a proposal to February 21, 2025;
 - (b) granting in favour of the Proposal Trustee and its counsel and counsel for Cleo a super-priority security and charge against on all present and after-acquired property of Cleo to secure their reasonable professional fees and disbursements;
 - (c) approving an interim financing facility provided under a loan agreement with an interim lender and granting a super-priority charge in favour of the interim lender; and
 - (d) granting a charge in favour of the directors and officers of Cleo to secure Cleo's obligation to indemnify the directors and officers in respect of certain liabilities incurred by them during the Proposal Proceedings.

Sale Solicitation Process

8. Cleo in consultation with the Proposal Trustee has developed the Sale Process under which all of Cleo's Property will be marketed and sold. The Proposal Trustee will conduct the Sale Process with the assistance of and in consultation with Cleo. Cleo has retained Sayer Energy Advisors ("**Sayer**") to act as sales agent and advisor to the Proposal Trustee and Cleo in the Sales Process.
9. The Proposal Trustee, Sayer and Cleo are compiling a list of potential strategic and financial bidders who they will approach to determine if they are interested in participating in the Sale Process. Further:
 - (a) the Proposal Trustee, Cleo and Sayer are preparing a teaser letter describing the Sale Process and inviting interested participants to express their interest in acquiring Property;
 - (b) the Proposal Trustee will publish notices of the Sale Process in Daily Oil Bulletin, Insolvency Insider and other publications or newswires;
 - (c) the Proposal Trustee, Cleo and Sayer are setting up and populating a virtual data room containing all required due diligence materials relating to the business, operations and Property of Cleo, which can be reviewed by potential bidders if they enter into a non-disclosure agreement with Cleo.
10. The Sale Process contemplates a two phase marketing process launching on January 17, 2025, with the following milestones:

Date	Action
February 20, 2025, or such later date as determined by the Proposal Trustee in consultation with Cleo and Sayer (" Phase I Bid Deadline ")	Date by which a non-binding letter of intent (an " LOI ") must be submitted
March 6, 2025, or such later date as determined by the Proposal Trustee in consultation with Cleo and Sayer	Date by which a binding purchase agreement must be submitted
Week of March 17, 2025, or as soon thereafter as Court time can be confirmed, or such later date as determined by the Proposal Trustee in consultation with Cleo and Sayer	Proposed week within which Court approval of one or more sales will be sought
March 24, 2025, or 3 days after Court approval is obtained	Proposed closing date for sales
April 18, 2025	Outside date for completing sale transactions

11. Cleo believes that the Sale Process provides an appropriate framework to identify and complete one or more value-maximizing transactions, is therefore fair and reasonable in the circumstances, and should provide the greatest available benefit to Cleo's creditors and other stakeholders.
12. Cleo's current financial position is such that the Sale Process must be carried out in an expeditious and efficient manner.
13. The Proposal Trustee supports this Application.

Material or evidence to be relied on:

14. The Affidavit of Chris Lewis, sworn January 20, 2025, to be filed;
15. Bench Brief of the Applicant, to be filed;
16. Such further and other material as counsel may advise and this Honourable Court may permit.

Applicable Acts and regulations:

17. Rules 1.2, 1.3, 3.2(2)(d), 3.8, 11.27 and 13.5 of the Alberta *Rules of Court*, Alta Reg 124/2010;
18. The *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended; and
19. Such further and other Acts and regulations as counsel may advise and this Honourable Court may permit.

Any irregularity complained of or objection relied on:

20. None.

How the application is proposed to be heard or considered:

34. Before the Honourable Justice Neilson in Commercial Chambers via Webex.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and time shown at the beginning of this form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.

Schedule “A”

Webex Instructions

Virtual Courtroom 86 has been assigned for the above noted matter:

Virtual Courtroom Link:

<https://albertacourts.webex.com/meet/virtual.courtroom86>

Instructions for Connecting to the Meeting

1. Click on the link above or open up Chrome or Firefox and cut and paste it into your browser address bar.
2. If you do not have the Cisco Webex application already installed on your device, the site will have a button to install it. Follow installation instructions. Enter your full name and email address when prompted
3. Click on the **Open Cisco Webex Meeting**.
4. You will see a preview screen. Click on **Join Meeting**.

