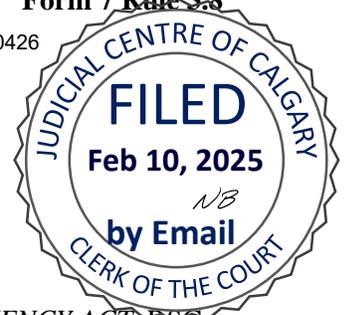


Form 7 Rule 3.8

C20426



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 APPLICATION

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Gowling WLG (Canada) LLP
1600, 421 – 7th Avenue S.W.
Calgary, AB T2P 4K9
Telephone: (403) 298-1946 / (403) 298-1938
Facsimile: (403) 263-9193
Email: sam.gabor@gowlingwlg.com / tom.cumming@gowlingwlg.com
File No. G10010664
Attention: Sam Gabor / Tom Cumming

NOTICE TO THE RESPONDENTS

This application is made against you.

You have the right to state your side of this matter before the Justice.

To do so, you must be in Court when the application is heard as shown below:

Date: February 19, 2025
Time: 10:00 a.m. MST
Where: By Webex (see Webex details at **Schedule “B”**)
Before Whom: The Honourable Justice M.J. Lema in Commercial Chambers
(Calgary)

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

Remedy claimed or sought:

1. The applicant, Cleo Energy Corp. (“**Cleo**”), in connection with the 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**”), commenced by notice of intention to make a proposal filed on December 8, 2024 (the “**Filing Date**”, and such notice, the “**NOI**”), applies for an Order seeking, *inter alia*, the following relief, which Order is substantially in the form attached hereto as **Schedule “A”**:

- (a) abridging the time for service of notice of this Application, deeming service of notice of this Application to be good and sufficient, and declaring that there is no other person who ought to have been served with notice of this Application;
- (b) extending the time within which Cleo is required under section 50.4 of the *BIA* to file a proposal by an additional 45 days from ending February 21, 2025 to April 4, 2025 (such period, as extended from time to time under section 50.4(9) of the *BIA*, being the “**Filing Period**”, and the date on which the Stay Period expires being the “**Expiry Date**”);
- (c) approving amendment to the interim financing facility (the “**uCapital Facility**”) provided by uCapital – uLoan Solutions Inc. (“**uCapital**”) to Cleo pursuant to the second amending agreement dated February 10, 2025 (the “**Second Amending Agreement**”) between those parties under which the maximum principal amount available to Cleo is increased from \$750,000 to \$1,000,000 and authorizing Cleo to enter into the Second Amending Agreement;
- (d) increasing the amount of 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
- (e) such further and other relief as Cleo may request and this Honourable Court may grant.

Grounds for making this application:

Background

2. Cleo was incorporated and is existing under the laws of Alberta in 2016 and carries on business as a producer of oil, natural gas liquids and natural gas in central Alberta. Cleo’s head office is located in Calgary.

3. Cleo experienced significant reductions in production since the beginning of 2024, which together with lower market prices for oil and gas, resulted in serious working capital shortages. Cleo had insufficient revenue to pay its liabilities in the ordinary course.
4. In order to address its financial difficulties, Cleo filed the NOI on December 8, 2025 pursuant to Division I of Part III of the *BIA*, commencing the Proposal Proceedings. Alvarez & Marsal Canada Inc. is the proposal trustee (the “**Proposal Trustee**”). The initial 30-day Filing Period expired on January 7, 2025 (as extended from time to time, the “**Filing Period**”).
5. On January 6, 2025, the Honourable Justice M.J. Lema pronounced an Order which, among other things:
 - (a) extended the Filing Period by 45 days to February 21, 2025;
 - (b) granted an administration charge in favour of the Proposal Trustee and its counsel and counsel to Cleo in the maximum amount of \$700,000;
 - (c) approved the uCapital Facility in the maximum principal amount of \$750,000;
 - (d) granted the uCapital Charge to secure Cleo’s obligations under the uCapital Facility;
 - (e) granted a charge in favour of the officer and director of Cleo (the “**D&O Charge**”) to secure Cleo’s obligation to indemnify him in the maximum amount of \$200,000; and
 - (f) declared that the Administration Charge, the uCapital Charge and the D&O Charge rank in priority to 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, rank in the following order of priority:
 - (i) first, the Administration Charge;
 - (ii) second, the uCapital Charge; and
 - (iii) third, the D&O Charge.
6. On January 21, 2025, the Honourable Justice Nielson pronounced an Order approving a sale and solicitation process (the “**SSP**”), under which Cleo is seeking to market and sell its property and

assets in consultation with, and with the assistance of, the Proposal Trustee and Sayer Energy Advisors, as sale agent (the “**Sale Agent**”). The SSP contemplates two phases, the first of which ends on February 27, 2025, the date by which potential bidders must submit to the Proposal Trustee non-binding letters of intent, and the second of which ends on March 13, 2025, the date by which bidders must submit to the Proposal Trustee binding offers to purchase. Any sales arising from the SSP must be approved by Orders of this Honourable Court.

