

Clerk's Stamp

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 **Gowling WLG (Canada) LLP**  
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CONTACT Calgary, AB T2P 4K9

INFORMATION OF Attn: **Sam Gabor / Tom Cumming**  
PARTY FILING THIS Phone: 403.298.1946/403.298.1938  
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File No.: G10010664

**AFFIDAVIT OF CHRIS LEWIS**  
**Sworn April 22, 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. In preparing this Affidavit, I consulted with Cleo’s management and its legal, financial and other advisors. I also reviewed Cleo’s business records relevant to these proceedings and have satisfied myself that I am possessed of sufficient information and knowledge to swear this Affidavit.
4. All references to dollar amounts contained herein are to Canadian dollars unless otherwise stated.

## Relief Requested

5. This Affidavit is sworn in support of an Application by Cleo in its proceedings under Division I of Part III of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**” and such proceedings, the “**Proposal Proceedings**”) seeking the following Orders:
  - (a) an Order extending the period within which Cleo is required under section 50.4(8) of the *BIA* to file a proposal, currently ending May 9, 2025, by an additional 30 days to end on June 8, 2025 (such period, as extended from time to time under section 50.4(9) of the *BIA*, being the “**Filing Period**”);
  - (b) an Order (the “**Sealing Order**”) sealing the confidential appendix (the “**Confidential Appendix**”) to the fifth report of Alvarez & Marsal Canada Inc. (“**A&M**”) in its capacity as proposal trustee of Cleo (in such capacity, the “**Proposal Trustee**”, and such report, the “**Fifth Report**”); and
  - (c) such other relief as this Honourable Court deems appropriate.

## Proposal Proceedings

6. Cleo is a privately owned Alberta corporation that was incorporated in 2016. Cleo carries on business as a producer of oil and natural gas and holds operated and non-operated working interests, wells, facilities and pipelines in the Alliance, Atlee, Enchant/Taber, Fabyan, Hayter, Kessler, Neutral Hills, Sedgewick, Shorncliffe and Silver Heights areas of Alberta. Cleo’s head office is located at 200 – 117 8<sup>th</sup> Avenue SW, Calgary, Alberta T2P 1B4 and its field office is located in Shorncliffe, Alberta.
7. Throughout 2024, Cleo’s production of oil and natural gas suffered severe reductions because of shut-ins arising from a variety of causes, including deferred repair and maintenance of its main producing wells, verbal directives of the Alberta Energy Regulator (the “**AER**”) responding to complaints about flaring from gas wells, thefts and vandalism of equipment at its largest oil and gas field, and low natural gas prices.
8. As a result of these production issues, Cleo experienced a severe decline in revenue and working capital and was unable to make regular payments to its trade creditors and secured lenders. The directors and management of Cleo determined that to address its financial difficulties, Cleo required

protection from its creditors under Division I of Part III of the *BIA*. On December 8, 2024, Cleo filed a notice of intention to make a proposal and A&M was named as Proposal Trustee.

9. The initial 30-day time period within which a proposal was required to be filed under section 50.4(8) of the *BIA* ended on January 7, 2025. The initial period was extended by the following Orders:
  - (a) the Order of the Honourable Justice Lema pronounced on January 6, 2025 (the “**January 6 Order**”), extending the time period to February 21, 2025;
  - (b) the Order of the Honourable Justice Lema pronounced on February 19, 2025 (the “**February 19 Order**”), extending the time period to April 4, 2025; and
  - (c) the Order of the Honourable Justice Bourque pronounced on April 1, 2025 (the “**April 1 Order**”), extending the time period to May 9, 2025.
10. Under the January 6 Order, the Court also:
  - (a) created an administration charge against the undertaking, property and assets of Cleo (the “**Properties**”) in favour of the Proposal Trustee and its counsel and Cleo’s counsel to secure the payment of their respective professional fees and disbursements in an amount not to exceed \$700,000 (the “**Administration Charge**”);
  - (b) created a charge against the Properties to secure Cleo’s obligation to indemnify its director and officer for obligations and liabilities incurred after the commencement of the Proposal Proceedings in an amount not to exceed \$250,000 (the “**D&O Charge**”);
  - (c) approved an interim financing facility (the “**Interim Facility**”) provided by uCapital – uLoan Solutions Inc. (“**uCapital**”) pursuant to a commitment letter dated January 5, 2025 and created a charge against the Properties to secure Cleo’s obligations to pay such facility in the maximum amount of \$900,000 (the “**Interim Lender Charge**”); and
  - (d) declared that the Administration Charge, the D&O Charge and the Interim Lender Charge rank in priority to any other security interest, trust, lien charge, deemed trust, encumbrance or claim, statutory or otherwise, including liens and trusts created by federal and provincial legislation, and as between each other, the Administration Charge ranks first in priority, the Interim Lender Charge ranks second in priority and the D&O Charge ranks third in priority.

