

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**  
SERVICE AND 1600, 421 – 7<sup>th</sup> Avenue SW  
CONTACT Calgary, AB T2P 4K9

INFORMATION OF Attn: **Sam Gabor / Tom Cumming**  
PARTY FILING THIS Phone: 403.298.1946/403.298.1938  
DOCUMENT Fax: 403.263.9193  
File No.: G10010664

**AFFIDAVIT OF CHRIS LEWIS**  
**Sworn February 10, 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 an Order:
- (a) extending the period, ending February 21, 2025, within which Cleo is required under section 50.4(8) of the *BIA* to file a proposal by an additional 45 days to April 4, 2025 (such period, as extended from time to time under section 50.4(9) of the *BIA*, being the “**Filing Period**”);
  - (b) authorizing an amendment to the interim financing facility (the “**uCapital Facility**”) provided by uCapital – uLoan Solutions Inc. (“**uCapital**”) to Cleo whereby the maximum principal amount available to Cleo will be increased from \$750,000 to \$1,000,000 pursuant to the second amending agreement dated February 10, 2025 (the “**Second Amending Agreement**”) between uCapital and Cleo;
  - (c) increasing the amount of the charge and security (the “**uCapital Charge**”) created in paragraph 6 of the Order of the Honourable Justice M.J. Lema pronounced January 6, 2025 (the “**January 6 Order**”) in these proceedings from the principal amount of \$900,000 to the principal amount of \$1,000,000, together with any interest accrued thereon or costs and expenses incurred thereunder; and
  - (d) such other relief as this Honourable Court deems appropriate.

## The Proposal Proceedings

6. Cleo is an Alberta corporation that was incorporated in 2016. Cleo’s head office is at 200 – 117 8<sup>th</sup> Avenue SW, Calgary, Alberta T2P 1B4 and its field office is located in Shorncliffe, Alberta.
7. Cleo is a privately owned producer of oil and natural gas with operated and non-operated working interests located in the Alliance, Atlee, Enchant/Taber, Fabyan, Hayter, Kessler, Neutral Hills, Sedgewick, Shorncliffe and Silver Heights areas of Alberta.
8. Since early 2024, there have been multiple reductions in Cleo’s oil and gas production as a result 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**”) because of

complaints about flaring of gas wells, thefts and vandalism of equipment at its largest oil and gas field, and low natural gas prices that led to the shut-in of its main natural gas field at Fabyan in October 2024. Specifically:

- (a) In the first half of 2024, the average daily sales production net to Cleo was approximately 990 boe/d, which consisted of approximately 527 bbl/d of oil and natural gas liquids and approximately 2.8 MMcf/d of natural gas;
- (b) Cleo's current production is approximately 460 boe/d, which consists of 395 bbl/d of oil and natural gas liquids and 390 Mcf/d of natural gas.

9. In addition to these production problems, the market prices recovered by Cleo also materially declined:

	January 2024	November 2024
Oil	14,384 bbls	10,334 bbls
Natural Gas Liquids	75,360 mcf	36,115 mcf
Natural Gas	184 bbls	140 bbls

10. The impact on Cleo's revenues was significant. Its average monthly revenues declined from approximately \$1,270,965 in January of 2024 to \$878,663 in November of 2024, which was insufficient to allow it to remain current on its over \$24 million of secured and unsecured debt.
11. The directors and management of Cleo determined that Cleo could only realistically address its financial difficulties if it received protection from its creditors in proceedings under Division I of Part III of the *BIA* and therefore on December 8, 2024 filed a notice of intention to make a proposal (the "**NOI**"). Alvarez & Marsal Canada Inc. ("**A&M**") was named as proposal trustee of Cleo (in such capacity, the "**Proposal Trustee**"). 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.
12. The following Orders or decisions have been issued by the Court of King's Bench of Alberta (the "**Court**") in the Proposal Proceedings:
- (a) an Order of the Honourable Justice Burns in Commercial Chambers pronounced on December 13, 2024 authorizing and directing the return of \$152,436.18 paid into Court pursuant to certain garnishee summons issued in respect of Cleo, as amended and restated

by an Order of the Honourable Justice M.E. Burns made on January 13, 2025 (the “**January 13 Order**”);

- (b) an Endorsement of the Honourable Justice M.N. Hollins released on December 26, 2024 determining, among other things, that Trafigura Canada Limited (“**Trafigura**”) could not accelerate and set-off amounts owing by Cleo to Trafigura under a loan made under a prepayment agreement as against amounts owing by Trafigura to Cleo for the marketing of Cleo’s oil production under a commercial agreement and dismissing Trafigura’s cross-application;
- (c) the January 6 Order that, among other things, (i) extended the time for Cleo to file a proposal to February 21, 2025, (ii) granted a charge against the property and assets (the “**Property**”) in favour of the Proposal Trustee, legal counsel to the Proposal Trustee and legal counsel to Cleo for their respective professional fees and disbursements in an amount not to exceed \$700,000 (the “**Administration Charge**”), (iii) approved the uCapital Facility, (iv) granted the uCapital Charge to uCapital to secure Cleo’s obligations under the uCapital Facility, (v) granted a charge against the Property to secure Cleo’s obligation to indemnify its director and officer against obligations and liabilities incurred after the Filing Date (the “**D&O Charge**”), (vi) declared that the Administration Charge, the uCapital Charge and the D&O Charge rank as against the Property ahead of ahead of any and all charges, security interests, liens, trusts, deemed trusts and encumbrances against the Property, including liens and trusts created by federal and provincial legislation (collectively, the “**Encumbrances**”), and as between themselves, the Administration Charge ranks first in priority, the uCapital Charge ranks second in priority and the D&O Charge ranks third in priority, and (vii) provided certain other relief;
- (d) an Order of the Honourable Justice J.T. Nielson pronounced January 22, 2025 (the “**Sale Process Order**”) approving a sale and solicitation process (the “**SSP**”) pursuant to which Cleo will seek transactions under which its Property will be sold on a going concern basis or an investment transaction will be sought to restructure its business and affairs; and
- (e) an Order of the Honourable Justice J.T. Nielson pronounced January 22, 2025 (the “**Second Trafigura Order**”) staying Trafigura’s right to effect set-off under the prepayment agreement of monthly payments owing by Cleo to Trafigura as against monthly payments

by Trafigura to Cleo under a commercial agreement, and dismissing Trafigura's cross-application.

### The SSP

13. Following extensive consultations between Cleo's directors and management, the Proposal Trustee and their respective professional advisors, it was 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 an attempt to either sell the Property on a going concern basis or enter into a restructuring transaction that would recapitalize and restore the solvency of Cleo. This type of transaction is critical for realizing value for Cleo's stakeholders because the extended shut-ins of its producing wells had resulted in its LMR declining to 0.72 because its deemed assets as of November 2, 2024 were calculated to be approximately \$36.1 million and its deemed liabilities approximately \$50.2 million. My understanding is that unless this deficiency can be addressed, or Cleo sells all of its Property on a going concern basis or enters into a restructuring transaction pursuant to which it is recapitalized, the AER is likely to be reluctant to approve any transfers of licenses required in a sale transaction because of the concern that unproductive wells may be left to the Orphan Well Association, and therefore the public, to abandon and reclaim.
14. Cleo engaged Sayer Energy Advisors as a financial advisor and sale agent (the "**Sale Agent**") and developed in consultation with it and the Proposal trustee the SSP. Immediately following the approval of the SSP pursuant to the Sale Process Order on January 22, 2025, the Sale Agent launched the SSP. The Sale Agent published on its website a notice attaching the SSP, describing Cleo's business, Property and operations, and describing the bid process (the "**Teaser**"). The Sale Agent also delivered the Teaser to various strategic and financial parties who Cleo, the Proposal Trustee and the Sale Agent believed may be interested in submitting bids to acquire some or all of the Property or invest in Cleo (each a "**Potential Bidder**"). Attached to this affidavit as **Exhibit "A"** is a copy of the Teaser. The Sale Agent and Cleo also set up a virtual data room which includes confidential business and operational information with respect to Cleo and the Property (the "**VDR**").
15. The SSP is currently in its first phase, during which Potential Bidders are able to gain access to the VDR by executing non-disclosure agreements (each, a "**NDA**"). If a Potential Bidder is interested in acquiring all or a portion of the Property or invest in Cleo, it is required to deliver to the Proposal Trustee a non-binding letter of intent expressing its interest (a "**Non-Binding LOI**", and such

Potential Bidder, a “**Bidder**”) by no later than February 27, 2025. If the Proposal Trustee determines that a Bidder is a qualified Bidder under the SSP (a “**Qualified Bidder**”), the Qualified Bidder may advance to the second phase of the SSP. In the second phase, Qualified Bidders are able to carry out additional due diligence and, if they remain interested in participating in the SSP, must submit a binding bid (a “**Qualified Bid**”) to the Proposal Trustee by no later than March 13, 2025. The Proposal Trustee, in consultation with Cleo and the Sale Agent, will designate which Qualified Bids are successful bids, and may designate back-up bids.