7. The Sale Agent has implemented the SSP.

Amendment to uCapital Facility

8. Under the commitment letter dated January 5, 2025 between uCapital and Cleo, the maximum principal amount available under the uCapital Facility was \$750,000. In paragraph 50 of the first report of the Proposal Trustee dated January 6, 2025, it was anticipated that Cleo would experience a cash flow shortfall by the week of February 21, 2025. As such, Cleo has been seeking additional interim financing in order to address that potential shortfall.
9. Pursuant to the Second Amending Agreement, uCapital has agreed to provide an additional \$250,000, which according to a revised cash flow forecast for the period of the weeks ending February 14, 2025 to April 11, 2025 will provide sufficient working capital until the week of March 21, 2025, when it is anticipated that Cleo will again experience a cash flow shortfall.
10. Cleo is seeking additional interim financing from other parties and if successful will seek the approval of such additional financing from this Honourable Court.
11. The Second Amending Agreement is conditional upon this Honourable Court extending the Filing Period, approving the increase in the uCapital Facility by \$250,000 and increasing the maximum principal amount secured by the uCapital Charge by that amount.
12. The Proposal Trustee has recommended the approval of the increase in the uCapital Facility and the amount secured by the uCapital Charge.

Extension of the Filing Period

13. The Filing Period expires on February 21, 2025. Cleo requires an extension of the Stay Period to continue the SSP so as to permit the sale in the ordinary course or the restructuring of its business and operations.

14. The extension of the Filing Period is appropriate for, *inter alia*, the following reasons:
 - (a) Cleo has acted and continues to act in good faith and with due diligence;
 - (b) no creditor will be materially prejudiced by the requested extension of the Filing Period;
and
 - (c) the extension of the Filing Period is necessary to allow Cleo sufficient time and opportunity to continue implementing the SSP.
15. The extension of the Filing Period will permit Cleo to, among other things:
 - (a) continue operations during the Proposal Proceedings, which will enhance the prospects of selling Property on a going concern basis;
 - (b) continue to implement the SSP and through sale and other transactions potentially maximize realizations available to creditors and other stakeholders; and
 - (c) take such 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.
16. The sale of Cleo's Property on a going concern basis will significantly reduce the risk to the Alberta public that could arise if operations ceased and there were insufficient working capital to abandon, reclaim and remediate Cleo's licensed wells, facilities and pipelines, which would potentially result in such property having to be surrendered to the Orphan Well Association.
17. The revised cash flow forecast for the weeks ending February 14, 2025 to April 11, 2025 indicate that, provided that the increase to the uCapital Facility is approved by this Honourable Court, there will be sufficient working capital until the week ending March 21, 2025 to meet Cleo's obligations which arise during the Proposal Proceedings.
18. No creditor be prejudiced by the extension of the Filing Period. If the Filing Period is not extended, Cleo would be deemed to have made an assignment in bankruptcy, its operations would have to be immediately shut down, the SSP would have to be suspended, and the potential recoveries of creditors of Cleo would be severely impacted.
19. The Proposal Trustee supports the requested extension of the Filing Period.

Material or evidence to be relied on:

20. The Affidavit of Chris Lewis sworn February 10, 2025, to be filed;
21. Bench Brief, to be filed;
22. The third report of the Proposal Trustee, to be filed; and
23. Such further and other material as counsel may advise and this Honourable Court may permit.

Applicable Acts and regulations:

24. Rules 1.2, 1.3, 3.2(2)(d), 3.8, 6.3(1), 6.9, 11.27 and 13.5 of the *Alberta Rules of Court*, Alta Reg 124/2010;
25. The *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended; and
26. Such further and other Acts and regulations as counsel may advise and this Honourable Court may permit.

Any irregularity complained of or objection relied on:

27. None.

How the application is proposed to be heard or considered:

28. Before the presiding Justice in Commercial Chambers via Webex.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and time shown at the beginning of this form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.