11. The February 19 Order amended the January 6 Order to approve the increase in the principal amount of the Interim Facility to \$1,000,000 and the increase the maximum principal amount secured by of the Interim Lender Charge to \$1,000,000, together with any interest accrued thereon or costs and expenses incurred thereunder.
12. The April 1 Order approved three separate assets sales of certain of Cleo's assets for the primary purpose of funding professional fees in accordance with Cleo's 13-week cash flow forecast in order for Cleo to be able to complete its Proposal Proceedings, and thereafter to repay creditors of Cleo in accordance with their respective priorities.

### **Marketing of the Properties under the SSP**

13. Cleo in consultation with the Proposal Trustee and their respective professional advisors concluded that the most value maximizing strategy for Cleo and its stakeholders during the Proposal Proceedings was to carry out a sale and investment solicitation process in order to sell its business and Properties, either as a going concern or in parcels, or to recapitalize and restore the solvency of Cleo. Cleo and the Proposal Trustee therefore prepared a sale and solicitation process that provided for the marketing of the business and Properties of Cleo and the manner in which bids to purchase Properties or invest in Cleo are to be made and assessed (the "**SSP**").
14. Pursuant to an Order of the Honourable Justice J.T. Nielson pronounced January 22, 2025 (the "**Sale Process Order**"), the Court approved the SSP and Cleo's engagement of Sayer Energy Advisors as a financial advisor and sale agent (the "**Sale Agent**"). Specific details regarding the steps taken by Cleo and the Sale Agent in the SSP up to March 17, 2025 are set out in my Affidavit sworn March 17, 2025 (the "**March 17 Affidavit**").
15. Between March 7, 2025 and March 14, 2025, the Sale Agent, Cleo and the Proposal Trustee negotiated three separate transactions with IHH Energy Corp. ("**IHH**"), Nuova Strada Ventures Ltd. ("**Nuova Strada**") and Surge Energy Inc. ("**Surge**") and thereafter received court approval of those transactions pursuant to the April 1 Order. Cleo has since closed those transactions and the Proposal Trustee has provided its closing certificates to those respective purchasers.
16. Prior to the April 1 Order, the Proposal Trustee sent an email to the remaining Qualified Bidders extending the Binding Bid Submission Date to March 27, 2025. Cleo and the Sale Agent have since received several offers from Qualified Bidders and are negotiating with Qualified Bidders. Cleo requires an extension of time until June 8, 2025 in order to negotiate one or more binding

transactions, obtain court approval and close one or more transactions prior to that date. I am advised by Cleo's counsel, Sam Gabor of Gowling WLG (Canada) LLP, that the six (6) month time period for Cleo to file a proposal to its creditors ends on June 8, 2025, and thereafter on June 9, 2025 Cleo shall be deemed bankrupt under the *BIA*.

17. Cleo further requires the extension of time to discuss and further work through the SSP with the AER, with whom Cleo and the Proposal Trustee are having ongoing discussions regarding its remaining assets and abandonment and reclamation liabilities.

#### **Extension of Time to File a Proposal**

18. The Filing Period currently ends on May 9, 2025. Cleo is seeking an extension of the Filing Period from this Honourable Court to June 8, 2025.
19. Since April 1, 2025, when Cleo was last before this Honourable Court, Cleo has worked diligently and in good faith to advance these Proposal Proceedings and to comply with the various requirements under the *BIA*. These steps have included, among other things:
  - (a) working with the Sale Agent and the Proposal Trustee to advance the SSP including addressing questions of Bidders and providing information for the Data Room and to the Sale Agent and Bidders;
  - (b) providing the Proposal Trustee with continuing access to its books and records;
  - (c) working with the Proposal Trustee on the preparation of the Revised Cash Flow Projections (as defined below);
  - (d) communicating with creditors and other stakeholders regarding the Proposal Proceedings;
  - (e) closing the transactions with IIH, Nuova Strada and Surge;
  - (f) communicating with the AER regarding the status of its licensed Properties, its operations, the Proposal Proceedings and the SSP;
  - (g) communicating with customers regarding the Proposal Proceedings;
  - (h) through counsel, working with Transalta regarding revised prepayment arrangements for power;
  - (i) continuing to review its operating expenses, pursue the collection of accounts receivable and take other steps to ensure Cleo remains financially viable during these Proposal Proceedings; and
  - (j) preparing this Application.

