

COURT FILE NUMBER

25-3163430 / B301-163430

C11146

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY



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

COM
Jan 22, 2025

APPLICANTS

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

DOCUMENT

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

January 20, 2025

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

PROPOSAL TRUSTEE

ALVAREZ & MARSAL CANADA INC.

Bow Valley Square IV

Suite 1110, 250 – 6th Avenue SW

Calgary, Alberta T2P 3H7

Orest Konowalchuk / David Williams

Telephone: (403) 538-4736/(403) 538-7536

Email: okonowalchuk@alvarezandmarsal.com

COUNSEL TO THE PROPOSAL TRUSTEE

Miller Thomson LLP

Barristers & Solicitors

James Reid

525-8th Avenue S.W., 43rd Floor

Eighth Avenue Place East

Telephone: (403) 298-2418

Email: jwreid@millerthomson.com

**TABLE OF CONTENTS OF THE SECOND REPORT OF THE PROPOSAL
TRUSTEE**

INTRODUCTION	3
TERMS OF REFERENCE	7
LIMITATION IN SCOPE OF REVIEW	7
ACTIVITIES OF THE COMPANY AND THE PROPOSAL TRUSTEE	8
SALES AND SOLICITATION PROCESS	9
PROPOSAL TRUSTEE’S RECOMMENDATION	15

**LISTING OF APPENDICES TO THE SECOND REPORT OF THE PROPOSAL
TRUSTEE**

APPENDIX A	Sales and Solicitation Process
-------------------	---------------------------------------

INTRODUCTION

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

December 13 Application

3. On December 13, 2024, Cleo sought and obtained an order (the “**Garnished Funds Order**”), which was subsequently amended on January 13, 2025, and provided for certain relief, including:
 - a) authorizing and directing RBC to issue an additional bank draft in the amount of \$152,426.18, payable to the Government of Alberta (the “**Duplicate Draft**”), which the Court will not deposit; and
 - b) ordering that the Duplicate Draft be held by RBC and be deemed to have been returned by the Court or the Government of Alberta to RBC, thereby allowing RBC to return the Duplicate Draft to Cleo’s bank account (the “**Garnished Funds**”).
4. As of the date of this Report, Cleo has not yet received the Garnished Funds. However, on January 15, 2025, an amended Garnished Fund Order (the “**Amended Garnished Funds Order**”) was granted by the Court to provide certain protections as against RBC in cancelling the Duplicate Draft and re-issuing a new bank draft. On January 16, 2025, the Company received communication from RBC that they

have received the Amended Garnished Funds Order and payment of the Garnished Funds are forthcoming.

December 23 Application

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

January 6 Application

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

January 10 Application

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

January 22 Application

11. The Company has filed an application with this Honourable Court, returnable January 22, 2025 (the “**January 22nd Application**”). The relief sought by the Company includes:
- a) the approval of the sales and solicitation process (“**SSP**”) to be commenced by Cleo by no later than January 22, 2025; and
 - b) authorizing the Cleo, with the assistance of and in consultation with the Proposal Trustee and the Sales Advisor (defined below), to implement the SSP, and do all things reasonable to conduct and give full effect to the SSP and carry out the obligations thereunder.
12. Capitalized terms not otherwise defined in this Proposal Trustee’s Second Report (this “**Report**” or the “**Second Report**”) have the meaning given to them in the Prior Proposal Trustee Reports¹, the Lewis Affidavits² or such other materials filed by Cleo in these NOI Proceedings.

PURPOSE

13. The purpose of this Second Report is to provide the Court and the Company’s stakeholders with information in respect of the following:
- a) the activities of the Company and the Proposal Trustee since the First Report dated January 6, 2025;
 - b) the components and timing of the SSP; and
 - c) the Proposal Trustee’s recommendations with respect to the above.

¹ The First Report of the Proposal Trustee dated January 6, 2025 (the “**First Report**”).

² Includes the Affidavit of Chris Lewis sworn on December 11, 2024, the Affidavit of Chris Lewis sworn on December 22, 2024, the Affidavit of Chris Lewis sworn on December 23, 2024, the Affidavit of Chris Lewis sworn on December 24, 2024, the Affidavit of Chris Lewis sworn on January 5, 2024 and the Affidavit of Chris Lewis sworn on January 20, 2025.