Key considerations for those attending:

1. Please connect to the courtroom **15 minutes prior** to the start of the hearing.
2. Please ensure that your microphone is muted and remains muted for the duration of the proceeding, unless you are speaking. Ensure that you state your name each time you speak.
3. If bandwidth becomes an issue, some participants may be asked to turn off their video and participate by audio only.
4. **Note: Recording or rebroadcasting of the video is prohibited.**
5. **Note: It is highly recommended you use headphones with a microphone or a headset when using Webex. This prevents feedback.**

For more information relating to Webex protocols and procedures, please visit:
<https://www.albertacourts.ca/qb/court-operations-schedules/webex-remote-hearings-protocol>

You can also join the meeting via the “Cisco Webex Meetings” App on your smartphone/tablet or other smart device. You can download this via the App marketplace and join via the link provided above.

Thank you,

APPENDIX “A”

DRAFT ORDER (SALES PROCESS)

Clerk's Stamp

COURT FILE NO. B301-163430

COURT COURT OF KING'S BENCH OF ALBERTA
(IN BANKRUPTCY & INSOLVENCY)

JUDICIAL CENTRE CALGARY

APPLICANTS IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
RSC 1985, C C-8, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF CLEO ENERGY CORP.

DOCUMENT **ORDER (Sale Process)**

ADDRESS FOR **Gowling WLG (Canada) LLP**
SERVICE AND 1600, 421 – 7th Avenue SW
CONTACT Calgary, AB T2P 4K9

INFORMATION OF
PARTY FILING
THIS DOCUMENT

Attn: Sam Gabor / **Tom Cumming**

Phone: 403.298.1938

Fax: 403.263.9193

Email: sam.gabor@gowlingwlg.com /
tom.cumming@gowlingwlg.com

File No.: G10010664

DATE ON WHICH ORDER WAS PRONOUNCED: January 22, 2025

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

JUSTICE WHO MADE THIS ORDER: The Honourable Associate Chief
Justice K. G. Nielsen in
Commercial Chambers

UPON THE APPLICATION of Cleo Energy Corp. (the “**Applicant**”), filed January 20, 2025; **AND UPON** reading Affidavit of Chris Lewis, sworn January 20, 2025, and the Affidavit of Service of Sherry Langley, sworn January •, 2025; **AND UPON** reading the Second Report of Alvarez & Marsal Canada Inc. in its capacity as proposal trustee of the Applicant (in such capacity, the “**Proposal Trustee**”) dated January •, 2025 (the “**Second Report**”); **AND UPON** hearing submissions by counsel for the Applicant, counsel for the Proposal Trustee and any other counsel or other interested parties present,

IT IS HEREBY ORDERED AND DECLARED THAT:

1. The time for service of the notice of application for this order (the “**Order**”) is hereby abridged and deemed good and sufficient and this application is properly returnable today, and no other than those persons served is entitled to service of the notice of application.
2. The sale and solicitation process (“**Sale Process**”) commenced by the Applicant prior to the granting of this Order, as described in the Second Report and as attached hereto as **Appendix “A”**, is commercially reasonable and is hereby approved.
3. The Proposal Trustee, with the assistance of and in consultation with the Applicant, is hereby authorized and directed to conduct the Sale Process, and do all things reasonably necessary to give full effect thereto and carry out its obligations thereunder, including taking any additional steps or executing additional documents as may be necessary or desirable in order to carry out and complete the Sale Process and a transaction or transactions thereunder.
4. Nothing herein shall act as authorization or approval of the transfer or vesting of any or all of the Applicant’s property, assets or undertakings under any agreement negotiated in connection with the Sale Process, or otherwise. Such transfer and vesting shall be dealt with and shall be subject to further Order of this Court.
5. The Applicant and the Proposal Trustee are hereby authorized and empowered to apply to this Court to amend, vary or seek any advice, directions or the approval or vesting of any transaction in connection with the Sale Process.
6. This Court hereby requests the aid and recognition of any court, tribunal, regulatory, or administrative body having jurisdiction in Canada or in any of its provinces or territories or in any foreign jurisdiction, to act in aid of and to be complimentary to this Court in carrying out the terms of this Order, to give effect to this Order, and to assist the Proposal Trustee and its agents in carrying out the terms of this Order. All courts, tribunals, and regulatory and administrative bodies are hereby respectfully requested to make such order and to provide such assistance to the Proposal Trustee, as an officer of the Court, as may

be necessary or desirable to give effect to this Order or to assist the Proposal Trustee and its agents in carrying out the terms of this Order.

7. Service of this Order shall be deemed good and sufficient:
 - (a) by serving same on the persons who were served with notice of this Application and any other parties attending or represented at the hearing of this Application; and
 - (b) by posting a copy of this Order on the Proposal Trustee's website as:

<https://www.alvarezandmarsal.com/content/CLEO>
8. Service of this Order on any other person is hereby dispensed with.
9. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.

