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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
June 2, 2025

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

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

May 28, 2025

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

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APPENDIX A	Updated Cash Flow Forecast
CONFIDENTIAL APPENDIX 1	Proposal Trustee’s Analysis of the APAs
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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 provided for certain relief, including:
 - a) authorizing and directing RBC to issue an additional bank draft in the amount of \$152,426, 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. On January 15, 2025, an amended Garnished Fund 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. Cleo received the Garnished Funds on February 4, 2025.

January 6 Application

5. On January 6, 2025, the Company sought and obtained the following relief from this Honourable Court:
- a) an extension of the Initial NOI 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

6. 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.

January 22 Application

7. On January 22, 2025, the Company sought and obtained the following relief from this Honourable Court:
- a) a sales and solicitation process (“**SSP**”) under which the Property will be marketed and sold (the “**Sales Process Order**”); and
 - b) a stay of 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 the Commercial Agreement and dismissing Trafigura’s cross-application.

February 19 Application

8. On February 19, 2025, the Company sought and obtained the following relief from this Honourable Court:
- a) an extension of the Stay Period within which the Company is required to file a proposal to its creditors to April 4, 2025;
 - b) an amendment to the Interim Financing Facility (the “**Amended Interim Financing Facility**”), which increases the amount Cleo is authorized to borrow under the Interim Financing Facility from \$750,000 to \$1,000,000;
 - c) an increase to the Interim Lender’s Charge, in favour of uCapital, from \$900,000 to \$1,000,000 (the “**Amended Interim Lender’s Charge**”), together with any interest accrued thereon or costs and expenses incurred thereunder; and
 - d) approval of the Proposal Trustee’s and its counsel’s fees and disbursements up to January 31, 2025.

March 25 Application

9. On March 25, 2025, the Company sought and obtained the following relief from this Honourable Court:

- a) an extension of the Stay Period within which the Company is required to file a proposal to its creditors to May 9, 2025;
- b) approving the Asset Purchase Agreement between Cleo and IHH Energy Corp., (“**IHH**”) the transaction contemplated therein (the “**IHH Transaction**”), and a corresponding sale approval and vesting order;
- c) approving the Asset Purchase Agreement between Cleo and Nuova Strada Ventures Ltd. (“**Nuova**”), the transaction contemplated therein (the “**Nuova I Transaction**”), and a corresponding sale approval and vesting order;
- d) approving the Asset Purchase Agreement between Cleo and Surge Energy Inc. (“**Surge**”), the transaction contemplated therein (the “**Surge Transaction**”), and a corresponding sale approval and vesting order;
- e) approving the sealing of Confidential Appendices 1, 2, 3 and 4 to the Fourth Report of the Proposal Trustee (the “**March 25th Sealing Order**”); and
- f) the Proposal Trustee’s request for the approval of the professional fees and disbursements of the Proposal Trustee up to March 7, 2025 and the Proposal Trustee’s Counsel up to February 28, 2025.

April 30 Application

10. On April 30, 2025, the Company sought an obtained the following relief from this Honourable Court:

- a) an extension of the Stay Period within which the Company is required to file its proposal to its creditors to June 8, 2025; and
- b) approving the sealing of Confidential Appendix 1 to the Fifth Report of the Proposal Trustee (the “**April 30th Sealing Order**”).