20. Cleo has continued its repair and maintenance program which, as of April 21, 2025, has increased its production increases as follows:

<b>January 1, 2025 production (BOE/d)</b>	<b>Current production (BOE/d)</b>
228	658

21. As at March 15, 2025, Cleo started restoring its gas production at the Fabyan North field, which had been shut in since October 2024 as a result of low natural gas prices. This will result in production of approximately 2200 mcf daily plus associated condensate should generate additional monthly sales revenues of approximately \$100,000.
22. The increases in actual and projected revenues as a result of Cleo's repair and maintenance program has been as follows:
- (a) as of January 25, 2025, Cleo's December 2024 revenue was approximately \$615,000;
  - (b) as of February 25, 2025, Cleo's January 2025 revenue was \$783,217 for the January 2025 production;
  - (c) as of March 25, 2025, Cleo's February 2025 revenue was \$715,484 for February 2025 production; and
  - (d) as of April, 25, 2025, Cleo's March 2025 revenue is projected to be approximately \$790,000 for March 2025 production.
23. The extension of the Filing Period will allow Cleo to, among other things:
- (a) maintain its repair and maintenance program and continue to stabilize its daily production of oil, natural gas liquids and natural gas, while maintaining the required cash flows to facilitate adequate operational compliance
  - (b) continue working with the Sale Agent and Proposal Trustee in the marketing of its Properties and advancing the SSP;
  - (c) complete one or more transactions with Qualified Bidders; and
  - (d) enter into additional APA's with Successful Bidders.

24. Cleo's creditors will not be prejudiced by the extension of the Filing Period to June 8, 2025. Rather, the proposed extension is critical to allowing Cleo to complete the SSP, maximize the proceeds of sale of its Properties, and generate additional revenues, all to the benefit of Cleo's creditors and other stakeholders.
25. Attached hereto and marked as **Exhibit "A"** is a copy of Cleo's revised cash flow projections prepared by Cleo with the assistance of the Proposal Trustee for the period beginning April 19, 2025 and ending on June 8, 2025 (the "**Revised Cash Flow Projections**"), which confirms that Cleo will have sufficient working capital to continue these Proposal Proceedings until June 8, 2025.
26. The Proposal Trustee is supportive of the extension of the Filing Period to June 8, 2025.

### **Sealing Order**

27. The Sealing Order requires that the Confidential Appendix be sealed on the Court file and not form part of the public record until completion of all of the sales of Properties pursuant to the SSP and the Proposal Trustee files with the Court a certificate stating that all such sales have been completed.
28. In the Confidential Appendix, the Proposal Trustee attaches a copy of the Confidential Sale Agent Report, which in turn attaches copies of and reviews the Qualified Bids submitted under the SSP.
29. I believe that the disclosure of either the Confidential Sale Agent Report before all of the Properties are sold under the SSP would be highly prejudicial to the SSP and Cleo's ability to maximize value for its Properties. The reasons for this are:
  - (a) Cleo, the Sale Agent and the Proposal Trustee are still attempting to sell the majority of the Properties, and the disclosure of Qualified Bids would hamper their ability to finalize APAs for those Properties with Qualified Bidders;
  - (b) the economic terms of the Qualified Bids were provided on a confidential basis and if disclosed, would undermine the integrity of the sale process and be a "chill" on the willingness of parties to submit further bids;
  - (c) the period during which the proposed Sealing Order would operate is limited to the period required to complete the sales of any Properties that Cleo is able to sell pursuant to the SSP; and

- (d) I know of no alternative measures that would mitigate the risks discussed in paragraphs (a) and (b) above.

30. The Proposal Trustee also supports the application for the Sealing Order.


**Conclusion**

31. I swear this Affidavit in support of an Application for the relief set out in paragraph 5 of this Affidavit and for no other or improper purpose.

SWORN BEFORE ME at Palms Spring,  
California, this 22nd day of April, 2025.