16. Any sale or sales pursuant to the SSP must be approved by this Honourable Court. The target closing date for any such transaction is March 31, 2025 or three days after Court approval is obtained.
17. To date, 41 potential bidders have executed NDAs, all of which have accessed the VDR.

#### **Amendment to Interim Financing Facility**

18. The uCapital Facility, which provided for advances in the maximum amount of \$750,000, has been fully drawn upon. As was noted in paragraph 50 of the first report of the Proposal Trustee dated January 6, 2025, the 13-week cash flow forecast for the period ending April 4, 2025 (the “**Cash Flow Forecast**”) anticipated that Cleo would experience a cash flow shortfall by the sixth week, being the week of February 21, 2025. To address this shortfall, Cleo has successfully restored initial production at its Silver Heights field and at a number of additional wells in its Neutral Hills and Shorncliffe fields. This has significantly increasing its cash flow from operations. Cleo had been negotiating the sale of its Sedgewick field, subject to obtaining the approval of this Honourable Court. However, Cleo’s management, the Sale Agent and the Proposal Trustee determined that it may be more beneficial to market and sell the Sedgewick field in the SSP and have therefore included that field in the SSP.
19. In order to address the forecasted cash flow shortfall, Cleo has negotiated an increase in the uCapital Facility pursuant to the Second Amending Agreement. Attached to his Affidavit as **Exhibit “B”** is a copy of the Second Amending Agreement.
20. The Second Amending Agreement is conditional upon this Honourable Court making an Order extending the Filing Period to April 4, 2025, approving the increase in the uCapital Facility by \$250,000 and increasing the maximum principal amount secured by the uCapital Charge by that amount.

21. The revised 9-week cash flow forecast for the week ending February 14, 2025 to the week ending April 11, 2025 (the “**Revised Cash Flow Forecast**”), a draft copy of which is attached as **Exhibit “C”** to this Affidavit,<sup>1</sup> indicates that with the increase in the uCapital Facility under the Second Amending Agreement, Cleo will have a cash flow surplus in the weeks ending February 14, 2025, February 21, 2025, February 28, 2025, March 7, 2025 and March 28, 2025, but a cash flow shortfall in the weeks ending March 21, 2025, April 4, 2025 and April 11, 2025. Cleo is therefore negotiating with three other parties at this time to acquire additional interim financing, with the goal of obtaining sufficient financing to allow Cleo to complete the SSP and enter into sale or restructuring transactions. If successful, Cleo will be appearing again before this Honourable Court to seek the approval of such interim financing.
22. The Proposal Trustee has recommended the approval of the increase in the uCapital Facility and uCapital Charge contemplated by the Second Amending Agreement.
23. I have had discussions with Cleo’s principal secured creditors, being 1992169 Alberta Ltd. (Rise Capital), Mantl Canada Inc., Marco Simonelli, Arundel Capital Corporation and Jody Wiese, who have indicated that they support the increase in the uCapital Facility and uCapital Charge.
24. Without the increase in the uCapital Facility, Cleo would have to cease operations and would be unable to carry on with the SSP. Such a development would, in my view, be extremely prejudicial to Cleo’s creditors and other stakeholders because there is no obvious alternative way for creditors to recover the indebtedness owed to them.

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

25. Currently, under section 50.8 of the *BIA*, the Filing Period ends on February 21, 2025. Cleo is seeking an extension of the Filing Period from this Honourable Court to April 4, 2025.
26. Since January 22, 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 prepare for and launch the SSP;

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<sup>1</sup> The final copy of the signed Revised Cash Flow Forecast will be attached to the third report of the Proposal Trustee, which will be filed by the Proposal Trustee in connection with this Application.

- (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 Forecast;
  - (d) communicating with creditors and other stakeholders regarding the Proposal Proceedings;
  - (e) negotiating the increase in the uCapital Facility;
  - (f) negotiating with other parties to obtain additional interim financing;
  - (g) communicating with the AER regarding the status of its licensed Property, its operations and the Proposal Proceedings;
  - (h) communicating with customers regarding the Proposal Proceedings;
  - (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.
27. Cleo is also in the process of completing a repair and maintenance program in order to increase its production. As of January 31, 2025, that program has resulted in the following increases in production:

	<b>January 15, 2025 oil production (BBL/d)</b>	<b>Added oil production since January 15, 2025 (BBL/d)</b>	<b>Current oil production (BBL/d)</b>
Neutral Hills	57	32	88
Silver Heights	0	132	132
Shorncliffe	113	19	132
Sedgewick/Alliance	44	6	50
<b>Total</b>	<b>214</b>	<b>188</b>	<b>403</b>

28. Cleo is also currently able to bring back into production its main natural gas property at Fabyan, which would restore approximately 2.0 MMcf/d of production. Once prices increase sufficiently to make this field economic, it will be brought back into production.
29. The increase in projected revenues resulting from these actions is as follows:
- (a) as of January 25, 2025, Cleo's December 2024 oil revenue was approximately \$615,000;

- (b) as of February 25, 2025, Cleo's January 2025 oil revenue is projected to be approximately \$850,000 for the January 2025 production;
  - (c) as of March 25, 2025, Cleo's February 2025 oil revenue is projected to be approximately \$1,015,000.
- 30. Cleo's consultant, Bluestar Engineering Ltd., has also submitted to the AER a Directive 060 variance for Silver Heights in order to allow continuous flaring, and provided that it receives that variance, will seek a Directive 56 amendment to its facility license to allow an increase in future production of approximately 250 bbl/d.
- 31. I believe that these activities are important because the more productive Cleo's wells are, the more third parties will be interested in participating in the SSP, which should result in a maximization of recoveries by Cleo's creditors.
- 32. Since January 22, 2025, there have been other developments, including:
  - (a) Cleo was able to obtain the \$152,436.18 that had been paid into court by Royal Bank of Canada following its receipt of garnishment notices. This payment to Cleo was provided for in the January 13 Order.
  - (b) At the last hearing on January 22, 2025, counsel for Durham Creek Energy Ltd. ("**Durham**") indicated that Durham intended to file an originating application seeking an order discharging a gross overriding royalty (a "**GOR**") affecting certain lands acquired by Durham from Cleo in December of 2023. The GOR is held by Chimera Management Group Ltd., Cleo's parent corporation, and Wtrshed Resources Ltd. and also affects certain legal interests held by Cleo. The information pertaining to the GOR has been put in the VDR and Cleo's counsel advises they are still reviewing the allegations made by Durham.
- 33. The extension of the Filing Period will allow Cleo to, among other things:
  - (a) complete its repair and maintenance program and continue its production of oil, natural gas liquids and natural gas, which will result in significant increases in Cleo's cash flow during that period;
  - (b) continue working with the Sale Agent and Proposal Trustee in the marketing of its Property and advancing the SSP;

- (c) continue seeking additional interim financing in order to allow it to complete the SSP; and
  - (d) take such other actions as are necessary or desirable to preserve and enhance the value of Cleo's business for the benefit of their creditors and other stakeholders.
34. Cleo's creditors will not be prejudiced by the extension of the Filing Period to April 4, 2025. Rather, the proposed extension is critical to ensuring that Cleo completing the SSP in order to either sell its business and Property in going concern transactions or restructure, and continue to generate revenues during that period, all to the benefit of Cleo's creditors and other stakeholders.
35. The Proposal Trustee is supportive of the extension of the Filing Period to April 4, 2025.

**Conclusion**

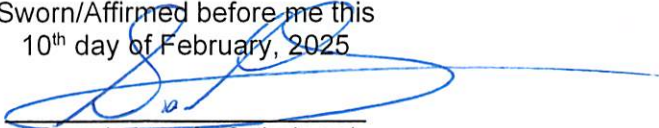
36. I swear this Affidavit in support of an Application for the relief set out in paragraph 5 of this Affidavit and for no other or improper purpose.

SWORN BEFORE ME at Calgary, Alberta,  
this 10<sup>th</sup> day of February, 2025.