J.C.K.B.A.

APPENDIX “A”

SALE AND SOLICITATION PROCESS

Introduction

1. On December 8, 2024, Cleo Energy Corp. (the “**Company**”) filed a notice of intention to make a proposal (a “**NOI**”) under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”) with the Office of the Superintendent of Bankruptcy (the “**OSB**”). Alvarez & Marsal Canada Inc. was appointed as proposal trustee of the Company (in such capacity, the “**Proposal Trustee**”).
2. The Company and the Proposal Trustee intend to commence this sale and solicitation process (the “**SSP**”) in order to solicit interest in the purchase of or investment in all or part of the business or operations of the Company or its undertaking, property and assets (the “**Property**”), and within a reasonable period following the launch of the SSP seek an Order of the Court of King’s Bench of Alberta (the “**Court**”) approving and ratifying the SSP. The Company has engaged Sayer Energy Advisors (“**Sayer**”) to act as the sale advisor to the Company and Proposal Trustee in the SSP.
3. The SSP as described herein shall, together with any order issued by the Court pertaining to the SSP, exclusively govern the process for soliciting and selecting bids in connection with the SSP.
4. Chris Lewis, the president and sole director of the Company, has informed the Proposal Trustee that he does not currently intend to directly or indirectly participate in any purchase from or investment in the Company pursuant to the SSP, and has undertaken to notify the Proposal Trustee if that should change at any time during the proceedings under the BIA. In such an event, the Proposal Trustee will conduct the SSP, with the advice of Sayer, but without consulting the Company and the Proposal Trustee will establish the appropriate ethical walls with Mr. Lewis and the Company to protect confidential information with respect to any offers received in the SSP.
5. The offer submission and evaluation stage of the SSP will, as more fully described herein, be comprised of a two-phase process:
 - (a) Phase 1 – the submission and evaluation of non-binding letters of intent (a “**Non-Binding LOI**”) from Qualified Bidders; and
 - (b) Phase 2 – the submission and evaluation of binding offers from bidders that have submitted a Non-Binding LOI and that have been invited to submit a Bid.
6. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency.
7. Unless otherwise indicated herein, any event that occurs on a day that is not a Business Day shall be deemed to occur on the next Business Day.

Defined Terms

8. All capitalized terms used herein and not otherwise defined shall have the meaning given to them in **Schedule “A** hereto.

Sale and Solicitation Process

9. The SSP describes, among other things:
- (a) the manner in which prospective bidders may gain access to due diligence materials concerning the business, operations, or Property of the Company;
 - (b) the guidelines for the ultimate selection of the Successful Bid and Back-Up Bid, as applicable; and,
 - (c) the process for obtaining such approvals (including the approval of the Court) as may be necessary or appropriate in respect of the Successful Bid and the Back-up Bid, as applicable.

Conduct of SSP

10. The Company shall conduct the SSP in consultation with and with the assistance of the Proposal Trustee and Sayer. In the event there is a disagreement regarding or clarification required as to the interpretation or application of the SSP or the responsibilities of any Person hereunder, upon application of the Company, the Proposal Trustee or any other interested Person, the Court will have jurisdiction to hear such matters and provide advice and directions.
11. Notwithstanding that the SSP contemplates that a transaction will be concluded by way of an asset purchase, participants may propose alternative transaction or investment structures in connection with the SSP, including but not limited to transactions to refinance, reorganize, or recapitalize the Company or a reverse vesting order transaction.
12. Participants in the SSP shall be responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Bid, including in respect of all due diligence activities or other actions undertaken by such participant, whether or not they lead to the consummation of a transaction.
13. The SSP does not and will not be interpreted to create any contractual or other legal relationship between the Company, the Proposal Trustee or any Potential Bidder, Bidder, Qualified Bidder, Successful Bidder, Back-up Bidder or any other Person, other than as specifically set forth in a definitive agreement that may be entered into with the Company.

“As Is, Where Is”

14. Any transaction involving the Company and the Property will be on an “as is, where is” basis without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Company, the Proposal Trustee, Sayer or any of their respective agents, estates, advisors, professionals or otherwise, other than as specifically set forth in a definitive agreement that may be entered into with the Company.

Free of Any and All Claims and Interests

15. All of the right, title and interest of the Company in and to any Property sold or transferred in connection with the SSP will, at the time of such sale or transfer, be sold or transferred free and clear of all pledges, liens, security interests, encumbrances, claims, charges,

options and interests pursuant to an approval and vesting order made by the Court under Section 65.13(7) of the BIA.

