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COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

AND IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED

APPLICANTS

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

COM
March 25, 2025

DOCUMENT

**FOURTH REPORT OF ALVAREZ & MARSAL CANADA
INC. IN ITS CAPACITY AS PROPOSAL TRUSTEE UNDER
THE NOTICE OF INTENTION TO MAKE A PROPOSAL**

March 19, 2024

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

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ALVAREZ & MARSAL

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INTRODUCTION

1. On December 8, 2024 (the “**Filing Date**”), Cleo Energy Corp. (“**Cleo**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**” or the “**Filing**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”). Alvarez & Marsal Canada Inc. consented to act as Trustee under the Proposal (“**A&M**” or the “**Proposal Trustee**”) (the “**NOI Proceedings**”).
2. Pursuant to section 50.4(8) of the BIA, the initial NOI period during which the Company is required to file a proposal under the NOI Proceedings is from December 8, 2024 to January 7, 2025, or as further extended by order of this Court (the “**Initial NOI Period**”).

December 13 Application

3. On December 13, 2024, Cleo sought and obtained an order (the “**Garnished Funds Order**”), which provided for certain relief, including:
 - a) authorizing and directing RBC to issue an additional bank draft in the amount of \$152,426, payable to the Government of Alberta (the “**Duplicate Draft**”), which the Court will not deposit; and
 - b) ordering that the Duplicate Draft be held by RBC and be deemed to have been returned by the Court or the Government of Alberta to RBC, thereby allowing RBC to return the Duplicate Draft to Cleo’s bank account (the “**Garnished Funds**”).
4. On January 15, 2025, an amended Garnished Fund Order was granted by the Court to provide certain protections as against RBC in cancelling the Duplicate Draft and re-issuing a new bank draft. Cleo received the Garnished Funds on February 4, 2025.

January 6 Application

5. On January 6, 2024, the Company sought and obtained the following relief from this Honourable Court:
- a) an extension of the Initial NOI Period within which the Company is required to file a proposal to its creditors to February 21, 2025 (the “**Stay Period**”);
 - b) approval of an interim financing facility (the “**Interim Financing Facility**”) provided by uCapital - uLoan Solutions Inc. (“**uCapital**” or the “**Interim Lender**”); and
 - c) approval of the following charges over the assets, undertaking and property of Cleo (the “**Property**”), in the following relative priorities:
 - i. First – a charge in favour of the Proposal Trustee, its legal counsel and Cleo’s legal counsel in respect of their fees and disbursements to a maximum amount of \$700,000 (the “**Administration Charge**”);
 - ii. Second – a charge in favour of the Interim Lender, in the amount of \$900,000 for the Interim Financing Facility to be provided under the Interim Financing Term Sheet (the “**Interim Lender’s Charge**”); and
 - iii. Third – a charge in favour of the Company’s directors and officers, securing the Company’s indemnification obligations to them, to a maximum amount of \$250,000 (the “**D&O Charge**”).

January 10 Application

6. On January 10, 2025, the Court rendered a decision dismissing the Company’s request for a stay of proceedings during the Stay Period for any claims against Chris Lewis in his capacity as a director and officer of Cleo.
7. The Company and Battle River Energy Ltd. (“**Battle River**”) are in the process of working on a final form of order to reflect the Court’s decision.

January 22 Application

8. On January 22, 2025, the Company sought and obtained the following relief from this Honourable Court:
- a) a sales and solicitation process (“**SSP**”) under which the Property will be marketed and sold (the “**Sales Process Order**”); and
 - b) a stay of Trafigura’s right to effect set-off under the Prepayment Agreement of monthly payments owing by Cleo to Trafigura as against monthly payments by Trafigura to Cleo under the Commercial Agreement and dismissing Trafigura’s cross-application.

February 19 Application

9. On February 19, 2025, the Company sought and obtained the following relief from this Honourable Court:
- a) an extension of the Stay Period within which the Company is required to file a proposal to its creditors to April 4, 2025;
 - b) an amendment to the Interim Financing Facility (the “**Amended Interim Financing Facility**”), which increases the amount Cleo is authorized to borrow under the Interim Financing Facility from \$750,000 to \$1,000,000;
 - c) an increase to the Interim Lender’s Charge, in favour of uCapital, from \$900,000 to \$1,000,000 (the “**Amended Interim Lender’s Charge**”), together with any interest accrued thereon or costs and expenses incurred thereunder; and
 - d) approval of the Proposal Trustee’s and its counsel’s fees and disbursements up to January 31, 2025.

