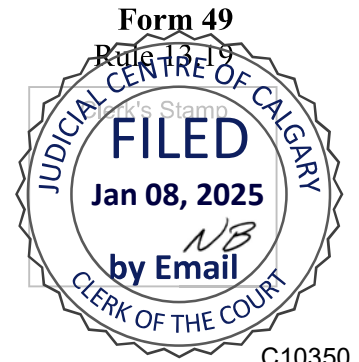


COURT FILE NO. B301-163430  
COURT COURT OF KING'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY



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

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

APPLICANT CLEO ENERGY CORP.

DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT  
**Gowling WLG (Canada) LLP**  
1600, 421 – 7<sup>th</sup> Avenue SW  
Calgary, AB T2P 4K9  
Attn: **Sam Gabor/ Tom Cumming**  
Phone: 403.298.1946/ 403.298.1938  
Fax: 403.263.9193  
File No.: G10010664

**AFFIDAVIT OF CHRIS LEWIS**  
**Sworn January 5, 2025**

I, **CHRIS LEWIS**, of the City of Calgary, in the Province of Alberta, **MAKE OATH AND SAY THAT:**

1. I am the sole Director, Executive Chairman, and Chief Executive Officer of Cleo Energy Corp. (“**Cleo**”). As such I have personal knowledge of the matters herein deposed to, except where stated to be based upon information and belief, in which case I verily believe same to be true.
2. I am authorized to swear this Affidavit as corporate representative of Cleo.
3. All references to dollar amounts contained herein are to Canadian Dollars unless otherwise stated.
4. All capitalized terms not defined herein incorporate the definitions in my prior Affidavits in this proceeding sworn December 22, 2024 (the “**December 22 Affidavit**”), December 23, 2024 (the “**December 23 Affidavit**”) and December 24, 2024 (the “**December 24**”).

**Affidavit**", with the December 22 Affidavit and December 23 Affidavit, the "**Prior Affidavits**").

5. All references to dollar amounts contained herein are to Canadian Dollars unless otherwise stated.
6. I make this Affidavit in response to several events which have transpired since the filing of the Prior Affidavits just prior to the holiday season break and in order to provide the court with an update regarding its Proposal Proceedings.

## **BACKGROUND**

### **The Company and Business**

7. Cleo is a privately owned oil and gas operator of medium gravity oil based in Calgary, Alberta with operations throughout East Central Alberta.
8. Cleo has a number of oil wells and gas wells located primarily throughout the Western Canada Sedimentary Basin in East Central Alberta (each a "**Field**" and collectively, the "**Fields**").
9. Cleo's revenue is primarily linked to the productivity of its wells, as well as the market price of oil.
10. Further background and the events leading to Cleo's current financial circumstances are set out in the December 23 Affidavit.

### **The Trafigura Agreements**

11. Cleo transports its oil product (the "**Products**") from the Fields to a local sales point either by pipeline or trucks. The Products are then sold to Trafigura Canada Limited ("**Trafigura**") as Cleo's oil and gas marketer by way of a Commercial Agreement dated July 12, 2024 (the "**Commercial Agreement**"). The Commercial Agreement is attached to my December 23 Affidavit as Exhibit "B". The net revenue from the sale of Products to Trafigura is paid out to Cleo on the 25<sup>th</sup> of every month, except when the payment date falls on a holiday, in which event it is paid on the 24<sup>th</sup> day.
12. Each month, Trafigura sends Cleo a Purchase Statement for the amounts to be paid to Cleo pursuant to the Commercial Agreement (each, a "**Monthly Purchase Statement**"). The Monthly Purchase Statement for August 2024 is attached as **Exhibit "A"**. The Monthly Purchase Statement for September 2024 is attached as **Exhibit "B"**. The Monthly Purchase Statement for October 2024 is attached as **Exhibit "C"**. Each Monthly Purchase Statement includes the base price paid and volume of Product sold to Trafigura in respect of each facility.
13. In July, 2024, Cleo entered into a Prepayment Agreement with Trafigura (the "**Prepayment Agreement**") whereby Trafigura agreed to provide Cleo up to three loan

tranches of up to \$1,000,000 per tranche. The Prepayment Agreement is attached to my December 23 Affidavit as Exhibit “C”.

14. Trafigura has currently extended a single tranche of \$1,000,000, which was paid to Cleo on August 1, 2024. Principal payments under the loan are made on a monthly basis in accordance with a Payment Schedule created by Trafigura (the “**Payment Schedule**”). The Payment Schedule is attached to my December 23 Affidavit as Exhibit “ZZ”. The current monthly principal payment is \$83,333 (the “**Scheduled Monthly Payment**”).
15. Since swearing my December 22 Affidavit and December 23 Affidavit, I have had an opportunity to review Trafigura’s statements and payments in further detail with the support of Cleo’s accounting group. I have the following corrections and additions to paragraphs of my December 22 Affidavit and paragraph 20 of the December 23 Affidavit:
  - (a) Pursuant to the Commercial Agreement, Trafigura charges a US\$0.95/bbl fee (the “**Marketing Fee**”) on all Products sold by Cleo to Trafigura. Trafigura benefits from the Commercial Agreement through the Marketing Fee as well as through potential profits realized from the resale of the Products at higher rates than Trafigura paid to Cleo for the purchase of the Products.
  - (b) The Marketing Fee is applied by Trafigura in the calculation of the “Base Price” for Cleo’s Products reflected in each Monthly Purchase Statement. A copy of an email from Craig Wilford, Manager, Producer Services with Trafigura, setting out the calculation of the Base Price reflected in the September Monthly Purchase Statement is attached as **Exhibit “D”**. Mr. Wilford’s calculation illustrates that the US\$0.95/bbl Marketing Fee is subtracted in the calculation of the Base Price for the Product on a monthly basis.
  - (c) At paragraph 18 of the December 22 Affidavit and paragraph 20 of the December 23 Affidavit, I stated in error that the US\$0.95/bbl Marketing Fee is deducted from Trafigura’s monthly payments under the Commercial Agreement. The Marketing Fee is not deducted from the total reflected in the Monthly Purchase Statement prior to paying the revenue out to Cleo. The Marketing Fee has already been deducted in the calculation of the Base Price reflected in the Monthly Purchase Statement.
  - (d) At paragraph 18 of the December 22 Affidavit and paragraph 20 of the December 23 Affidavit, I stated that the Scheduled Monthly Payment is deducted from the amount payable to Cleo pursuant to the Commercial Agreement before Trafigura pays Cleo each month. While this is accurate, the applicable interest under the Prepayment Agreement is *also* deducted from the amount payable to Cleo pursuant to the Commercial Agreement before Trafigura pays Cleo each month.
  - (e) The total deducted from Trafigura’s monthly payments under the Commercial Agreement (the “**Prepayment Agreement Deduction**”) is therefore inclusive of principal and interest payments pursuant to the Prepayment Agreement. The Prepayment Agreement Deduction does not include any deduction related to the Marketing Fee, which has already been applied in the calculation of the Base Price.

- (f) At paragraph 18 of the December 22 Affidavit and paragraph 20 of the December 23 Affidavit, I stated in error that the total deducted from Trafigura's monthly payments under the Commercial Agreement varied depending on the monthly production. In fact, the Prepayment Agreement Deduction varies depending on the applicable interest rate. The monthly production does not impact the Prepayment Agreement Deduction. A copy of a chart prepared and provided by Trafigura and setting out the applicable interest calculations for the period from August to October 2024 is attached as **Exhibit "E"**.
- (g) For the Products delivered in August 2024, September 2024 and October 2024, Trafigura made an early payment of a portion of the revenue due to Cleo approximately two weeks prior to the payment date (the **"Early Pay"**). The Early Pay and the applicable interest charged by Trafigura on the Early Pay are reflected on the Monthly Purchase Statements. The Monthly Purchase Statements also reflect charges and incentives relating to transporting the Product via pipelines owned by Inter Pipeline Ltd. (**"IPL"**), secure processing fees.
- (h) However, the Monthly Purchase Statements do not reflect the Prepayment Agreement Deduction and therefore do not reflect either the deduction of the Scheduled Monthly Payment or the related interest. The Prepayment Agreement Deduction is made from the net amount due to Cleo as reflected on the Monthly Purchase Statement before the funds are sent to Cleo.
- (i) Cleo received the following from Trafigura:
  - a) \$446,250 on September 12, 2024 and \$572,656.51 on September 25, 2024 for Products delivered in August 2024;
  - b) \$504,000.00 on October 10, 2024 and \$445,319.92 on October 25, 2024 for Products delivered in September 2024; and
  - c) \$435,750.00 on November 13, 2024 and \$468,760.37 on November 25, 2024 for Products delivered in October 2024.
- (j) The chart below illustrates the Prepayment Agreement Deduction for the months of August to October 2024 with information from the Monthly Purchase Statements and Cleo's bank statements. The chart includes the net revenue payable to Cleo as reflected in the Monthly Purchase Statements, the Scheduled Monthly Payment, the related interest charged, the total Prepayment Agreement Deduction, and the total amount actually paid to Cleo by Trafigura for the months of August to October 2024. The Prepayment Agreement Deduction was higher in respect of the Monthly Purchase Statement for August 2024 as two months worth of interest were applied in that month in order to ensure that the entire advance of \$1,000,000 and applicable interest was repaid within a year. With respect to October 2024, Trafigura withheld \$47,266.19 in order to pay Secure Energy invoices on behalf of Cleo. That \$47,266.19 is included in the total payments to Cleo for October 2024 in the chart below.

Month	Net Revenue Payable to Cleo	Net Revenue Payable to Cleo (incl. tax)	Scheduled Monthly Payment	Interest Charge	Total Prepayment Agreement Deduction	Total Payments to Cleo
August	\$1,064,852.36	\$1,118,094.94	\$83,333.33	\$15,855.10	\$99,188.43	\$1,018,906.51
September	\$990,757.78	\$1,040,295.67	\$83,333.33	\$7,642.42	\$90,975.75	\$949,319.92
October	\$994,778.29	\$1,042,153.72	\$83,333.33	\$7,044.02	\$90,377.35	\$951,776.56

### Emergency Application

16. On Friday December 20, 2024, Trafigura’s counsel sent a letter to Cleo’s counsel advising that Trafigura intended to set-off all amounts owing by it to Cleo under the Commercial Agreement against the obligations owing by Cleo under the Prepayment Agreement (the “**Intended Set-off**”).
17. According to the purchase statement provided by Trafigura for the month of November 2024, the total amount owed to Cleo for sales of the Product in November 2024 was \$757,644.77 (the “**December Payment**”). The Monthly Purchase Statement for November 2024 is attached to the December 23 Affidavit as Exhibit “I”.
18. On December 23, 2024, Cleo filed an Application seeking emergency relief to attempt to prevent Trafigura from implementing the Intended Set-off (the “**Emergency Application**”). I am informed by Gowling WLG (Canada) LLP (“**Gowling**”), that Gowling and Counsel for Trafigura appeared before Justice Hollins on the emergency 2 PM list at the Calgary Court House and that Justice Hollins informed the parties that an emergency hearing would be held on December 26, 2024.
19. I am advised by Gowling that Trafigura filed a cross-application and corresponding court materials seeking to lift the stay in order to effect the set-off and in the alternative seeking a priority charge for the value of the December Payment.
20. On December 24, 2024, Trafigura paid Cleo \$36,039.96, approximately the amount of the GST included in the December Payment.
21. I am advised by Gowling that on or before December 26, 2024, the parties’ court materials for the Emergency Application were reviewed by Justice Hollins. I am further advised by Gowling that Justice Hollins issued an endorsement on December 26, 2024 based on the written materials submitted by the parties (the “**Endorsement**”) and ordered that Trafigura was not at liberty to set-off the entire Advance balance against its December payment, 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. The issue of ongoing monthly set-off of the Scheduled Monthly Payments was adjourned to the

scheduled court appearance on January 6, 2025. A copy of the Endorsement is attached as **Exhibit “F”**.

22. On December 27, 2024, Trafigura paid Cleo \$725,035.11, being the remainder of the amount owed for the December Payment.

### **Impact of Prepayment Agreement Deductions**

23. The 13-week cash flow forecast for Cleo commencing the week ending December 13, 2024 and ending the week ending April 4, 2025 is attached as **Exhibit “G”** (the “13-week Cash Flow Forecast”). Cleo’s management team and their advisors have worked with the Proposal Trustee to prepare the 13-week Cash Flow Forecast. During the period covered by the 13-week Cash Flow Forecast, Cleo will incur certain expenses, including general and administrative expenses, operational expenses, payroll and benefit expenses, and restructuring costs, including the professional fees and disbursements.
24. Cleo’s primary cash receipts during the NOI proceedings are the amounts to be paid by Trafigura to Cleo pursuant to the Commercial Agreement. A reduction of approximately \$91,000 per month for the Prepayment Agreement Deduction (inclusive of the Scheduled Monthly Payment plus interest) will significantly impact Cleo’s ability to meet its obligations during the NOI proceedings. The revenues of Cleo within the 13-Week Cash Flow Forecast do not contemplate Trafigura setting off ~\$91,000 per month from Cleo’s monthly production revenues to pay Cleo’s pre-filing debt owing to Trafigura and allowing it to set-off these amounts will have a significant impact on Cleo’s cash flow during the NOI Proceedings.
25. If Trafigura is permitted to exercise set-off of the Prepayment Agreement Deductions in light of the Stay, according to the 13-Week Cash Flow Forecast, Cleo will not have the required cash flow to maintain its operations during the NOI proceedings which will cause prejudice to Cleo and Cleo’s other stakeholders. I am informed by Gowling that if the NOI Proceedings fail because Cleo doesn’t have sufficient cash flow to meet its post NOI obligations, Cleo would automatically become bankrupt. This would cause irreparable harm, loss and damage to Cleo and its stakeholders.

### **Interim Financing**

26. The 13-week Cash Flow Forecast indicates that Cleo requires interim financing from January 6, 2025 and onwards to ensure that it has the liquidity required to meet its obligations for it to continue with these Proposal Proceedings.
27. Cleo has now entered into an interim financing agreement (“**Interim Financing Agreement**”) with uCapital - uLoan Solutions Inc (the “**Interim Lender**”) to meet a portion of its obligations as anticipated by the 13-week Cash Flow Forecast. The Interim Financing Agreement remains subject to the approval of the board of directors of the Interim Lender. A copy of the term sheet representing the Interim Financing Agreement (the “**Term Sheet**”) is attached as **Exhibit “H”**.

28. The key terms of the Interim Financing Agreement include the following:

**Amount of Loan:** \$750,000.00

**Maturity Date:** The earliest of :

- a) May 8th, 2025, or such other date as agreed to between the parties;
- b) the termination of the *BIA* proceedings; or
- c) the occurrence of an Event of Default (as defined in the Term Sheet).

**Security:** A Court authorized first-ranking, valid, enforceable financing charge with priority over all creditors of Cleo, in an amount to match the anticipated draws required by Cleo from the Lender from time to time as prescribed by the 13-week Cash Flow Forecast, which shall not exceed \$900,000.00 (the “**DIP Charge**”) charging all the property, assets and undertakings of Cleo granted pursuant to the DIP Order (as defined in the Term Sheet) that includes standard debtor-in-possession terms and conditions satisfactory to the Interim Lender acting reasonably, pursuant to section 50.6(1) of the *BIA*, as the case may be, subject only to an administration charge not to exceed \$700,000 (the “**Administration Charge**”)

**Conditions Precedent:** Prior to any disbursement, Cleo is required to have obtained an order made by the Court (the “**DIP Order**”) in form and content satisfactory to the Interim Lender, which shall include, among other things: (a) the approval of the Interim Financing Agreement and all the terms and conditions thereof; (b) authorizing Cleo to borrow on the terms and conditions outlined in the Term Sheet and approving same; and (c) creating various court-ordered priority charges including the granting of the DIP Charge.

**Interest Rate:** Interest is payable monthly, at a rate of 3% per month.

**Fees:** On payment in full of the DIP Loan and Monthly Fees, an additional \$50,000 fee will be earned and payable, in full.

**Administration Charge:** Not to exceed \$700,000.

29. Cleo currently has limited cash resources and will not be able to complete its restructuring should the Interim Financing Facility not be approved. Cleo is carefully managing cash on

a day-to-day basis with oversight from the Proposal Trustee. Cleo will immediately use the interim financing to perform necessary repairs to its Fields to immediately increase its oil production to more pre NOI normal levels which will positively benefit its revenues. This is reflected in the increased production levels in the 13-Week Cash Flow Forecast for the months of February and March. This includes repairs for its largest field, Silver Heights Field, which was the subject of vandalism two consecutive days prior to the filing of the NOI.

