



COURT FILE NUMBER 25-3163430 / B301-163430

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.

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

February 12, 2024

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

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TRUSTEE**

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APPENDIX A	Updated Cash Flow Forecast
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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 \$152,426.18, 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 (the “**Amended Garnished Funds 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.

December 23 Application

5. On December 23, 2024, the Company and Proposal Trustee attended an emergency application to direct Trafigura, among other things, to cease the Intended Set-off and pay the full amount of the December Payment to the Company. The events related to the Trafigura dispute are discussed in more detail in this Report. On December 26, 2024, the Honourable Justice M.H. Hollins issued a written endorsement (the “**Endorsement**”) based on the materials submitted, which ordered:
 - a) that Trafigura was not at liberty to set-off the entire amount advanced under the Prepayment Agreement against its December Payment; and
 - b) that Trafigura could not accelerate all debt owing by Cleo to Trafigura under the Prepayment Agreement and that the entire December Payment was due immediately.
6. In addition, the Endorsement stated that:
 - a) Cleo’s request for Trafigura to pay Cleo’s costs on an elevated basis, specifically on a solicitor-and-own-client full indemnity basis, would be reserved and may be addressed later if respective counsel could not reach an agreement; and
 - b) Cleo’s request for a stay of post-Filing scheduled monthly payments under the Prepayment Agreement (approximately \$91,000), as applied against ongoing amounts owed by Trafigura under the Commercial Agreement, was adjourned to the January 22nd Application (defined below).
7. Cleo’s and Trafigura’s respective counsel are in the process of working on a final form of order to reflect the Endorsement; however, the Endorsement was in favour of Cleo’s application. The costs payable pursuant to the Endorsement has not been resolved between the parties.

January 6 Application

8. On January 6, 2024, the Company sought and obtained the following relief from this Honourable Court the (“**BIA Charges and Stay Extension Order**”):
- a) an extension of the Stay 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

9. 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.
10. 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

11. 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) staying 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 (the “**Second Trafigura Order**”).

February 19 Application

12. The Company has filed an application with this Honourable Court, returnable February 19, 2025 (the “**February 19th Application**”). The relief sought by the Company includes:

- a) extending the Stay Period within which the Company is required to file a proposal to its creditors by an additional 45 days to April 4, 2025 (the “**Stay Extension**”);
- b) approving 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, pursuant to the Second Amending Agreement (defined below) between uCapital and Cleo;
- c) increasing 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;
- d) approval of the Proposal Trustee’s and its counsel’s fees and disbursements up to January 31, 2025; and

- e) such further and other relief as may be sought by the Company and this Honourable Court may deem appropriate in the NOI Proceedings.

13. Capitalized terms not otherwise defined in this Proposal Trustee's Third Report (this "**Report**" or the "**Third 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

14. The purpose of this Third 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 Second Report dated January 20, 2025;
- b) an update on the SSP;
- c) the Company's actual cash flow receipts and disbursements as compared to the cash flow forecast appended to the First Report for the period of January 4, 2025 to February 7, 2025;
- d) the Company's updated cash flow forecast through to April 11, 2025 (the "**Updated CF Forecast**");
- e) details of the Amended Interim Financing Facility and Amended Interim Lender's Charge;
- f) the Company's request for the approval of the Proposal Trustee's and its counsel's fees up to January 31, 2025; and
- g) the Proposal Trustee's recommendations with respect to the above.

¹ The First Report of the Proposal Trustee dated January 6, 2025 (the "**First Report**") and the Second Report of the Proposal Trustee dated January 20, 2025 (the "**Second 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 and February 10, 2025.

TERMS OF REFERENCE

15. 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.
16. 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.
17. All references to dollars are in Canadian currency unless otherwise noted.

LIMITATION IN SCOPE OF REVIEW

18. 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.
19. 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.
20. 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.
21. 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

22. The Proposal Trustee and Management’s activities since the filing of the Second Report have included, among other things, the following:

- a) various discussions between Management, the Proposal Trustee, Miller Thomson LLP (“**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) numerous communications and meetings between Management and the NOI Professionals relating to obtaining additional interim financing;
- c) negotiating the Amended Interim Financing Facility with uCapital;
- d) multiple communication and meetings between Sayer Energy Advisors (the “**Sales Advisor**”) pertaining to the SSP;
- e) preparing for and attending the January 22, 2025 Court application regarding the SSP and the Trafigura stay;
- f) reviewing and providing comments on application materials filed by the Company;
- g) reviewing and discussing weekly payables with the Company;
- h) continued Proposal Trusteeing of the Company’s actual cash flow results and evaluating the cash flow needs of the Company;
- i) assisting Management in preparing the Updated CF Forecast along with assumptions, attached as Appendix “A”; and
- j) ongoing Proposal Trusteeing of the Company’s financial affairs and activities by the Proposal Trustee.