June 2 Application

11. The Interim Lender has filed an application with this Honourable Court, returnable June 2, 2025 (the “**June 2nd Application**”). The relief sought by the Interim Lender at the June 2nd Application includes:
 - a) effective as of June 3, 2025, appointing A&M as receiver and manager (the “**Proposed Receiver**”) over all the assets, undertakings and properties of Cleo, pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 and section 13(2) of the *Judicature Act*, RSA 2000 c J-2, (the “**Proposed Receivership Order**”); and
 - b) staying the NOI Proceedings effective as of June 3, 2025, and recognizing and continuing the Administration Charge, the Amended Interim Lender’s Charge and the D&O Charge (collectively the “**BIA Charges**”) in the Proposed Receivership Proceedings, for the purposes of securing the obligations incurred during the NOI Proceedings that are secured by the BIA Charges.
12. In addition, the Company is applying to this Honourable Court for the following relief at the June 2nd Application:
 - a) approving the Asset Purchase Agreement dated April 16, 2025 (the “**Nuova II APA**”) between Cleo and Nuova and the transaction contemplated therein (the “**Nuova II Transaction**”), and a corresponding sale approval and vesting order (the “**Nuova II SAVO**”);
 - b) approving the Asset Purchase Agreement dated May 26, 2025 (the “**Fire Creek APA**”) between Cleo and Rise Energy SPV Ltd. (“**Rise**”), which appoints Fire Creek Resources Ltd. (“**Fire Creek**”) as Rise’s nominee to take the tile to the assets subject to the Fire Creek APA, and the transaction contemplated therein (the “**Fire Creek Transaction**”), and a corresponding sale approval and vesting order (the “**Fire Creek SAVO**”);

- c) approving the Asset Purchase Agreement dated May 21, 2025 (the “**Prospera APA**”) between Cleo and Prospera Energy Inc. (“**Prospera**”) and the transaction contemplated therein (the “**Prospera Transaction**” or the “**Back-up Bidder Transaction**”), a corresponding sale approval and vesting order (the “**Prospera SAVO**”), and declaring that the Prospera APA is a Back-up Bidder to the Fire Creek APA;
 - d) declaring that the Prospera Transaction shall no longer be in force or effect if the Proposed Receiver files a certificate stating that all conditions precedent to completing the Fire Creek Transaction have been satisfied or waived (the “**Fire Creek Closing Certificate**”);
 - e) declaring that the Prospera APA will be deemed a Successful Bid, and that the Prospera SAVO will be in effect if the Proposed Receiver files a certificate stating that the Fire Creek Transaction and the Fire Creek APA have been terminated (the “**Fire Creek Termination Certificate**”);
 - f) a Restricted Court Access Order (the “**Restricted Court Access Order**”) temporarily sealing confidential appendices 1, 2, 3 and 4 to this Report (the “**Confidential Appendices**”) on the Court record;
 - g) an amendment to extend the time in which the March 25th Sealing Order and the April 30th Sealing Order (together, the “**Prior Sealing Orders**”) apply until the Proposed Receiver files the Proposal Trustee’s SSP Termination Certificate; and
 - h) such further and other relief as may be sought by the Company and this Honourable Court may deem appropriate in the NOI Proceedings.
13. Finally, the Proposal Trustee is applying to this Honourable Court for the following relief at the June 2nd Application:
- a) the approval of the professional fees and disbursements of the Proposal Trustee and and Miller Thomson LLP (“**Miller Thomson**” or the

“Proposal Trustee’s Counsel”) including the Forecast Fees and Costs (defined below), as set out in this Report; and

- b) approving the Proposal Trustee’s actions and activities as set out in the Fifth and Sixth Reports.

14. Capitalized terms not otherwise defined in this Proposal Trustee’s Sixth Report (this **“Report”** or the **“Sixth Report”**) have the meaning given to them in the Prior Proposal Trustee Reports¹, the Lewis Affidavits² or such other materials filed by Cleo and the Proposal Trustee in these NOI Proceedings. All materials filed on these NOI Proceedings can be found on the Proposal Trustee’s website at: <https://www.alvarezmarsal.com/CLEO>.