### **Potential Sale of Sedgewick Field**

30. As the amount of the Interim Financing Facility is approximately \$27,000 insufficient to cover all of Cleo's obligations until February 14, 2025, and approximately \$103,000 insufficient to cover all obligations until February 21, 2025, as anticipated by the 13-week Cash Flow Forecast, Cleo is in negotiations with a potential purchaser regarding the sale of all of the Sedgewick Field in order to obtain additional funds to meet the remainder of its obligations during the Stay Period (the "**Sedgewick Sale**"). As discussed in my December 23 Affidavit, the Sedgewick Field is located in the Municipality of Flagstaff County and is Cleo's fourth largest producing Field. It is currently producing 27 barrels per day of oil which currently generates approximately \$70,000 per month in revenue.
31. Cleo is also currently approximately \$220,000 short of its cash flow requirements for the entire 13 week cash flow period. The Sedgewick Sale being negotiated is expected to generate sufficient cash consideration for Cleo to meet Cleo's cash flow requirements for the entire 13-week cash flow period and Cleo will move to close the transaction by mid February, 2025. Cleo would seek Court approval of the Sedgewick Sale prior to closing and Court approval to allow Cleo to use the cash proceeds of sale for its ongoing operations within the NOI Proceeding.
32. Cleo has sold oil and gas assets in the past, including entire fields, as part of the ordinary course of business. Cleo has previously disposed of oil and gas assets and related lands in 2017 (proceeds of \$3,900,000), 2019 (two dispositions with proceeds of \$2,350,000), 2021 (proceeds of \$2,300,000) and 2023 (proceeds of \$5,500,000).
33. Cleo, with the assistance of its professional advisors, also intends to immediately commence a concurrent sales and investment solicitation process immediately following Cleo's stay extension hearing on January 6, 2025 once its operations have stabilized in order to canvass the market for interest in recapitalization Cleo, or alternatively, selling Cleo's business as a going concern, or further in the alternative, liquidating its oil and gas assets generally with the exception of Sedgewick within the sales process. Cleo further intends to use interim financing and cash flow generated during the Stay Period to help bring back on certain of its wells to help increase its production levels and cash flow.



### **Battle River Claim against Chris Lewis**



34. Battle River Energy Limited (“**Battle River**”) has filed a claim against Cleo and its officers, including me, for breach of trust while acting as an officer of Cleo. A copy of the claim is attached as **Exhibit “I”**.
35. I am informed by Gowling that Battle River has taken the position that the automatic Stay for the benefit of directors under section 69.31(1) of the *BIA* does not apply to me as a director of Cleo. I am informed by Gowling that the stay of proceedings under section 69.31(1) of the *BIA* would stay Battle River’s claim against me as a director of Cleo during the Stay Period and that Battle River is required to bring an application to lift the stay under section 69.4 of the *BIA* to continue a claim against me.
36. I have reviewed the affidavit of Shane Sutherland sworn January 3, 2025 which attempts to draw a distinction between the BR-Cleo Arbitration and the Breach of Trust Action, as these terms are defined in Mr. Sutherland’s affidavit. I disagree with Mr. Sutherland’s characterization of the respective actions.
37. While it is true that the BR-Cleo Arbitration and the Breach of Trust Action pertain to separate assets and agreements, it is not the case that the two matters are unrelated. Both matters pertain to contested invoices for expenses incurred with respect to jointly owned oil and gas assets. The BR-Cleo Arbitration is primarily concerned with expenses related to a sour gas processing facility located at 02-10-039 W4 (the “**2-10 Facility**”). The Breach of Trust Action is primarily concerned with expenses related to a processing facility located at 14-14-39-10 W4M (the “**14-14 Facility**”). Both matters are interrelated and complicated.
38. Cleo has alleged in the BR-Cleo Arbitration that Battle River’s non-payment of expenses arising from the operation of the 14-14 Facility (and related wells) is a contributing factor for the dispute at issue in the arbitral proceedings. More specifically:
  - (a) Cleo was the operator of the 14-14 Facility and Battle River was unable or unwilling to pay amounts owing pursuant to the joint operating expenses. On or about February 21, 2020, Cleo noted Battle River in default and exercised its contractual right to revoke Battle River’s right to take its production in kind and subsequently sold Battle River’s production to pay down the operational expenses owing in relation to the 14-14 Facility and related wells;
  - (b) Despite being a minority interest holder, Battle River was the operator of the 2-10 Facility. Once Battle River was noted in default at the 14-14 Facility, Battle River began issuing substantial invoices to Cleo for operations at the 2-10 Facility. Many of these invoices were for amounts incurred years prior and related to expenses that were improperly incurred by Battle River (i.e., the expenses exceeded amounts that Battle River was permitted to unilaterally approve as operator of the 2-10 Facility); and

- (c) Cleo has alleged that the invoices issued by Battle River were issued in error and in retaliation for Cleo taking the step of noting Battle River in default with respect to the 14-14 Facility.
39. While the BR-Cleo Arbitration progressed, Battle River made no attempt to bring its account associated with the 14-14 Facility and related wells into good standing. Moreover, Battle River refused to make any payments towards any new expenses incurred at the 14-14 Facility. Furthermore, since being noted in default, Battle River had made no contributions to the expenses incurred on behalf of the parties in relation to the 14-14 Facility and related wells.
40. In early June of 2024, legal counsel for Battle River contacted Cleo's legal counsel and advised, among other things, that \$503,693.49 was due and owing in relation to the 14-14 Facility. At this time, Battle River's legal counsel requested that Battle River's take in kind rights be restored.
41. On June 10, 2024, legal counsel for Cleo advised legal counsel for Battle River that:
- (a) Cleo did not believe any amounts were owing to Battle River because no operational expenses had been paid to Cleo since Battle River was initially noted in default;
  - (b) Figuring out what amounts are in fact owing would be complicated and the parties would benefit from a mediation and/or an audit of the accounts; and
  - (c) Despite taking the position that Battle River still owed money to Cleo, Cleo would restore Battle River's take in kind rights to give the parties the opportunity to review the joint account.
42. On June 17, 2024, legal counsel for Cleo again confirmed that Cleo did not agree that any amounts were owing but Cleo had restored the take in kind rights until a proper accounting could be determined.
43. Despite inviting further comments from Cleo on the expenses identified by Battle River, neither Battle River nor its legal counsel took any steps to determine what amounts, if any, were actually owing by Cleo to Battle River. However, as a result of the correspondence from Battle River's legal counsel and the threat of litigation contained therein, Cleo performed a deeper review of the joint account. Cleo determined that in addition to refusing to pay any of the incurred operational expenses, Battle River had not paid any amounts for its use of the Cleo's 100% owned pipeline infrastructure – which was used to transport Battle River's product from the 14-14 Facility to the point of sale. Thus, Battle River is indebted to Cleo for these amounts.
44. The amounts owing for pipeline fees were included on the August joint interest billing statement and all subsequent pipeline fees have been included on the joint interest billing statements that have been issued since August 2024. Without conducting an audit, it is difficult for Cleo to accurately reconcile the joint account for the 14-14 Facility and related wells. However, based on the analysis that has been conducted to date it remains Cleo's understanding that Battle River remains indebted to Cleo.

45. In my capacity as a director and officer and of Cleo, it has been my honestly held belief that Battle River is indebted to Cleo for unpaid operational expenses. But for the Stay, Cleo and I would defend Cleo and myself against the allegations raised in the Statement of Claim. Cleo has a counterclaim for the amounts currently owing by Battle River as referenced above.
46. The Battle River litigation is complicated and would require substantial focus and attention from me to file a proper defence. Properly reviewing Cleo's documents, discussing with its employees and working with litigation counsel, would require sufficient additional review by myself which will take sufficient time and effort to perform properly without prejudicing myself. I would for certain not be in a position to perform such tasks by January 20, 2025 as my entire focus is now on Cleo's restructuring for the benefit of its stakeholders.
47. In addition to the tasks I have performed following December 8, 2024, as set out at paragraph 115 of my substantive December 23, 2024 Affidavit, I have also had to do the following, among other tasks:
- (a) work with legal counsel to prevent Trafigura from setting off;
  - (b) work with the Proposal Trustee regarding Cleo's ongoing cash flows and payments;
  - (c) solicit and negotiate interim financing, and negotiate the Interim Facility Agreement;
  - (d) negotiate the Sedgwick transaction;
  - (e) work with Royal Bank of Canada regarding the previously garnished funds from Cleo's bank account.
48. During the Proposal Proceedings, as Cleo's sole director, I will be required to perform the following tasks, among other tasks, which will take up the majority of my time for the benefit of Cleo's stakeholders:
- (a) work with Cleo's employees and consultants, and maintain Cleo's day-to-day operations;
  - (b) work with Cleo's vendors and service providers;
  - (c) work with and correspond with stakeholders regarding the Proposal proceedings;
  - (d) work towards the sale and closing of the Sedgwick Field;
  - (e) work with the AER regarding the sale of the Sedgwick Field;
  - (f) work with the Proposal Trustee regarding ongoing cash flows and payments in accordance with the 13-week Cash Flow Forecast;
  - (g) work with my counsel, the Proposal Trustee and stakeholders with respect to a sales and investment solicitation process.

## CONCLUSION

49. I swear this Affidavit in support of an Application for the relief set out in the Application filed December 23, 2024 and the Amended Application filed January 2, 2025, and for no other or improper purpose.

SWORN BEFORE ME at Palm Springs, California, this 5th day of January, 2025.  	
Notary Public in and for the State of California	<b>CHRIS LEWIS</b>

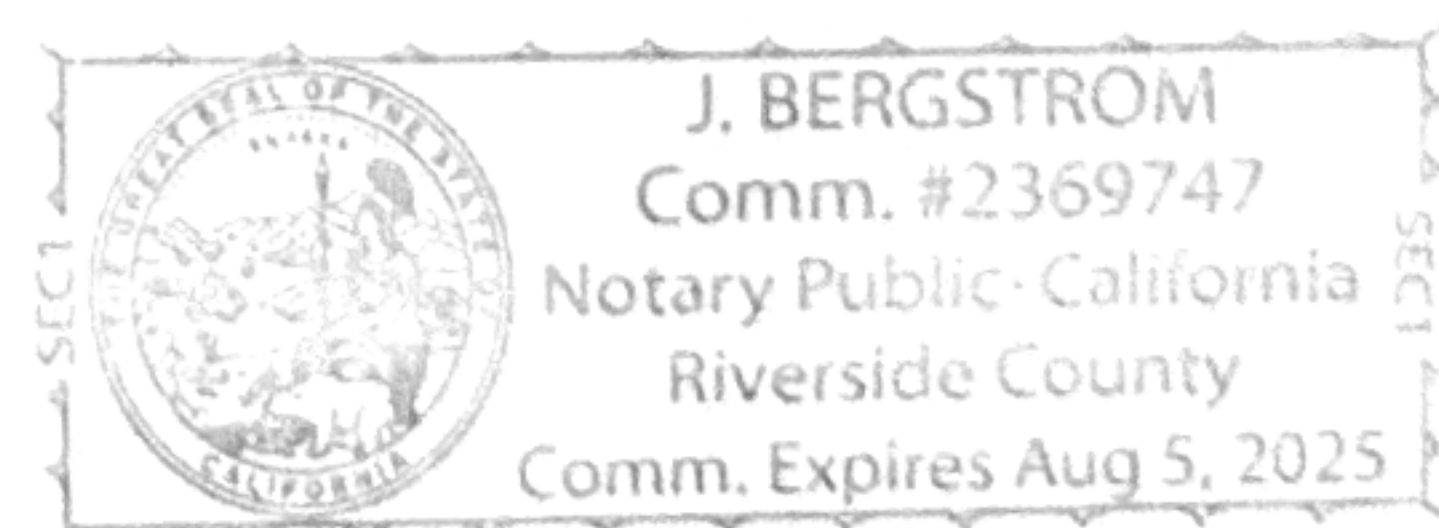
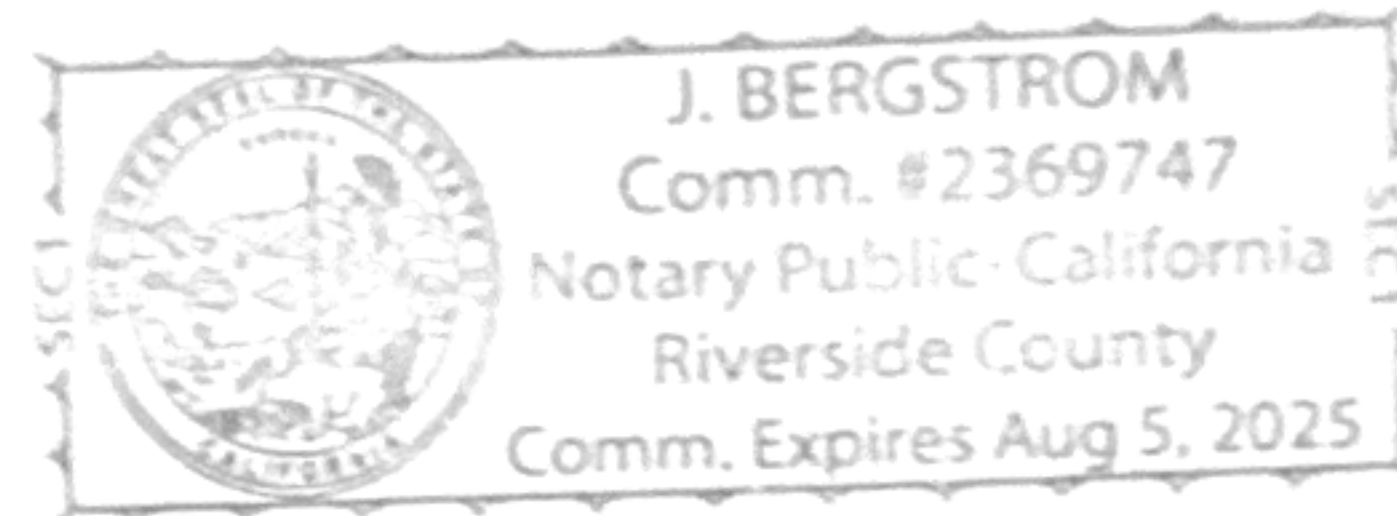


Exhibit "A" to the Affidavit of  
Chris Lewis  
Sworn/Affirmed before me this  
5<sup>th</sup> day of January, 2025



A Notary Public for the State of  
California







Cover Page  
For the month of Aug 2024

To: Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

From: Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

Attn: Colton Lewis  
Email: chlewis@cleoenergy.com

Attn: Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Invoice:	2408-21166	Invoice Date:	Sep 23, 2024 08:23 PM
Terms:	25th day of the month following delivery/receipt of product * Except as specified otherwise on the attached backing details.		

Statement	Contract	Type	Rev #	Subtotal	Tax	Total
OT4202408-109167		Manual Invoice	0	\$425,000.00	\$21,250.00	\$446,250.00
OT4202408-109168		Manual Invoice	0	\$181.57	\$9.08	\$190.65
OT4202408-109183		Manual Invoice	0	\$60.52	\$3.03	\$63.55
OT4202408-109221		Manual Invoice	0	\$1,271.51	\$63.58	\$1,335.09
OT4202408-109619	WP-19884-00	Purchase	0	(\$514,045.20)	(\$25,702.24)	(\$539,747.44)
OT4202408-109620	WP-19966-00	Purchase	0	(\$552,320.76)	(\$27,616.03)	(\$579,936.79)
				(\$639,852.36)	(\$31,992.58)	(\$671,844.94)
				Net due to Cleo Energy Corp. (CDN)		\$671,844.94



Final Purchase Statement  
For the month of Aug 2024

Date: 09/23/2024  
Time: 09:11 PM  
Page: 2 of 7

To: Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

Attn: Janice Jones  
Email: jjones@cleoenergy.com

From: Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

Attn: Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2408-21166  
Stmt: OT4202408-109619  
Rev: 0

Contract: WP-19884-00

Sch	Facility	Product	Connected Gathering	LSD	Density Sulphur Butane	Propane Ethane Methane	Base Price	WADF	Feeder Tariff	Loss Allowance	Quality Adjustment	Blending	Net Price	Volume	Subtotal	Tax
2	IPL Bow River N PL051	Bow River	ABBT7500063	01-22-040-08W4	929.1 3.09		519.09562	64.15000	(17.43000)	(2.04000)	(66.79000)		496.99	625.20 M3	\$310,718.15	CDN GST
IPL Bow River N PL051 Bow River														625.20 M3	\$310,718.15	CDN
5	IPL Central AB PL032	CAL	IPL Stettler TM834 ABBT8320003	16-04-042-12W4	905.1 1.31		614.59092		(18.17000)	(0.90000)	(50.43000)		545.09	8.90 M3	\$4,851.30	CDN GST
IPL Central AB PL032 CAL														8.90 M3	\$4,851.30	CDN
6	Secure Big Valley TM832	CAL	ABBT0058629	15-35-021-07W4	978.8 3.58		614.59092		(26.37000)	(0.90000)	(117.87000)	(24.00000)	445.45	52.20 M3	\$23,252.49	CDN GST
Secure Big Valley TM832 CAL														52.20 M3	\$23,252.49	CDN
8	Secure Coronation TM991	CAL	ABBT0114274	04-03-040-12W4	864.5 0.2		614.59092		(27.27000)	(0.90000)	(15.22000)		571.20	22.90 M3	\$13,080.48	CDN GST
10	Secure Coronation TM991	CAL	ABBT0114472	08-19-039-10W4	855.9 0.23		614.59092		(27.27000)	(0.90000)	(11.42000)		575.00	23.20 M3	\$13,340.00	CDN GST
9	Secure Coronation TM991	CAL	ABBT0118961A	16-28-038-10W4	894.0 0.22		614.59092		(27.27000)	(0.90000)	(29.95000)		556.47	18.90 M3	\$10,517.28	CDN GST
7	Secure Coronation TM991	CAL	ABBT0133818	05-27-040-13W4	863.6 0.17		614.59092		(27.27000)	(0.90000)	(14.36000)		572.06	24.60 M3	\$14,072.68	CDN GST
13	Secure Coronation TM991	CAL	ABBT0134411A	03-31-038-09W4	867.6 0.17		614.59092		(27.27000)	(0.90000)	(16.32000)		570.10	8.70 M3	\$4,959.87	CDN GST
14	Secure Coronation TM991	CAL	ABBT7500967	14-14-039-10W4	877.4 2.5		614.59092		(27.27000)	(0.90000)	(53.28000)		533.14	209.90 M3	\$111,906.09	CDN GST
15	Secure Coronation TM991	CAL	ABBT8320003	16-04-042-12W4	896.5 1.31		614.59092		(27.27000)	(0.90000)	(46.21000)		540.21	13.60 M3	\$7,346.86	CDN GST
Secure Coronation TM991 CAL														321.80 M3	\$175,223.26	CDN
Subtotal														1,008.10 M3	\$514,045.20	CDN
Tax															\$25,702.24	CDN
Net due to Cleo Energy Corp.															\$539,747.44	CDN

Payment is due on the 25th following the month of receipt/delivery of product;  
If the 25th is a Holiday or Saturday, payment is due on the previous CDN business day;  
If the 25th is a Sunday or Monday Holiday, payment is due on the next CDN business day.