UPDATE ON THE SALES AND SOLICITATION PROCESS³

23. Immediately following approval of the SSP pursuant to the Sales Process Order, the Sales Advisor, in consultation with the Company and the Proposal Trustee, launched the SSP, and carried out the following activities:
- a) publishing a notice of the SSP, describing Cleo’s business, Property and operations in *Insolvency Insider*, *DOB Energy* and *BOE Report*;
 - b) preparing an initial offering summary (the “**Teaser**”) and a non-disclosure agreement (“**NDA**”) in a form satisfactory to the Company; and
 - c) setting up a virtual data room, with the assistance of the Company, which contains confidential business and operational information with respect to Cleo and the Property (the “**VDR**”).
24. The SSP is currently in its first phase, during which a Potential Bidder is able to gain access to the VDR by executing and delivering an NDA to the Company and the Sales Advisor. If a Potential Bidder is interested in acquiring all or a portion of the Property or investing in the business, it is required to deliver a Non-Binding LOI to the Proposal Trustee, with a copy to the Company and the Sales Advisor by no later than February 27, 2025.
25. To date, 41 Potential Bidders have executed NDAs and have been granted access to the VDR. The Proposal Trustee will provide further updates on the SSP in future reports to the Court.

ACTUAL CASH FLOW RESULTS COMPARED TO FORECAST

26. The Company’s actual cash receipts and disbursements as compared to the cash flow forecast appended to the First Report (the “**Prior CF Forecast**”) during the

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

period of January 4, 2025 to February 7, 2025 (the “Reporting Period”) is summarized below.

Cleo Energy Corp.				
5 Week Cash Flow Ending February 7, 2025				
\$CAD 000's	Notes	Forecast	Actuals	Variance
Cash Receipts				
Sales (production settlement)	<i>a</i>	654,226	633,839	(20,387)
Other receipts		152,436	154,875	2,438
Total cash receipts		806,663	788,714	(17,949)
Cash Disbursements				
Payroll and benefits	<i>b</i>	308,476	192,271	116,205
Source Deductions	<i>b</i>	-	48,618	(48,618)
Operating and transportation	<i>c</i>	260,935	305,440	(44,505)
Mineral & Surface Leases	<i>d</i>	91,667	10,742	80,925
Utilities	<i>e</i>	250,000	568,427	(318,427)
Repairs and maintenance	<i>f</i>	24,500	-	24,500
Royalties		10,000	10	9,990
General and administrative		74,112	76,726	(2,614)
Professional fees	<i>g</i>	320,000	140,000	180,000
Sales Agent Fees	<i>h</i>	-	13,125	(13,125)
Interim Financing Facility Interest		17,260	10,725	6,535
Contingency		50,000	-	50,000
Bank Fees		-	1,173	(1,173)
Shareholder Repayment		-	84	(84)
Total cash disbursements		1,406,950	1,367,341	39,609
Net Cash Flow		(600,287)	(578,627)	(57,558)
Net Change in Cash				
Beginning of period		146,101	146,101	-
Net cash flow		(600,287)	(578,627)	21,660
Interim Financing	<i>i</i>	500,000	750,000	250,000
Ending of period		45,814	317,474	271,660

27. 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 permanent negative variance as a result of utilities pre-payments and actuals exceeding the Prior CF Forecast;
- f) a permanent positive variance as a result of additional forecast repairs and maintenance on the Silver Heights field not being required;
- g) a temporary positive timing variance driven by delayed payments of fees to professionals as compared to the Prior CF Forecast;
- h) a permanent negative variance attributable to the payment of fees to the Sales Advisor, which were not previously included in the Prior CF Forecast; and
- i) a permanent positive variance as a result of higher-than-expected draws being made on the Interim Financing Facility during the Reporting Period.