PURPOSE

15. The purpose of the Sixth 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 Fifth Report dated April 24, 2025;
 - b) an update on the SSP and the unsold properties anticipated to remain after the completion of the Transactions (defined below);
 - c) the Interim Lender’s application for a Proposed Receivership Order (the **“Proposed Receivership Application”**);
 - d) the Company’s request for approval of the Nuova II SAVO, the Fire Creek SAVO and the Prospera SAVO (collectively, the **“Transactions”**);

¹ The First Report of the Proposal Trustee dated January 6, 2025 (the **“First Report”**), the Second Report of the Proposal Trustee dated January 20, 2025 (the **“Second Report”**), the Third Report of the Proposal Trustee dated February 12, 2025 (the **“Third Report”**), the Fourth Report of the Proposal Trustee dated March 19, 2025 (the **“Fourth Report”**) and the Fifth Report of the Proposal Trustee dated April 24, 2025 (the **“Fifth Report”**).

² Includes the Affidavits of Chris Lewis sworn on December 11, 2024, December 22, 2024, December 23, 2024, December 24, 2024, January 5, 2025, January 20, 2025, February 10, 2025, March 17, 2025, April 22, 2025, and May 26, 2025.

- e) the Company's actual cash flow receipts and disbursements as compared to the cash flow forecast appended to the Fifth Report for the period of April 19, 2025 to May 23, 2025;
- f) the Company's updated cash flow forecast through to June 2, 2025 (the **"Updated CF Forecast"**);
- g) the request for approval of the Proposal Trustee's actions and activities as set out in the Fifth and Sixth Reports and the professional fees and costs of the Proposal Trustee and its legal counsel, including the Forecast Fees and Costs (defined below), as set forth in this Report;
- h) the reasons underlying the Company's request for approval of the Restricted Court Access Order concerning the Confidential Appendices; and
- i) the Proposal Trustee's recommendations with respect to the above.

TERMS OF REFERENCE

- 16. 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.
- 17. 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.
- 18. All references to dollars are in Canadian currency unless otherwise noted.

LIMITATION IN SCOPE OF REVIEW

- 19. 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.

20. 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.
21. 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.
22. 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

23. The Proposal Trustee and Management's activities since the filing of the Fifth Report have included, among other things, the following:
 - a) various discussions between Management, the Proposal Trustee, Miller Thomson 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) multiple communication and meetings with Sayer Energy Advisors (the "**Sales Agent**") pertaining to the SSP;
 - c) assisting the Company and the Sales Agent to negotiate the Nuova II APA and the Fire Creek APA (collectively, the "**Successful Bidder Transactions**"), as well as the Prospera APA;

- d) providing various updates to the Alberta Energy Regulator (“**AER**”) on the status of the NOI Proceedings, the SSP and negotiations with Qualified Bidders;
- e) hosting communication with legal counsel of the Orphan Well Association (“**OWA**”) regarding the progress of the NOI Proceedings and the possibility for CLEO being placed into receivership;
- f) reviewing and discussing weekly payables with the Company;
- g) continued monitoring of the Company’s actual cash flow results and evaluating the cash flow needs of the Company;
- h) assisting Management in preparing the Updated CF Forecast along with assumptions, attached as Appendix “A”;
- i) hosting various communications with secured lenders, the Interim Lender and certain unsecured creditors such as Trafigura; and
- j) ongoing monitoring of the Company’s financial affairs and activities by the Proposal Trustee.

UPDATE ON THE SSP³

Overview

- 24. As discussed in the Fifth Report, the Proposal Trustee received multiple bids by the Revised Binding Bid Deadline of March 27, 2025. Since then, the Sales Agent, Cleo, and the Proposal Trustee have continued negotiations with Qualified Bidders, including Rise, Nuova and Prospera, as well as with other interested parties seeking to acquire either Cleo’s assets or shares.
- 25. Of the Qualified Bids submitted, the Proposal Trustee, in consultation with the Company and the Sales Agent, selected Nuova and Fire Creek as the Successful

³ Capitalized terms used in this section and not otherwise defined shall have meanings ascribed to them in the SSP and the Sales Process Order.

Bidders as these transactions would result in the best recoveries for Cleo's creditors and minimize the number of unsold assets that may need to be surrendered to the OWA.