Notary Public in and for the Province of  
Alberta

CHRIS LEWIS

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



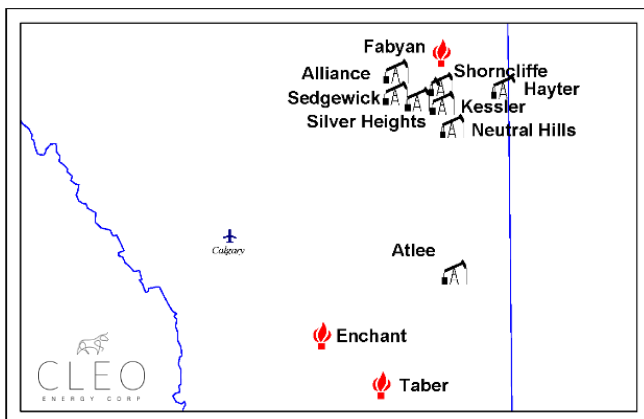
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A Commissioner for Oaths in and  
for the Province of Alberta

## Sale and Solicitation Process: Various Areas, Central Alberta 395 bbl/d, 390 Mcf/d (460 boe/d)



**CLEO Energy Corp.** ("CLEO" or the "Company") has filed a Notice of Intention to Make a Proposal (the "NOI") pursuant to section 50.4 (1) of the *Bankruptcy and Insolvency Act* (the "BIA") and **Alvarez & Marsal Canada Inc.** ("A&M") is acting as Proposal Trustee of CLEO for the NOI process. A sale and solicitation process (the "SSP") is to be undertaken by the Company in its NOI proceedings. CLEO has engaged **Sayer Energy Advisors** to assist the Company with 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. Potential outcomes include but are not limited to a sale of the shares of the Company, the sale, in whole or in part, of all of the oil and natural gas assets held by CLEO, or a joint venture.



A copy of the SSP is found on Sayer's website at [www.sayeradvisors.com](http://www.sayeradvisors.com).

CLEO's oil and natural gas interests are located in the *Alliance, Atlee, Enchant/Taber, Fabayan, Hayter, Kessler, Neutral Hills, Sedgewick, Shorncliffe* and *Silver Heights* areas of Alberta (the "Properties").

Average daily sales production net to CLEO from the Properties for the first half of 2024 was approximately 990 boe/d, consisting of approximately 527 bbl/d of oil and natural gas liquids and approximately 2.8 MMcf/d of natural gas. Current production from the Properties is approximately 460 boe/d, consisting of 395 bbl/d of oil and natural gas liquids and 390 Mcf/d of natural gas. The Company is currently reactivating several wells which it believes will add approximately 330 bbl/d of oil.

## PROCESS & TIMELINE

Sayer Energy Advisors is accepting offers, as outlined in the SSP, relating to the process until **12:00 pm on Thursday, February 27, 2025**.

Timeline		
Week of January 20, 2025		Preliminary Information Distributed
Week of January 27, 2025		Data Room Opens
<b>February 27, 2025</b>	<b>12:00 noon</b>	<b>Non-Binding LOI Deadline</b>
<b>March 13, 2025</b>	<b>12:00 noon</b>	<b>Binding Bid Deadline</b>
<b>March 1, 2025</b>		<b>Effective Date</b>
<b>March 2025</b>		<b>Closing Date</b>

*Sayer Energy Advisors does not conduct a "second-round" bidding process; the intention is to attempt to conclude a transaction with the party submitting the most acceptable proposal at the conclusion of the process.*

**Sayer Energy Advisors is accepting offers, as outlined in the SSP, from interested parties until noon on Thursday, February 27, 2025.**



## Corporate Overview

CLEO is a private junior oil and gas company with operated and non-operated working interests located in the *Alliance, Atlee, Enchant/Taber, Fabyan, Hayter, Kessler, Neutral Hills, Sedgewick, Shorncliffe and Silver Heights* areas of Alberta.

As at December 14, 2024, CLEO has total secured debt of approximately \$6.7 million. The Company has a creditor obligation of approximately \$24.1 million. As of January 5, 2025, CLEO has an interim debtor-in-possession financing of \$750,000 available. As at December 31, 2022, CLEO had total unused Canadian income tax pools of approximately \$8.1 million, including \$6.6 million of non-capital losses.

Additional corporate information relating to CLEO will be provided to parties upon execution of a confidentiality agreement.

<b>Officers &amp; Directors</b>	President & Director	Chris Lewis
<b>Capital Structure</b>	Common Shares	200,000,000
<b>Tax Pools</b>	<b>As at December 31, 2022</b>	
	Non-Capital Losses	\$6,750,182
	Cumulative Canadian Oil and Gas Property Expenses	\$39,874
	Cumulative Canadian Exploration Expenses	\$15,457
	Cumulative Canadian Development Expenses	\$3,877
	Capital Cost Allowance	\$1,331,763
	<b>Total</b>	<b>\$8,141,153</b>
<b>Bankers</b>	Royal Bank of Canada	
<b>Solicitors</b>	Gowling WLG (Canada) LLP	
<b>Street Address</b>	Suite 200 - 117 8th Avenue SW Calgary, Alberta T2P 1B4	

## Marketing Overview

The Company has a crude oil marketing agreement with **Trafigura Canada Limited** and a CO<sub>2</sub> contract with **TC Energy Corporation**.

CLEO has a sales contract in place with **BP Canada Energy Group ULC** for natural gas sales. Natural gas is sold into the **Nova Gas Transmission Ltd.** pipeline.

## LMR Summary

As of November 2, 2024, the Properties had a deemed net asset value of (\$14.1 million) (deemed assets of \$36.1 million and deemed liabilities of \$50.2 million), with an LMR ratio of 0.72. These numbers do not include CLEO's current security deposit with the Alberta Energy Regulator ("AER") of approximately \$720,000.

Note that the *Fabyan, Taber*, and part of the *Silver Heights* properties are currently shut-in. Reactivating these properties would drastically increase the deemed asset amount and restore lost production.





## Production Overview

Average daily sales production net to CLEO from the Properties for the first half of 2024 was approximately 990 boe/d, consisting of approximately 527 bbl/d of oil and natural gas liquids and approximately 2.8 MMcf/d of natural gas.

Current production from the Properties is approximately 460 boe/d, consisting of 395 bbl/d of oil and natural gas liquids and 390 Mcf/d of natural gas. The Company is currently reactivating several wells which it believes will add approximately 330 bbl/d of oil. Details of the reactivations will be made available in the virtual data room to parties that execute a confidentiality agreement.

CLEO believes that with limited capital the current reactivation production capability is approximately 750 bbl/d of oil.

PROPERTY	Q1-Q2 2024 NET PRODUCTION (Average Daily)			
	Oil bbl/d	Ngl bbl/d	Nat. Gas Mcf/d	Total boe/d
<b>Fabyan</b>	10	5	1,978	345
<b>Silver Heights</b>	223	-	149	248
<b>Shorncliffe</b>	135	-	-	135
<b>Sedgewick</b>	53	-	48	61
<b>Taber</b>	0	-	335	56
<b>Neutral Hills</b>	51	-	16	54
<b>Atlee**</b>	29	-	124	50
<b>Enchant</b>	-	-	121	20
<b>Alliance</b>	15	-	-	15
<b>Hayter</b>	5	-	3	6
<b>Kessler**</b>	1	-	4	2
<b>TOTAL</b>	<b>522</b>	<b>5</b>	<b>2,778</b>	<b>990</b>

\*CLEO's current production is approximately 460 boe/d, consisting of 395 bbl/d of oil and 390 Mcf/d of natural gas awaiting several ongoing re-activations. The Company is currently reactivating several wells which it believes will add approximately 220 bbl/d of oil.

\*\*The *Atlee* and *Kessler* properties are currently in the process of being reclaimed.

*Shorncliffe* had a large amount of reactivations in March/April 2024 and now has a net operating income of approximately \$115,000/month.

*Neutral Hills* had a pipeline reactivation in August 2024 which resulted in a post-repair net operating income of approximately \$40,000/month with the potential for multiple additional reactivations.

## Seismic Overview

The Company has a license agreement on certain trade and proprietary 2D and 3D seismic data relating to the Properties. Information relating to the seismic will be made available in the data room to parties that execute a confidentiality agreement.