TERMS OF REFERENCE

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

LIMITATION IN SCOPE OF REVIEW

17. The Report has been prepared by the Proposal Trustee pursuant to the rules and regulations set out in the BIA. The BIA provides that the Proposal Trustee shall incur no liability for any act or omission pursuant to its appointment or fulfillment of its duties, save and except for gross negligence or wilful misconduct on its part.
18. This Report is not and should not be construed or interpreted as an endorsement, comment or recommendation to any creditor, prospective investor, or any persons to advance credit and/or goods and services or to continue to provide credit and/or goods and services or to lend monies to the Company during these proceedings and/or at any other time.
19. The Proposal Trustee has not audited or reviewed the assets of the Company, and with respect to such assets, has relied to a significant degree upon information provided by the Company.
20. The Proposal Trustee is specifically not directed or empowered to take possession of the assets of the Company or to manage any of the business and affairs of the Company.

ACTIVITIES OF THE COMPANY AND THE PROPOSAL TRUSTEE

21. Since the Filing, the Proposal Trustee and Management have engaged in the following activities:

- a) various discussions between Management, the Proposal Trustee, Miller Thomson LLP (“**Miller Thomson**”) (independent legal counsel to the Proposal Trustee) and the Company’s legal counsel (together with the Proposal Trustee and Miller Thomson the “**NOI Professionals**”) relating to matters relevant to the NOI Proceedings;
- b) numerous communications and meetings between Management and the NOI Professionals relating to the development and planning of the SSP and assisting the Company in obtaining additional DIP;
- c) multiple communication and meetings between the NOI Professionals and Trafigura Canada Limited (“**Trafigura**”) and the Trafigura’s counsel relating to matters relevant to the NOI Proceedings;
- d) reviewing and providing comments on application materials filed by the Company;
- e) continued monitoring of the Company’s actual cash flow results and assisting in the development and updating of the Company’s cash flow forecast and evaluate the cash flow needs of the Company;
- f) various communications with the Company’s legal counsel with respect to the Garnished Funds;
- g) reviewing the Engagement Agreement with Sayer Energy Advisors (the “**Sales Advisor**”) and Cleo to act as the Sales Advisor to the Company and the Proposal Trustee in the SSP; and
- h) ongoing monitoring of the Company’s financial affairs and activities by the Proposal Trustee.

SALES AND SOLICITATION PROCESS

22. The Company has determined that it is in the best interests of its creditors and other stakeholders to undertake a restructuring process. The SSP is the central component of the restructuring process. Cleo, with the assistance of the Sales Advisor and the Proposal Trustee, will market the business pursuant to a robust SSP which is designed to ensure that a wide range of potential interested parties are canvased that will enable the Company to receive the best possible offer to maximize value of its estate for the benefit of all stakeholders within these NOI Proceedings.
23. The Company, with the support of the Proposal Trustee, believes that the SSP provides for the greatest flexibility in soliciting and selecting bids from interested parties for the sale of or investment in the business and/or assets of Cleo, or for a refinancing, reorganization, recapitalization, restructuring, joint-venture, merger or other business transaction involving Cleo, or some combination thereof, and will provide the greatest opportunity for Cleo to complete a restructuring of its operational and financial affairs.
24. The SSP describes, among other things: (a) the manner and timelines by which any interested party may gain access to due diligence materials concerning Cleo and its business; (b) the manner and timelines by which potential bidders may submit an offer for an investment in Cleo or an offer to purchase some or all of Cleo's assets, property, undertakings and/or shares; (c) the manner in which potential bidders and bids become Qualified Bidders and Qualified Bids (as defined below), respectively; (d) the receipt and negotiation of bids received; and (e) the ultimate selection of one or more bids, and the approval thereof by this Honourable Court.

Summary of the SSP

25. A copy of the SSP is attached as Appendix "A" to this Report. The Proposal Trustee has summarized certain key points of the SSP below. All prospective bidders are advised to review the SSP document in detail.

26. The SSP will be conducted subject to the terms set out in this Report and the following key milestones:

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

27. The Company and the Proposal Trustee, with the assistance of the Sales Advisor, will use reasonable efforts to complete the SSP in accordance with the SSP procedure document. The Proposal Trustee, in consultation with the Company and the Sales Advisor, may make such adjustments to the timeline that it determines are reasonably necessary in order to accommodate unforeseen circumstances and/or to best facilitate the SSP to maximize the value of the Company for the benefit of stakeholders, in all cases upon notice to all interested parties actively participating in the SSP at the applicable time.
28. Any transaction involving the Company and the Property will be on an "as is, where is" basis without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Company, the Proposal Trustee, the Sales Advisor or any of their respective agents, estates, advisors, professionals or otherwise, other than as specifically set forth in a definitive agreement that may be entered into with the Company.
29. All of the right, title and interest of the Company in and to any Property sold or transferred in connection with the SSP will, at the time of such sale or transfer, be

sold or transferred free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests pursuant to an approval and vesting order made by the Court under Section 65.13(7) of the BIA.