Cleo Energy Corp.  
Account #: 122 204 1  
Royal Bank of Canada  
339- 8th Ave SW  
Calgary AB, Canada  
Bank #: 003 Transit #: 00009  
GST# 766250922 RT0001



Final Purchase Statement  
For the month of Aug 2024

Date: 09/23/2024  
Time: 09:11 PM  
Page: 3 of 7

**To:** Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

**Attn:** Janice Jones  
Email: jjones@cleoenergy.com

**From:** Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

**Attn:** Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

**Inv:** 2408-21166  
**Stmt:** OT4202408-109620  
**Rev:** 0

**Contract:** WP-19966-00

Sch	Facility	Product	Connected Gathering	LSD	Density Sulphur Butane	Propane Ethane Methane	Base Price	Fixed Differential	WADF	Feeder Tariff	Loss Allowance	Quality Adjustment	Other	Net Price	Volume	Subtotal	Tax
3	IPL Throne PL030	CAL	ABBT7500562	15-02-037-07W4	891.6 1.47		(50.75809)	680.63936	17.52000	(27.10000)	(0.90000)	(46.02000)		573.38	332.80 M3	\$190,820.86	CDN GST
2	IPL Throne PL030	CAL	IPL Throne Light TM805 ABBT7500967	14-14-039-10W4	878.2 1.54		(50.75809)	680.63936	17.52000	(25.88000)	(0.90000)	(40.42000)	9.00000	589.20	411.20 M3	\$242,279.04	CDN GST
IPL Throne PL030 CAL														744.00	M3	\$433,099.90	CDN
4	Secure Big Valley TM832	CAL	ABBT8320003	16-04-042-12W4	896.5 1.31		(50.75809)	680.63936	17.52000	(26.37000)	(0.90000)	(46.21000)		573.92	82.10 M3	\$47,118.83	CDN GST
Secure Big Valley TM832 CAL														82.10	M3	\$47,118.83	CDN
6	Secure Coronation TM991	CAL	ABBT7500967	14-14-039-10W4	877.4 2.5		(50.75809)	680.63936	17.52000	(27.27000)	(0.90000)	(53.28000)		565.95	127.40 M3	\$72,102.03	CDN GST
Secure Coronation TM991 CAL														127.40	M3	\$72,102.03	CDN
Subtotal														953.50	M3	\$552,320.76	CDN
Tax																\$27,616.03	CDN
Net due to Cleo Energy Corp.																\$579,936.79	CDN

Payment is due on the 25th following the month of receipt/delivery of product;  
If the 25th is a Holiday or Saturday, payment is due on the previous CDN business day;  
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Cleo Energy Corp.  
Account #: 122 204 1  
Royal Bank of Canada  
339- 8th Ave SW  
Calgary AB, Canada  
Bank #: 003 Transit #: 00009  
GST# 766250922 RT0001

**To:** Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

**Attn:** Colton Lewis  
Email: chlewis@cleoenergy.com

**From:** Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

**Attn:** Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2408-21166  
Rev: 0

Statement	Pipeline	Product	Connected	Contract	Comments	Subtotal	Tax
OT4202408-109167					Reverse Early Pay for Aug 24	\$425,000.00	CDN 5.0%
					Subtotal	\$425,000.00	CDN
					Tax	\$21,250.00	CDN
					Net due to Trafigura Canada Limited	\$446,250.00	CDN

25th day of the month following delivery/receipt of product





Final Invoice  
For the month of Aug 2024

Date: 09/23/2024  
Time: 09:11 PM  
Page: 5 of 7

To: Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

From: Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

Attn: Colton Lewis  
Email: chlewis@cleoenergy.com

Attn: Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2408-21166  
Rev: 0

Statement	Pipeline	Product	Connected	Contract	Comments	Subtotal	Tax
OT4202408-109168					IPL BS&W charge 0.3 x 605.23 16-04-042-12W4	\$181.57	CDN 5.0%
					Subtotal	\$181.57	CDN
					Tax	\$9.08	CDN
					Net due to Trafigura Canada Limited	\$190.65	CDN

25th day of the month following delivery/receipt of product



Final Invoice  
For the month of Aug 2024

Date: 09/23/2024  
Time: 09:11 PM  
Page: 6 of 7

**To:** Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

**Attn:** Colton Lewis  
Email: chlewis@cleoenergy.com

**From:** Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

**Attn:** Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2408-21166  
Rev: 0

Statement	Pipeline	Product	Connected	Contract	Comments	Subtotal	Tax
OT4202408-109183					IPL BS&W charge 0.1 x 605.23 14-14-039-10W4	\$60.52	CDN 5.0%
					Subtotal	\$60.52	CDN
					Tax	\$3.03	CDN
					Net due to Trafigura Canada Limited	\$63.55	CDN

25th day of the month following delivery/receipt of product



Final Invoice  
For the month of Aug 2024

Date: 09/23/2024  
Time: 09:11 PM  
Page: 7 of 7

To: Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

From: Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

Attn: Colton Lewis  
Email: chlewis@cleoenergy.com

Attn: Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2408-21166  
Rev: 0

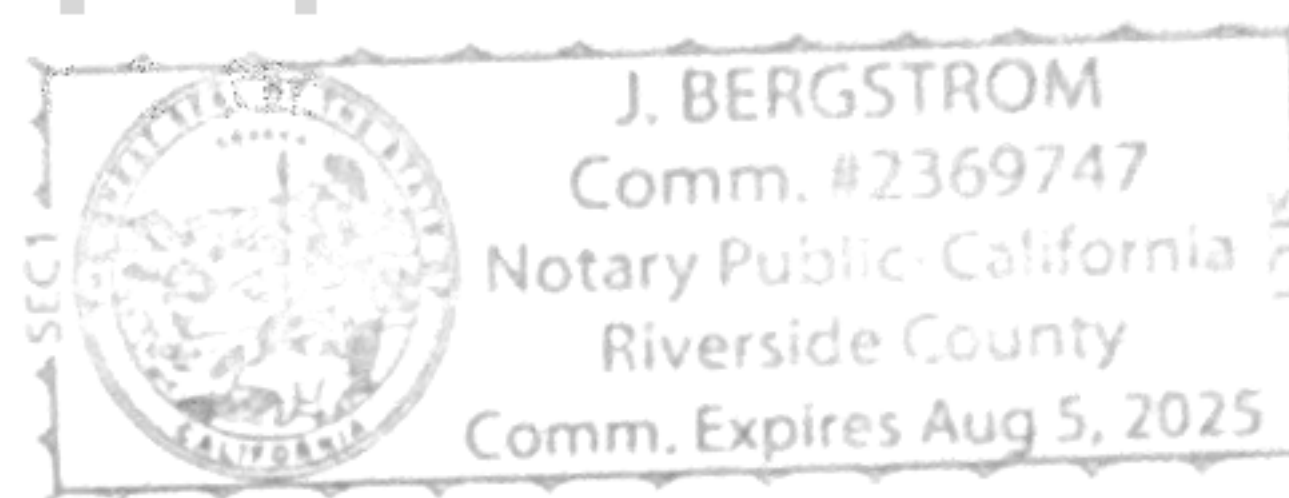
Statement	Pipeline	Product	Connected	Contract	Comments	Subtotal	Tax
OT4202408-109221					Interest charge on Aug 24 Early Pay	\$1,271.51	CDN 5.0%
					Subtotal	\$1,271.51	CDN
					Tax	\$63.58	CDN
					Net due to Trafigura Canada Limited	\$1,335.09	CDN

25th day of the month following delivery/receipt of product

Exhibit "B" to the Affidavit of  
Chris Lewis  
Sworn/Affirmed before me this  
5<sup>th</sup> day of January, 2025



A Notary Public for the State of  
California



To: Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

Attn: Colton Lewis  
Email: chlewis@cleoenergy.com

From: Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

Attn: Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Invoice: 2409-21528

Terms: 25th day of the month following delivery/receipt of product  
\* Except as specified otherwise on the attached backing details.

Invoice Date: Oct 24, 2024 07:07 PM

Statement	Contract	Type	Rev #	Subtotal	Tax	Total
OT4202409-110317		Manual Invoice	0	\$480,000.00	\$24,000.00	\$504,000.00
OT4202409-110686		Manual Invoice	0	\$1,767.45	\$88.37	\$1,855.82
OT4202409-111356		Manual Invoice	0	\$55.11	\$2.76	\$57.87
OT4202409-111481		Manual Invoice	0	\$238.74	\$11.94	\$250.68
OT4202409-112644		Manual Purchase	0	(\$6,881.00)	(\$344.05)	(\$7,225.05)
OT4202409-112646	WP-19884-00	Purchase	0	(\$437,664.56)	(\$21,883.23)	(\$459,547.79)
OT4202409-112647	WP-19966-00	Purchase	0	(\$548,273.52)	(\$27,413.68)	(\$575,687.20)
				(\$510,757.78)	(\$25,537.89)	(\$536,295.67)
				Net due to Cleo Energy Corp. (CDN)		\$536,295.67



Final Purchase Statement  
For the month of Sep 2024

Date: 10/25/2024  
Time: 01:52 PM  
Page: 2 of 8

To: Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

Attn: Janice Jones  
Email: jjones@cleoenergy.com

From: Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

Attn: Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2409-21528  
Stmt: OT4202409-112646  
Rev: 0

Contract: WP-19884-00

Sch	Facility	Product	Connected Gathering	LSD	Density Sulphur Butane	Propane Ethane Methane	Base Price	WADF	Feeder Tariff	Loss Allowance	Quality Adjustment	Blending	Other	Net Price	Volume	Subtotal	Tax
16	IPL Bow North TM939	Bow River	ABBT0155763	11-10-045-07W4	944.9 2.52		469.38580	64.25000	(14.14000)	(1.92000)	(69.51000)			448.07	58.10 M3	\$26,032.87	CDN GST
IPL Bow North TM939 Bow River															58.10 M3	\$26,032.87	CDN
2	IPL Bow River N PL051	Bow River	ABBT7500063	01-22-040-08W4	930.4 3.09		469.38580	64.25000	(17.34000)	(1.92000)	(67.37000)			447.01	564.20 M3	\$252,203.04	CDN GST
IPL Bow River N PL051 Bow River															564.20 M3	\$252,203.04	CDN
5	IPL Central AB PL032	CAL	IPL Stettler TM834 ABBT8320003	16-04-042-12W4	887.8 1.62		561.84028		(18.10000)	(0.90000)	(46.23000)		(1.69000)	494.92	78.70 M3	\$38,950.20	CDN GST
IPL Central AB PL032 CAL															78.70 M3	\$38,950.20	CDN
12	Secure Coronation TM991	CAL	ABBT0058629	15-35-021-07W4	978.8 3.58		561.84028		(27.18000)	(0.90000)	(117.87000)	(24.00000)	(1.69000)	390.20	119.90 M3	\$46,784.98	CDN GST
8	Secure Coronation TM991	CAL	ABBT0114274	04-03-040-12W4	864.5 0.2		561.84028		(27.18000)	(0.90000)	(15.22000)		(1.69000)	516.85	23.50 M3	\$12,145.98	CDN GST
10	Secure Coronation TM991	CAL	ABBT0114472	08-19-039-10W4	855.9 0.23		561.84028		(27.18000)	(0.90000)	(11.42000)		(1.69000)	520.65	9.20 M3	\$4,789.98	CDN GST
7	Secure Coronation TM991	CAL	ABBT0133818	05-27-040-13W4	930.0 2.5		561.84028		(27.18000)	(0.90000)	(79.05000)		(1.69000)	453.02	25.20 M3	\$11,416.10	CDN GST
14	Secure Coronation TM991	CAL	ABBT7500967	14-14-039-10W4	877.4 2.5		561.84028		(27.18000)	(0.90000)	(53.28000)		(1.69000)	478.79	94.70 M3	\$45,341.41	CDN GST
Secure Coronation TM991 CAL															272.50 M3	\$120,478.45	CDN
Subtotal															973.50 M3	\$437,664.56	CDN
Tax																\$21,883.23	CDN
Net due to Cleo Energy Corp.																\$459,547.79	CDN

Payment is due on the 25th following the month of receipt/delivery of product;  
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If the 25th is a Sunday or Monday Holiday, payment is due on the next CDN business day.

Cleo Energy Corp.  
Account #: 122 204 1  
Royal Bank of Canada  
339- 8th Ave SW  
Calgary AB, Canada  
Bank #: 003 Transit #: 00009  
GST# 766250922 RT0001

Final Purchase Statement  
For the month of Sep 2024

To: Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

Attn: Janice Jones  
Email: jjones@cleoenergy.com

From: Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

Attn: Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2409-21528  
Stmt: OT4202409-112647  
Rev: 0

Contract: WP-19966-00

Sch	Facility	Product	Connected Gathering	LSD	Density Sulphur Butane	Propane Ethane Methane	Base Price	Fixed Differential	WADF	Feeder Tariff	Loss Allowance	Quality Adjustment	Other	Net Price	Volume	Subtotal	Tax
7	IPL Central AB PL032	CAL	IPL Stettler TM834 ABBT8320003	16-04-042-12W4	887.8 1.62		(48.42780)	675.68717	18.82000	(18.10000)	(0.90000)	(46.23000)	(1.69000)	579.16	67.60 M3	\$39,151.22	CDN GST
														IPL Central AB PL032 CAL 67.60 M3 \$39,151.22 CDN			
3	IPL Throne PL030	CAL	ABBT7500562	15-02-037-07W4	890.7 1.52		(48.42780)	675.68717	18.82000	(27.03000)	(0.90000)	(46.27000)	(1.69000)	570.19	197.80 M3	\$112,783.58	CDN GST
2	IPL Throne PL030	CAL	IPL Throne Light TM805 ABBT7500967	14-14-039-10W4	880.8 1.54		(48.42780)	675.68717	18.82000	(25.81000)	(0.90000)	(41.69000)	(1.69000)	575.99	688.10 M3	\$396,338.72	CDN GST
														IPL Throne PL030 CAL 885.90 M3 \$509,122.30 CDN			
														Subtotal 953.50 M3 \$548,273.52 CDN			
														Tax \$27,413.68 CDN			
														Net due to Cleo Energy Corp. \$575,687.20 CDN			

Payment is due on the 25th following the month of receipt/delivery of product;  
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Cleo Energy Corp.  
Account #: 122 204 1  
Royal Bank of Canada  
339- 8th Ave SW  
Calgary AB, Canada  
Bank #: 003 Transit #: 00009  
GST# 766250922 RT0001



Final Invoice  
For the month of Sep 2024

Date: 10/25/2024  
Time: 01:52 PM  
Page: 4 of 8

**To:** Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

**From:** Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

**Attn:** Colton Lewis  
Email: chlewis@cleoenergy.com

**Attn:** Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2409-21528  
Rev: 0

Statement	Pipeline	Product	Connected	Contract	Comments	Subtotal	Tax
OT4202409-110317					Reverse Cleo Early Pay Sept 2024	\$480,000.00	CDN 5.0%
					Subtotal	\$480,000.00	CDN
					Tax	\$24,000.00	CDN
					Net due to Trafigura Canada Limited	\$504,000.00	CDN