## Reserves Overview

*Deloitte LLP* (“Deloitte”) prepared an independent reserves evaluation of CLEO’s Properties (the “Deloitte Report”) as part of the Company’s year-end reporting. The Deloitte Report is effective December 31, 2022 using Deloitte’s January 1, 2023 forecast pricing. The Company does not have a current third-party reserve report reflecting the disposition of certain of its interests at *Fabyan* in late 2023. This disposition only affected the total proved and total proved plus probable reserve values. The Deloitte Report also includes reserves values and volumes for the *Atlee* and *Kessler* properties, which are being reclaimed.

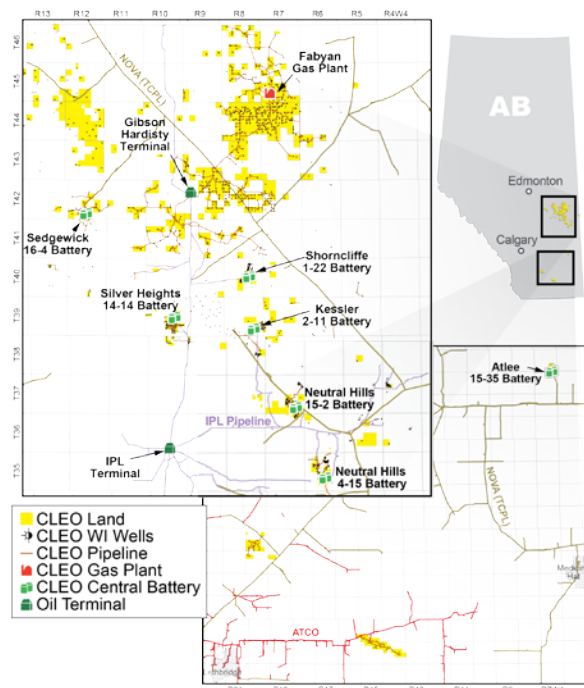
Deloitte estimated that, as at December 31, 2022 the Properties excluding CLEO’s interests at *Fabyan* contained remaining proved plus probable reserves of 4.5 million barrels of oil and natural gas liquids and 3.5 Bcf of natural gas (5.1 million boe), with an estimated net present value of \$46.9 million using forecast pricing at a 10% discount.

Deloitte LLP as at December 31, 2022							
COMPANY GROSS RESERVES				PV BEFORE TAX			
	Oil	Natural Gas	Ngl	Total	0%	5%	10%
	Mbbl	MMcf	Mbbl	MBOE		(000s)	
<b>Proved Developed Producing</b>	<b>2,269</b>	<b>2,087</b>	<b>7</b>	<b>2,624</b>	<b>\$44,316</b>	<b>\$33,900</b>	<b>\$27,379</b>
Proved Non-Producing/Undeveloped	714	392	0	779	\$16,296	\$10,927	\$7,603
<b>Total Proved</b>	<b>2,983</b>	<b>2,479</b>	<b>7</b>	<b>3,403</b>	<b>\$60,612</b>	<b>\$44,828</b>	<b>\$34,983</b>
Probable	1,488	996	2	1,656	\$40,263	\$20,441	\$11,959
<b>Total Proved Plus Probable</b>	<b>4,471</b>	<b>3,475</b>	<b>9</b>	<b>5,059</b>	<b>\$100,875</b>	<b>\$65,269</b>	<b>\$46,941</b>

The reserve estimates and forecasts of production and revenues for the Company’s Properties were prepared within the context of a group of properties in aggregate. Extraction and use of any individual property evaluation outside of this context may not be appropriate without supplementary due diligence. Values in the “Total” row may not correspond to the total of the values presented due to rounding.

## Infrastructure Overview

CLEO controls most of the pipeline infrastructure in the area necessary for both oil development and associated natural gas egress. The Properties have significant offsetting potential including the Viking and Upper Mannville Sparky oil reservoirs, which would require use of the Company’s pipeline infrastructure.



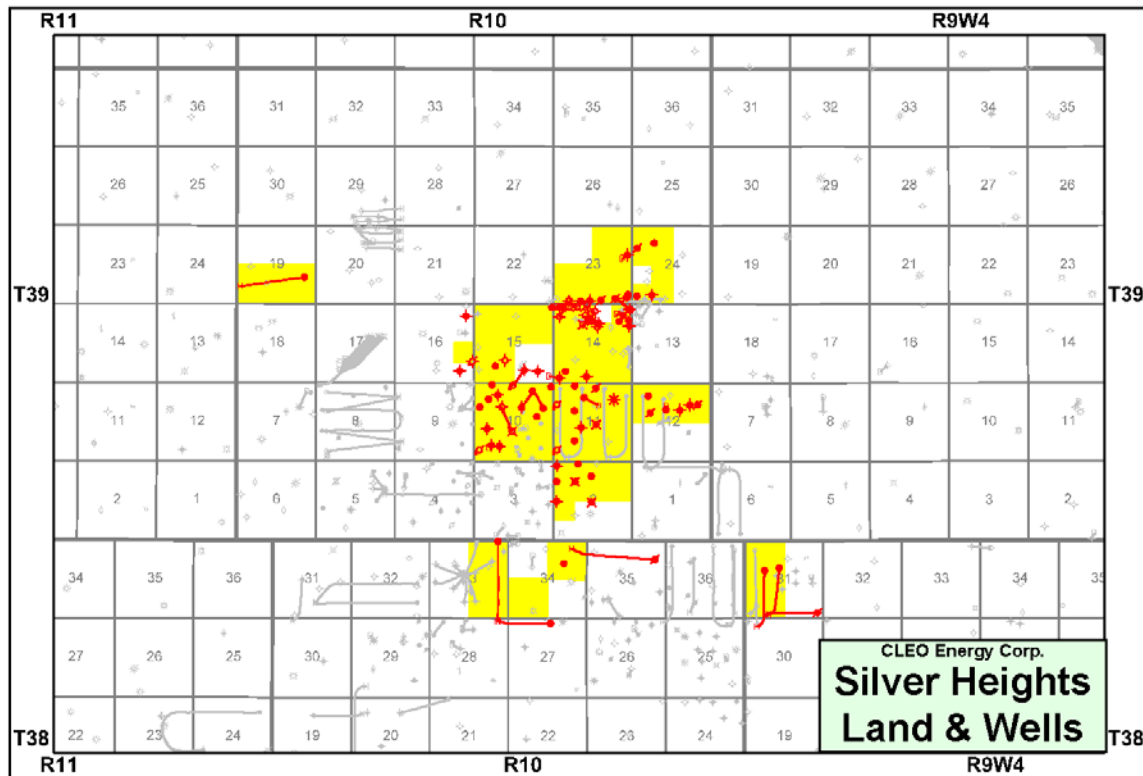


## Silver Heights Property

## Township 38-39, Range 9-10 W4

At *Silver Heights*, CLEO holds largely a 98% working interest in approximately eight sections of land. Production at *Silver Heights* is primarily oil from the Ellerslie and Glauconitic Sandstone formations.

Average daily production net to CLEO from *Silver Heights* for the first half of 2024 was approximately 248 boe/d, consisting of 223 bbl/d oil and 149 Mcf/d of natural gas. Current production net to CLEO from Silver Heights is approximately 125 bbl/d of oil.



Peak production from *Silver Heights* was 345 boe/d in January 2023. Due to limited sustaining capital, production has declined. Basic workovers are required to increase production.

Operating income net to CLEO from *Silver Heights* for the first half of 2024 was approximately \$197,600 per month.

Production at *Silver Heights*, has been greatly impacted. In the fourth quarter of 2024, 75 bbl/d of oil production was curtailed due to a natural gas conservation requirement. The property was fully shut-in from December 8, 2024 to January 14, 2025 due to an electrical cable theft. The process of restoring the production has begun and the field is currently producing approximately 118 bbl/d of oil. It is expected that the production will be restored back to its original rate prior to the end of the first quarter of 2025.

The Company has a vertical Ellerslie proved undeveloped drilling location booked in the Deloitte Report at 12-039-10W4 and an additional five internally identified unbooked vertical locations. These locations are low cost, (estimated at \$600,000 per well). Offsetting analogs have been assigned total proved plus probable reserves of 50,000 barrels of oil per well.

Glauconitic recompletion candidates provide additional upside at *Silver Heights*. The Company has identified a large number of reactivation opportunities including the opportunity to reconfigure pressure support for the reservoir and increase production through expanded water handling.