30. The key components of the SSP are as follows (with capitalized terms used but not defined below intended to bear their respective meanings as defined in the SSP):
- a) the Company, in consultation with the Proposal Trustee and the Sales Advisor, will prepare: (i) a list of potential bidders, including both strategic and financial parties, who, in the reasonable business judgment of the Company, the Proposal Trustee and the Sales Advisor, may be interested and have the financial capacity to make a Qualified Bid (the “**Potential Bidders**”); and (ii) a teaser letter describing the SSP and inviting Potential Bidders to express their interest in the SSP (the “**Teaser**”);
 - b) the Sales Agent, in consultation with the Company and the Proposal Trustee, will: (i) publish a notice regarding the SSP in the *DOB Energy, Insolvency Insider* and any other publications or newswires as determined by the Proposal Trustee; and (ii) distribute to Potential Bidders the Teaser, a copy of the SSP and a draft confidentiality and nondisclosure agreement (the “**NDA**”) in a form satisfactory to the Company;
 - c) any Potential Bidder or other interested party who wishes to participate in the SSP, must deliver an NDA to the Company and the Sales Advisor prior to the distribution of any confidential information by the Company or the Sales Advisor to such Potential Bidder or interested party (including access to the confidential virtual data room (“**VDR**”);
 - d) a Potential Bidder or other interested party who has complied with the foregoing requirements, has delivered a Non-Binding LOI to the Proposal Trustee, with a copy to the Company and the Sales Advisor

by February 25, 2025 at 5:00pm MST and has a *bona fide* interest and the financial wherewithal to conclude a transaction, will be deemed a “**Qualified Bidder**” and will promptly be notified of such classification by the Proposal Trustee;

- e) Qualified Bidders will be entitled to conduct further due diligence prior to submitting a binding bid (a “**Bid**”). Such further due diligence shall, at the discretion of the Proposal Trustee, include on-site inspections or meetings with Management;
- f) a Bid will only be considered a Qualified Bid if it is submitted by a Qualified Bidder (each, a “**Qualified Bid**”) and if it has: (i) been received by the Proposal Trustee by no later than March 13, 2025 at 5:00pm MST; (ii) is accompanied by a deposit payable to the Proposal Trustee on behalf of the Company, in an amount equal to fifteen percent (15%) of the cash consideration contemplated in the Bid (a “**Deposit**”); (iii) satisfies the other requirements of the SSP; and (iv) includes a fully binding and definitive asset purchase agreement, substantially in the form provided for in the VDR, duly authorized and executed, together with all exhibits and schedules thereto, and such ancillary agreements as may be required with all exhibits and schedules thereto (the “**Definitive APA**”);
- g) the Proposal Trustee, in consultation with the Company and the Sales Advisor, may, but is not obligated to, select the highest or best Qualified Bid received during the SSP (the “**Successful Bid**”, and the party submitting the Successful Bid, the “**Successful Bidder**”) and will identify and record the next highest or best Qualified Bid (the “**Back-Up Bid**” and the party submitting such Back-Up Bid, the “**Back-Up Bidder**”);
- h) if a Successful Bid, and Back-Up Bid, as applicable, is selected, the Proposal Trustee will promptly: (i) advise the Successful Bidder and

the Back-Up Bidder of such determination; and (ii) advise all other Qualified Bidders that they are not a Successful Bidder or Back-Up Bidder; and

- i) the Company and the Proposal Trustee, as applicable, will take all necessary steps to implement the transaction contemplated in the Successful Bid and either the Company or the Proposal Trustee shall apply to Court, as soon as practical, for an Order approving the Successful Bid and authorizing the Company to enter into any and all necessary agreements with respect to the Successful Bid and to undertake such other actions as may be necessary or appropriate to implement and give effect to the Successful Bid.