UPDATED CASH FLOW FORECAST

28. Management, with the assistance of the Proposal Trustee, has prepared the Updated CF Forecast for the 9-week period from February 8, 2025 to April 11, 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.

29. A summary of Updated CF Forecast is below:

Cleo Energy Corp. 9-Week Cash Flow Ending April 11, 2025		
\$CAD	Notes	Forecast
Cash Receipts		
Sales (production settlement)	a	1,741,506
Total cash receipts		1,741,506
Cash Disbursements		
Payroll and benefits		452,058
Source Deductions		287,577
Operating and transportation		298,800
Mineral & Surface Leases		88,499
Utilities	b	725,595
Royalties		1,000
GST		425
General and administrative		175,642
Professional fees		540,328
Interim Financing Facility Interest	c	62,137
Total cash disbursements		2,632,060
Net Cash Flow		(890,554)
Net Change in Cash		
Beginning of period		317,473
Net cash flow		(890,554)
Interim Financing	c	250,000
Ending of period		(323,081)
Amended Interim Financing Facility		
Beginning of period		750,000
Borrowing		250,000
Repayment		-
Ending of period		1,000,000

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

- a) Sales consist of forecast oil and gas receipts based on forecast production and actual pricing as of January 2025. 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 of approximately \$135,000 to TransAlta every two-weeks, and to pay the outstanding balance for the prior month's power usage on the 25th of each month, when the Company collects its production revenues.
- c) the Updated CF Forecast assumes the additional \$250,000 will be fully drawn on the Amended Interim Financing Facility, and interest will be paid to the Interim Lender on a monthly basis, based on the terms of the Interim Financing Term Sheet.

- 31. The Company has forecast that over the course of the proposed Stay Extension (Week 6 – March 21, 2025), the Company will experience a shortfall of approximately \$342,000, and an overall shortfall of \$324,000 over the 9-Week period ending April 11, 2025, which assumes this Honourable Court will grant the Amended Interim Financing Facility.
- 32. To address this shortfall by Week 6, the Company is currently in negotiations with three other parties, with the goal of obtaining sufficient interim financing to allow Cleo to complete the SSP and enter into sale and/or restructuring transaction(s). The Proposal Trustee anticipates being before this Court at a later date to provide an update respecting the Company's upcoming additional liquidity requirements.

AMENDED INTERIM FINANCING FACILITY

- 33. The Interim Financing Facility provided by uCapital provided funding to Cleo during the NOI Proceedings for up to \$750,000. As outlined in the cash flow sections of this Report, the Company has drawn the full amount of the Interim Financing Facility and requires additional financing to continue operations and continue conducting the SSP.

34. The Company is seeking approval for additional \$250,000 of interim financing in the form of the proposed Amended Interim Financing Facility. The proposed Amended Interim Financing Facility, should this Honourable Court approve it, will be secured by the proposed Amended Interim Lender's Charge on all the existing and after-acquired real and personal, tangible and intangible, property, assets and undertaking of the Company.
35. The proposed Amended Interim Lender's Charge will rank in priority to all other creditors, interest holders, lien holders and claimants of any kind whatsoever, except the obligations secured by the Administrative Charge.
36. A copy of the second amending agreement dated February 10, 2025 (the "**Second Amending Agreement**") between uCapital and Cleo is attached as Appendix "**B**" to this Report. The material terms of the Second Amending Agreement are:
- a) the amount of the Amended Interim Financing Facility is being increased from \$750,000 to a maximum of \$1,000,000; and
 - b) the Second Amending Agreement is subject to Court approval of the Amended Interim Financing Facility and Amended Interim Lender's Charge.
37. All other terms and conditions of the Interim Financing Term Sheet, appended to the First Report, will remain in full force and effect.
38. Pursuant to section 50.6(5) of the BIA, the Proposal Trustee has reviewed the proposed Amended Interim Financing Facility and proposed Amended Interim Lender's Charge and has considered the following factors:
- a) the period during which the Company is expected to be subject to the proceedings under the BIA;
 - b) how the Company's business and financial affairs are to be managed during the NOI Proceedings;
 - c) whether the proposed Amended Interim Financing Facility would enhance the prospects of the SSP being completed;

- d) the nature and value of the Company's property; and
- e) whether any creditor would be materially prejudiced as a result of the security or charge.