March 25 Application

10. The Company has filed an application with this Honourable Court, returnable March 25, 2025 (the “**March 25th Application**”). The relief sought by the Company and Proposal Trustee at the March 25th Application includes:

- a) extending the Stay Period within which the Company is required to file a proposal to its creditors by an additional 35 days from April 4, 2025 to May 9, 2025 (the “**Stay Extension**”);
- b) approving the Asset Purchase Agreement between Cleo and IHH Energy Corp. (“**IHH Energy**”) (the “**IHH Energy APA**”) and the transaction contemplated therein, and a corresponding sale approval and vesting order (“**IHH Energy SAVO**”);
- c) approving the Asset Purchase Agreement between Cleo and Nuova Strada Ventures Ltd. (“**Nuova Strada**”) (the “**Nuova Strada APA**”) and the transaction contemplated therein, and a corresponding sale approval and vesting order (“**Nuova Strada SAVO**”);
- d) approving the Asset Purchase Agreement between Cleo and Surge Energy Inc. (“**Surge Energy**”) (the “**Surge Energy APA**”) and the transaction contemplated therein, and a corresponding sale approval and vesting order (“**Surge Energy SAVO**”, with the IHH Energy SAVO, Nuova Strada SAVO and Surge Energy SAVO, the “**SAVOs**”);
- e) the Company’s request for a Restricted Court Access Order (the “**Restricted Court Access Order**”) temporarily sealing the Confidential Appendix 1, 2, 3, 4 and 5 to this Report (the “**Confidential Appendices**”) on the Court record;
- f) the Proposal Trustee’s request for the approval of the professional fees and disbursements of the Proposal Trustee for the period of February 1, 2025 to March 7, 2025 and the Proposal Trustee’s Counsel for the period from February 1, 2025 to February 28, 2025;
- g) the Proposal Trustee’s request for the approval of the Proposal Trustee’s activities and conduct; and
- h) such further and other relief as may be sought by the Company and this Honourable Court may deem appropriate in the NOI Proceedings

11. Capitalized terms not otherwise defined in this Proposal Trustee’s Fourth Report (this “**Report**” or the “**Fourth Report**”) have the meaning given to them in the Prior Proposal Trustee Reports¹, the Lewis Affidavits² or such other materials filed by Cleo in these NOI Proceedings.

PURPOSE

12. The purpose of the Fourth Report is to provide the Court and the Company’s stakeholders with information in respect of the following:
- a) the activities of the Company and the Proposal Trustee since the Third Report dated February 12, 2025;
 - b) an update on the SSP, including the Company’s request for the approval of the IHH Energy SAVO, the Nuova Strada SAVO and the Surge Energy SAVO;
 - c) the Company’s actual cash flow receipts and disbursements as compared to the cash flow forecast appended to the Third Report for the period of February 8, 2025 to March 7, 2025;
 - d) the Company’s updated cash flow forecast through to May 9, 2025 (the “**Updated CF Forecast**”);
 - e) the Proposal Trustee’s request for the approval of the professional fees and disbursements of the Proposal Trustee for the period of February 1, 2025 to March 7, 2025 and Miller Thomson LLP (“**Miller Thomson**”) for the period from February 1, 2025 to February 28, 2025;
 - f) the Proposal Trustee’s request for approval of the Proposal Trustee’s activities and conduct since the filing of the Third Report; and

¹ The First Report of the Proposal Trustee dated January 6, 2025 (the “**First Report**”), the Second Report of the Proposal Trustee dated January 20, 2025 (the “**Second Report**”) and the Third Report of the Proposal Trustee dated February 12, 2025 (the “**Third Report**”).

² Includes the Affidavits of Chris Lewis sworn on December 11, 2024, December 22, 2024, December 23, 2024, December 24, 2024, January 5, 2024, January 20, 2025, February 10, 2025 and March 17, 2025.