Timeline

16. The following table sets out key milestones and anticipated deadlines for the SSP:

MILESTONE	DATE
Commencement Date	Estimated to be no later than January 22, 2025
SSP Approval Application	As soon as reasonably possible
Non-Binding LOI Submission Date	February 25, 2025, or such later date as determined by the Proposal Trustee in consultation with the Company and Sayer
Binding Bid Submission Date	March 13, 2025, or such later date as determined by the Proposal Trustee in consultation with the Company and Sayer
Bid Approval Application	Week of March 24, 2025, or as soon thereafter as Court time can be confirmed, or such later date as determined by the Proposal Trustee in consultation with the Company and Sayer
Target Closing Date	March 31, 2025, or 3 days after Court approval is obtained
Outside Date	April 18, 2025

Solicitation of Interest

17. The SSP will be commenced by the Company and Sayer, in consultation with the Proposal Trustee, compiling a list of potential bidders (the “**Known Potential Bidders**”). Such list can include both strategic and financial parties who, in the reasonable business judgment of the Company, Sayer and the Proposal Trustee, may be interested in and have the financial capacity to make a Qualified Bid.
18. For the purposes of the SSP, the following Persons shall be considered potential bidders (each, a “**Potential Bidder**”): (i) the Known Potential Bidders, and (ii) any other Person that executes and delivers the documents listed in paragraph 23 and is permitted by the Company or the Proposal Trustee, in consultation with Sayer, to participate in the SSP.
19. The Company, with the assistance of Sayer and the Proposal Trustee, shall:
- (a) prepare a teaser letter describing the SSP and inviting interested participants to express their interest in the SSP (the “**Teaser**”);
 - (b) prepare a non-disclosure agreement (“**NDA**”), a template Non-Binding LOI and a Template APA; and
 - (c) gather all required due diligence materials, including information relating to the business, operations, or Property of the Company, and establish a virtual data room (the “**VDR**”) containing same.

Further, (i) Sayer and the Company shall contact Known Potential Bidders to determine their interest in the SSP by forwarding them a Teaser and, if interested, providing such party with a copy of the SSP and the NDA; and (ii) Sayer shall publish a notice regarding

the SSP in the *Daily Oil Bulletin*, *Insolvency Insider* and any other publications or newswires as determined by the Proposal Trustee.

20. The Company, Sayer and the Proposal Trustee will grant access to the VDR to any Potential Bidder that executes and delivers the NDA to the Company and Sayer. Access to the VDR will be granted as soon as reasonably practicable following the delivery of the NDA.
21. Neither the Company, the Proposal Trustee, Sayer, nor any of their respective advisors make any representation or warranty as to the information contained in the VDR, or other information to be provided through the due diligence process or otherwise, except to the extent contemplated under any definitive document negotiated with a Successful Bidder or Back-Up Bidder which is executed and delivered by the Company and approved by the Court.

Phase 1

22. A Potential Bidder who wishes to participate in this SSP must deliver a Non-Binding LOI to the Proposal Trustee, with a copy to the Company and Sayer, at the e-mail addresses specified in **Schedule "B"** hereto, by the Non-Binding LOI Submission Date.
23. A Non-Binding LOI will be considered a qualified LOI (a "**Qualified LOI**") only if the Non-Binding LOI:
 - (a) is submitted to the Proposal Trustee on or before the Non-Binding LOI Submission Date;
 - (b) specifies:
 - (i) the total proposed consideration payable in the transaction;
 - (ii) the identity, the type, and the jurisdiction of organization of the Potential Bidder;
 - (iii) the contact information for such Potential Bidder;
 - (iv) full disclosure of the direct and indirect owners and principals of the Potential Bidder;
 - (v) confirmation that the Potential Bidder has a subsisting business associate code issued through Petrinex and has general eligibility to acquire and hold licenses or approvals for wells, facilities and pipelines through the Alberta Energy Regulator; and
 - (vi) such financial disclosure and credit quality support or enhancement that allows the Proposal Trustee to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate a transaction; and
 - (c) includes an executed letter acknowledging receipt of the SSP and agreeing to accept and be bound by the provisions contained therein.