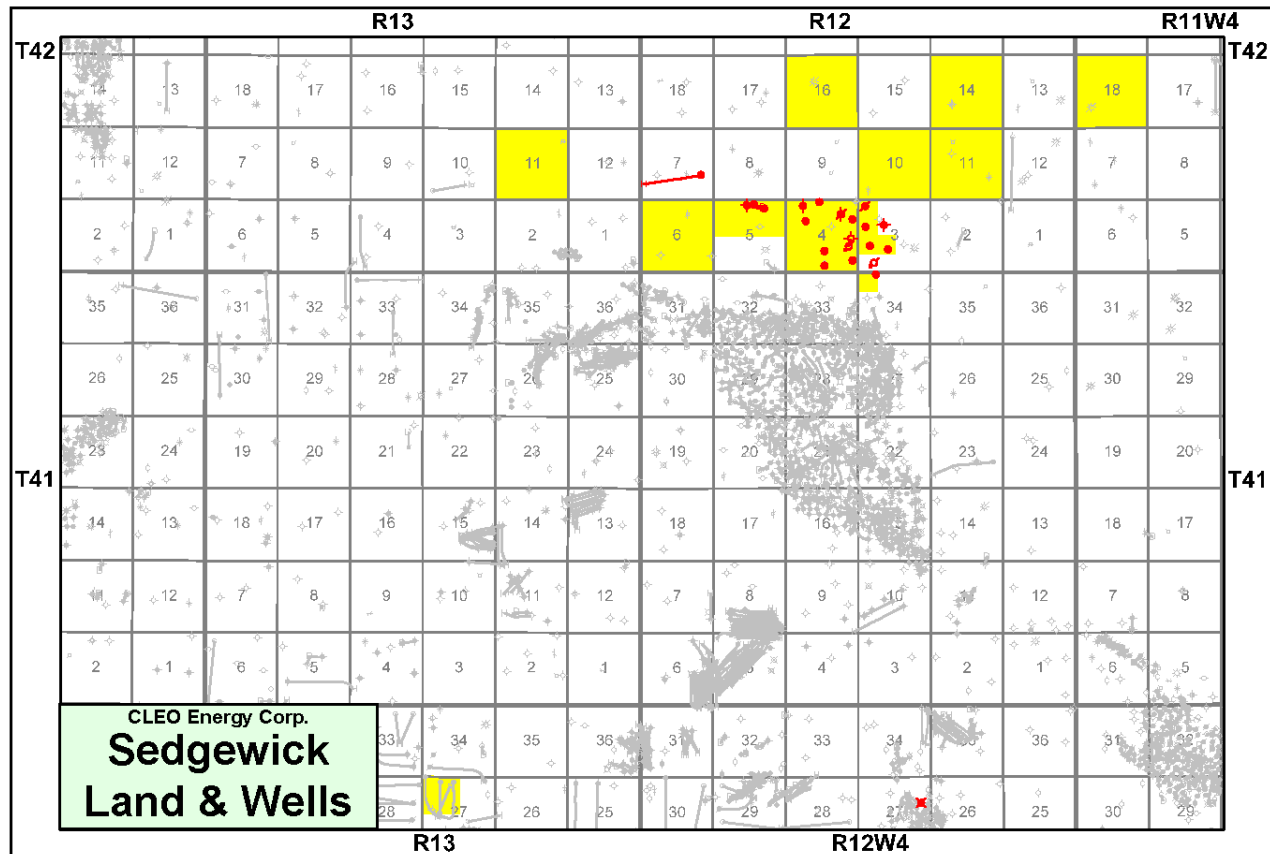


## Sedgewick Property

## Township 40-42, Range 11-13 W4

At *Sedgewick*, CLEO holds a 100% working interest in approximately nine sections of land. Production at *Sedgewick* is primarily 28° API oil from the Ellerslie Formation.

Average daily production net to CLEO from *Sedgewick* for the first half of 2024 was approximately 61 boe/d, consisting of 53 bbl/d oil and natural gas liquids and 48 Mcf/d of natural gas. Current production net to CLEO from *Sedgewick* is approximately 35 boe/d, consisting of 25 bbl/d of oil and 61 Mcf/d of natural gas.



The Company believes the 15-05-042-12W4 pad has significant value and significant production potential, but will require a capital investment for a pipeline tie-in.

Operating income net to CLEO from *Sedgewick* for the first half of 2024 was approximately \$54,300 per month.

The Company has identified 14 locations, including eight in the Upper Ellerslie and six Lower Ellerslie. Three of the six Lower Ellerslie horizontal locations are booked in the Deloitte Report.

The Company recently recompleted the two wells in the Glauconitic Sandstone Formation with positive results.

CLEO has existing infrastructure with clean oil currently trucked to the 16-04-042-12W4 battery.

Upside potential exists to recomple and commingle Glauconitic sand with existing Mannville oil producers. The Upper Ellerslie has porosity of 18% to 30% and water saturation of 17% to 50%. The Lower Ellerslie has porosity of 23% to 28%.





## Alliance Property

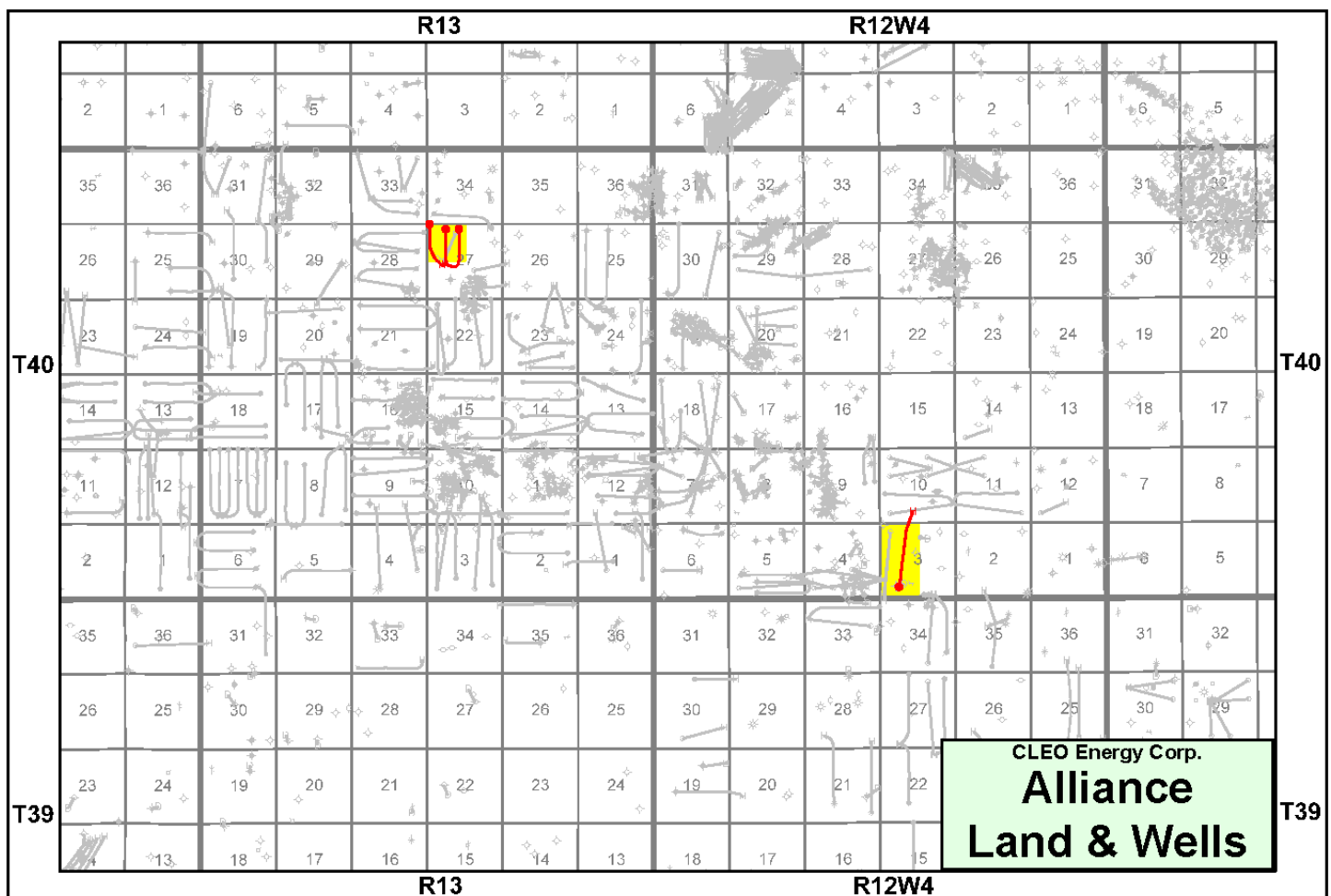
## Township 40, Range 12-13 W4

At *Alliance*, CLEO holds a 100% working interest in three quarter sections of land. The Company has stable, low-decline oil production from the Viking Formation. CLEO also has one horizontal drilling location booked in the Deloitte Report on Section 04-03-040-12W4 targeting the same Viking pool.