- g) the reasons underlying the Company's request for approval of the Restricted Court Access Order concerning the Confidential Appendices; and
- h) the Proposal Trustee's recommendations with respect to the above.

TERMS OF REFERENCE

- 13. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information and other information provided by the Company and other third parties. The Proposal Trustee has not performed an audit, review, or other verification of such information. An examination of the financial forecast as outlined in the *Chartered Professional Accountants of Canada Handbook* has not been performed.
- 14. Future oriented financial information relied upon in this Report is based on the Company's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.
- 15. All references to dollars are in Canadian currency unless otherwise noted.

LIMITATION IN SCOPE OF REVIEW

- 16. The Report has been prepared by the Proposal Trustee pursuant to the rules and regulations set out in the BIA. The BIA provides that the Proposal Trustee shall incur no liability for any act or omission pursuant to its appointment or fulfillment of its duties, save and except for gross negligence or wilful misconduct on its part.
- 17. This Report is not and should not be construed or interpreted as an endorsement, comment or recommendation to any creditor, prospective investor, or any persons to advance credit and/or goods and services or to continue to provide credit and/or goods and services or to lend monies to the Company during these proceedings and/or at any other time.

18. The Proposal Trustee has not audited or reviewed the assets of the Company, and with respect to such assets, has relied to a significant degree upon information provided by the Company.
19. The Proposal Trustee is specifically not directed or empowered to take possession of the assets of the Company or to manage any of the business and affairs of the Company.

ACTIVITIES OF THE COMPANY AND THE PROPOSAL TRUSTEE

20. The Proposal Trustee and Management's activities since the filing of the Third Report have included, among other things, the following:
 - a) various discussions between Management, the Proposal Trustee, Miller Thomson (independent legal counsel to the Proposal Trustee) and the Company's legal counsel (together with the Proposal Trustee and Miller Thomson the, "**NOI Professionals**") relating to matters relevant to the NOI Proceedings;
 - b) multiple communication and meetings between Sayer Energy Advisors ("**Sayer**") pertaining to the SSP;
 - c) assisting the Company and Sayer to negotiate the IHH Energy APA, Nuova Strada APA, and the Surge Energy APA;
 - d) reviewing and discussing weekly payables with the Company;
 - e) continued monitoring of the Company's actual cash flow results and evaluating the cash flow needs of the Company;
 - f) assisting Management in preparing the Updated CF Forecast along with assumptions, attached as Appendix "**A**"; and
 - g) ongoing monitoring of the Company's financial affairs and activities by the Proposal Trustee.

UPDATE ON THE SSP³

21. Notable events within the SSP include the following:

- a) Shortly after the SSP commenced, Sayer published a notice of the SSP, describing Cleo's business, Property and operations in the *Insolvency Insider*, *DOB Energy* and *BOE Report*. Statistics from the BOE Report show that the advertisement was viewed a total of 3,238 times as of March 3, 2025. Statistics from the DOB Energy show that the advertisement was viewed a total of 203 times as of March 3, 2025;
- b) Sayer disseminated the Teaser to a broad but focused list of Potential Bidders, and invited them to execute an NDA, if interested in the opportunity. 2,250 individuals received the Teaser by email, and 400 received a hard copy;
- c) 60 Potential Bidders executed an NDA and were granted access to a VDR containing confidential business and operations information with respect to Cleo and the Property;
- d) all key staff of the Company, as well the Proposal Trustee and Sayer were made available to answer any questions from Potential Bidders as part of their review and due diligence process;
- e) the non-binding LOI deadline was February 27, 2025 (the “**Non-Binding LOI Deadline**”) and numerous non-binding LOIs were received by the Non-Binding LOI Deadline; and
- f) the binding bid deadline was March 13, 2025 (the “**Binding Bid Deadline**”) and multiple offers were received by the Binding Bid Deadline (the “**Final Offers**”). However, several other Qualified

³ Capitalized terms used in this section and not otherwise defined shall have meanings ascribed to them in the SSP and the Sales Process Order.

Bidders requested more time from the Company to finalize their bids. As a result, in accordance with paragraph 45 of the Sale and Solicitation Process the Proposal Trustee, in consultation with CLEO and Sayer extended the binding bid deadline to March 27, 2025 for all parties.