24. The Proposal Trustee, in consultation with the Company and Sayer, will assess all Non-Binding LOI's submitted on or before the Non-Binding LOI Submission Date. If it is determined by the Proposal Trustee that:
- (a) a Potential Bidder: (i) has complied with each of the requirements described in paragraph 23, (ii) has a *bona fide* interest in concluding a transaction, and (iii) has the financial wherewithal to conclude a transaction, then such Potential Bidder may be deemed a "**Qualified Bidder**" and advanced to Phase 2; or
 - (b) no Qualified LOI's have been submitted or, alternatively, that no Qualified LOI is likely to result in a Successful Bid (as defined below), the Proposal Trustee, in consultation with the Company and Sayer, may immediately terminate the SSP.
25. The Proposal Trustee shall notify all Potential Bidders that deliver a Non-Binding LOI to the Proposal Trustee whether or not they have been designated as a Qualified Bidder.

Phase 2

26. Qualified Bidders shall be entitled to conduct further due diligence prior to submitting a binding bid (a "**Bid**"). Such further due diligence shall, at the discretion of the Proposal Trustee, include on-site inspections or meetings with the senior management of the Company.
27. A Qualified Bidder that wishes to make a Bid must deliver their Bid to the Proposal Trustee, with a copy to Sayer and the Company (provided that the Company or Mr. Lewis is not considered a Qualified Bidder), at the e-mail addresses specified in **Schedule "B"** hereto, by no later than the Binding Bid Submission Date.
28. Bids submitted to the Proposal Trustee for consideration must comply with all of the following requirements, and any such complying Bid shall be a "**Qualified Bid**":
- (a) Template: Each Bid must be submitted in the form of a template agreement of purchase and sale (the "**Template APA**"), a copy of which shall be provided in the VDR;
 - (b) Purchase Price: Each Bid must clearly set forth the purchase price in Canadian dollars, stated on a total enterprise value basis (including the cash and non-cash components thereof);
 - (c) Binding Bid Submission Date: Each Bid must be received on or before 5:00 pm (Calgary time) on the Binding Bid Submission Date;
 - (d) Irrevocable Offer: Each Bid must include a letter stating that the Bid is irrevocable until approval of the Successful Bid or Back-up Bid by the Court, as applicable, provided that if such Bidder is selected as the Successful Bidder or Back-up Bidder, the Bid shall remain irrevocable until the closing of a transaction;
 - (e) Executed Documents: Each Bid must be accompanied by a duly authorized and executed form of transaction document, an electronic Word copy of such agreement, a marked-up version showing all edits to the transaction document as compared to the Template APA, as well as duly authorized and executed

documents necessary to effectuate the transactions contemplated thereby, which specifies, at a minimum:

- (i) Identity: Each Bid must fully disclose the identity of each entity that will be sponsoring or participating in the Bid and the complete terms of such participation;
- (ii) Contact Information: Each Bid must contain contact information for any business, financial or legal advisors retained or to be retained in connection with the proposed transaction;
- (iii) Deposit: Each Bid must be accompanied by a deposit (the “**Deposit**”) in the form of a wire transfer to a non-interest bearing account specified by the Proposal Trustee, payable to the order of the Proposal Trustee, on behalf of the Company, in trust, in an amount equal to fifteen (15%) percent of the cash consideration contemplated by the Bid or as otherwise contemplated in any fully executed transaction document, to be held and dealt with in accordance with the terms of the SSP;
- (iv) Financial Wherewithal: Each Bid must include:
 - A. written evidence of a firm, irrevocable commitment for financing, or other evidence of ability to consummate the proposed transaction, that will allow the Proposal Trustee to make a reasonable determination as to the Qualified Bidder’s financial and other capabilities to consummate the transaction, fund the business, and implement post-Closing measures and transactions; and
 - B. the identification of any Person or entity who may provide debt or equity financing for the Bid and any material conditions to be satisfied in connection with such financing;
- (v) Authorization: Each Bid must include evidence, in form and substance reasonably satisfactory to the Proposal Trustee, of authorization and approval from the Qualified Bidder’s board of directors (or comparable governing body) with respect to the submission, execution, delivery and Closing of the transaction contemplated by the Bid;
- (vi) No Other Authorization, Diligence, Financing Conditions: A Bid may not be conditional upon the following:
 - A. any internal approval(s);
 - B. the outcome of unperformed due diligence by the Qualified Bidder; or
 - C. obtaining financing;
- (vii) Regulatory Approvals: Each Bid must be in compliance with Alberta Energy Regulator requirements and outline any anticipated regulatory

and other approvals required to close the transaction, and the anticipated time frame and any anticipated impediments for obtaining such approvals and confirms that the Qualified Bidder will make and submit all necessary and applicable regulatory filings and pay all fees associated therewith;