25th day of the month following delivery/receipt of product





Final Invoice  
For the month of Sep 2024

Date: 10/25/2024  
Time: 01:52 PM  
Page: 5 of 8

**To:** Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

**Attn:** Colton Lewis  
Email: chlewis@cleoenergy.com

**From:** Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

**Attn:** Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2409-21528  
Rev: 0

Statement	Pipeline	Product	Connected	Contract	Comments	Subtotal	Tax
OT4202409-110686					Interest charge on Sept 24 Early Pay	\$1,767.45	CDN 5.0%
					Subtotal	\$1,767.45	CDN
					Tax	\$88.37	CDN
					Net due to Trafigura Canada Limited	\$1,855.82	CDN

25th day of the month following delivery/receipt of product



Final Invoice  
For the month of Sep 2024

Date: 10/25/2024  
Time: 01:52 PM  
Page: 6 of 8

**To:** Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

**From:** Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

**Attn:** Colton Lewis  
Email: chlewis@cleoenergy.com

**Attn:** Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2409-21528  
Rev: 0

Statement	Pipeline	Product	Connected	Contract	Comments	Subtotal	Tax
OT4202409-111356					IPL BS&W charge Sept 24 14-14-039-10W4 0.1 x 551.12	\$55.11	CDN 5.0%
					Subtotal	\$55.11	CDN
					Tax	\$2.76	CDN
					Net due to Trafigura Canada Limited	\$57.87	CDN

25th day of the month following delivery/receipt of product



Final Invoice  
For the month of Sep 2024

Date: 10/25/2024  
Time: 01:52 PM  
Page: 7 of 8

**To:** Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

**Attn:** Colton Lewis  
Email: chlewis@cleoenergy.com

**From:** Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

**Attn:** Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2409-21528  
Rev: 0

Statement	Pipeline	Product	Connected	Contract	Comments	Subtotal	Tax
OT4202409-111481					IPL BS&W charge 01-22-040-08W4 Bow North Sept 24	\$238.74	CDN 5.0%
					Subtotal	\$238.74	CDN
					Tax	\$11.94	CDN
					Net due to Trafigura Canada Limited	\$250.68	CDN

25th day of the month following delivery/receipt of product



Final Purchase Statement  
For the month of Sep 2024

Date: 10/25/2024  
Time: 01:52 PM  
Page: 8 of 8

**To: Cleo Energy Corp.**  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

**Attn:** Colton Lewis  
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**From: Trafigura Canada Limited**  
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Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2409-21528  
Rev: 0

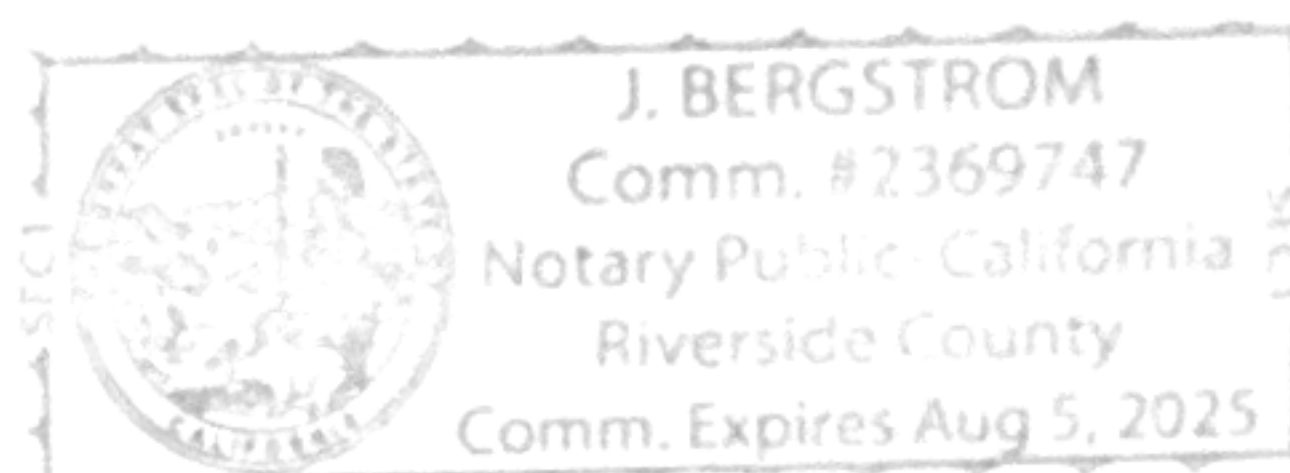
Statement	Pipeline	Product	Connected	Contract	Comments	Subtotal	Tax
OT4202409-112644					IPL tariff incentive 14-14 Throne	\$6,881.00	CDN 5.0%
					Subtotal	\$6,881.00	CDN
					Tax	\$344.05	CDN
					Net due to Cleo Energy Corp.	\$7,225.05	CDN

25th day of the month following delivery/receipt of product

Exhibit "C" to the Affidavit of  
Chris Lewis  
Sworn/Affirmed before me this  
5<sup>th</sup> day of January, 2025



A Notary Public for the State of  
California





Cover Page  
For the month of Oct 2024

To: Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

From: Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

Attn: Colton Lewis  
Email: chlewis@cleoenergy.com

Attn: Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Invoice:	2410-21714	Invoice Date:	Nov 21, 2024 11:56 PM
Terms:	25th day of the month following delivery/receipt of product * Except as specified otherwise on the attached backing details.		

Statement	Contract	Type	Rev #	Subtotal	Tax	Total
OT4202410-112728		Manual Invoice	0	\$415,000.00	\$20,750.00	\$435,750.00
OT4202410-113335		Manual Invoice	0	\$1,241.59	\$62.08	\$1,303.67
OT4202410-113560		Manual Invoice	0	\$250.52	\$12.53	\$263.05
OT4202410-113649		Manual Invoice	0	\$47,266.19	\$2,363.31	\$49,629.50
OT4202410-115119		Manual Purchase	0	(\$7,235.00)	(\$361.75)	(\$7,596.75)
OT4202410-115121	WP-19884-00	Purchase	0	(\$989,035.40)	(\$49,451.79)	(\$1,038,487.19)
				(\$532,512.10)	(\$26,625.62)	(\$559,137.72)
				Net due to Cleo Energy Corp. (CDN)		\$559,137.72



Final Purchase Statement  
For the month of Oct 2024

Date: 11/21/2024  
Time: 11:57 PM  
Page: 2 of 7

To: Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

From: Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

Attn: Janice Jones  
Email: jjones@cleoenergy.com

Attn: Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Contract: WP-19884-00

Inv: 2410-21714  
Stmt: OT4202410-115121  
Rev: 0

Sch	Facility	Product	Connected Gathering	LSD	Density Sulphur Butane	Propane Ethane Methane	Base Price	WADF	Feeder Tariff	Loss Allowance	Quality Adjustment	Blending	Net Price	Volume	Subtotal	Tax
16	IPL Bow North TM939	Bow River	ABBT0155763	11-10-045-07W4	950.8 2.52		492.80823	64.46000	(14.07000)	(1.97000)	(72.16000)		469.07	32.20 M3	\$15,104.05	CDN GST
IPL Bow North TM939 Bow River														32.20 M3	\$15,104.05	CDN
2	IPL Bow River N PL051	Bow River	ABBT7500063	01-22-040-08W4	931.0 3.1		492.80823	64.46000	(17.27000)	(1.97000)	(67.72000)		470.31	508.10 M3	\$238,964.51	CDN GST
IPL Bow River N PL051 Bow River														508.10 M3	\$238,964.51	CDN
5	IPL Central AB PL032	CAL	IPL Stettler TM834 ABBT8320003	16-04-042-12W4	887.4 1.62		603.86534		(18.05000)	(0.90000)	(46.04000)		538.88	114.00 M3	\$61,432.32	CDN GST
IPL Central AB PL032 CAL														114.00 M3	\$61,432.32	CDN
4	IPL Throne PL030	CAL	ABBT7500562	15-02-037-07W4	889.2 1.52		603.86534		(26.98000)	(0.90000)	(45.54000)		530.45	382.70 M3	\$203,003.22	CDN GST
3	IPL Throne PL030	CAL	IPL Throne Light TM805 ABBT7500967	14-14-039-10W4	880.0 1.54		603.86534		(25.76000)	(0.90000)	(41.30000)		535.91	704.60 M3	\$377,602.19	CDN GST
IPL Throne PL030 CAL														1,087.30 M3	\$580,605.41	CDN
6	Secure Big Valley TM832	CAL	ABBT0058629	15-35-021-07W4	978.8 3.58		603.86534		(26.24000)	(0.90000)	(117.87000)	0.00000	458.86	87.80 M3	\$40,287.91	CDN GST
Secure Big Valley TM832 CAL														87.80 M3	\$40,287.91	CDN
12	Secure Coronation TM991	CAL	ABBT0058629	15-35-021-07W4	978.8 3.58		603.86534		(27.14000)	(0.90000)	(117.87000)	(24.00000)	433.96	36.00 M3	\$15,622.56	CDN GST
8	Secure Coronation TM991	CAL	ABBT0114274	04-03-040-12W4	864.5 0.2		603.86534		(27.14000)	(0.90000)	(15.22000)		560.61	20.60 M3	\$11,548.57	CDN GST
9	Secure Coronation TM991	CAL	ABBT0118961A	16-28-038-10W4	894.0 0.22		603.86534		(27.14000)	(0.90000)	(29.95000)		545.88	16.90 M3	\$9,225.37	CDN GST
7	Secure Coronation TM991	CAL	ABBT0133818	05-27-040-13W4	930.0 2.5		603.86534		(27.14000)	(0.90000)	(79.05000)		496.78	14.80 M3	\$7,352.34	CDN GST
13	Secure Coronation TM991	CAL	ABBT0134411A	03-31-038-09W4	930.0 2.5		603.86534		(27.14000)	(0.90000)	(79.05000)		496.78	17.90 M3	\$8,892.36	CDN GST
Secure Coronation TM991 CAL														106.20 M3	\$52,641.20	CDN
Subtotal														1,935.60 M3	\$989,035.40	CDN
Tax															\$49,451.79	CDN
Net due to Cleo Energy Corp.															\$1,038,487.19	CDN

Payment is due on the 25th following the month of receipt/delivery of product;  
If the 25th is a Holiday or Saturday, payment is due on the previous CDN business day;  
If the 25th is a Sunday or Monday Holiday, payment is due on the next CDN business day.

Cleo Energy Corp.  
Account #: 122 204 1  
Royal Bank of Canada  
339- 8th Ave SW  
Calgary AB, Canada  
Bank #: 003 Transit #: 00009  
GST# 766250922 RT0001

To: Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

From: Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

Attn: Colton Lewis  
Email: chlewis@cleoenergy.com

Attn: Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2410-21714  
Rev: 0

Statement	Pipeline	Product	Connected	Contract	Comments	Subtotal	Tax
OT4202410-112728					Reversal of Early Pay Oct 24	\$415,000.00	CDN 5.0%
					Subtotal	\$415,000.00	CDN
					Tax	\$20,750.00	CDN
					Net due to Trafigura Canada Limited	\$435,750.00	CDN

25th day of the month following delivery/receipt of product





Final Invoice  
For the month of Oct 2024

Date: 11/21/2024  
Time: 11:57 PM  
Page: 4 of 7

To: Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

From: Trafigura Canada Limited  
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Attn: Colton Lewis  
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Attn: Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2410-21714  
Rev: 0

Statement	Pipeline	Product	Connected	Contract	Comments	Subtotal	Tax
OT4202410-113335					Interest charge on Oct 24 Early Pay	\$1,241.59	CDN 5.0%
					Subtotal	\$1,241.59	CDN
					Tax	\$62.08	CDN
					Net due to Trafigura Canada Limited	\$1,303.67	CDN

25th day of the month following delivery/receipt of product

To: Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

From: Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
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Attn: Colton Lewis  
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Attn: Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2410-21714  
Rev: 0

Statement	Pipeline	Product	Connected	Contract	Comments	Subtotal	Tax
OT4202410-113560					IPL BS&W charge 01-22-040-08W4 0.5 x 501.03	\$250.52	CDN 5.0%
					Subtotal	\$250.52	CDN
					Tax	\$12.53	CDN
					Net due to Trafigura Canada Limited	\$263.05	CDN

25th day of the month following delivery/receipt of product

**To:** Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

**From:** Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
Calgary, Alberta  
Canada, T2P 4H2

**Attn:** Colton Lewis  
Email: chlewis@cleoenergy.com

**Attn:** Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2410-21714  
Rev: 0

Statement	Pipeline	Product	Connected	Contract	Comments	Subtotal	Tax
OT4202410-113649					Collection of Secure Processing Fees	\$47,266.19	CDN 5.0%
					Subtotal	\$47,266.19	CDN
					Tax	\$2,363.31	CDN
					Net due to Trafigura Canada Limited	\$49,629.50	CDN

25th day of the month following delivery/receipt of product



Final Purchase Statement  
For the month of Oct 2024

Date: 11/21/2024  
Time: 11:57 PM  
Page: 7 of 7

To: Cleo Energy Corp.  
Suite 350, 300 - 5 Ave SW  
Calgary, AB  
Canada, T2P 3C4

From: Trafigura Canada Limited  
Suite 1700, 400-3rd Avenue SW  
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Canada, T2P 4H2

Attn: Colton Lewis  
Email: chlewis@cleoenergy.com

Attn: Invoicing Trafigura  
Phone: 4032940400  
Email: Canadian.Crude.Settlements@trafigura.com

Inv: 2410-21714  
Rev: 0

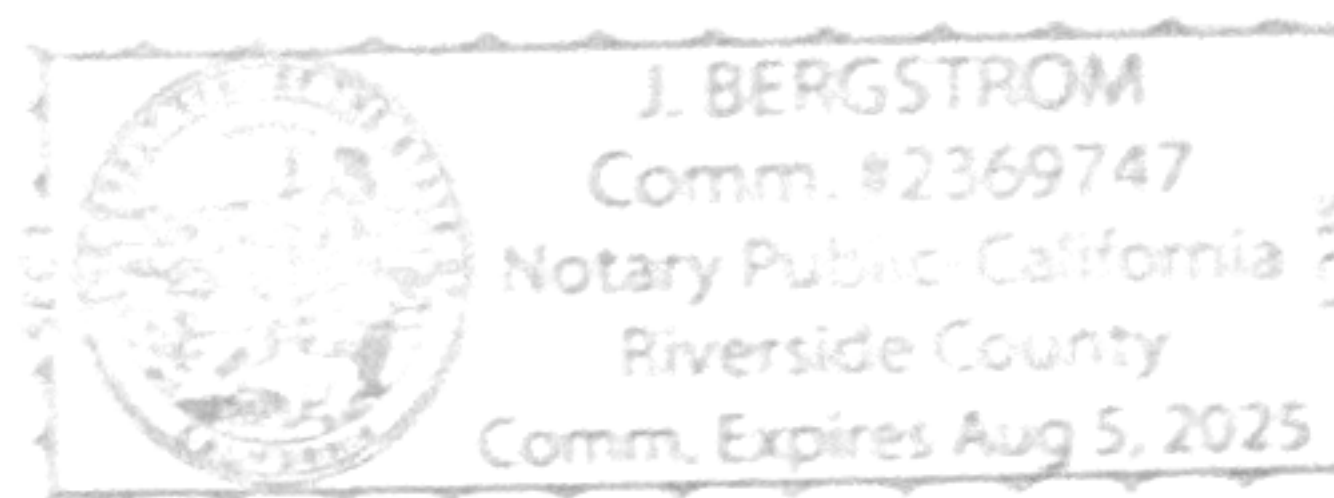
Statement	Pipeline	Product	Connected	Contract	Comments	Subtotal	Tax
OT4202410-115119					IPL tariff Incentive 14-14 Oct 24 \$10.00	\$7,235.00	CDN 5.0%
					Subtotal	\$7,235.00	CDN
					Tax	\$361.75	CDN
					Net due to Cleo Energy Corp.	\$7,596.75	CDN

25th day of the month following delivery/receipt of product

Exhibit "D" to the Affidavit of  
Chris Lewis  
Sworn/Affirmed before me this  
5<sup>th</sup> day of January, 2025



\_\_\_\_\_  
A Notary Public for the State of  
California



**Milne, Caitlin**

---

**From:** Craig Wilford <[Craig.Wilford@trafigura.com](mailto:Craig.Wilford@trafigura.com)>

**Sent:** October 25, 2024 8:37 AM

**To:** Janice Jones <[jjones@cleoenergy.com](mailto:jjones@cleoenergy.com)>

**Subject:** Pricing Fixed Breakdown

**[EXTERNAL EMAIL]** DO NOT CLICK links or attachments unless you recognize the sender and know the content is safe.

Happy Friday Janice

		<u>Sept WTI</u>	<u>Fixed WTI \$79.25</u>
	WTI US/bbl	69.37	79.25
	CAL Diff US/bbl	(4.73)	(4.73)
	Marketing Fee US/bbl	(0.95)	(0.95)
	Stream Price CAD/M3	543.02	627.26
	WADF	18.82	18.82
	Base Price	561.84	646.08
		<u>m3 Allocated</u>	
IPL Stettler	16-04-042-12W4	67.60	
IPL Throne	14-14-039-10W4	688.10	
IPL Throne	15-02-037-07W4	197.80	
		953.50	