31. Any secured creditor of the Company, including an interim financing lender, will be entitled to participate in the SSP as a credit bidder (“**Credit Bidder**”). Any credit bid submitted by a Credit Bidder shall be based on the form of the Template APA, with such changes as are appropriate for credit bids (the “**Credit Bid**”), and must be accompanied by a Deposit to be dealt with in accordance with the SSP. A Credit Bidder shall be entitled to credit all or any portion of its secured indebtedness but must either:

- a) irrevocably pay, in cash and in full all of the obligations in priority (the “**Priority Obligations**”) to the Credit Bidder’s secured indebtedness, including the Administration Charge, Interim Lender’s Charge and the D&O Charge; or
- b) assumed or otherwise satisfy any of the Priority Obligations on terms and conditions acceptable to the beneficiary of the security for such Priority Obligations, except for the Administration Charge, Interim Lender’s Charge and the D&O Charge, which must be paid in cash and in full if there are amounts owing on them at the conclusion of the NOI Proceedings.

32. Neither the Proposal Trustee, the Sales Advisor, the Company, nor any of their respective affiliates, advisors, agents or representatives makes any representation or warranty as to title, description, fitness for purpose, merchantability, quantity, conditions or quality of any of the property or the accuracy or completeness of the information contained in the Teaser or in the VDR, except to the extent otherwise provided by the Company under a Definitive APA with a Successful Bidder executed and delivered by the Company. None of the Company, the Sales Advisor nor the Proposal Trustee are required to inspect or count, or provide any inspection or counting, of the property or any part thereof and each Qualified Bidder shall be deemed, at its own expense, to have relied entirely on its own inspection and investigation with respect to the property. It shall be the Successful Bidder's sole responsibility to obtain, at its own expense, any consents to such transfer and any further documents or assurances which are necessary or desirable in the circumstances.

The Proposal Trustee's comments on the SSP

33. The Proposal Trustee is of the view that the continued implementation of the SSP by the Company, in consultation with the Proposal Trustee and the Sales Advisor, is appropriate under the circumstances. The Proposal Trustee is of the respectful view that the SSP ought to be ratified and approved by this Honourable Court for the following reasons:
- a) the SSP provides a fair and transparent process which will be conducted in such a manner as to give prospective bidders equal opportunity to express their interest in making a bid;
 - b) the SSP provides for an approximate four-week marketing process to sufficiently expose the opportunity to the market. The proposed due-diligence timeline runs an additional two-weeks;
 - c) the Sales Advisor has significant experience in marketing distressed companies in these types of circumstances, and has recommended the timelines therein; and

- d) no stakeholder, including secured creditors, appears likely to be materially prejudiced by the process.

34. The Proposal Trustee is of the view that time is of the essence in ensuring that an efficient restructuring of the business occurs given the Company's liquidity constraints, as more particularly described in the First Report.

PROPOSAL TRUSTEE'S RECOMMENDATION

35. The Proposal Trustee respectfully recommends that this Honourable Court approve the SSP to be commenced by the Company on January 22, 2025 and authorize the Company, with the assistance of and in consultation with the Proposal Trustee and the Sales Advisor, to implement the SSP.

All of which is respectfully submitted this 20th day of January, 2025

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



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



David Williams, CPA, CIRP, LIT
Manager

APPENDIX A

SALE AND SOLICITATION PROCESS

Introduction

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

Defined Terms

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

Sale and Solicitation Process

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

Conduct of SSP

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

"As Is, Where Is"

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

Free of Any and All Claims and Interests

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

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

Timeline

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

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

Solicitation of Interest

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

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

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

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

Phase 1

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

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

Phase 2

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

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

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

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

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

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

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

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

Selection of Successful Bid

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

Bid Approval Application

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

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

Closing the Successful Bid

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

Deposits

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

Notice

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

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

Amendment

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

Credit Bid

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

Further Orders

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

Schedule "A"

Defined Terms

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

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

"BIA" has the meaning given to it in paragraph 1.

"Bid" has the meaning given to it in paragraph 26.

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

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

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

"Closing" means the completion of the transaction contemplated by the Successful Bid.

"Company" has the meaning given to it in paragraph 1.

"Court" has the meaning given to it in paragraph 2.

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

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

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

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

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

"NOI" has the meaning given to it in paragraph 1.

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

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

"OSB" has the meaning given to it in paragraph 1.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Schedule "B"

Notice

- (a) If to the Company:

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

with a copy to:

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

- (b) If to the Proposal Trustee

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

with a copy to:

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

- (c) If to Sayer

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