- (viii) Disclaimer of Fees: Each Bid must disclaim any right to receive a fee analogous to a break-up fee, expense reimbursement, termination fee, or any other similar form of compensation;
- (ix) Timeline: Each Bid must provide a timeline to Closing with critical milestones and shall confirm that the Qualified Bidder will use commercially reasonable efforts to Close by the Target Closing Date;
- (x) Confirmation of no collusion: Each Bid should include confirmation by the Qualified Bidder that it has not engaged in any discussions or any other collusive behaviour with any other Qualified Bidder regarding the SSP or any Bids submitted or contemplated to be submitted in the SSP; and
- (xi) Other Information: Each Bid must contain such other information as may be reasonably required to evaluate the Bid or as may be requested by the Proposal Trustee from time to time.

29. Notwithstanding anything herein to the contrary, the Proposal Trustee, the Company and Sayer will review each Bid to assess whether they are Qualified Bids, with the final decision resting with the Proposal Trustee, following consultation with the Company and Sayer. In performing such review and assessment, the Bids will be evaluated based on the following non-exhaustive list of considerations:

- (a) the purchase price and net value (including assumed liabilities and other obligations to be assumed or otherwise performed by the Qualified Bidder);
- (b) the firm, irrevocable commitment for financing of the transaction;
- (c) the claims likely to be created by such Bid in relation to other Bids;
- (d) the counterparties to the transaction;
- (e) the terms of transaction documents;
- (f) the Closing conditions and other factors affecting the speed, certainty and value of the transaction (including any regulatory approvals required to close the transaction);
- (g) planned treatment of stakeholders;
- (h) the assets or liabilities included or excluded from the Bid, including whether the Property subject to such Bid is on a "white map" basis and includes all Property within one or more bid areas delineated by Sayer;
- (i) compliance with Alberta Energy Regulator requirements;

- (j) any restructuring costs that would arise from the Bid;
 - (k) the likelihood and timing of consummating the transaction,
 - (l) the financing or cash *pro forma* available post-Closing to fund the Company's business; and
 - (m) the capital sufficient to implement post-Closing measures and transactions.
30. The Proposal Trustee, in consultation with the Company and Sayer, may reject any Bid that is (a) inadequate or insufficient; (b) not in conformity with the requirements pursuant to the SSP; (c) contrary to the best interest of the Company; or (d) not a Qualified Bid; provided that the Proposal Trustee may waive strict compliance with any one or more of the requirements specified in the SSP and deem a non-compliant Bid to be a Qualified Bid.

Selection of Successful Bid

31. The Proposal Trustee, in consultation with the Company and Sayer, may clarify or negotiate amended terms with respect to any Qualified Bid, and such Qualified Bid may be amended, modified, or varied as a result of such clarification or negotiation. For greater certainty, the Proposal Trustee, in consultation with the Company and Sayer, shall be entitled to request that any Qualified Bidder submit a revised bid.
32. In the event that no Qualified Bid is: (a) acceptable to the Proposal Trustee, acting reasonably, or (b) likely to result in a Successful Bid (as defined below), the Proposal Trustee, in consultation with the Company and Sayer, may immediately terminate the SSP.
33. The Proposal Trustee, in consultation with the Company and Sayer, may, but is not obligated to, select the highest or best Qualified Bid received during the SSP (the **"Successful Bid"** and the party submitting such Successful Bid, the **"Successful Bidder"**) and has the discretion to identify and record the next highest or best Qualified Bid (the **"Back-Up Bid"** and the party submitting such Back-Up Bid, the **"Back-Up Bidder"**). For greater certainty, the Proposal Trustee shall have no obligation to select a Successful Bid or Back-Up Bid and expressly reserves the right to reject any or all Qualified Bids.
34. If a Successful Bid, and Back-Up Bid, as applicable, is selected, the Proposal Trustee shall advise: (a) the Successful Bidder and the Back-Up Bidder of such determination, and (b) all other Qualified Bidders that they are not a Successful Bidder or Back-Up Bidder.

Bid Approval Application

35. The Company shall take all necessary steps to implement the transaction contemplated by the Successful Bid and either the Company or the Proposal Trustee shall apply to the Court (the **"Bid Approval Application"**) for an Order approving the Successful Bid and authorizing the Company to enter into any and all necessary agreements with respect to the Successful Bid and to undertake such other actions as may be necessary or appropriate to implement and give effect to the Successful Bid.