A Notary Public in and for the State of  
California



CHRIS LEWIS

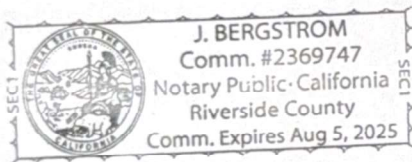

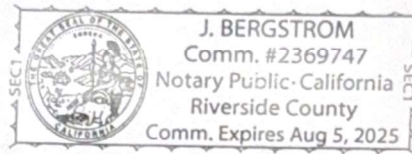




Exhibit "A" to the Affidavit of  
Chris Lewis  
Sworn before me this 22<sup>nd</sup>  
day of April, 2025

  
A Notary Public for the State of  
California



Cleo Energy Corp.		Forecast							
7-Week Cash Flow Forecast ending June 8, 2025		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	7-week Total
\$CAD 000's		25-Apr-25	2-May-25	9-May-25	16-May-25	23-May-25	30-May-25	8-Jun-25	Total
Notes									
week ended									
<b>Cash Receipts</b>									
Sales (production settlement)	1	858	-	-	-	-	866	-	1,724
<b>Total cash receipts</b>		<b>858</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>866</b>	<b>-</b>	<b>1,724</b>
<b>Cash Disbursements</b>									
Payroll and benefits	2	16	100	-	85	-	100	43	344
Source Deductions	3	42	21	38	-	-	38	57	196
Operating and transportation	4	55	20	25	20	25	54	25	224
Mineral & Surface Leases	5	11	10	40	-	-	50	-	110
Utilities	6	194	-	-	-	-	90	-	285
General and administrative	7	76	-	-	-	-	75	-	151
Professional fees	8	-	125	-	-	-	210	-	335
Interim Financing Facility Interest	9	-	30	-	-	-	30	-	60
<b>Total cash disbursements</b>		<b>394</b>	<b>306</b>	<b>103</b>	<b>105</b>	<b>25</b>	<b>647</b>	<b>125</b>	<b>1,705</b>
<b>Net Cash Flow</b>		<b>463</b>	<b>(306)</b>	<b>(103)</b>	<b>(105)</b>	<b>(25)</b>	<b>218</b>	<b>(125)</b>	<b>19</b>
<b>Net Change in Cash</b>									
Beginning of period		286	749	443	341	236	211	429	286
Net cash flow		463	(306)	(103)	(105)	(25)	218	(125)	19
Interim Financing		-	-	-	-	-	-	-	-
<b>Ending of period</b>		<b>749</b>	<b>443</b>	<b>341</b>	<b>236</b>	<b>211</b>	<b>429</b>	<b>304</b>	<b>304</b>

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 7-  
week period ending June 8, 2025**

**Purpose and General Assumptions of the Cash Flow Statement**

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

The Company has prepared the Cash Flow Statement based on probable and hypothetical assumptions that reflect the Company’s planned course of action for the period from April 19, 2025 to June 8, 2025 (the “**Cash Flow Period**”). Management is of the opinion that, as at the date of filing the Cash Flow Statement, the assumptions used to develop the projection represent the most probable set of economic conditions facing the Company and that the assumptions used proved a reasonable basis for and are consistent with the purpose of the Cash Flow Statement.

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

The projected cash flow statement is prepared in Canadian dollars.

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

1. Pricing is based on the forward strip for WTI as of March 31, 2025. The differentials (discount to WTI) are the actuals for April and a projection from our Marketer. Both Light and Heavy differentials are handled this way. The crude is received at delivery terminals where the crude is equalized to the stream quality using density and sulfur as the main differentiators. The crude quality is very consistent, so the equalization is static over a long period of time. Lastly, the forward exchange rate is used to covert to Canadian dollars. Proceeds from production are generally received on the 25th day of the following month (or the following business day). Receipts are shown net of any working partner interest and take-in-kind royalties and include collection of 5% GST.
2. 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.
3. Source deductions relate to CPP, EI, and Income Tax.
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.

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 has negotiated a schedule of pre-payments of varying amounts to TransAlta on a periodic basis.
7. General and administrative costs include payments for the Company's software subscriptions, monthly rent for its Calgary-based head office, bank fees, and insurance coverage, which was bound in August 2024, and is paid monthly.
8. Professional fees include the fees and costs of counsel to CLEO, counsel to the Proposal Trustee, and the Proposal Trustee.
9. Interest costs on the interim financing facility.