22. The Proposal Trustee reviewed the Final Offers with Sayer and the Company and is seeking approval of the IHH Energy APA, the Nuova Strada APA, the Surge Energy APA and related SAVOs. The Final Offers do however remain under review, and the Company intends to apply to the Court for further approval of additional sale(s), pending future discussions/negotiations.

ASSET PURCHASE AGREEMENTS

Overview

23. A copy of the Nuova Strada APA, the Surge Energy APA, and the IHH Energy APA (the “**Asset Purchase Agreements**”) with the Purchase Prices and Deposit amounts redacted are attached as in the Lewis Affidavit sworn March 17, 2025. The Proposal Trustee's summary of the bids received, and the Proposal Trustee's analysis of the bids can be found in Confidential Appendix "1" and Confidential Appendix "2", respectively. The unredacted versions of the three APAs are contained in Confidential Appendix "3", Confidential Appendix "4" and Confidential Appendix "5", respectively
24. The Asset Purchase Agreements are subject to the granting of the Approval of the SAVOs related to each APA (the “**Sale Approval and Vesting Orders**”) by this Honourable Court.
25. The Asset Purchase Agreements relate to the following properties:
- a) Nuova Strada APA: Alliance, Sedgewick (partial);
 - b) Surge Energy APA: Fabyan (partial); and
 - c) IHH Energy APA: Atlee (partial).

26. Further details regarding the Asset Purchase Agreements including the purchase prices and deposit amounts can be found in the Confidential Appendices.

Proposal Trustee's Recommendation concerning the Asset Purchase Agreements and Sale Approval and Vesting Orders

27. The Proposal Trustee is of the view that the Asset Purchase Agreements are commercially reasonable in the circumstances for the following reasons:

- a) the Proposal Trustee was authorized by this Court to market and sell Cleo assets per the SSP Order;
- b) the Asset Purchase Agreements arose from an extensive marketing process conducted by the Proposal Trustee and Sayer in accordance with the Court-approved SSP and in consultation with the Company, in which the Proposal Trustee solicited offers from a large number of prospective bidders in a reasonable timeframe;
- c) the Proposal Trustee has determined that the Asset Purchase Agreements are the highest and best offers received for the respective assets being sold;
- d) the Asset Purchase Agreements are supported by the Company;
- e) the Asset Purchase Agreements were negotiated between the parties at arm's length, in good faith; and
- f) The Proposal Trustee understands that the Company has support from 7 of its 11 secured creditors holding approximately \$7,297,054 or 89.70% of the total secured debt outstanding. The Proposal Trustee is unaware of any of the remaining four secured creditors being in opposition to the approval of the Asset Purchase Agreements.

28. On March 10, 2025, the Proposal Trustee and Management was advised by the AER that the AER did not object to the Asset Purchase Agreements so long as

CLEO would not exit the NOI Proceedings and shed its liabilities, and further in the event any liabilities existed the AER would claim remaining funds.

29. The Proposal Trustee notes that that the three sales currently being sought for approval are exclusive of the remaining Cleo asset portfolio, which remains subject to the SSP for future consideration with a view to receiving further binding offers by the Phase 2 bid deadline of March 27, 2025.
30. For the reasons above, the Proposal Trustee recommends that the Court approve the Asset Purchase Agreements and grant the corresponding Sale Approval and Vesting Orders.

ACTUAL CASH FLOW RESULTS COMPARED TO FORECAST

31. The Company's actual cash receipts and disbursements as compared to the cash flow forecast appended to the Third Report (the "**Prior CF Forecast**") during the period of February 8, 2025 to March 7, 2025 (the "**Reporting Period**") is summarized below:

Cleo Energy Corp.				
4 Week Cash Flow Ending March 7, 2025				
\$CAD 000's	Notes	Forecast	Actuals	Variance
Cash Receipts				
Sales (production settlement)	<i>a</i>	809	780	(29)
Other receipts		-	1	1
Total cash receipts		809	781	(28)
Cash Disbursements				
Payroll and benefits		184	186	(2)
Source Deductions	<i>b</i>	192	94	98
Operating and transportation	<i>c</i>	126	143	(17)
Mineral & Surface Leases	<i>d</i>	35	-	35
Utilities	<i>e</i>	335	300	35
Royalties		1	-	1
GST remittance		-	3	(3)
General and administrative		101	84	17
Professional fees	<i>f</i>	261	85	176
Interim Financing Facility Interest		28	23	5
Bank Fees		-	1	(1)
Total cash disbursements		1,263	919	344
Net Cash Flow		(453)	(138)	372
Net Change in Cash				
Beginning of period		317	317	-
Net cash flow		(453)	(138)	315
Interim Financing		250	250	-
Ending of period		114	429	315
Interim Financing Facility				
Beginning of period		750	750	-
Borrowing		250	250	-
Repayment		-	-	-
Ending of period		1,000	1,000	-

32. During the Reporting Period, the primary variances include:
- a) a permanent negative variance relating to production receipts due to a variance in actual commodity prices and production as compared to the Prior CF Forecast;
 - b) a temporary positive timing variance driven by the Company paying post-Filing source deductions over a longer timeframe than the Prior CF Forecast initially contemplated;

- c) a permanent negative variance attributable to higher than forecast operational expenditures to improve production;
- d) a temporary positive variance due to delays in payment of certain royalties;
- e) a temporary positive variance as a result of utilities pre-payments and actuals exceeding the Prior CF Forecast; and
- f) a temporary positive timing variance driven by delayed payments of fees to professionals as compared to the Prior CF Forecast.

UPDATED CASH FLOW FORECAST

- 33. Management, with the assistance of the Proposal Trustee, has prepared the Updated CF Forecast for the 9-week period from March 8, 2025 to May 9, 2025 (the “**Forecast Period**”). The notes to the Updated CF Forecast are an integral part of, and should be read in conjunction with, the Updated CF Forecast. The Updated CF Forecast and notes are included in Appendix “A”.
- 34. A summary of the Updated CF Forecast is below:

Cleo Energy Corp.		
9-Week Cash Flow Ending May 9, 2025		
<i>\$CAD 000's</i>	<i>Notes</i>	<i>Forecast</i>
Cash Receipts		
Sales (production settlement)	<i>a</i>	1,664
Other receipts		15
Total cash receipts		1,679
Cash Disbursements		
Payroll and benefits		371
Source Deductions		277
Operating and transportation		256
Mineral & Surface Leases		110
Utilities	<i>b</i>	435
General and administrative		147
Professional fees		408
Sales Agent Fees		6
Interim Financing Facility Interest	<i>d</i>	62
Total cash disbursements		2,072
Net Cash Flow		(393)
Net Change in Cash		
Beginning of period		429
Net cash flow		(393)
Interim Financing	<i>d</i>	-
Ending of period		36

35. The following notes and assumptions are an integral part of the Updated CF Forecast:

- a) pricing is based on the forward strip for WTI as of February 28, 2025. The differentials (discount to WTI) are the actual for March and a projection from the Company's marketer (both light and heavy differentials are handled this way). The forward exchange rate is used to convert to Canadian Dollars as at the last business day of each month. Proceeds from production are generally received on the 25th day of the following month (or the following business day). Receipts are shown net of any working partner interest and take-in-kind royalties and include collection of 5% GST;

- b) utilities primarily consist of payments to TransAlta for the Company's monthly power consumption. The Company has agreed to make pre-payment installments to TransAlta, and to pay any outstanding balance for the prior month's power usage on the 25th of each month, when the Company collects its production revenues.

The Proposal Trustee understands that the amounts payable for Cleo's January and February power usage as invoiced on February 15 and March 15 was significantly less than estimated by both Cleo and TransAlta. Cleo and its counsel and the Proposal Trustee intend to have further discussions with TransAlta's counsel shortly regarding future amounts and timing of Cleo's prepayment installments based on Cleo's recent power usage and Cleo's cash flow so that TransAlta is reasonably secured in accordance with Cleo's more recent power usage charges. Accordingly, the amounts listed for utilities under the Updated CF Forecast are subject to potential change. In addition, Cleo's power usage is also estimated to decrease as a result of the three aforementioned sales Cleo is seeking approval thereof from the Court; and

- c) the Updated CF Forecast assumes interest will be paid to the Interim Lender on a monthly basis, based on the terms of the Interim Financing Term Sheet.