26. The Properties subject to the Fire Creek APA are also included in the Prospera APA. In consultation with the Company and the Sales Agent, the Proposal Trustee designated Prospera as the Back-up Bidder in the event that the Fire Creek Transaction is terminated. This designation was a result of the consideration payable to the estate in the Fire Creek APA was greater than that of the Prospera APA, resulting in the Fire Creek APA being the highest and best bid.
27. Paragraph 33 of the SSP permits the Proposal Trustee, in consultation with the Company and the Sales Agent, to identify and record the next highest or best Qualified Bid and to designate the party submitting that bid as a Back-up Bidder.

Successful Bidder Transactions

28. On or around April 16, 2025, Nuova, Cleo, the Sales Agent and the Proposal Trustee finalized the terms under which Nuova would acquire Cleo's Properties in the Sedgewick field, which are set out in the Nuova II APA.
29. On or around March 12, 2025, Fire Creek executed a non-disclosure agreement in favour of Cleo, allowing it to access information in the Data Room. Following this, Fire Creek, along with representatives of Rise, the Sales Agent, Cleo, and the Proposal Trustee, began negotiating the terms under which Fire Creek and Rise would purchase Cleo's Properties in the Silver Heights and Neutral Hill – North fields. On May 26, 2025, Fire Creek and Cleo executed the Fire Creek APA.
30. As previously stated, the consideration payable to the estate in the Fire Creek APA is greater than that under the Prospera APA. Furthermore, the Fire Creek Transaction includes more properties and assumes more liabilities related to asset retirement obligations than the Prospera Transaction.

Back-up Bidder Transaction

31. On or around May 23, 2025, Prospera, Cleo, the Sales Agent and the Proposal Trustee finalized the terms under which Prospera would acquire Cleo's Properties in the Silver Heights field, which are set out in the Prospera APA and are also subject to the Fire Creek APA.

Remaining Properties

32. The Company and the Sales Agent were unable to secure sales transactions for several of Cleo's fields, including those located in Taber, Neutral Hills – South, Enchant, Fabyan, Shorncliffe, Atlee, Hayter, Kessler and Greater Wainwright (the “**Remaining Properties**”). The Remaining Properties are comprised of approximately \$20 million in deemed assets and \$38 million in deemed liabilities, and are expected to generate an annual estimated net operating loss of approximately \$684k, and as set out in the table below.

Cleo Energy Corp. Summary of Remaining Properties \$CAD 000's					
Remaining Properties	Current Production (BBL)	Estimated Annual Net Operating Income (loss) (\$) ¹	Deemed Assets (\$)	Deemed Liabilities (\$)	Net Surplus (Deficiency) (\$)
Taber	-	(200)	1,517	1,636	(119)
Neutral Hills - South	-	(160)	584	2,313	(1,729)
Enchant	-	55	547	1,444	(897)
Fabyan North & CFB Base	1600 (mcf/d)	293	8,811	12,490	(3,679)
Fabyan South	-	(1,257)	1,166	8,851	(7,685)
Shorncliffe	85	1,250	5,286	4,769	518
Atlee	-	(36)	1,804	1,621	182
Hayter	-	(300)	-	541	(541)
Kessler	-	(330)	288	3,369	(3,081)
Greater Wainwright	-	-	-	1,260	(1,260)
Total Production	85	(684)	20,004	38,295	(18,291)

(1) Estimated based on actual results from Q1 2025 with adjustments made to costs for remaining quarters to align with Company expectation based on historical financial information.

ASSET PURCHASE AGREEMENTS

Overview

33. A copy of the Nuova II APA, the Fire Creek Energy APA and the Prospera APA (the “**Asset Purchase Agreements**”) with the Purchase Prices and Deposit amounts

redacted are attached as in the Lewis Affidavit sworn May 26, 2025. The Proposal Trustee's analysis of the Asset Purchase Agreements can be found in Confidential Appendix "1", and the unredacted versions of the Asset Purchase Agreements are contained in Confidential Appendix "2", Confidential Appendix "3" and Confidential Appendix "4", respectively.