36. The hearing of the Bid Approval Application will be held as soon as practical after the selection of the Successful Bid. The Bid Approval Application may be adjourned or rescheduled by the Company or the Proposal Trustee, as applicable.
37. All Qualified Bids (other than the Successful Bid and the Back-Up Bid) will be deemed rejected on the date the Successful Bid is approved by the Court.

Closing the Successful Bid

38. The Company and the Successful Bidder shall take all reasonable steps to complete the transaction contemplated by the Successful Bid by the Target Closing Date, and in any event no later than the Outside Date, unless otherwise agreed by the parties.
39. If the transaction contemplated by the Successful Bid does not close for any reason, the Proposal Trustee, in consultation with the Company and Sayer, may elect to seek to complete the transaction contemplated by the Back-Up Bid and will promptly seek to Close the transaction contemplated by the Back-Up Bid. The Back-Up Bid will be deemed to be the Successful Bid and the Company will be deemed to have accepted the Back-Up Bid only when the Proposal Trustee has made such election and provided written notice of such determination to the Successful Bidder and the Back-Up Bidder.

Deposits

40. All Deposits shall be retained by the Proposal Trustee in a trust account with a chartered bank in Canada. The Deposit (without interest thereon) paid by the Successful Bidder and Back-Up Bidder, as applicable, whose Qualified Bid(s) is/are approved at the Bid Approval Application will be applied to the purchase price to be paid by the Successful Bidder and/or Back-Up Bidder, as applicable, upon Closing of the approved transaction, and will be non-refundable other than as set out in the Successful Bid or the Back-Up Bid, as applicable.
41. The Deposits of Qualified Bidders not selected as the Successful Bidder or Back-Up Bidder will be returned to such Qualified Bidders within five (5) Business Days of the date the Successful Bid or the Back-Up Bid is approved by the Court. The Deposit of the Back-Up Bidder, if any, shall be returned to such Back-Up Bidder no later than five (5) Business Days after Closing of a transaction with the Successful Bidder.
42. If the Successful Bidder or Back-up Bidder, as applicable, breaches its obligations under the terms of the SSP, its Deposit shall be considered non-refundable and forfeited as liquidated damages and not as a penalty.
43. If the Company is unable to complete the Successful Bid as a result of its own actions and not as a result of steps or conditions contained in the Successful Bid (or the actions of the Successful Bidder), then the Deposit shall be returned to the Successful Bidder.

Notice

44. The addresses used for delivering documents as prescribed by the terms and conditions of the SSP are set out in **Schedule "B"** hereto. All documents required to be delivered to the Company and Sayer or the Proposal Trustee pursuant to the SSP shall be delivered to the Company and Sayer and the Proposal Trustee by e-mail, personal delivery, or by

courier. Persons requesting information about the SSP should contact the Proposal Trustee at the contact information contained in **Schedule “B”**.

Amendment

45. The Proposal Trustee, in consultation with the Company and Sayer, shall have the right to modify the SSP, including any deadlines set out herein, if, in its reasonable business judgment such modification will enhance the process or better achieve the objectives of the SSP.

Credit Bid

46. Any secured creditor of the Company, including an interim financing lender, shall be entitled to participate in this SSP as a credit bidder (the “**Credit Bidder**”). Any credit bid submitted by a Credit Bidder shall be based on the form of the Template APA, with such changes as are appropriate for credit bids (the “**Credit Bid**”).
47. For the purposes of any Credit Bid submitted by a Credit Bidder, such Credit Bidder shall be entitled to credit all or any portion of its secured indebtedness but must either:
- (a) irrevocably pay, in cash and in full, all of the obligations in priority (the “**Priority Obligations**”) to the Credit Bidder’s secured indebtedness, including for reference any amounts that are priority charges (the “**Priority Charges**”) created in the Proposal Proceedings (namely, the Administration Charge, the D&O Charge or any DIP Charge (as defined in the Court’s January 6, 2025 Order or any subsequent Order)); or
 - (b) assume or otherwise satisfy any of the Priority Obligations on terms and conditions acceptable to the beneficiary of the security for such Priority Obligations (except for the Administration Charge, the D&O Charge or the DIP Charge (if applicable), which must be paid in cash and in full if there are amounts owing on them at the conclusion of the Proposal Proceedings).
48. Any Credit Bid shall be accompanied by a Deposit sent by wire transfer to the Proposal Trustee. Any such Deposit is to be held by the Proposal Trustee and dealt with in accordance with the SSP.