39. In consideration of the foregoing factors, the Proposal Trustee offers the following comments and observations:

- a) the Company does not have sufficient funds to continue operations and seek additional interim financing to complete SSP, unless the proposed Amended Interim Financing Facility is approved by this Honourable Court;
- b) the proposed Amended Interim Financing Facility will allow the Company to continue operations and enable the protection and preservation of the Company's assets and will avoid the disclaimer of the assets to the Orphan Well Association;
- c) a bankruptcy could arguably result in little to no recoveries to creditors as it appears that the end-of-life obligations of the Fields could outweigh the proceeds from the recoveries and/or sale of the oil and gas assets. As such, it is likely greater recoveries could be achieved if an appropriate marketing, sale and restructuring process is implemented in an efficient and stabilized manner through the NOI;
- d) the amount of interim financing, if made available under the proposed Amended Interim Financing Facility, should be sufficient to cover the period up to the week ending March 21, 2025, based on the Updated CF Forecast. This timeframe will provide the Company with adequate time to seek additional interim financing required to complete the SSP;
- e) should the Amended Interim Financing Facility not be approved by this Honourable Court, this will create a material adverse change to the Company's operations, which will lead to the Company being deemed bankrupt by February 21, 2025;

- f) the proposed Amended Interim Financing Facility request does not appear to unduly prejudice any other creditors of the Company;
- g) the Company has had discussions with its secured creditors being 1992169 Alberta Ltd. (Rise Capital), Mantl Canada Inc., Marco Simonelli, Arundel Capital Corporation and Jody Wiese, and they are supportive of the Amended Interim Financing Facility and the granting of the Amended Interim Financing Charge; and
- h) the Proposal Trustee will continue to provide oversight on how the Company will manage its cash flows on a day-to-day basis and will continue to report to the Court and the Company's stakeholders.

INCREASE TO INTERIM LENDER'S CHARGE

- 40. The Company is seeking an Amended Interim Lender's Charge of \$1,000,000 against the Property to secure obligations incurred on the proposed Amended Interim Financing Facility. The Amended Interim Lender's Charge will replace the previous Interim Lender's Charge of \$900,000.
- 41. As previously discussed, the Proposal Trustee does not consider the proposed Amended Interim Financing Facility to be unduly prejudicial to Cleo's other creditors and the Proposal Trustee supports the application for approval of the Amended Interim Lender's Charge in the amount sought.
- 42. The proposed Amended Interim Financing Facility is projected to be utilized to cover Cleo's estimated net cash flow up to March 21, 2025 and allow the Company to continue its operations and provide sufficient time for the Company to seek additional interim financing in order to complete the SSP and any resulting transactions. The Proposal Trustee is of the view that the proposed Amended Interim Financing Facility will enhance Cleo's ability to successfully restructure under the BIA.
- 43. The Amended Interim Lender's Charge is necessary in order to ensure that the Interim Lender has security for the proposed Amended Interim Financing Facility.

The proposed quantum of the advance under the proposed Amended Interim Financing Facility has been determined based upon the projected cash flow needs set out in the Updated CF Forecast.

44. Should the Second Interim Lender's Charge be granted, the priorities of the charges against the Property shall be as follows:
- a) First: Administration Charge, up to the maximum amount of \$700,000;
 - b) Second: Amended Interim Financing Charge, up to the maximum amount of \$1,000,000, together with any interest accrued thereon or costs and expenses incurred thereunder; and
 - c) Third: D&O Charge, up to the maximum amount of \$250,000.

APPROVAL OF PROFESSIONAL FEES AND EXPENSES

45. The Company seeks approval from this Honourable Court of the professional fees and disbursements of the Proposal Trustee for the period of November 28, 2024 to January 31, 2025 (the "**Proposal Trustee Interim Taxation Period**") and Miller Thomson for the period from December 28, 2024 to January 31, 2025 (the "**Miller Thomson Interim Taxation Period**").
46. The total fees and expenses of the Proposal Trustee during the Proposal Trustee Interim Taxation Period are \$216,279 (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 Nov 28, 2024 to Jan 31, 2025						
Invoice	Period	Fees	Disbursements	Subtotal	GST	Total
Alvarez & Marsal Canada						
1	Nov 28, 2024 to Dec 29, 2024	84,911	8,629	93,540	4,677	98,217
2	Dec 30, 2024 to Dec 31, 2024	4,953	-	4,953	248	5,200
3	Jan 1, 2025 to Jan 10, 2025	59,429	-	59,429	2,971	62,400
4	Jan 11, 2025 to Jan 31, 2025	58,357	-	58,357	2,918	61,275
Total		207,649	8,629	216,279	10,814	227,093