Thanks,

**Craig WILFORD**  
**Manager, Producer Services**

Direct: (403) 294-6765

Mobile: (403) 471-8596

E-mail: [craig.wilford@trafigura.com](mailto:craig.wilford@trafigura.com)

**TRAFIGURA Canada Limited**

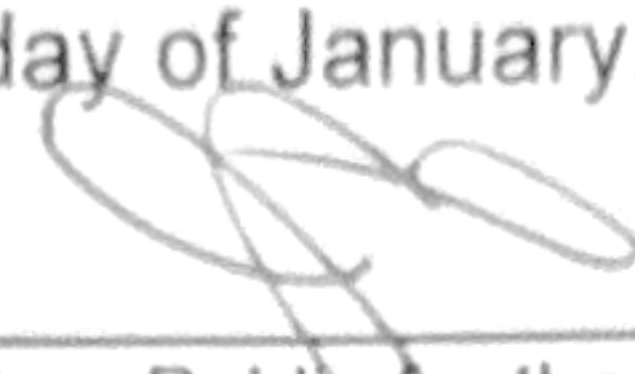
Branch Office Calgary  
1700 – 400 3<sup>rd</sup> Ave SW  
Calgary, AB, T2P 4H2  
Main: + 1 403 294 0400  
[www.trafigura.com](http://www.trafigura.com)

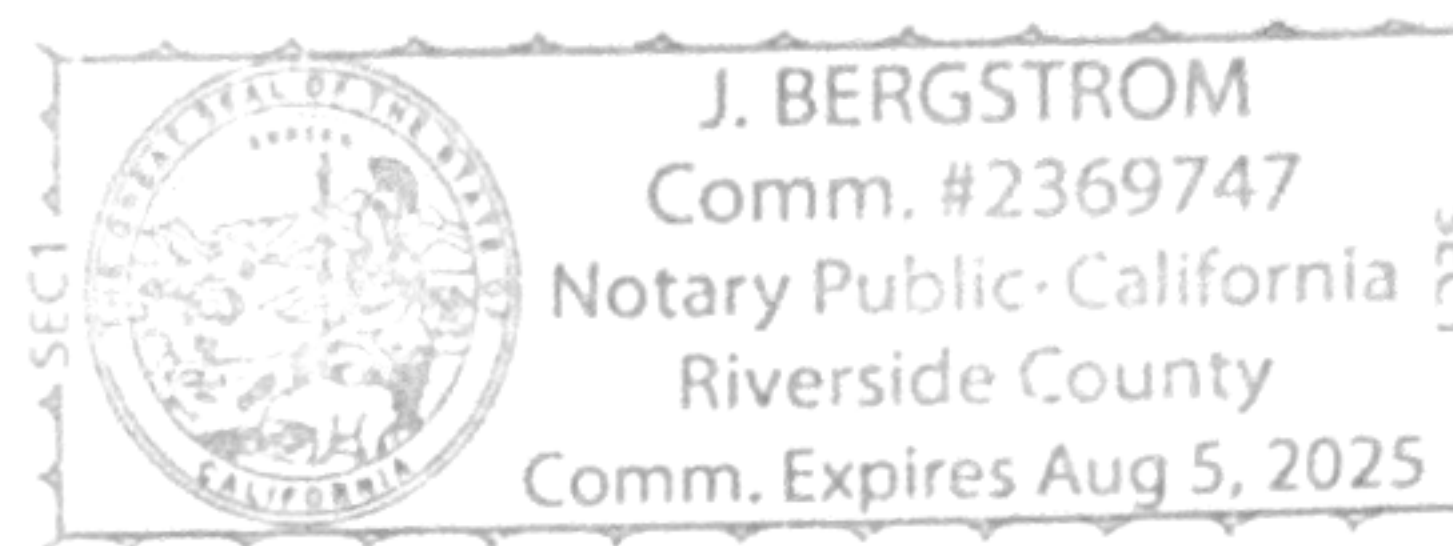


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Exhibit "E" to the Affidavit of  
Chris Lewis  
Sworn/Affirmed before me this  
5<sup>th</sup> day of January, 2025

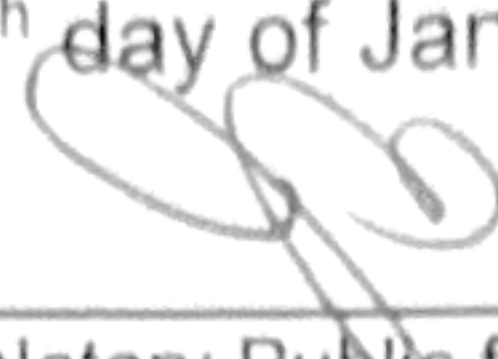
  
\_\_\_\_\_  
A Notary Public for the State of  
California

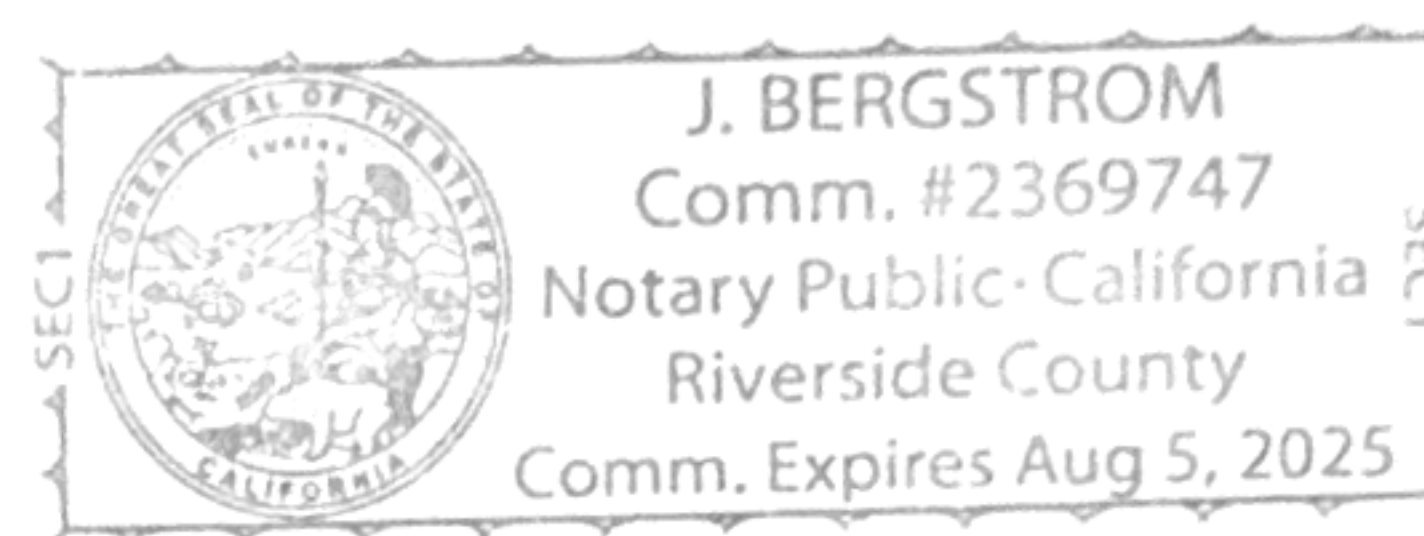




Period	Period Start	Period End	Period Days	Opening Balance	Drawdown	Principal Repayment Due	Principal Repayment Paid	Ending Balance	Margin	Credit Adjustm ent Spread	SOFR DATE (-2BD)	1M Term SOFR	Interest Rate	Interest (CAD)
0		1-Aug-24		-	1,000,000.00			1,000,000.00						
1	1-Aug-24	26-Aug-24	25	1,000,000.00				1,000,000.00	5.00000%	0.10%	30-Jul-24	5.34233%	10.442%	CAD 7,251.62
2	26-Aug-24	31-Aug-24	5	1,000,000.00				1,000,000.00	5.00000%	0.10%	30-Jul-24	5.34233%	10.442%	CAD 1,450.32
3	31-Aug-24	25-Sep-24	25	1,000,000.00		83,333.33	83,333.33	916,666.67	5.00000%	0.10%	29-Aug-24	5.20055%	10.301%	CAD 7,153.16
4	25-Sep-24	30-Sep-24	5	916,666.67			-	916,666.67	5.00000%	0.10%	29-Aug-24	5.20055%	10.301%	CAD 1,311.41
5	30-Sep-24	25-Oct-24	25	916,666.67		83,333.33	83,333.33	833,333.33	5.00000%	0.10%	26-Sep-24	4.84544%	9.945%	CAD 6,331.01
6	25-Oct-24	31-Oct-24	6	833,333.33				833,333.33	5.00000%	0.10%	26-Sep-24	4.84544%	9.945%	CAD 1,381.31
7	31-Oct-24	25-Nov-24	25	833,333.33		83,333.33	83,333.33	750,000.00	5.00000%	0.10%	29-Oct-24	4.68516%	9.785%	CAD 5,662.71

Exhibit "F" to the Affidavit of  
Chris Lewis  
Sworn/Affirmed before me this  
5<sup>th</sup> day of January, 2025

  
A Notary Public for the State of  
California



# **Court of King's Bench of Alberta**

**Citation: Cleo Energy Corp (Re), 2024 ABKB 773**



**Date:**  
**Docket: B301 163430**  
**Registry: Calgary**

**In the Matter of the Bankruptcy and Insolvency Act,  
RSC 1985, C.B-3, as amended**

**And in the Matter of the Notice of Intention  
to make a Proposal of Cleo Energy Corp.**

---

**Endorsement  
of the  
Honourable Justice M.H. Hollins**

---

[1] Cleo Energy Corp. is an oil and gas company operating in Alberta. It sells some of its products to Trafigura Canada Limited and Trafigura pays on the 24<sup>th</sup> day of each month for the gas products purchased in the month prior.

[2] In addition to this arrangement, which is governed by a Commercial Agreement, Trafigura also loaned \$1M USD to Cleo in August of 2024 (the Loan), as Cleo has been in financial and operational difficulties for most of this year.

[3] The Loan, governed by a Prepayment Agreement, provided that Cleo would make a installment repayment of principle every month (approximately \$91,000). It also gave Trafigura the right to set-off further amounts against its obligations to Cleo under the Commercial Agreement, which set-off amount is calculated based on the monthly production,

[4] The Loan matures on July 1, 2025. However, on December 8, 2024, Cleo filed and served a Notice of Intention to make a proposal under the *Bankruptcy and Insolvency Act*, RSC 1985, c.B-3 as amended (BIA). As a result, there is a stay of proceedings of any actions against Cleo for 30 days therefrom. The court application for an order extending that time is scheduled for January 6, 2025.

[5] In the meantime, however, Trafigura has advised Cleo that it intends to set-off the entire balance of the Loan (\$750,000) against its payment due to Cleo on December 24, 2024. Absent this set-off, that payment would be \$757,644.77 but with the set-off, Trafigura is proposing to pay \$35,965.78.

[6] Cleo takes the position that the statutory stay applies to Trafigura's right to set-off the balance of the outstanding Loan amount and therefore Trafigura's attempt to do so contravenes the BIA. Trafigura says that this is a pre-filing debt under the Prepayment Agreement and therefore its contractual rights to set-off are not affected by the stay.

[7] Both parties allege significant prejudice if their respective position is not upheld – Cleo because without this \$757,644.77 payment, it will cease operations before the January 6, 2025 court date and Trafigura because, if it pays the full December amount now, it is unlikely to recoup this money as an unsecured creditor in the ongoing proceedings.

[8] For the reasons that follow, I agree with Cleo that Trafigura is not at liberty to set-off the entire Loan balance against its December payment and that the \$757,644.77 payment is due immediately.

### **Analysis**

[9] Trafigura relies primarily on s.97(3) BIA:

#### **Law of set-off or compensation**

97(3) The law of set-off or compensation applies to all claims made against the estate of the bankrupt and also to all actions instituted by the trustee for the recovery of debts due to the bankrupt in the same manner and to the same extent as if the bankrupt were plaintiff or defendant, as the case may be, except in so far as any claim for set-off or compensation is affected by the provisions of this Act respecting frauds or fraudulent preferences.

[10] This is equally applicable to a proposal proceeding such as this; s.66(1) BIA.

[11] Thus, there is no question that Trafigura has a right of set-off but for how much? Trafigura argues that the whole amount of the outstanding balance can be set off either (1) because it is an existing debt, whether due now or later; or (2) because Cleo's pre-filing breaches of the Prepayment Agreement entitle Trafigura to accelerate the outstanding amount.

[12] Trafigura points to various sections of the Prepayment Agreement to make the point that the right of set-off was central to the entire repayment arrangement, which is clearly accurate (Recital B, ss.2.1 and 5.3 of the Prepayment Agreement). It says that a debt is a debt, whether owing now or in the future; *North American Tungsten Corp. Ltd*, 2015 BCSC 1382 at para.10. However, acknowledging the existence of a debt is different than saying that debt is owing.

[13] There is a 1998 Ontario case, *Re 728835 Ontario Ltd*, in which the Court reasoned that any existing debt, regardless of when it was payable, was eligible for set-off. The decision was upheld by the Ontario Court of Appeal; 1998 CarswellOnt 2576. To the extent that my decision is contrary to that jurisprudence, I rely on subsequent cases which have delved more deeply into the distinction of debts owing pre-filing versus post-filing.

[14] In fact, *728835 Ontario Ltd* was cited by two of my colleagues, once in *Schendel Mechanical Contracting Ltd. (Re)*, 2021 ABQB 893 and once in *FAST Industries Ltd v Sparta Engineering Inc*, 2017 ABQB 240 (affirming Master Smart at 2016 ABQB 215. Both of those

decisions centred on what was owing at the date of the bankruptcy or filing. Justice Topolniski put it thus:

Section 97(3) BIA preserves legal set-off and equitable set-off where two persons are both debtors and creditors of the other: Husky Oil Operations Ltd. v. Minister of National Revenue, 1995 CanLII 69, [1995] 3 S.C.R. 453 (S.C.C.). Indeed, as noted in that case at para 60:

...in the bankruptcy context, the law of set-off allows a debtor of a bankrupt who is also a creditor of the bankrupt to refrain from paying the full debt owing to the estate, since it may be that the estate will only fulfil a portion, if that, of the bankrupt's debt. Consequently, in this limited sense the party claiming set-off has Parliament's blessing for the "reordering" of his priority in bankruptcy by virtue of the operation of the law of set-off.

Because the effect of the set-off is to prefer one creditor over the general body of creditors, it is confined within narrow limits and the requirement of mutuality is rigorously enforced, *Bank of Credit & Commerce International S.A. (No. 8)*, *Re* (1995), [1996] 2 W.L.R. 631 (Eng. C.A.). Accordingly, s 69 of the BIA stays all proceedings against a bankrupt or a person who has filed a NOI including set-off of *pre-bankruptcy and pre-NOI debts against post-bankruptcy and NOI debts*: *Vachon v. Canada (Employment & Immigration Commission)*, [1985] 2 S.C.R. 417 (S.C.C.); *Sabey, Re*, [1996] B.C.J. No. 2820 (B.C. S.C.) at para 16; *Jones, Re* (2003), 66 O.R. (3d) 674 (Ont. C.A.) at para 14; *Cobourg Felt Hat Co., Re*, [1925] 2 D.L.R. 997 (Ont. S.C.); *728835 Ontario Ltd., Re* (1998), 3 C.B.R. (4th) 211 (Ont. Gen. Div. [Commercial List]), *aff'd* 728835 Ontario Ltd., *Re* (1998) [1998 CarswellOnt 2576 (Ont. C.A.)].

The longstanding policy reason for this limitation is that, notwithstanding s 97(3), the equitable rights of creditors cannot be undermined. As noted in *Cobourg Felt at* paras 9 -10, allowing set-off from a post NOI debt against a debtor's pre-NOI obligations is inconsistent with, and in effect, a fraud on the proposals contrary to equity and good conscience. In my view, the competing policy objective of fostering continued relationships between restructuring entities or persons and their trading partners is trumped by the need to protect the integrity of the bankruptcy system.

*FAST Industries Ltd v Sparta Engineering Inc*, 2017 ABQB 240 at paras.20-22

[15] Although Trafigura intimates that the maturity debt of the Loan is irrelevant for our purposes, it is not. While Cleo is meeting its obligations under the Prepayment Agreement, there is no contractual ability to accelerate the obligation in order to set off the balance against Trafigura's current obligations to Cleo. Without the ability to accelerate the amount owing, there can be no right to set-off an amount not yet due.