Schedule "A"
Draft Order

Clerk's Stamp

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

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

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

APPLICANT CLEO ENERGY CORP.

DOCUMENT **ORDER (Stay Extension, Interim Financing, Interim Financing Charge
 and Other Relief)**

ADDRESS FOR **Gowling WLG (Canada) LLP**
 SERVICE AND

CONTACT 1600, 421 – 7th Avenue SW

INFORMATION OF Calgary, AB T2P 4K9

PARTY FILING THIS
 DOCUMENT

Attn: **Sam Gabor/ Tom Cumming**

Phone: 403.298.1946/ 403.298.1938

Fax: 403.263.9193

Email: sam.gabor@gowlingwlg.com/ tom.cumming@gowlingwlg.com

File No.: G10010664

DATE ON WHICH ORDER WAS PRONOUNCED: February 19, 2025

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

JUSTICE WHO MADE THIS ORDER: The Honourable Justice M.J. Lema in
 Commercial Chambers

UPON THE APPLICATION of Cleo Energy Corp. (“**Cleo**”) filed December 23, 2024;
AND UPON reading the Affidavit of Chris Lewis sworn February 10, 2025 (the “**Affidavit**”), and the
 Affidavit of Service of Sherry Langley, sworn February ●, 2025; **AND UPON** reading the Third Report
 of Alvarez & Marsal Canada Inc. in its capacity as proposal trustee of Cleo (in such capacity, the
 “**Proposal Trustee**”) dated February ●, 2025; **AND UPON** hearing submissions by counsel for Cleo,

the Proposal Trustee, counsel for the Proposal Trustee and any other counsel or other interested parties present;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of the notice of application for this order (the “**Order**”) is hereby abridged and deemed good and sufficient and this application is properly returnable today, and no other than those persons served is entitled to service of the notice of application.

EXTENSION OF TIME TO FILE A PROPOSAL

2. The time within which Cleo is required to file a proposal to its creditors with the Official Receiver under section 50.4 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the “**BIA**”) is hereby extended to April 4, 2025 (as extended from time to time, the “**Filing Period**”).

INTERIM FINANCING

3. The increase in the maximum principal amount that Cleo is authorized to borrow under the interim financing facility provided for in the commitment letter dated January 5, 2025 between uCapital – uLoan Solutions Inc. (“**uCapital**”) and Cleo to \$1,000,000 is hereby authorized and the second amending agreement dated February 10, 2025 providing for such increase is hereby approved.
4. Paragraph 6 of the Order of the Honourable Justice M.J. Lema pronounced January 6, 2025 is hereby amended to increase the principal amount of the Interim Lender’s Charge in favour of uCapital from \$900,000 to \$1,000,000, together with any interest accrued thereon or costs and expenses incurred thereunder.

GENERAL

5. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier to the service list (the “**Service List**”) in the proceedings. Service is deemed to be effected the next business day following transmission or delivery of this Order.
6. This Order shall be posted on the Proposal Trustee’s website for these proceedings at: <https://www.alvarezandmarsal.com/CLEO>.

J.C.K.B.A.

Schedule “B”
WebEx Details

Virtual Courtroom 60 has been assigned for the above noted matter:

Virtual Courtroom Link:

<https://albertacourts.webex.com/meet/virtual.courtroom60>

Instructions for Connecting to the Meeting

1. Click on the link above or open up Chrome or Firefox and cut and paste it into your browser address bar.
2. If you do not have the Cisco Webex application already installed on your device, the site will have a button to install it. Follow installation instructions. Enter your full name and email address when prompted
3. Click on the **Open Cisco Webex Meeting**.
4. You will see a preview screen. Click on **Join Meeting**.

Key considerations for those attending:

1. Please connect to the courtroom **15 minutes prior** to the start of the hearing.
2. Please ensure that your microphone is muted and remains muted for the duration of the proceeding, unless you are speaking. Ensure that you state your name each time you speak.
3. If bandwidth becomes an issue, some participants may be asked to turn off their video and participate by audio only.
4. **Note: Recording or rebroadcasting of the video is prohibited.**
5. **Note: It is highly recommended you use headphones with a microphone or a headset when using Webex. This prevents feedback.**

For more information relating to Webex protocols and procedures, please visit:
<https://www.albertacourts.ca/qb/court-operations-schedules/webex-remote-hearings-protocol>

You can also join the meeting via the “Cisco Webex Meetings” App on your smartphone/tablet or other smart device. You can download this via the App marketplace and join via the link provided above.