47. The total fees and expenses of the Proposal Trustee's Counsel during the Miller Thomson Taxation Period are \$47,901 (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 Dec 28, 2024 to Jan 31, 2025						
Invoice	Period	Fees	Disbursements	Subtotal	GST	Total
Miller Thomson LLP						
4081481	Dec 28, 2024 to Dec 31, 2024	2,409	-	2,409	120	2,529
4091710	Jan 1, 2025 to Jan 19, 2025	32,265	-	32,265	1,613	33,878
4094551	Jan 20, 2025 to Jan 31, 2025	13,182	46	13,227	661	13,889
Total		47,855	46	47,901	2,395	50,296

48. The Proposal Trustee and its counsel's 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 of the Proposal Trustee and Miller Thomson will be made available to the Court upon request (if necessary).
49. 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.

APPLICATION TO EXTEND THE TIME TO FILE A PROPOSAL

50. Unless it is extended, the Stay Period will expire on February 21, 2025, and the Company is seeking an extension of the period in which it is required to file a proposal to April 4, 2025, pursuant to section 50.4(9) of the BIA.
51. The Proposal Trustee has considered the Stay Extension request of the Company and the circumstances currently facing the Company. The Proposal Trustee is supportive of a 45 day Stay Extension to April 4, 2025, which should serve to provide the Company with the time required to allow the Company to restructure its affairs.
52. 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 complete the SSP 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.
- 53. 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 due diligence obligations pursuant to section 50.4(9) of the BIA.
- 54. The Proposal Trustee is of the view that an extension to April 4, 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.
- 55. 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

- 56. The Proposal Trustee respectfully recommends that this Honourable Court approve the following:
 - a) extending the Stay Period within which the Company is required to file a proposal to its creditors by an additional 45 days to April 4, 2025;
 - b) the proposed Amended Interim Financing Facility;
 - c) the Company's request for the proposed Amended Interim Financing Charge; and
 - d) 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; and
 - e) such further and other relief sought by the Company in connection with the February 19th Application.

All of which is respectfully submitted this 12th day of February, 2025

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



A handwritten signature in blue ink, appearing to be 'OK' followed by a stylized flourish.

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

A handwritten signature in blue ink, appearing to be 'D Williams' followed by a stylized flourish.

David Williams, CPA, CIRP, LIT
Manager

APPENDIX A

Cleo Energy Corp.		Forecast									Forecast	
9 Week Forecast for the period ending April 11, 2025		Notes	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	9-week total
\$CAD's		week ended	14-Feb-25	21-Feb-25	28-Feb-25	7-Mar-25	14-Mar-25	21-Mar-25	28-Mar-25	4-Apr-25	11-Apr-25	Total
Cash Receipts												
Sales (production settlement)	1		-	-	808,743	-	-	-	932,762	-	-	1,741,506
Total cash receipts			-	-	808,743	-	-	-	932,762	-	-	1,741,506
Cash Disbursements												
Payroll and benefits	2		84,164	-	99,402	-	84,164	-	100,164	-	84,164	452,058
Source Deductions	2		47,761	47,761	48,774	47,761	-	47,761	-	47,761	-	287,577
Operating and transportation	3		25,000	18,000	57,900	25,000	25,000	25,000	67,900	30,000	25,000	298,800
Mineral & Surface Leases	4		-	-	35,172	-	-	-	53,326	-	-	88,499
Utilities	5		-	135,000	65,000	135,000	-	135,000	120,595	135,000	-	725,595
Royalties	6		-	-	500	-	-	-	500	-	-	1,000
GST			425	-	-	-	-	-	-	-	-	425
General and administrative	7		10,000	-	87,849	2,977	-	-	72,846	1,970	-	175,642
Professional fees	8		-	121,313	-	139,672	-	139,672	-	139,672	-	540,328
Interim Financing Facility Interest	9		-	-	27,616	-	-	-	-	34,521	-	62,137
Total cash disbursements			167,350	322,074	422,214	350,409	109,164	347,432	415,331	388,923	109,164	2,632,060
Net Cash Flow			(167,350)	(322,074)	386,530	(350,409)	(109,164)	(347,432)	517,432	(388,923)	(109,164)	(890,554)
Net Change in Cash												
Beginning of period			317,473	150,123	78,050	464,580	114,170	5,006	(342,426)	175,006	(213,917)	317,473
Net cash flow			(167,350)	(322,074)	386,530	(350,409)	(109,164)	(347,432)	517,432	(388,923)	(109,164)	(890,554)
Interim Financing	9		-	250,000	-	-	-	-	-	-	-	250,000
Ending of period			150,123	78,050	464,580	114,170	5,006	(342,426)	175,006	(213,917)	(323,081)	(323,081)
Amended Interim Financing Facility												
Beginning of period			750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Borrowing			-	250,000	-	-	-	-	-	-	-	250,000
Repayment			-	-	-	-	-	-	-	-	-	-
Ending of period			750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	1,000,000
UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS ON THE CASH FLOW STATEMENT												
		11-Feb-25			11-Feb-25							
Chris Lewis		Date	Orest Konowalchuk, CPA, CA , CIRP, LIT		Date							
Director			Senior Vice President									