Average daily production net to CLEO from the *Alliance* property for the first half of 2024 was approximately 15 barrels of oil per day.

Operating income net to CLEO from *Alliance* for the first half of 2024 was approximately \$24,900 per month.

At *Alliance*, the Viking reservoir is comprised of sandstone within coarsening-upwards cycles from shale to sandstone. The sediments were deposited in the Late Cretaceous period in a shoreface environment.





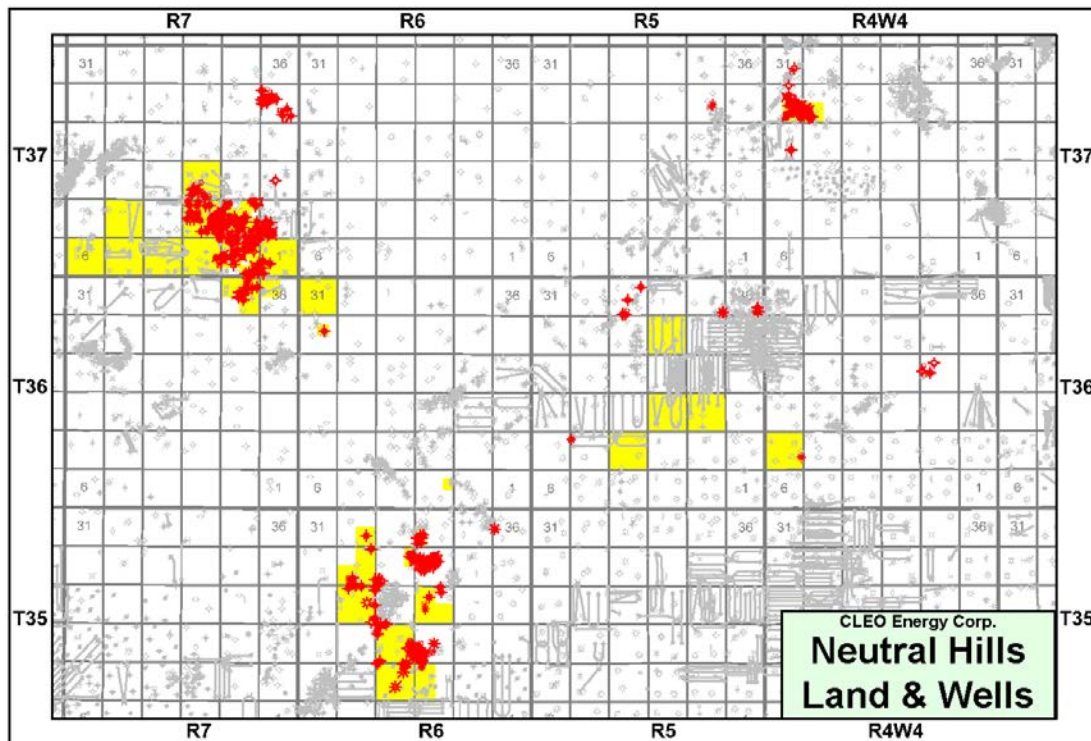
## Neutral Hills Property

## Township 35-37, Range 4-7 W4

At *Neutral Hills*, CLEO holds primarily a 100% working interest in certain lands and wells located in the north block.

CLEO also holds a 50% working interest operated by **Prairie Provident Resources Inc.** in the south block, and other minor non-operated working interests. *Neutral Hills South* has been shut-in since December 2023.

Production at *Neutral Hills* is primarily oil from the Dina Formation.



Average daily production net to CLEO from *Neutral Hills* for the first half of 2024 was approximately 54 boe/d, consisting of 51 bbl/d oil and natural gas liquids and 16 Mcf/d of natural gas. The Company has identified 25 bbl/d of oil to be brought back on production as soon as possible and an additional 50 bbl/d to be brought back on with an estimated cost of approximately \$300,000.

Current production net to CLEO from *Neutral Hills* is approximately 90 boe/d. In 2024, CLEO spent upwards of \$500,000 on pipeline repairs and recompletions to restore approximately 85 bbl/d of oil production that was down due to a pipeline break. With the pipeline repairs, the field has long lasting pipeline integrity. CLEO has identified drilling upside in the Rex, Dina and Cummings formations, with five locations booked in the Deloitte Report. CLEO has also identified three unbooked Rex multi-laterals and two Dina horizontal wells and an additional 23 internally identified unbooked Dina locations. CLEO's booked inventory at *Neutral Hills* is the only property where it has booked multilateral wells.

Operating income net to CLEO from *Neutral Hills* for the first half of 2024 was approximately (\$80,100) per month. *Neutral Hills* had a major pipeline upgrade and reactivation in August 2024 which resulted in a post-repair net operating income of approximately \$40,000/month. Minor workovers will immediately bring on an additional 50 bbl/d of oil.

The Company has also identified numerous Cummings recompletion opportunities at *Neutral Hills*, as well as a potential opportunity for reduction in operating expenses through power generation.





## Shorncliffe Property

## Township 40, Range 7-8 W4

At *Shorncliffe*, CLEO holds largely a 100% working interest in 4.75 sections of land, as well as a 25% non-operated working interest.

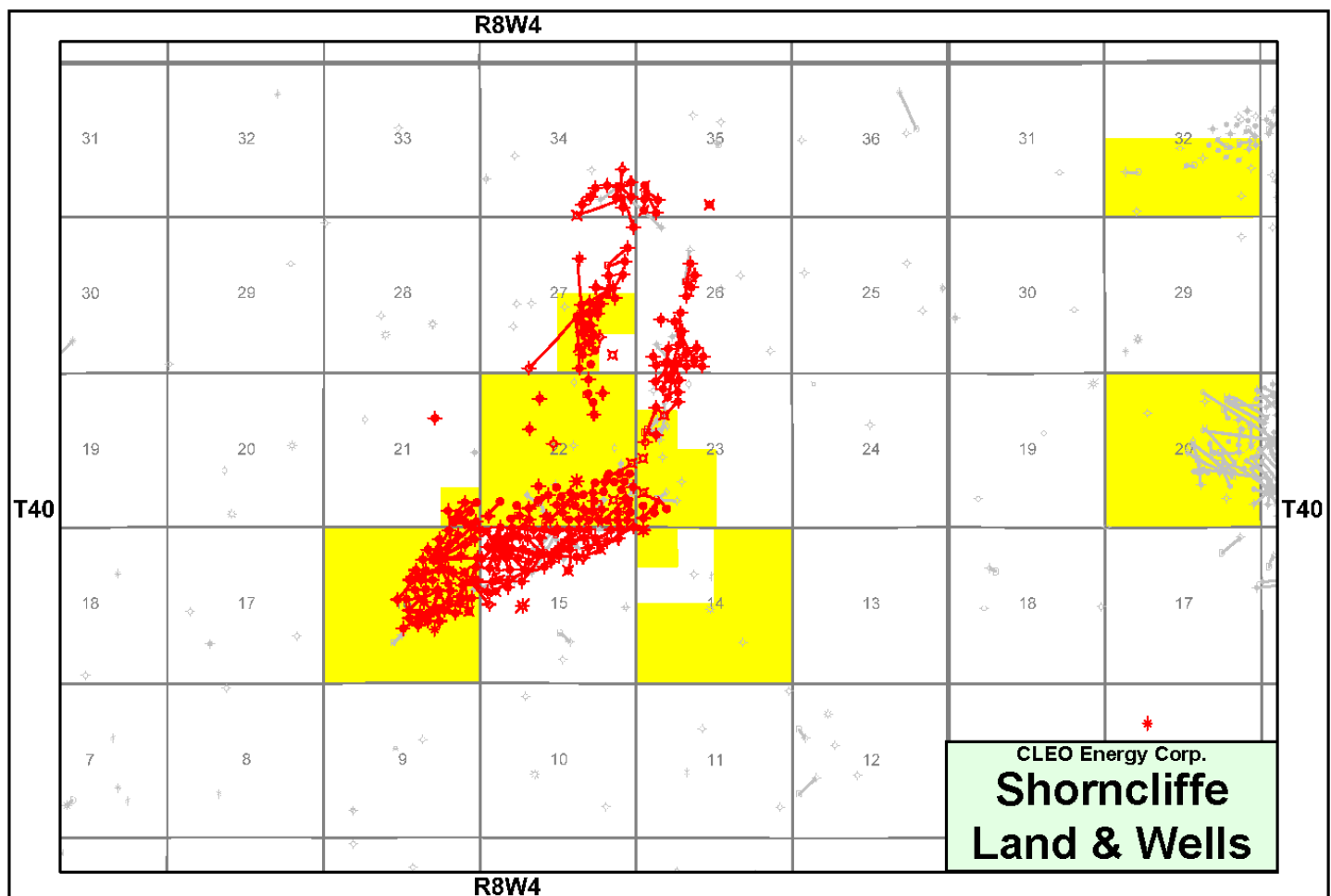
The Company also has an interest in certain non-operated wells which are operated by **Harvest Operations Corp.** Production at *Shorncliffe* is primarily 20° API oil from the Ellerslie, Glauconitic Sandstone and Basal Quartz formations.