34. The Asset Purchase Agreements are subject to the granting of the Approval of the SAVOs related to each APA (the “**Sale Approval and Vesting Orders**”) by this Honourable Court.
35. The Asset Purchase Agreements relate to the following properties:
 - a) Nuova II Strada APA: Sedgewick;
 - b) Fire Creek APA: Silver Heights, Neutral Hills – North; and
 - c) Prospera APA: Silver Heights.
36. Further details regarding the Asset Purchase Agreements including the purchase prices and deposit amounts can be found in the Confidential Appendices.

Proposal Trustee's Recommendation concerning the Asset Purchase Agreements and Sale Approval and Vesting Orders

37. The Proposal Trustee is of the view that the Asset Purchase Agreements are commercially reasonable in the circumstances for the following reasons:
 - a) Cleo and the Sale Advisor were authorized by this Court to market and sell Cleo assets per the SSP Order;
 - b) the Asset Purchase Agreements arose from an extensive marketing process conducted by Cleo and the Sales Agent in accordance with the Court-approved SSP and in consultation with the Proposal Trustee, in which Cleo solicited offers from a significant amount of prospective bidders in a reasonable timeframe;

- c) the Proposal Trustee has determined that the Asset Purchase Agreements are the highest and best offers received for the respective assets being sold and will be more beneficial to the creditors of Cleo than a sale under a bankruptcy;
 - d) the Asset Purchase Agreements are supported by the Company;
 - e) the Asset Purchase Agreements were negotiated between the parties at arm's length, in good faith and with the assistance of the Sale Advisor; and
 - f) the Asset Purchase Agreements are supported by the Interim Lender.
38. For the reasons above, the Proposal Trustee recommends that the Court: (i) declare the Fire Creek APA to be a Successful Bid and the Prospera APA to be the Back-up Bid to the Fire Creek APA, (ii) approve the Asset Purchase Agreements, and (iii) grant the corresponding Sale Approval and Vesting Orders.

PROPOSED RECEIVERSHIP APPLICATION

39. The NOI Proceedings cannot be extended beyond June 8, 2025. As a result, on June 9, 2025, pursuant to section 50.4(8) of the BIA, Cleo will be deemed to make an assignment in bankruptcy.
40. As at May 26, 2025, Cleo was indebted to uCapital for approximately \$1 million, plus further accruing interest, fees and costs on a solicitor and his own client, full indemnity basis (the “**uCapital Indebtedness**”).
41. It was Cleo’s intention to sell the majority of its assets during the NOI Proceedings and use the proceeds to repay uCapital and other secured creditors before the deemed bankruptcy. However, Cleo informed the Proposal Trustee and UCapital that the Transactions may not close before June 8, 2025, and uCapital is concerned that a deemed bankruptcy of Cleo may interfere with the timely repayment of the uCapital Indebtedness and other secured creditors from the proceeds of the Transactions. In addition, uCapital is equally as concerned that a bankruptcy may

delay or jeopardize the sale of any remaining assets owned by Cleo after the Successful Bidder Transactions and if applicable, the Back-up Bidder Transaction, close.