Further Orders

49. The Proposal Trustee may at any time apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder, including to terminate the SSP if deemed to be necessary by the Proposal Trustee, acting reasonably.

Schedule “A”

Defined Terms

“Back-Up Bid” has the meaning given to it in paragraph 33.

“Back-Up Bidder” has the meaning given to it in paragraph 33.

“BIA” has the meaning given to it in paragraph 1.

“Bid” has the meaning given to it in paragraph 26.

“Bid Approval Application” has the meaning given to it in paragraph 35.

“Binding Bid Submission Date” has the meaning given to it in paragraph 16.

“Business Day” means a day (other than Saturday or Sunday) on which banks are generally open for business in Calgary, Alberta.

“Closing” means the completion of the transaction contemplated by the Successful Bid.

“Company” has the meaning given to it in paragraph 1.

“Court” has the meaning given to it in paragraph 2.

“Credit Bid” has the meaning given to it in paragraph 46.

“Credit Bidder” has the meaning given to it in paragraph 46.

“Deposit” has the meaning given to it in paragraph 28(e)(iii).

“Known Potential Bidders” has the meaning given to it in paragraph 17.

“NDA” has the meaning given to it in paragraph 19(b).

“NOI” has the meaning given to it in paragraph 1.

“Non-Binding LOI” has the meaning given to it in paragraph 5(a).

“Non-Binding LOI Submission Date” has the meaning given to it in paragraph 16.

“OSB” has the meaning given to it in paragraph 1.

“Outside Date” has the meaning given to it in paragraph 16.

“Person” will be broadly interpreted and includes, without limitation: (i) a natural person, whether acting in his or her own capacity, or in his or her capacity as executor, administrator, estate trustee, trustee or personal or legal representative, and the heirs, executors, administrators, estate trustees, trustees or other personal or legal representatives of a natural person; (ii) a corporation or a Company of any kind, a partnership of any kind, a sole proprietorship, a trust, a joint venture, an association, an unincorporated association, an unincorporated syndicate, an

unincorporated organization or any other association, organization or entity of any kind; and (iii) a governmental authority.

“Potential Bidder” has the meaning given to it in paragraph 18.

“Priority Charges” has the meaning given to it in paragraph 47(a).

“Priority Obligations” has the meaning given to it in paragraph 47(a).

“Property” means all of the Company’s current and future assets, undertakings, and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof.

“Proposal Proceedings” means collectively the proceedings commenced by the Company upon the filing of a notice of intention to make a proposal on December 8, 2024, as applicable, in Court and Estate No.: B301-163430.

“Proposal Trustee” has the meaning given to it in paragraph 1.

“Qualified Bid” has the meaning given to it in paragraph 28.

“Qualified Bidder” has the meaning given to it in paragraph 24(a).

“Qualified LOI” has the meaning given to it in paragraph 23.

“Sayer” has the meaning given to it in paragraph 2.

“SSP” has the meaning given to it in paragraph 2.

“Successful Bid” has the meaning given to it in paragraph 33.

“Successful Bidder” has the meaning given to it in paragraph 33.

“Target Closing Date” has the meaning given to it in paragraph 16.

“Teaser” has the meaning given to it in paragraph 19(a).

“Template APA” has the meaning given to it in paragraph 28(a).

“VDR” has the meaning given to it in paragraph 19(c).

Schedule “B”

Notice

- (a) If to the Company:

Cleo Energy Corp.
117 8 Ave SW #200
Calgary, AB T2P 1B4
Attention: Chris Lewis
E-mail: clewis@cleoenergy.com

with a copy to:

Gowling WLG
Suite 1600, 421 7 Ave SW
Calgary, AB T2P 4K9
Attention: Sam Gabor / Tom Cumming
E-mail: sam.gabor@gowlingwlq.com / tom.cumming@gowlingwlq.com

- (b) If to the Proposal Trustee

Alvarez & Marsal Canada Inc.
Bow Valley Square IV
Suite 1110, 250 – 6th Avenue SW
Calgary, AB T2P EH7
Attention: Orest Konowalchuk / David Williams
E-mail: okonowalchuk@albarezandmarsal.com

with a copy to:

Miller Thomson LLP
525-8th Avenue SW, 43RD Floor
Eighth Avenue Place East
Calgary, AB T2P 1G1
Attention: James Reid
Email: jwreid@millerthomson.com

- (c) If to Sayer

Sayer Energy Advisors
1620, 540 5th Avenue SW
Calgary, AB T2P 0M2
Attention: Tom Pavic, CFA, President
Email: TPavic@sayeradvisors.com