Average daily production net to CLEO from *Shorncliffe* for the first half of 2024 was approximately 135 bbl/d oil. Current production net to CLEO from *Shorncliffe* is approximately 95 bbl/d of oil.

Operating income net to CLEO from *Shorncliffe* for the first half of 2024 was approximately \$18,100 per month. *Shorncliffe* had a large amount of reactivations in March/April 2024 and now has a net operating income of approximately \$115,000/month.

The *Shorncliffe* property is the location of the Company's main field office. The property has two producing fields which are connected to a central battery which is pipeline connected to **Inter Pipeline Ltd.**

CLEO believes that additional water handling and conversion to a new water injection well could support an increase in overall production levels.





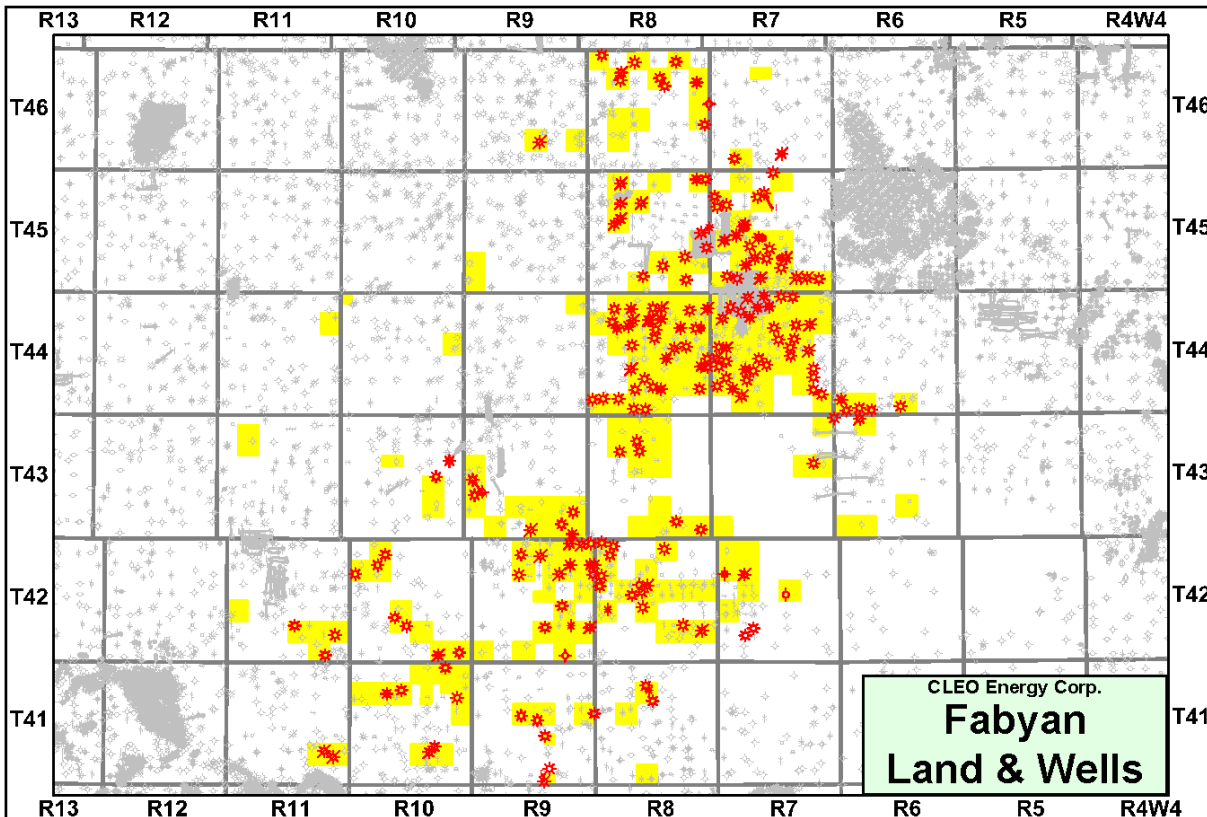
## Fabyan Property

## Township 41-46, Range 6-11 W4

At *Fabyan*, CLEO holds largely a 100% working interest in approximately 120 sections of land. Production at *Fabyan* is primarily shallow natural gas from the Viking Formation.

Current production from *Fabyan* is shut-in.

The Company believes the 100/11-10-045-07W4/3 Sparky and Colony well at *Fabyan* is generating approximately \$250,000 per year in net operating income. There is also potential for low-risk for multilateral development.



Average daily production net to CLEO from *Fabyan* for the first half of 2024 was approximately 345 boe/d, consisting of 1,978 Mcf/d of natural gas and 15 bbl/d oil and natural gas liquids.

Operating income net to CLEO from *Fabyan* for the first half of 2024 was approximately (\$184,600) per month.

CLEO believes there is potential for future power generation or Bitcoin mining at *Fabyan*.

CLEO controls all of the pipeline infrastructure in the area necessary for both oil development and associated natural gas egress. The area has significant offsetting potential including the Viking and Upper Mannville Sparky oil reservoirs, which would require use of the Company's pipeline infrastructure.

Further details relating to CLEO's pipeline infrastructure will be available in the virtual data room for parties that execute a confidentiality agreement.

The Company recognizes there are a significant number of abandoned wells, however; a large amount of the liabilities at *Fabyan* are associated to reclamation only.





## Enchant/Taber Property

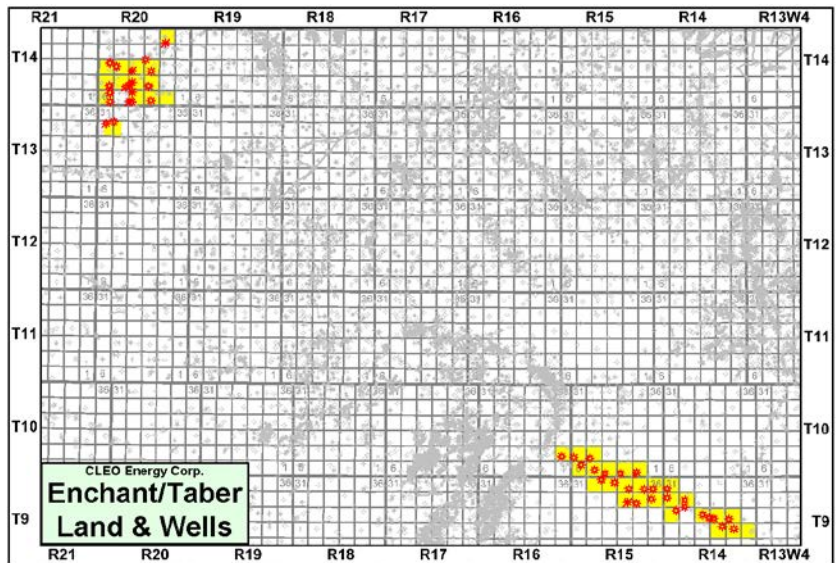
## Township 9-14, Range 14-20 W4

At *Enchant/Taber*, CLEO holds largely a 99.7% working interest in approximately 36 sections of land. Production at *Enchant* consists of stable, low-decline natural gas.

CLEO currently has a Bitcoin mining operation at *Enchant*.

Average daily production net to CLEO from *Enchant* for the first half of 2024 was approximately 20 boe/d, consisting of 121 Mcf/d of natural gas.

The *Taber* property is currently shut-in.