42. As a result, uCapital has applied for a Proposed Receivership Order, with A&M to be appointed as the receiver. The Interim Lender is of the view that the Proposed Receivership Order is necessary for, but not limited to, the following reasons:

- a) uCapital has the right to appoint a receiver under the Interim Financing Agreement;
- b) a receivership has the greatest likelihood of maximizing return to the parties;
- c) if no order is made, a deemed bankruptcy would occur, which may negatively affect the closing and distribution of proceeds of the Successful Bidder Transactions or the Back-up Bidder Transaction, and the sale of Remaining Properties and distribution of proceeds from those sales;
- d) a receivership will likely be the most efficient way to close the Successful Bidder Transactions and, if applicable, the Back-up Bidder Transaction, and distribute the proceeds therefrom, and complete the sale of Remaining Properties, outside of a bankruptcy;
- e) the Proposed Receiver has in-depth knowledge of Cleo and its assets, has facilitated the SSP, and is in the best position to facilitate the closing of the Successful Bidder Transactions and, if applicable, the Back-up Bidder Transaction;
- f) the Proposed Receiver will be able to work with the AER and OWA to attempt to convey the Remaining Properties to a third-party, and if necessary, transition any such properties as necessary to the OWA; and
- g) to the extent that the abandonment and reclamation obligations

associated with the Remaining Properties have been provided for to the satisfaction of the AER, the Proposed Receiver will be able to arrange for the distribution of any remaining funds in Cleo's estate to Cleo's creditors in accordance with their respective priorities at law.

43. uCapital has applied for and supports the BIA Charges to continue into the Proposed Receivership Proceedings on the basis that the beneficiaries of the BIA Charges have been actively working to facilitate a successful restructuring of Cleo during the NOI Proceedings. Furthermore, uCapital provided funding to Cleo under the Interim Financing Facility on the express condition that it would be secured by the Interim Lender's Charge.
44. The Proposal Trustee has consented to act as the Proposed Receiver and is of the view the Proposed Receivership Proceeding is also in the best interest of Cleo's creditors and stakeholders, for the reasons described above.

ACTUAL CASH FLOW RESULTS COMPARED TO FORECAST

45. The Company's actual cash receipts and disbursements as compared to the cash flow forecast appended to the Fifth Report (the "**Prior CF Forecast**") during the period of April 19, 2025 to May 23, 2025 (the "**Reporting Period**") is summarized below:

Cleo Energy Corp.				
5 Week Cash Flow Ending May 23, 2025				
\$CAD 000's	Notes	Forecast	Actuals	Variance
Cash Receipts				
Sales (production settlement)	<i>a</i>	858	756	(102)
Other receipts	<i>b</i>	-	30	30
Total cash receipts		858	787	(72)
Cash Disbursements				
Payroll and benefits		201	183	18
Source Deductions	<i>c</i>	101	135	(34)
Operating and transportation	<i>d</i>	145	173	(28)
Mineral & Surface Leases	<i>e</i>	60	30	30
Utilities		194	194	-
Royalties		-	-	-
General and administrative	<i>f</i>	76	102	(26)
Professional fees	<i>g</i>	125	-	125
Sales Agent Fees		-	-	-
Interim Financing Facility Interest		30	30	-
Bank Fees		-	3	(3)
Total cash disbursements		932	850	82
Net Cash Flow		(75)	(63)	154
Net Change in Cash				
Beginning of period		286	286	-
Net cash flow		(75)	(63)	12
Interim Financing		-	-	-
Ending of period		211	223	12

During the Reporting Period, the primary variances include:

- a) a permanent negative variance relating to production receipts due to a variance in actual commodity prices and production as compared to the Prior CF Forecast;
- b) a permanent positive variance in other receipts relating to joint venture revenue not contemplated in the Prior CF Forecast;

- c) a temporary negative variance driven by the Company paying post-Filing source deductions over a shorter timeframe than the Prior CF Forecast initially contemplated;
 - d) a permanent negative variance attributable to higher than forecast operational expenditures to improve production;
 - e) a temporary positive variance due to delays in payment of certain leases;
 - f) a permanent negative variance in G&A driven by software and GST being higher than contemplated in the Prior CF forecast;
 - g) a temporary positive timing variance driven by delayed payments of fees to professionals as compared to the Prior CF Forecast and due to professionals being paid out of the sales proceeds account.
46. As of the date of this Report, the Proposal Trustee has distributed the majority of the funds received from the Surge, IHH, and Nuova Strada I transactions (the **“Transaction Funds”**) to pay priority charges in the NOI Proceedings. Specifically, payment was made on outstanding professional fees secured by the Administration Charge, including those of the Proposal Trustee up to May 2, 2025, the Proposal Trustee’s Counsel up to May 16, 2025, and the Company’s counsel up to March 31, 2025, in accordance with the SAVOs granted on March 25, 2025. The remaining Transaction Funds will be used to pay the ongoing fees and costs of the NOI Professionals secured by the Administration Charge.