- 36. The Company forecasts that over the course of the proposed Stay Extension (Week 9 – May 9, 2025) that the Company will experience a small surplus of approximately \$35,635 without any SSP sales proceeds and with extremely lean operational and capital spending and delayed payment of professional fees. However, cash is forecast to fall to approximately \$8,948 by Week 6, with no contingency considered.
- 37. To address this near-term cash requirement to return operational and capital spending to sustainable levels by Week 6, the Company is seeking approval of the APAs with Surge Energy, IHH Energy, and Nuova Strada, with the goal of

- obtaining sufficient funds to allow Cleo to complete the SSP and enter into sale and/or restructuring transaction(s) and to pay its other restructuring obligations and priority charges.
38. The net proceeds from the sale of the Property subject to the IHH Energy APA, the Nuova Strada APA, the Surge Energy APA will be held in an interest-bearing account by the Proposal Trustee and be used to pay necessary amounts owing for professional fees secured by the Administration Charge and to repay amounts owing secured by the Interim Lender's Charge Any remaining amounts will continue to be held in trust by the Proposal Trustee and be subject to priority claims vested out by the SAVOs.

APPROVAL OF PROFESSIONAL FEES AND EXPENSES

39. The Proposal Trustee seeks approval from this Honourable Court of the professional fees and disbursements of the Proposal Trustee for the period of February 1, 2025 to March 7, 2025 (the "**Proposal Trustee Interim Taxation Period**") and Miller Thomson for the period from February 1, 2025 to February 28, 2025 (the "**Miller Thomson Interim Taxation Period**").
40. The total fees and expenses of the Proposal Trustee during the Proposal Trustee Interim Taxation Period are \$49,963 (exclusive of GST), a summary of which is included below:

Cleo Energy Corp. Summary of the Proposal Trustee's Statements of Account For the period Feb 1, 2025 to Mar 7, 2025						
Invoice	Period	Fees	Disbursements	Subtotal	GST	Total
Alvarez & Marsal Canada						
5	Feb 1, 2025 to Feb 21, 2025	28,177	47	28,224	1,411	29,635
6	Feb 22, 2025 to Mar 7, 2025	21,786	550	22,336	1,117	23,453
	Total	49,963	597	50,560	2,528	53,088

41. The total fees and expenses of the Proposal Trustee's Counsel during the Miller Thomson Taxation Period are \$16,281 (exclusive of GST), a summary of which is included below:

Cleo Energy Corp.						
Summary of the Proposal Trustee's Counsel's Statements of Account						
For the period Feb 1, 2025 to Feb 28, 2025						
Invoice	Period	Fees	Disbursements	Subtotal	GST	Total
Miller Thomson LLP						
4100430	Feb 1, 2025 to Feb 21, 2025	12,333	-	12,333	617	12,949
4105914	Feb 18, 2025 to Feb 28, 2025	3,949	-	3,949	197	4,146
	Total	16,281	-	16,281	814	17,095

42. The Proposal Trustee and Miller Thomson invoices (the “**Invoices**”) outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the name of the individual who completed the work. Copies of the Invoices will be made available to the Court upon request (if necessary).
43. In the Proposal Trustee’s respectful view, its fees and those of Miller Thomson are fair and reasonable under the circumstances, and the Proposal Trustee therefore respectfully requests the Court’s approval of these accounts.

RESTRICTED COURT ACCESS ORDER

44. The Company is seeking a Restricted Court Access Order temporarily sealing the Confidential Appendices, which include unredacted copies of the Asset Purchase Agreements, on the Court record.
45. The documents in the Confidential Appendices include sensitive market information. The sealing of this type of sensitive market information is the common practice in insolvency proceedings to avoid negative impacts to the SSP, given there remains negotiations with other parties in the SSP and if any of the transactions contemplated by the Asset Purchase Agreements do not close. The Proposal Trustee does not believe that any stakeholder will be prejudiced if the information is sealed or any public interest that will be served if the terms of the Confidential Appendices are disclosed in full.
46. As such, the Proposal Trustee is respectfully of the view that it is appropriate for this Honourable Court to seal the Confidential Appendices until (a) the Proposal

Trustee files a certificate terminating the SSP; or (b) further order of the Court, in accordance with the proposed form of Restricted Court Access Order.