[16] Houlden & Morawetz, cited by Master Smart in *FAST Industries*, defines a debt existing at the time of filing as one capable of being enforced:

In order for legal set-off to apply, the debts must exist between the same parties and be capable of being ascertained with certainty at the relevant date:

Mutual debts are debts due from either party to the other for liquidated sums or money demands that can be ascertained with certainty at the date of bankruptcy. Each party must have the right to enforce its claim at the date of bankruptcy, and if one party cannot do so, there is no right of legal set off ...[emphasis added]

L.W. Houlden and Geoffrey B. Morawetz, *Houlden and Morawetz Bankruptcy and Insolvency Analysis*, WestlawNext Canada (Consulted on March 21, 2016) [Houlden] F§237 – Set-Off (1) – Generally Houlden, supra at F§237 – Set-Off (2) – Legal Set-Off

[17] In the alternative, Trafigura argues that Cleo was in breach of the Prepayment Agreement prior to filing its NOI on December 8, 2024 because it did not disclose the pending proceedings nor the material and adverse changes to its financial position that precipitated the BIA proceedings. Trafigura says that these pre-filing breaches entitle it to accelerate and set-off the remaining Loan balance.

[18] With respect, this argument cannot be accepted. To do so would undermine the entire mechanism and the objectives of the protections created under the BIA. Unless working with their secured creditors, debtors do not generally announce their intentions to file a NOI as that would obviate the statutory protections sought. Nor can I accept that there was an undisclosed material adverse change. Trafigura knew about Cleo's financial troubles – that is why it loaned the money in the first place. Like many creditors in insolvency proceedings, it did not call its loan prior to the NOI filing and cannot do so now.

## **Conclusion**

[19] I appreciate the perception of unfairness to Trafigura in having extended a loan to Cleo, substituting a right of set-off in place of actual security (likely not an option at that point) and now being foreclosed from that contractual right. However, that is akin to the perceived unfairness visited on all unsecured creditors whose rights are suspended for the statutory objectives of BIA-sponsored reorganization.

[20] Those objectives, as concerns Cleo, must in my view take precedence over the rights of one unsecured creditor, particularly where granting the relief sought by Trafigura would not only mean the end of the company but would prejudice the other creditors of Cleo, both in extinguishing the possibility of a proposal to all but also in paying one creditor in preference to the others.

[21] Cleo's application is granted and Trafigura's cross-application is dismissed. A filed copy, corrected for any typographical errors, will be provided to the parties as soon as possible. Costs

will be reserved and may be spoken to later if counsel cannot agree. The issue of ongoing monthly set-off, which was raised by both parties, is adjourned to the scheduled court appearance on January 6, 2025. The presiding Justice will be made aware of this Endorsement.

Heard on the 23<sup>rd</sup> day of December, 2024.

**Dated** at the City of Calgary, Alberta this 26<sup>th</sup> day of December, 2024.



---


**M.H. Hollins**  
**J.C.K.B.A.**

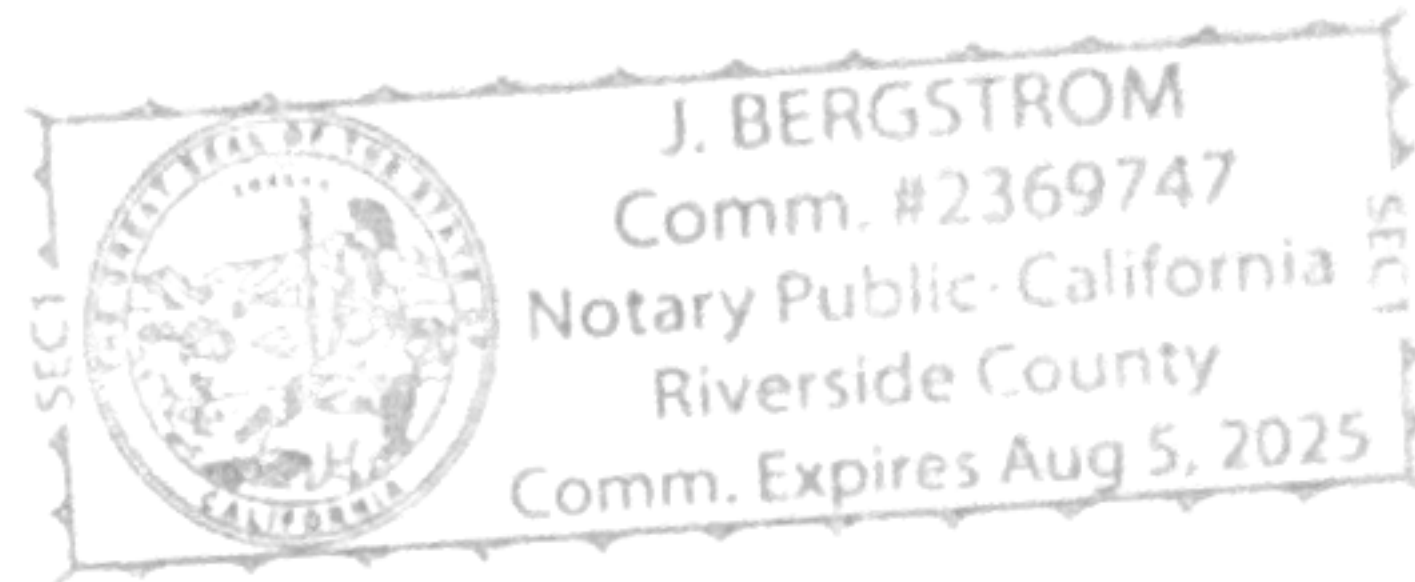
**Appearances:**

Tom Cuming and Sam Gabor  
for Cleo Energy Corp.

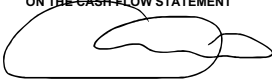

Karen Fellowes, KC and Archer Bell  
for Trafigura Canada Ltd.

Exhibit "G" to the Affidavit of  
Chris Lewis  
Sworn/Affirmed before me this  
5<sup>th</sup> day of January, 2025

  
A Notary Public for the State of California





Cleco Energy Corp.			Forecast														
13-Week Cash Flow Forecast ending April 4, 2025			Notes	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	13-week total
\$CAD 000's			week ended	10-Jan-25	17-Jan-25	24-Jan-25	31-Jan-25	7-Feb-25	14-Feb-25	21-Feb-25	28-Feb-25	7-Mar-25	14-Mar-25	21-Mar-25	28-Mar-25	4-Apr-25	Total
<b>Cash Receipts</b>																	
Sales (production settlement)	1		-	-	654,226	-	-	-	-	-	856,579	-	-	-	768,194	-	2,278,999
Other receipts	2		-	-	-	152,436	-	-	-	-	-	-	-	-	-	-	152,436
<b>Total cash receipts</b>			-	-	<b>654,226</b>	<b>152,436</b>	-	-	-	-	<b>856,579</b>	-	-	-	<b>768,194</b>	-	<b>2,431,435</b>
<b>Cash Disbursements</b>																	
Payroll and benefits	3		68,640	113,886	150	125,000	800	117,500	150	125,000	800	117,500	150	125,000	800	795,376	795,376
Operating and transportation	4		70,700	16,000	106,700	67,535	-	-	7,500	153,735	-	-	7,500	153,735	-	583,405	583,405
Mineral & Surface Leases	5		27,351	25,510	-	38,806	-	-	5,426	10,314	-	-	-	15,740	-	123,147	123,147
Utilities	6		125,000	-	125,000	-	-	125,000	-	125,000	-	125,000	-	125,000	-	750,000	750,000
Repairs and maintenance	7		24,500	-	-	-	-	-	-	-	-	-	-	-	-	-	24,500
Royalties	8		5,000	-	-	5,000	-	-	-	5,000	-	-	-	5,000	-	20,000	20,000
General and administrative	9		9,265	-	-	56,107	8,740	18,240	-	44,525	8,740	18,240	-	44,525	8,740	217,122	217,122
Professional fees	10		70,000	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	820,000
Interim Financing Facility Interest	11		-	-	-	17,260	-	-	-	20,712	-	-	-	-	-	25,890	63,863
Contingency	12		-	-	-	50,000	-	-	-	50,000	-	-	-	-	-	50,000	150,000
<b>Total cash disbursements</b>			<b>400,456</b>	<b>217,896</b>	<b>294,350</b>	<b>422,208</b>	<b>72,040</b>	<b>323,240</b>	<b>75,576</b>	<b>596,786</b>	<b>72,040</b>	<b>323,240</b>	<b>70,150</b>	<b>531,500</b>	<b>147,930</b>	<b>3,547,412</b>	<b>3,547,412</b>
<b>Net Cash Flow</b>			<b>(400,456)</b>	<b>(217,896)</b>	<b>359,876</b>	<b>(269,772)</b>	<b>(72,040)</b>	<b>(323,240)</b>	<b>(75,576)</b>	<b>259,793</b>	<b>(72,040)</b>	<b>(323,240)</b>	<b>(70,150)</b>	<b>236,694</b>	<b>(147,930)</b>	<b>(1,115,977)</b>	<b>(1,115,977)</b>
<b>Net Change in Cash</b>																	
Beginning of period			146,101	20,645	27,749	387,625	117,853	45,813	(27,427)	(103,003)	156,790	84,750	(238,490)	(308,640)	(71,946)	146,101	146,101
Net cash flow			(400,456)	(217,896)	359,876	(269,772)	(72,040)	(323,240)	(75,576)	259,793	(72,040)	(323,240)	(70,150)	236,694	(147,930)	(1,115,977)	(1,115,977)
Interim Financing	11		275,000	225,000	-	-	-	250,000	-	-	-	-	-	-	-	-	750,000
<b>Ending of period</b>			<b>20,645</b>	<b>27,749</b>	<b>387,625</b>	<b>117,853</b>	<b>45,813</b>	<b>(27,427)</b>	<b>(103,003)</b>	<b>156,790</b>	<b>84,750</b>	<b>(238,490)</b>	<b>(308,640)</b>	<b>(71,946)</b>	<b>(219,876)</b>	<b>(219,876)</b>	<b>(219,876)</b>
<b>Interim Financing Facility</b>																	
Beginning of period			-	275,000	500,000	500,000	500,000	500,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	-
Borrowing			275,000	225,000	-	-	-	250,000	-	-	-	-	-	-	-	-	750,000
Repayment			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Ending of period</b>			<b>275,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>
UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS ON THE CASH FLOW STATEMENT																	
																	
Chris Lewis			Orest Konowalchuk, CPA, CA , CIRP, LIT														
Director			Senior Vice President														
6-Jan-25			6-Jan-25														
Date			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 13-week  
period ending April 4, 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 8<sup>th</sup>, 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 January 4, 2025, to April 4, 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.

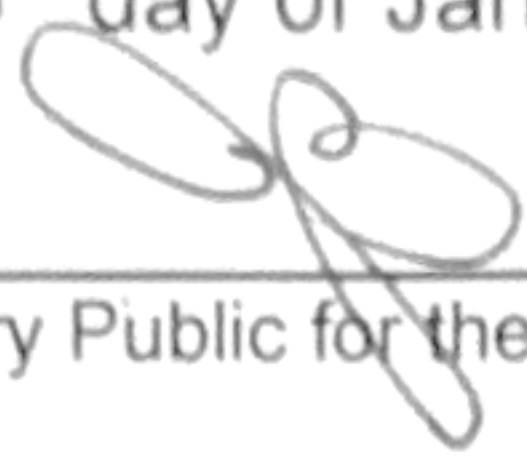
The projected cash flow statement is prepared in Canadian dollars.

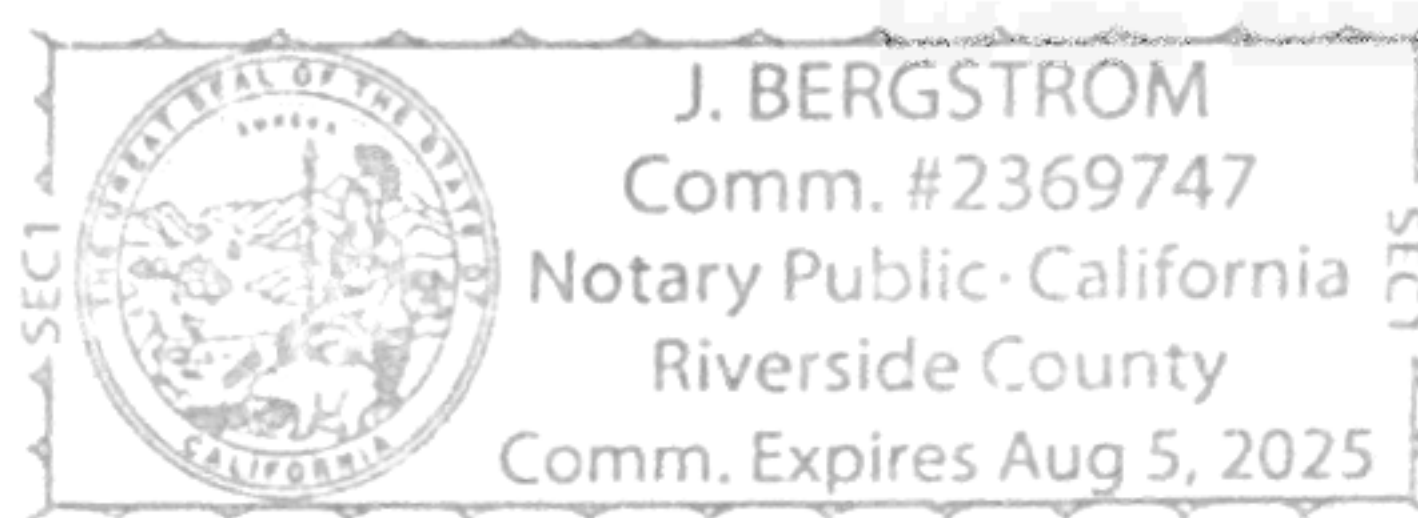
**Hypothetical and Probable Assumptions of the Cash Flow Statement**

1. Sales consist of forecast oil and gas receipts based on forecast production at strip pricing as of December 30, 2024. Proceeds from production are generally received on the 25<sup>th</sup> 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 Garnished Funds to be received from the Court of King’s Bench of Alberta (the “**Court**”).
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. 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. The vendor list was reviewed and analyzed with the assumption that some vendors may require COD payment terms.
5. Mineral and Surface Lease payments relate to Crown and Freehold lease payments required under existing arrangements.

6. Utilities consist of payments to TransAlta for the Company's monthly power consumption. The Company plans to make pre-payment installments of approximately \$125,000 to TransAlta in the middle of the month, with the remaining balance paid at the end of the month. The payment stipulated in the Cash Flow Period represents a deposit to open a post-filing account and is based on approximately 50% of historical monthly consumption.
7. Estimated repair costs related to damages from a break in at the Silver Heights location as well as to repair the Sedgewick and Shorncliffe locations to maintain production levels. The Company expects to be repaid these amounts by its insurance provider outside of the Cash Flow Period.
8. 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.
9. 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.
10. Professional fees include the fees and costs of counsel to Cleo, to the Proposal Trustee, and to the Proposal Trustee's counsel.
11. Advances from and interest on the Interim Financing Facility, with interest forecast to be paid monthly.
12. A contingency to account for unexpected expenses as they arise.

Exhibit "H" to the Affidavit of  
Chris Lewis  
Sworn/Affirmed before me this  
5<sup>th</sup> day of January, 2025

  
A Notary Public for the State of California



January 5, 2025

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

**RE: Debtor-in-Possession Financing**

Dear Chris,

Cleo Energy Corp. (the “**Borrower**”) has initiated restructuring proceedings under the *Bankruptcy and Insolvency Act* R.S.C., 1985, c. B-3 (the “**BIA**”). The Court of King’s Bench of Alberta (the “**Court**”) has jurisdiction over such proceedings. Further, Alvarez & Marsal Canada Inc. (“**A&M**”) has been appointed as Proposal Trustee in the BIA proceedings.

Based on the information provided by the Borrower, **uCapital - uLoan Solutions Inc.** (the “**Lender**”) is prepared to offer the Borrower, debtor-in-possession financing in the amount of up to \$750,000.00 (the “**DIP Loan**”) according to the terms and conditions set forth in this letter of offer (the “**Letter of Offer**”).

LOAN PURPOSE		FUNDING	
Financing of the day-to-day expenses and professional fees of the Borrower and A&M in accordance with the cash flow projection approved and recommended by A&M and filed with the Court in support of the request for DIP financing (the “ <b>Cash Flow Projection</b> ”), attached hereto as Schedule “A” (the “ <b>Project</b> ”), subject to the terms and conditions of this Letter of Offer.	\$750,000.00	DIP Loan to be disbursed in accordance with the Disbursement Procedure below.	\$750,000.00
	\$750,000.00		\$750,000.00

Neither the Project nor the terms and conditions of the DIP Loan may be changed without the prior written consent of the Lender. The amount of the DIP Loan may only be applied to this Project.