UPDATED CASH FLOW FORECAST

47. Management, with the assistance of the Proposal Trustee, has prepared the Updated CF Forecast for the period from May 23, 2025 to June 2, 2025 (the **“Forecast Period”**). The notes to the Updated CF Forecast are an integral part of, and should be read in conjunction with, the Updated CF Forecast. The Updated CF Forecast and notes are included in Appendix **“A”**.
48. A summary of the Updated CF Forecast is below.

Cleo Energy Corp.		
2-Week Cash Flow Forecast ending June 2, 2025		
<i>\$CAD 000's</i>	<i>Notes</i>	<i>Forecast</i>
Cash Receipts		
Sales (production settlement)	<i>a</i>	655
Total cash receipts		655
Cash Disbursements		
Payroll and benefits		111
Source Deductions		38
Operating and transportation		106
Mineral & Surface Leases		41
General and administrative		116
Professional fees	<i>b</i>	185
Interim Financing Facility Interest	<i>c</i>	30
Total cash disbursements		628
Net Cash Flow		26
Net Change in Cash		
Beginning of period		223
Net cash flow		26
Ending of period		249

- a) Revenue is based on actual production settlement received for April 2025 production. Proceeds from production are generally received on the 25th day of the following month (or the following business day). Receipts are shown net of any working partner interest and take-in-kind royalties and include collection of 5% GST.
- b) Forecast professional fees and costs for the Proposal Trustee, the Company's legal counsel, and the Proposal Trustee's counsel, totaling approximately \$185,000, allocated as approximately \$70,000, \$90,000, and \$25,000, respectively, to complete the NOI Proceedings. This includes unpaid fees and costs incurred from May 16, 2025, to June 2, 2025, for the Proposal Trustee and its counsel, and from April 1, 2025, to June 2, 2025, for the Company's legal counsel.
- c) Interest costs on the Interim Financing Facility.

APPROVAL OF PROFESSIONAL FEES AND EXPENSES

49. The Proposal Trustee seeks approval from this Honourable Court of the professional fees and disbursements of the Proposal Trustee for the period of March 8, 2025 to May 16, 2025 (the “**Proposal Trustee Taxation Period**”) and Miller Thomson for the period from March 3, 2025 to May 15, 2025 (the “**Miller Thomson Taxation Period**”). The Proposal Trustee and Miller Thomson’s fees and costs prior to March 8, 2025 were previously approved by this Honourable Court.
50. The total fees and expenses of the Proposal Trustee during the Proposal Trustee Taxation Period are \$93,201 (exclusive of GST), a summary of which is included below:

Cleo Energy Corp. Summary of the Proposal Trustee's Statements of Account For the period Mar 8, 2025 to May 16, 2025						
Invoice	Period	Fees	Disbursements	Subtotal	GST	Total
Alvarez & Marsal Canada						
7	Mar 8, 2025 to Mar 28, 2025	45,710	-	45,710	2,286	47,996
8	March 29, 2025 to April 18, 2025	12,516	-	12,516	626	13,142
9	March 30, 2025 to May 2, 2025	25,092	-	25,092	1,255	26,347
10	May 3, 2025 to May 16, 2025	9,883	-	9,883	494	10,377
Total		93,201	-	93,201	4,660	97,861