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 April 11, 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 February 8, 2025, to April 11, 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. Sales consist of forecast oil and gas receipts based on forecast production at actual pricing as of January 2025. 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. Payroll, benefits and source deductions for thirteen (13) full-time employees and six (6) independent contractors. The employees and independent contractors are paid on a semi-monthly basis.
3. Operating and transportation expenses include payments for contract operators, consultants, and other operating costs such as trucking, chemicals, and related services. The vendor list was reviewed and analyzed with the assumption that some vendors may require COD payment terms.
4. Mineral and Surface Lease payments relate to Crown and Freehold lease payments required under existing arrangements.
5. Utilities primarily consist of payments to TransAlta for the Company's monthly power consumption. The Company has agreed to make pre-payment installments of approximately \$135,000 to TransAlta every two-weeks, and to pay the outstanding balance for the prior month's power usage on the 25th of each month, when the Company collects its production revenues.

6. Pre-filing royalties have been shown as unpaid, subject to the stay of proceedings. Pending further review, these amounts may have priority claims but will remain unpaid, unless they are determined to be paid with the consent of various secured creditors or by order of the Court. Post-filing freehold royalties have been forecast to be paid in the Cash Flow Period.
7. General and administrative costs include payments for the Company's software subscriptions, monthly rent for its Calgary-based head office, and insurance coverage, which was bound in August 2024, and is paid monthly.
8. Professional fees include the fees and costs of counsel to Cleo, to the Proposal Trustee, and to the Proposal Trustee's counsel.
9. Advances from and interest on the Interim Financing Facility, with interest forecast to be paid monthly.

APPENDIX B

February 10, 2025

Chris Lewis
Cleo Energy Corp.
200-117 8 Ave SW
Calgary, Alberta T2P 1B4

RE: Debtor-in-Possession Financing

Dear Chris,

We refer to the offer letter dated this January 5, 2025 (as amended by the first amendment dated January 6, 2025, the "**Letter of Offer**") pursuant to which **uCapital - uLoan Solutions Inc.** (the "**Lender**") provided to Cleo Energy Corp. (the "**Borrower**") a debtor-in-possession interim financing facility (the "**DIP Loan**") in the aggregate maximum principal amount of \$750,000 (the "**Maximum Principal Amount**") during the pendency of the Borrower's restructuring proceedings under Division I of Part III of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**"). Capitalized terms in this second amending agreement (this "**Amendment**").

The Maximum Principal Amount is hereby increased by \$250,000 to \$1,000,000. All other terms of the Commitment Letter remain in full force and effect, unamended except as specified in this Amendment.

The increase in the Maximum Principal Amount shall only become effective upon the satisfaction of the following conditions precedent:

- (a) the Borrower shall have executed and delivered to the Lender the acceptance to this Amendment set out below; and
- (b) the Borrower shall have obtained an order of the Court that will, among on things, extend the time within which the a proposal must be filed under the BIA, approve this Amendment and the increase in the Maximum Principal Amount contemplated hereby, and increase the maximum principal amount of the DIP Charge to \$1,000,000 plus fees, costs and interest accruing thereon.

If you are in agreement with the terms and provisions of this Amendment, please sign the acceptance set out below.

Yours truly,

uCapital - uLoan Solutions Inc
Greg Thompson
Partner