<b>Amount of Loan</b>	\$750,000.00
<b>Authorization Date</b>	January 5, 2025

<b>Term</b>	<p>The term of the DIP Loan shall be that period commencing on the date of issuance of the DIP Order (as hereinafter defined) and ending on the earliest of (such ending date, the "<b>Maturity Date</b>"):</p> <ul style="list-style-type: none"><li>(a) May 8<sup>th</sup>, 2025, or such other date as agreed to between the parties;</li><li>(b) the termination of the BIA proceedings; or</li><li>(c) the occurrence of an Event of Default (as hereinafter defined).</li></ul>
<b>Disbursement Procedure</b>	<p>The DIP Loan shall be disbursed as required and in accordance with the Cash Flow Projection, commencing within two-business days of the DIP Order being granted.</p> <p>In addition to the conditions precedent and underlying conditions set forth in this Letter of Offer, the Borrower agrees that each disbursement shall be conditional upon the fulfilment of each of the following conditions to the satisfaction of the Lender:</p> <ul style="list-style-type: none"><li>(a) the Borrower shall have given the Lender, in the form set out in Schedule "B" attached hereto, a draw notice signed by an officer of the Borrower confirming that the said disbursement falls within the Cash Flow Projection; and</li><li>(b) A&amp;M shall confirm that the disbursement requested in the draw notice is compliant with the terms and conditions of this Letter of Offer.</li></ul>
<b>Repayment</b>	<p>On the Maturity Date, the Borrower shall repay the entire outstanding principal amount of the DIP Loan in full, together with any accrued interest, fees and expenses without deduction or set-off.</p> <p>During the Term, the Borrower may repay any principal amount of the DIP Loan without penalty provided the minimum amount of any such repayment is no less than \$25,000.00. The amount of the DIP Loan shall automatically be reduced by the amount of such repayment and any repaid amount may not subsequently be reborrowed.</p>
<b>Interest</b>	<p>Interest is payable monthly, at a rate of 3% per month.</p>
<b>Payment of Interest</b>	<p>The Borrower shall pay the interest calculated monthly at the rate and in the manner set out in this Letter of Offer on the 26<sup>th</sup> day of each month or the following business day if the 26<sup>th</sup> falls on a non-business day in Alberta.</p>
<b>Fees</b>	<p>On payment in full of the DIP Loan, an additional \$50,000 fee will be earned and payable, in full.</p>

## Security

As a specific and continuous guarantee of the performance by the Borrower of all their obligations toward the Lender under this term sheet (including the payment of principal, interest, fees and any other sums), the Borrower agrees to grant the following security:

- (a) a Court authorized first-ranking, valid, enforceable financing charge with priority over all creditors of the Borrower, in an amount to match the anticipated draws required by the Borrower from the Lender from time to time as prescribed by the Cash Flow Projection, which shall not exceed \$900,000.00 (the **"DIP Charge"**) charging all the property, assets and undertakings of the Borrower granted pursuant to the DIP Order (as hereinafter defined) that includes standard debtor-in-possession terms and conditions satisfactory to the Lender acting reasonably, pursuant to section 50.6(1) of the BIA, as the case may be, subject only to an administration charge not to exceed \$700,000 (the **"Administration Charge"**)

(collectively, the **"DIP Lender Security"**)

## DIP Documentation

All documentation with respect to the DIP Loan, including the DIP Lender Security and DIP Order (as defined hereafter) (collectively, the **"DIP Loan Documentation"**) shall be in form and substance acceptable to the Lender.

## Conditions Precedent

Prior to any disbursement, the following conditions precedent will have been met in a manner satisfactory to the Lender at its sole discretion:

- (a) the Borrower is subject to restructuring proceedings under the BIA;
- (b) the Borrower has obtained an order made by the Court (the **"DIP Order"**) in form and content satisfactory to the Lender, which DIP Order shall include, among other things: (a) the approval of the DIP Loan and all the terms and conditions hereof; (b) authorizing the Borrower to borrow on the terms and conditions outlined in this Letter of Offer and approving same; (c) creating various court-ordered priority charges including (i) the granting of the DIP Charge in favour of the Lender as security over all present and future assets, property and undertaking of the Borrower notwithstanding the terms and conditions of any other agreement to which the Borrower is a party; (ii) the granting of the Administration Charge not to exceed \$700,000 without the approval of the Court; (d) prohibiting the granting of any additional liens, charges, security interests or any other encumbrances upon any of the assets, property or undertaking of the Borrower, without the prior written consent of the Lender; (e) granting the Lender the right, upon the Maturity Date, to enforce the rights and remedies available to it, upon five (5) days written notice to the Borrower and to A&M and their respective legal counsel, pursuant to the DIP Order, this Letter

of Offer, the DIP Lender Security, and any additional rights and remedies available to it, at law or in equity; (f) prohibiting any further borrowing by the Borrower, without the prior written consent of the Lender; (g) authorizing (but not obligating) the Lender to effect such registrations, filings and recordings wherever the Lender in its discretion deems appropriate regarding the DIP Loan Documentation including the DIP Lender Security and the DIP Charge; (h) declaring that the granting of the security by the Borrower provided for in the DIP Loan Documentation including the DIP Lender Security and the DIP Charge and the execution and delivery of all other documents and instruments contemplated herein, the payment of all amounts by the Borrower to the Lender, including any and all fees and interest, and the actions taken to perfect and record the DIP Lender Security do not constitute fraudulent preferences, fraudulent conveyances, transfers at undervalue, conduct meriting an oppression remedy, or other transactions which might be challenged or reviewed under applicable federal or provincial legislation; (i) declaring the DIP Order, and the DIP Charge granted thereunder, binding upon a trustee in bankruptcy of the Borrower, a proposal trustee, a monitor, a receiver, an interim-receiver, a receiver-manager or any other officer of the Court each a “**Receiver**”); (j) staying any other secured or unsecured creditor from exercising any rights against the Borrower and its property, without further order of the Court; and (m) such other terms and conditions as the Lender may reasonably deem necessary or appropriate;

- (c) the DIP Order shall be in full force and effect; final and non-appealable; and shall not have been reversed, stayed, modified, amended or varied, without the express written consent of the Lender; and no application or motion shall have been made to the Court for any stay, modification or amendment of the DIP Order;
- (d) no Event of Default (as hereinafter defined) shall have occurred;
- (e) the Lender has received A&M's report pursuant to subsection 50.4(2) of the BIA with respect to the Cash Flow Projection. The conclusions of A&M's report shall be satisfactory to the Lender;
- (f) the Cash Flow Projection shall have been reviewed by A&M, A&M shall have confirmed to the Lender that it is satisfied therewith, and the Lender shall be satisfied with the Cash Flow Projection and such confirmation, acting reasonably;
- (g) the Borrower's counsel shall provide a letter on its letterhead providing a description of the DIP Charge and the priority provided under the DIP Order, including as against the Canada Revenue Agency, the Alberta Energy Regulator and other potential creditors,



which letter shall be subject to such qualifications as the Borrower's counsel considers appropriate, acting reasonably; and

- (h) the board of directors of the Lender shall have by resolution approved this Letter of Offer.

### **Underlying Conditions**

During the Term of the DIP Loan, the following underlying conditions shall be met in a manner satisfactory to the Lender at its sole discretion:

- (a) the Borrower shall only use the DIP Loan for the purposes set out in this Letter of Offer, unless otherwise agreed to in writing by the Lender;
- (b) the Borrower shall comply with any order made by the Court;
- (c) the Borrower shall diligently continue its restructuring proceedings under the BIA;
- (d) the Borrower shall not pay any interest, dividends, salaries, remuneration, management fees or any other form of payments or distributions to the shareholders of the Borrower without the prior written consent of the Lender;
- (e) the Borrower shall comply with the financial projections set forth in the Cash Flow Projection;
- (f) the Borrower shall provide such documents or information to the Lender as the Lender shall reasonably request, which shall be provided within a reasonable time according to the circumstances;
- (g) the Borrower shall authorize A&M to disclose to the Lender any financial or other information of which it is aware;
- (h) the Borrower shall provide written notice of an occurrence (an "**Occurrence**") of a default under a material contract to which the Borrower is a party which is likely to have a material adverse effect or of an Event of Default (as defined below) together with any notice, letter or other document (a "**Default Notice**") received by the Borrower from a third party advising of an Occurrence, within three days of the date of the Occurrence or of receipt of the Default Notice;
- (i) the Borrower shall maintain the current insurance coverage over its assets and property and designate the Lender as loss payee as its interest may appear; and
- (j) the Borrower shall not sell, transfer, assign or deal in any way with any of its property, assets or undertaking out of the ordinary course of business, without the prior written consent of the Lender or an

order of the Court.

## **Events of Default**

In addition to the events of default set out in the DIP Lender Security, the following events shall constitute events of default (each, an “**Event of Default**”):

- (a) if the Borrower fails to pay to the Lender when due any amount of principal, interest, fees or other amounts under the DIP Loan, whether by acceleration or otherwise;
- (b) if the Borrower defaults in the observance or performance of any underlying condition or covenant contained in this Letter of Offer or the DIP Lender Security;
- (c) if the Borrower deviates materially from the Cash Flow Projection;
- (d) if the Lender determines, acting reasonably, that a material adverse change has occurred after the date hereof in respect of the business, affairs or financial condition of the Borrower;
- (e) if DIP Order is varied without the written consent of the Lender or any other order is made which is or may be prejudicial to the Lender's interests;
- (f) if the Borrower fails to pay, when due, any statutory liens, trusts and other Crown claims including employee source deductions, GST and any payments required by any work place safety legislation, wages, vacation pay and insurance premiums;
- (g) if the stay of proceedings granted to the Borrower pursuant to the restructuring proceedings under the BIA, as the case may be, is terminated; or
- (h) if any person challenges the enforceability of any of the rights of the Lender hereunder or pursuant to any of the DIP Lender Security and any such challenge has not been dismissed or determined by the Court within the BIA proceedings, as the case may be, within 15 days.

## **Remedies**

Upon the Maturity Date, the Lender may immediately terminate the DIP Loan and enforce, upon five (5) Business Days written notice to the Borrower and A&M, all of its rights and remedies against the Borrower and its property, assets and undertaking including, without limitation, the enforcement of the DIP Lender Security and the ability to apply to the Court for the appointment of a Receiver; and all amounts outstanding under the DIP Loan shall immediately become due and payable without further notice, demand or delay.

**Other Costs**

In addition, any and all costs, charges, and expenses (including, without limitation, lawyers' fees as between solicitor and his own client, on a full indemnity basis, as well as accounting, appraisal, environmental and consulting fees) incurred by the Lenders in connection with the restructuring proceedings, the DIP Loan, the DIP Loan Documentation, the DIP Lender Security, the DIP Order, the DIP Charge, the enforcement of any rights and remedies regarding the aforementioned and the restructuring of the Borrower including, are for the account of the Borrower.

**Governing Law**

This Letter of Offer as well as the interpretation and exercise of the recourses hereunder shall be subject to and governed by the laws of the Province of Alberta and the laws of Canada applicable therein.

**Further Assurances**

Upon notice from the Lender, the Borrower shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all reasonable assurances as the Lender may reasonably require to give effect to this Letter of Offer and the financing contemplated hereunder.

**Amendments**

This Letter of Offer may only be amended by a written agreement signed by the Lender and the Borrower.

**Counterparts**


This Letter of Offer may be signed in any number of counterparts and by facsimile or portable electronic document format, each of which when taken together shall constitute one and the same original document.

**Binding**

This Letter of Offer is a binding loan agreement subject to the terms and conditions herein.

Thank you for giving us the opportunity to discuss our ability to meet your financing requirements. We look forward to continuing to work with you.

Yours truly,

Signed by:  
  
AEDAD144AE06465...

**uCapital - uLoan Solutions Inc**  
**Greg Thompson**  
**Partner**

## ACCEPTANCE

To: uCapital - uLoan Solutions Inc.

Attention: Greg Thompson

We certify that all the information provided to the Lender is true, we accept the terms set forth herein and we acknowledge receipt of a copy of this Letter of Offer and the schedules forming part thereof.

Accepted on January 5, 2025.

**CLEO ENERGY CORP**

Per: 

Name:

Title:

Schedule "A"

**CASH FLOW PROJECTION**

Schedule "B"

**DRAW NOTICE**

To: uCapital - uLoan Solutions Inc.

Attention: Greg Thompson

**RE: Debtor-in-Possession Financing**

Dear Sir,

I refer you to the Letter of Offer of debtor-in-possession financing entered into on January 5, 2025 between Cleo Energy Corp as Borrower and uCapital - uLoan Solutions Inc., as DIP Lender. Capitalized terms which are used but not defined in this draw notice have the meaning given to them in the Letter of Offer.

We confirm our draw notice concerning a disbursement as follows:

Amount of disbursement: \$

Disbursement date:

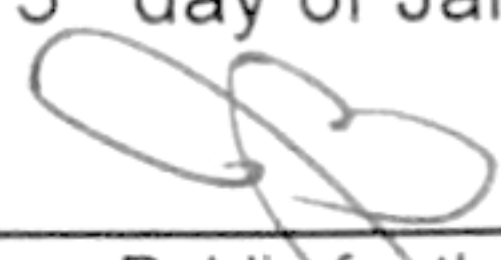
As of the date hereof, we confirm that the representations made or given in the DIP Loan are still true and accurate in all material respects, that the said disbursement falls within the Cash Flow Projection and that no Event of Default has occurred.

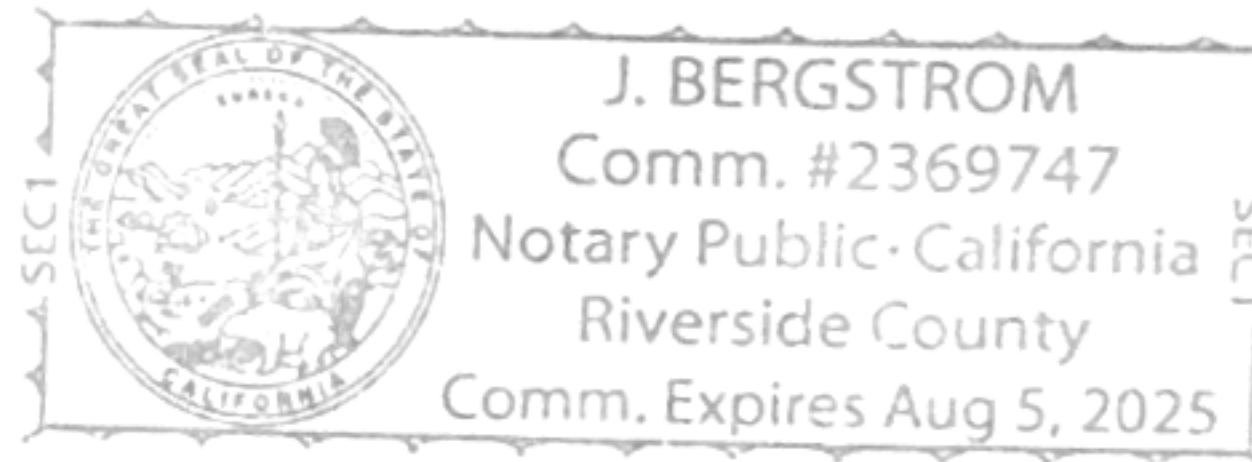
We also confirm the execution of the previous draw by each of the parties.

**CLEO ENERGY CORP.**

Per: \_\_\_\_\_  
Name:  
Title:

Exhibit "I" to the Affidavit of  
Chris Lewis  
Sworn/Affirmed before me this  
5<sup>th</sup> day of January, 2025

  
A Notary Public for the State of California





**Form 10**  
[Rule 3.25]

Clerk's stamp



COURT FILE NUMBER 2401-13128  
COURT COURT OF KING'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
PLAINTIFF BATTLE RIVER ENERGY LTD.  
DEFENDANT CLEO ENERGY CORP., CHRISTOPHER  
LEWIS, COLTON LEWIS, ANDREW  
SWEERTS, and KELLIE D'HONDT  
DOCUMENT **STATEMENT OF CLAIM**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT  
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**NOTICE TO DEFENDANT**

You are being sued. You are a defendant.

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

**Note: State below only facts and not evidence (Rule 13.6)**

**Statement of facts relied on:**

**The Parties**

1. The Plaintiff, Battle River Energy Ltd. ("**Battle River**"), is a corporation incorporated pursuant to the *Business Corporations Act*, RSA 2000, c B-9 (the "**BCA**") with a registered office sited in Calgary, Alberta.
2. The Defendant, Cleo Energy Corp. ("**Cleo**"), is a corporation incorporated pursuant to the *BCA*, with a registered office sited in Calgary, Alberta.

3. The Defendant, Christopher Lewis ("**Christopher**"), is an individual resident of the province of Alberta. At all material times, Christopher has served as a shareholder, director, and officer of Cleo.