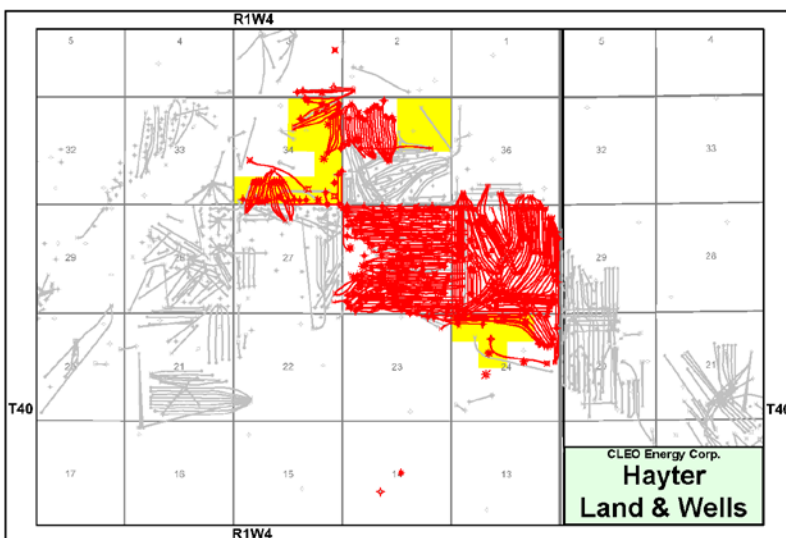
Average daily production net to CLEO from *Taber* for the first half of 2024 was approximately 56 boe/d, consisting of 335 Mcf/d of natural gas.

Operating income net to CLEO from *Enchant* for the first half of 2024 was approximately (\$6,200) per month.

Operating income net to CLEO from *Taber* for the first half of 2024 was approximately (\$15,000) per month.

## Hayter Property

## Township 40-41, Range 1 W4



At *Hayter*, CLEO holds primarily minor non-operated working interests in approximately one section of land. Production at *Hayter* is operated by **Harvest Operations Corp.** and **Rife Resources Ltd.**

Average daily production net to CLEO from *Hayter* for the first half of 2024 was approximately 6 boe/d, consisting of 5 bbl/d oil and 3 Mcf/d of natural gas. There is currently no production net to CLEO from *Hayter*.

Operating income net to CLEO from *Hayter* for the first half of 2024 was approximately (\$28,300) per month.

## Atlee and Kessler Properties

The Company also has interests in the *Atlee* and *Kessler* areas of Alberta, which are currently in the process of being reclaimed.

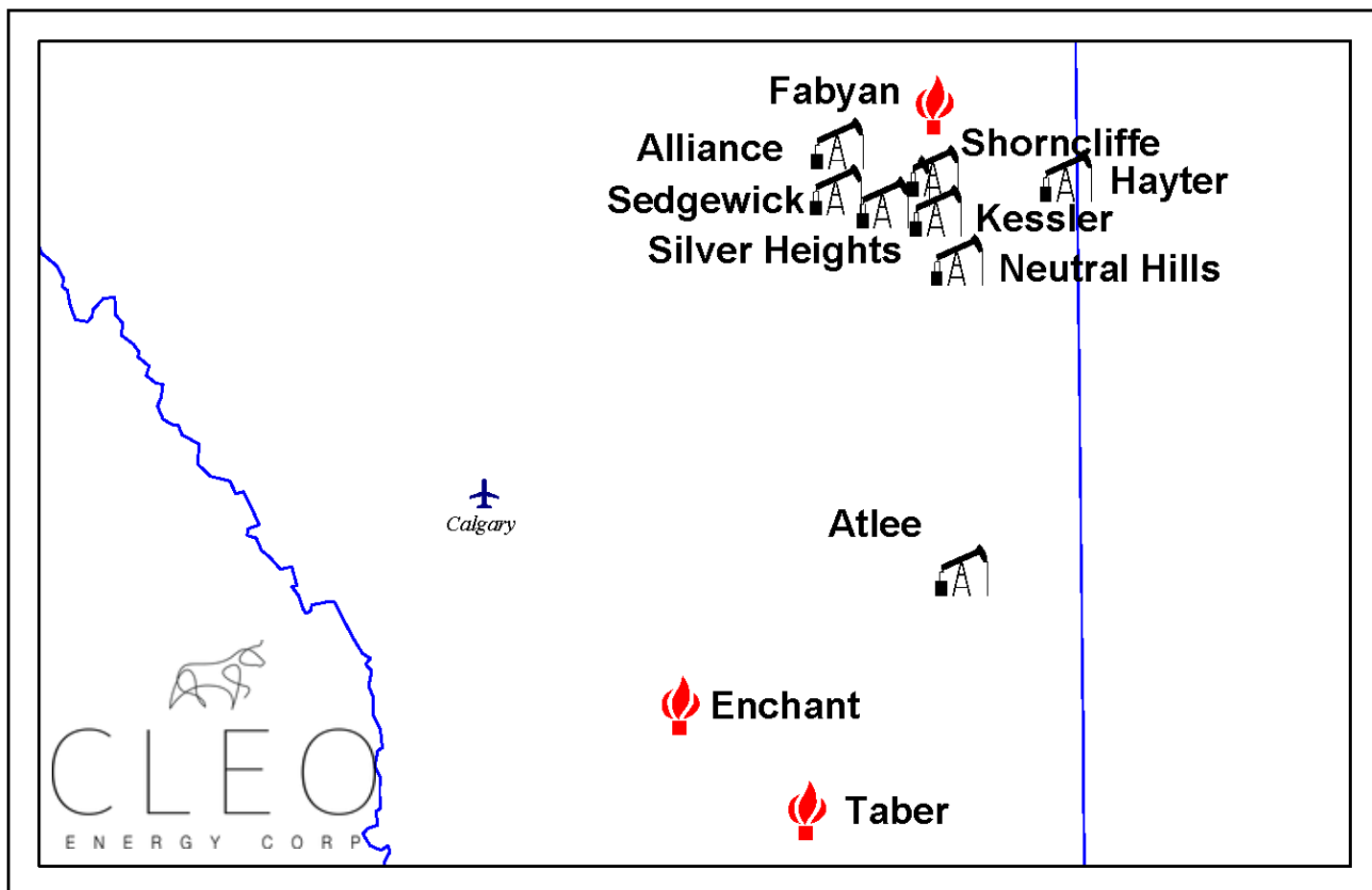




**BID DEADLINE: 12:00 pm February 27, 2025**

**Insolvency Sale**

# **CLEO Energy Corp. Insolvency Sale Winter 2025**



## **CONTACT**

Parties wishing to receive access to the confidential information with detailed information relating to this opportunity should execute the Confidentiality Agreement which is available on Sayer Energy Advisors' website ([www.sayeradvisors.com](http://www.sayeradvisors.com)) and return one copy to Sayer Energy Advisors by courier, email ([tpavic@sayeradvisors.com](mailto:tpavic@sayeradvisors.com)) or fax (403.266.4467).

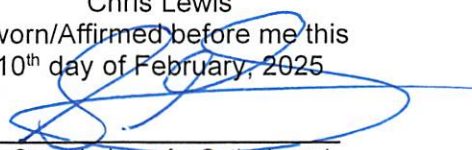
Included in the confidential information is the following: summary land information, the Deloitte Report, LMR information, most recent net operations summary, detailed facilities information and other relevant corporate, financial and technical information.

To receive further information on the Company please contact Tom Pavic, Ben Rye or Sydney Birkett at 403.266.6133.



1620, 540 – 5<sup>th</sup> Avenue SW, Calgary, Alberta Canada T2P 0M2  
Tel: 403.266.6133 Fax: 403.266.4467 [www.sayeradvisors.com](http://www.sayeradvisors.com)

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



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A Commissioner for Oaths in and  
for the Province of Alberta

February 10, 2025

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

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

Dear Chris,

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

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

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

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

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

Yours truly,

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



**ACCEPTANCE**

To: uCapital - uLoan Solutions Inc.

Attention: Greg Thompson

We agree to the amendment to the Letter of Offer set out above.

Accepted on February 10, 2025.

**CLEO ENERGY CORP.**

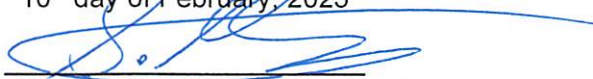
Per:



Name: Christopher Lewis

Title:

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

A handwritten signature in blue ink, consisting of a large, stylized 'S' followed by a horizontal line extending to the right.

---

A Commissioner for Oaths in and  
for the Province of Alberta

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