APPLICATION TO EXTEND THE TIME TO FILE A PROPOSAL

47. Unless it is extended, the Stay Period will expire on April 4, 2025, and the Company is seeking an extension of the period in which it is required to file a proposal to May 9, 2025, pursuant to section 50.4 (9) of the BIA.
48. The Proposal Trustee considered the Stay Extension request of the Company and the circumstances currently facing the Company and is supportive of a 35 day Stay Extension from April 4, 2025 to May 9, 2025. The Stay Extension should serve to provide the Company with the time required to (i) close the Asset Purchase Agreements sought herein; (ii) continue to negotiate additional sales over the remaining property of the Company; (iii) move forward with completing the SSP.
49. The Proposal Trustee considered the following factors regarding the Stay Extension:
 - a) the Company is acting in good faith and with due diligence;
 - b) the Company would likely be able to make a viable proposal if the Stay Period were to be extended; and
 - c) no creditor in these proceedings will be materially prejudiced if the extension were to be granted.
50. It is the Proposal Trustee's respectful view that, to date, Management has been acting in good faith and with due diligence in this matter. The Company has been made aware of the good faith and acting with due diligence obligations pursuant to section 50.4(9) of the BIA.
51. The Proposal Trustee is of the view that an extension to May 9, 2025 is appropriate and necessary for the Company to advance efforts to achieve a successful restructuring, and that no stakeholder or creditor is likely to be materially prejudiced if an extension is granted.

52. Without an extension to the stay of proceedings, the Company will not be able to complete the SSP and restructure its affairs.

PROPOSAL TRUSTEE'S RECOMMENDATION

53. The Proposal Trustee respectfully recommends that this Honourable Court approve and grant the following:

- a) extending the Stay Period within which the Company is required to file a proposal to its creditors by an additional 35 days from April 4, 2025 to May 9, 2025;
- b) the professional fees and costs of the Proposal Trustee during the Proposal Trustee Interim Taxation Period and its counsel during the Miller Thomson Interim Taxation Period;
- c) the conduct and activities of the Proposal Trustee;
- d) the IHH Energy APA, the Nuova Strada APA, and the Surge Energy APA and granting the SAVOs;
- e) the Restricted Court Access Order; and
- f) such further and other relief sought by the Company or Proposal Trustee in connection with the March 25th Application.

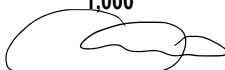

All of which is respectfully submitted this 19th day of March, 2025

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Proposal Trustee of the Company
and not in its personal or corporate capacity**



Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice-President

APPENDIX A

Cleo Energy Corp.		Forecast										
9-Week Cash Flow Forecast ending May 9, 2025		Notes	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	9-week total
\$CAD 000's		week ended	14-Mar-25	21-Mar-25	28-Mar-25	4-Apr-25	11-Apr-25	18-Apr-25	25-Apr-25	2-May-25	9-May-25	Total
Cash Receipts												
Sales (production settlement)	1		-	-	775	-	-	-	889	-	-	1,664
Other receipts	2		-	15	-	-	-	-	-	-	-	15
Total cash receipts			-	15	775	-	-	-	889	-	-	1,679
Cash Disbursements												
Payroll and benefits	3		84	-	17	84	-	78	15	93	-	371
Source Deductions	4		44	68	44	-	44	-	44	-	34	277
Operating and transportation	5		29	20	49	15	15	15	63	25	25	256
Mineral & Surface Leases	6		-	-	35	8	-	47	-	-	19	110
Utilities	7		-	135	30	-	-	135	-	135	-	435
General and administrative	8		-	2	73	2	-	7	62	-	0	147
Professional fees	9		-	-	95	-	-	-	150	163	-	408
Sales Agent Fees	10		-	-	-	-	-	-	6	-	-	6
Interim Financing Facility Interest	11		-	-	-	35	-	-	-	28	-	62
Total cash disbursements			157	225	343	144	59	282	340	444	78	2,072
Net Cash Flow			(157)	(210)	431	(144)	(59)	(282)	549	(444)	(78)	(393)
Net Change in Cash												
Beginning of period			429	272	62	494	350	291	9	558	114	429
Net cash flow			(157)	(210)	431	(144)	(59)	(282)	549	(444)	(78)	(393)
Interim Financing			-	-	-	-	-	-	-	-	-	-
Ending of period			272	62	494	350	291	9	558	114	36	36
Interim Financing Facility - uCapital - uLoan Solutions Inc.												
Beginning of period			1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Borrowing			-	-	-	-	-	-	-	-	-	-
Repayment			-	-	-	-	-	-	-	-	-	-
Ending of period			1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
												