4. The Defendant, Colton Lewis ("**Colton**"), is an individual resident of the province of Alberta. At all material times, Colton has served as a shareholder of Cleo. Colton served as an officer of Cleo between 2019 and January of 2024.

5. The Defendant, Andrew Sweerts ("**Sweerts**"), is an individual resident of the province of Alberta. Sweerts served as an officer of Cleo between November of 2019 and January of 2024.

6. The Defendant, Kellie D'Hondt ("**D'Hondt**" and, collectively with Christopher, Colton, and Sweerts, the "**Cleo Officers**"), is an individual resident of the province of Alberta. D'hondt has served as an officer of Cleo from January of 2024 through to the date of the commencement of these proceedings.

### **Background**

7. Cleo was incorporated in 2016. Following its incorporation, Cleo acquired interests in various oil and gas assets located in Alberta.

8. Battle River was incorporated in 2018. In 2018, Battle River acquired interests in various oil and gas assets located in Alberta.

9. The Cleo Officers have each served as officers of Cleo at various points between March of 2021 and the date of the commencement of these proceedings. Each of the Cleo Officers are experienced businesspersons in the oil and gas industry and, at all material times, each maintained a general familiarity with market-standard agreements regularly used by oil and gas industry participants in Alberta.

### The Oil and Gas Assets

10. Battle River and Cleo both maintain working interests in certain of the same oil and gas assets in Alberta. Assets relevant to these proceedings include:

- (a) A facility, sited on lands legally described as 14-14-39-10 W4M and 16-10-39 W4M, constructed for the purpose of gathering, separating, treating,

processing, and storing petroleum products (the "**Mont Lake Facility**" or the "**Facility**"); and

- (b) Certain oil wells sited on lands legally described as follows:

100/12-02-039-10W4/00  
100/14-02-039-10W4/00  
102/14-02-039-10W4/00  
100/09-10-039-10W4/00  
102/10-10-039-10W4/00  
100/13-10-039-10W4/00  
102/13-10-039-10W4/00  
100/15-10-039-10W4/00  
100/16-10-039-10W4/00  
100/06-11-039-10W4/00  
100/11-11-039-10W4/00  
100/14-11-039-10W4/00  
102/14-11-039-10W4/00  
100/14-14-039-10W4/00  
100/03-15-039-10W4/00  
103/01-23-039-10W4/00

(collectively, the "**Oil Wells**")

11. At all material times, all petroleum products produced from the Oil Wells ultimately flowed to the Mont Lake Facility. Upon being processed or stored at the Facility, petroleum products were, at various points, either taken-in kind by Battle River or sold by Cleo.

12. The relationship between Battle River and Cleo with respect to the Mont Lake Facility is governed by a written agreements – specifically, an Agreement for the Construction, Ownership and Operation of the Mont Lake Facility, dated December 1, 1990 (the "**Mont Lake COO**"). The terms and conditions of the Mont Lake COO are generally consistent with the terms used in similar agreements governing the use of jointly owned oil and gas facilities in Alberta.

13. Both Battle River and Cleo became parties to the Mont Lake COO effective at the times that they acquired their respective interests in the assets governed by those agreements.

14. The Mont Lake COO includes, without limitation, the following terms:

- (a) That the owners of the Mont Lake Facility would designate one owner to serve as an operator (the "**Operator**") of the Facility;
- (b) That the Operator of the Mont Lake Facility would maintain a joint account for the purpose of recording and allocating all proper costs and expenditures incurred by the Operator in connection with the Facility;
- (c) That the Operator would render accounts to owners of the Mont Lake Facility representing the individual owners' share of costs recorded in the joint accounts by the Operator;
- (d) That each of the owners of the Mont Lake Facility would have the right to take in kind their share of petroleum products delivered to the Facility (the "**TIK Rights**");
- (e) That, in the event that the owner did not take any of its production in kind, proceeds from any sale of such production facilitated by the Operator would be paid to the said owner;
- (f) That the Operator would maintain a lien (the "**Operator's Lien**") against the oil and gas production belonging to any owner in default on obligations to make payment of accounts properly rendered by the Operator to the owner;
- (g) That, in the event of the Operator realized upon an owner's production subject to the Operator's Lien, any surplus proceeds derived from a sale of petroleum products delivered to the Mont Lake Facility facilitated by the Operator, over and above the value of the owner's unpaid accounts, would be paid to the owner by the Operator; and
- (h) Any funds of any owner received or held by the Operator, including the proceeds from the sale of any owner's petroleum products by the Operator from the Mont Lake Facility, would be held in trust by the Operator for the benefit of the owner, notwithstanding the comingling of any such funds with funds belonging to the Operator (the "**Express Trust Clause**").

15. At all material times, Cleo served as the sole Operator of the Mont Lake Facility. As such, Cleo would render regular statements of account to Battle River respecting Battle River's share of costs claimed by Cleo as Operator of the Mont Lake Facility.

#### TIK Revocation and Disposition of Battle River's Production

16. From the date of its acquisition of the Wells up to March of 2021, Battle River exercised its TIK Right to take delivery of its petroleum products processed at the Facilities.

17. In or about February of 2021, Cleo notified Battle River that it intended to revoke Battle River's ability to revoke Battle River's TIK Rights with respect to the Mont Lake Facility. Cleo thereafter ceased to allow Battle River to take delivery of its share of petroleum products delivered to the Mont Lake Facility.

18. As of March 25, 2021, Battle River had not made payment towards the credit of several accounts rendered to Battle River by Cleo between 2019 and 2021 in the aggregate amount of \$262,246.04 (the "**2019-21 Costs**") for costs Cleo claimed it was entitled to recover from Battle River. For greater certainty, Battle River does not admit the legitimacy of such costs or accuracy of such accounts.

19. From the period between March 25, 2021, to May 1, 2024, Cleo, as Operator, maintained control over and dealt with petroleum products produced by Battle River from the Oil Wells that had been processed at, or otherwise delivered to, the Mont Lake Facility. As such, Cleo sold Battle River's share of petroleum products upon acquiring control of such products upon their delivery to the Facility in its capacity as the Operator.

#### Cleo's Refusal to Turn Over Trust Funds

20. Cleo's retention of the net proceeds derived from Cleo's sale of Battle River's petroleum products produced at the Oil Wells for the period between March 25, 2021, and June of 2022 were sufficient to retire any amount claimable by Cleo against Battle River in respect of the 2019-21 Costs.

21. Between June of 2022 and May of 2024, Cleo, acting in its capacity as Operator of the Mont Lake Facility, sold petroleum products produced by Battle River at the Oil Wells for proceeds (net of any and all Battle River's share of applicable costs relating to the Facility



incurred by Cleo as Operator) in the aggregate amount of \$508,626.54 (the "**BR Trust Funds**").

22. On May 3, 2024, Battle River, by way of its solicitors, issued a demand to Cleo to turn over funds held in trust by Cleo for the benefit of Battle River in accordance with the Express Trust Clause.

23. On June 10, 2024, solicitors for Cleo advised solicitors for Battle River that Cleo would not turn over any funds held in trust by Cleo for the benefit of Battle River. Cleo has neglected or refused to turn over any of the BR Trust Funds to Battle River following Battle River's May 3, 2024, demand.

24. At all material times, Cleo and the Cleo Officers were aware of the fact that Cleo served as a trustee to Battle River pursuant to the Express Trust Clause.

25. Battle River states that Cleo continues to hold the BR Trust Funds for the benefit of Battle River.

26. Alternatively, in the event that Cleo does not continue to hold the BR Trust Funds, Cleo has dissipated, misappropriated, or otherwise misallocated all or a portion of the BR Trust Funds for Cleo's own benefit on dates and in amounts known to Cleo but not known to Battle River (the "**Trust Misappropriations**"). Battle River states that the Cleo Officers each had actual knowledge, either subjectively or as a result of their own wilful blindness or recklessness, of the Trust Misappropriations.

### **Battle River's Claims Against Cleo**

#### Claims in Contract

27. Battle River states that Cleo's contractual entitlement to rely upon the Operator's Lien to allocate surplus net revenues derived from petroleum products produced from the Oil Wells extended only to the value of the 2019-21 Costs. Accordingly, Battle River states that, pursuant to the terms of the Mont Lake COO, as the case may be, Cleo was contractually obligated to remit to Battle River its share of proceeds from the sale of petroleum products produced from the Oil Wells upon Battle River's demand for the same.

28. Cleo breached the terms of the Mont Lake COO by neglecting or refusing to turn over the BR Trust Funds to Battle River upon Battle River's demand for the same. Battle River, therefore, states that the value of the BR Trust Funds represent a claim for liquidated damages against Cleo and that Battle River is entitled to judgment against Cleo for the full value of the BR Trust Funds.

#### Breach of Trust

29. Battle River states that, pursuant to the Express Trust Clause and other provisions of the Mont Lake COO, Cleo served at all material times as the trustee of a trust pursuant to which Battle River was both the settlor and beneficiary. Battle River states that, with respect to the said trust, there is:

- (a) certainty of intention, due to, without limitation, to the fact Cleo and Battle River intended to create a trust by agreeing to be bound to the Mont Lake COO;
- (b) certainty of subject-matter due to, without limitation, the fact that the Express Trust Clause clearly provides that the petroleum products of Battle River, or proceeds derived from the sale thereof, constitute trust property; and
- (c) certainty of object due to, without limitation, the fact that Battle River is clearly designated as the beneficiary of the said trust pursuant to the terms of the Express Trust Clause.

30. Battle River, therefore, pleads and relies upon section 11 of the *Judicature Act*, RSA 1980, c J-1, (the "**JA**") and states that it is entitled to a declaration that: it is the beneficiary of a trust created by the Mont Lake COO of which Cleo is the trustee.

31. Battle River states that, in its capacity as the beneficiary of a trust administered by Cleo as a trustee, it is entitled to an accounting.

32. Battle River states that, by neglecting or refusing to turn over the BR Trust Funds, or by engaging in the Trust Misappropriations for Cleo's own benefit, Cleo has fraudulently or dishonestly breached its duties owing to Battle River as a beneficiary of an express trust. Battle River, therefore, states that is entitled to the greater of:

- (a) Damages for the full value of the BR Trust Funds; or

- (b) Disgorgement of any gains resulting from Cleo's retention of the BR Trust Funds or the Trust Misappropriations.

#### Conversion

33. In addition to, or in the alternative of, Battle River's claims in contract and for breach of trust, Battle River states, at all material times, it maintained a beneficial interest in the BR Trust Funds. Battle River states that, by retaining the BR Trust Funds or by engaging in the Trust Misappropriations, Cleo has wrongfully interfered with funds in which Battle River maintains a proprietary interest and, therefore, is liable to Battle River for the tort of conversion. Battle River, therefore, claims an entitlement to damages arising from the tort of conversion quantified at the full value of the BR Trust Funds.

#### Unjust Enrichment

34. In addition to, or in the further alternative of, its claims in contract, tort, and for breach of trust, Battle River states Cleo's retention of the BR Trust Funds or completion of the Trust Misappropriations constitute a monetary benefit conferred upon Cleo to Battle River's detriment absent a juristic reason. Battle River, therefore, pleads and relies upon the doctrine of unjust enrichment and claims an entitlement to restitution quantified at the full value of the BR Trust Funds.

#### **Battle River's Claims the Cleo Officers**

##### Knowing Assistance in Breach of Trust

35. Battle River states that, at all material times, Cleo served as the trustee of a trust of which Battle River was a beneficiary by operation of the Mont Lake COO.

36. Battle River reiterates paragraph 27 above and states that, in the event that Cleo engaged in the Trust Misappropriations, the commission of such acts constituted fraudulent or dishonest breaches of trust on behalf of Cleo.

37. Battle River states that, during the period in which they were officers of Cleo, each of the Cleo Officers had actual knowledge, derived through subjective knowledge, recklessness, or wilful blindness, of Cleo's breaches of trust by way of the Trust Misappropriations.



38. Battle River further states that each of the Cleo Officers were responsible for managing Cleo's financial affairs during their respective periods of officership. Accordingly, the Cleo Officers each participated in or otherwise assisted Cleo in its commission of breaches of trust obligations owed to Battle River.

39. Battle River, therefore, states that each of the Cleo Officers are personally liable to Battle River for the tort of knowing assistance in breach of trust. Battle River states that it is entitled to recover damages arising from the tort of knowing assistance in breach of trust from each of the Cleo Officers, on a joint and several basis with each other and with Cleo, in an amount to be determined at trial corresponding to the aggregate value of the Trust Misappropriations occurring during the period in which each of the Cleo Officers served as officers of Cleo.

#### Oppression

40. Battle River is, and has been at all material times, a creditor of Cleo within the meaning of section 242(2) of the *BCA*. Battle River is, therefore, a "complainant" within the meaning of section 242(1) of the *BCA*.

41. In its capacity as a creditor of Cleo and a beneficiary of a trust administered by Cleo, Battle River maintained the reasonable expectation that the Cleo Officers would not cause Cleo to misappropriate or refuse to turn over trust property in which Battle River maintained a beneficial interest.

42. By causing Cleo to commit breaches of trust, the Cleo Officers unfairly prejudiced and unfairly disregarded the interests of Battle River in a manner that is oppressive within the meaning of section 242(2) of the *BCA*.

43. In addition to its separate claims against Cleo, Battle River, therefore, pleads and relies upon section 242(3) of the *BCA* and claims that it is entitled to:

- (a) an order requiring Cleo to turn over the BR Trust Funds, or any portion thereof, to Battle River; and
- (b) an order requiring the Cleo Officers, jointly and severally, to provide monetary compensation to Battle River for the full value of any Trust Misappropriations occurring while the Cleo Officers served as officers of Cleo.

### **Battle River's Entitlement to Punitive Damages and Solicitor-Client Costs**

44. Battle River states that the actions of Cleo and the Cleo Officers as outlined herein are malicious, high-handed, repugnant, representative of a marked departure from the ordinary standards of decent behavior, and are deserving of sanction by this Honourable Court. Battle River, therefore, claims an entitlement to punitive damages in the amount of not less than \$50,000.00 from Cleo and the Cleo Officers, jointly and severally.

45. Battle River further states that Cleo's pre-pleadings gross misconduct in engaging in dishonest and fraudulent breaches of trust entitles Battle River to recover its costs in these proceedings on a full-indemnity, solicitor and own client basis.

### **Trial of the Action**

46. Battle proposes that the trial of this action be held at the Calgary Court Centre in Calgary Alberta. It is not presently anticipated that the trial of this action will exceed 25 days of trial time.

### **Remedy sought:**

47. Battle claims an entitlement to the following relief as against Cleo:
- (a) A declaration that Cleo serves as the trustee of a trust of which Battle River is a beneficiary arising pursuant to the Mont Lake COO;
  - (b) Judgment or, alternatively, damages in the amount of \$508,626.54;
  - (c) In the alternative, disgorgement of any gains realized by Cleo resulting from Cleo's retention of the BR Trust Funds or the Trust Misappropriations;
  - (d) In the further alternative, restitution in the amount of \$508,626.54;
  - (e) An Order pursuant to section 242(3) of the *BCA* requiring Cleo to turn over to turn over the BR Trust Funds, or any portion thereof, to Battle River;
  - (f) Interest on all amounts awarded calculated in accordance with the *Judgment Interest Act*, RSA 2000, c.J-1 (the "*JIA*");
  - (g) Costs of this action on a solicitor and own client, full-indemnity basis; and

- (h) Such further and other relief as Counsel may advise or that this Honourable Court deems just and appropriate.

48. Battle River claims an entitlement to the following relief as against the Cleo Officers, jointly and severally as amongst each other and as between the Cleo Officers and Cleo:

- (a) Damages, in amounts to be proven at trial, for the value of Trust Misappropriations occurring while each individual Cleo Officer served as an officer of Cleo;
- (b) An Order pursuant to section 242(3) of the *BCA* requiring the Cleo Officers to provide monetary compensation to Battle River for the full value of any Trust Misappropriations occurring while the Cleo Officers served as officers of Cleo;
- (c) Interest on all amounts awarded calculated in accordance with the *JIA*;
- (d) Costs of this action on a solicitor and own client, full-indemnity basis; and
- (e) Punitive damages in the amount of \$50,000.00, or such other amount to be determined at trial; and
- (f) Such further and other relief as Counsel may advise or that this Honourable Court deems just and appropriate.

**NOTICE TO THE DEFENDANT(S)**

You only have a short time to do something to defend yourself against this claim:

20 days if you are served in Alberta

1 month if you are served outside Alberta but in Canada

2 months if you are served outside Canada.

You can respond by filing a statement of defence or a demand for notice in the office of the clerk of the Court of King's Bench at Calgary, Alberta, AND serving your statement of defence or a demand for notice on the Plaintiff's address for service.

**WARNING**

If you do not file and serve a statement of defence or a demand for notice within your time period, you risk losing the law suit automatically. If you do not file, or do not serve, or are late in doing either of these things, a court may give a judgment to the plaintiff(s) against you.