		Chris Lewis			17-Mar-25		Orest Konowalchuk, CPA, CA , CIRP, LIT				17-Mar-25	
		Director			Date		Senior Vice President				Date	

In the Matter of the Notice of Intention
to make a Proposal of
CLEO Energy Corp.

**Notes to the Consolidated Statement of Cash Flow for the 9-week
period ending May 9, 2025**

Purpose and General Assumptions of the Cash Flow Statement

CLEO Energy Corp. (“**CLEO**” or the “**Company**”) has prepared this Cash Flow Statement and the accompanying Notes to the Cash Flow Statement (collectively the “**Cash Flow Statement**”) in support of the proposal proceedings that has been filed under the Bankruptcy and Insolvency Act (“**BIA**”) on December 8th, 2024.

The Company has prepared the Cash Flow Statement based on probable and hypothetical assumptions that reflect the Company’s planned course of action for the period from March 8, 2025 to May 9, 2025 (the “**Cash Flow Period**”). Management is of the opinion that, as at the date of filing the Cash Flow Statement, the assumptions used to develop the projection represent the most probable set of economic conditions facing the Company and that the assumptions used proved a reasonable basis for and are consistent with the purpose of the Cash Flow Statement.

The information contained in the Cash Flow Statement is subject to changing assumptions and/or receipt of new or additional information; actual results may vary. This Cash Flow Statement should not be used for any other purpose, and creditors are cautioned that the information provided in the Cash Flow Statement could vary based on changing future circumstances.

The projected cash flow statement is prepared in Canadian dollars.

Hypothetical and Probable Assumptions of the Cash Flow Statement

1. Pricing is based on the forward strip for WTI as of February 28, 2025. The differentials (discount to WTI) are the actual for March and a projection from our Marketer. Both Light and Heavy differentials are handled this way. The crude is received at delivery terminals where the crude is equalized to the stream quality using density and sulfur as the main differentiators. The crude quality is very consistent, so the equalization is static over a long period of time. Lastly, the forward exchange rate is used to convert to Canadian dollars. Proceeds from production are generally received on the 25th day of the following month (or the following business day). Receipts are shown net of any working partner interest and take-in-kind royalties and include collection of 5% GST.
2. Other receipts consist of the repayment of costs from Trafigura related to prior hearings.
3. Payroll and benefits include wages and benefits for thirteen (13) full time employees and six (6) independent contractors. The employees and independent contractors are paid on a semi-monthly basis.
4. Source deductions relate to CPP, EI, and Income Tax.

5. Operating and transportation expenses include payments for contract operators, consultants, and other operating costs such as trucking, chemicals, and related services. These expenses were estimated based on historical data.
6. Mineral and Surface Lease payments relate to Crown and Freehold lease payments required under existing arrangements.
7. Utilities consist of payments to TransAlta for the Company's monthly power consumption. The Company has negotiated a schedule of pre-payments of approximately \$135,000 to TransAlta on a periodic basis.
8. General and administrative costs include payments for the Company's software subscriptions, monthly rent for its Calgary-based head office, bank fees, and insurance coverage, which was bound in August 2024, and is paid monthly.
9. Professional fees include the fees and costs of counsel to CLEO, counsel to the Proposal Trustee, and the Proposal Trustee.
10. Sales agent fees represent the estimated fees payable to the SSP sales agent, Sayer.
11. Interest costs on the interim financing facility.

CONFIDENTIAL APPENDIX 1

CONFIDENTIAL APPENDIX 2

CONFIDENTIAL APPENDIX 3

CONFIDENTIAL APPENDIX 4

CONFIDENTIAL APPENDIX 5