51. The total fees and expenses of the Proposal Trustee's Counsel during the Miller Taxation Period are \$55,436 (exclusive of GST), a summary of which is included below:

Cleo Energy Corp. Summary of the Proposal Trustee's Counsel's Statements of Account For the period Mar 3, 2025 to May 15, 2025						
Invoice	Period	Fees	Disbursements	Subtotal	GST	Total
Miller Thomson LLP						
4110992	Mar 3, 2025 to Mar 31, 2025	34,503	100	34,602	1,730	36,332
4120427	April 1, 2025 to April 18, 2025	8,565	-	8,565	428	8,993
4124959	April 20, 2025 to April 30, 2025	9,134	142	9,275	464	9,739
4129837	May 2, 2025 to May 15, 2025	2,994	-	2,994	150	3,144
Total		55,195	241	55,436	2,772	58,208

52. The Proposal Trustee and Proposal Trustee’s Counsel’s invoices (the “**Invoices**”) outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the name of the individual who

completed the work. Copies of the Invoices will be made available to the Court upon request (if necessary).

53. The Proposal Trustee and the Proposal Trustee's Counsel's estimated fees and costs to complete this engagement (May 16, 2025 to June 2, 2025) are approximately \$25,000 for the Proposal Trustee's Counsel and \$60,000 for the Proposal Trustee totalling \$85,000 (the "**Forecast Fees and Costs**"), which includes fees and costs incurred from May 16, 2025 to June 2, 2025, but not paid.
54. In the Proposal Trustee's respectful view, its fees and those of Miller Thomson, and the Forecast Fees and Costs, are fair and reasonable under the circumstances, and the Proposal Trustee therefore respectfully requests the Court's approval of these accounts.

RESTRICTED COURT ACCESS ORDER

55. The Company is seeking a Restricted Court Access Order temporarily sealing the Confidential Appendices, which include unredacted copies of the Asset Purchase Agreements, on the Court record.
56. The documents in the Confidential Appendices include sensitive market information. The sealing of this type of sensitive market information is the common practice in insolvency proceedings to avoid negative impacts to the SSP, given there remains negotiations with other parties in the SSP for the remaining properties and it could prejudice any future transactions if any of the transactions contemplated by the Asset Purchase Agreements do not close. The Proposal Trustee does not believe that any stakeholder will be prejudiced, or any public interest will be negatively impacted if the terms of the information in the Confidential Appendices is sealed.
57. As such, the Proposal Trustee is respectfully of the view that it is appropriate for this Honourable Court to seal the Confidential Appendices until (i) the Proposed Receiver files a certificate with the Court confirming that it has completed its attempt to sell the Remaining Properties; or (ii) further order of the Court, in accordance with the proposed form of Restricted Court Access Order.

PROPOSAL TRUSTEE'S RECOMMENDATION

58. The Proposal Trustee respectfully recommends that this Honourable Court approve:

- a) the Nuova II APA, the Fire Creek APA and the Prospera APA and the granting the corresponding SAVOs;
- b) the professional fees and costs of the Proposal Trustee and the Proposal Trustee's Counsel, including the Forecast Fees and Costs, as set out in this Report and referenced in the Proposal Trustee's materials for the June 2nd Application;
- c) the actions, activities and conduct of the Proposal Trustee as set out in the Fifth and Sixth Reports and all prior reports filed with this Honourable Court;
- d) the Restricted Court Access Order; and
- e) such further and other relief sought by the Company or Proposal Trustee in connection with the June 2nd Application.

All of which is respectfully submitted this 28th day of May, 2025

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

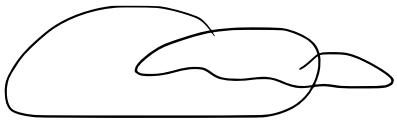



Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice-President



David Williams, CPA, CIRP, LIT
Manager

APPENDIX A

Cleo Energy Corp.				
2-Week Cash Flow Forecast ending June 2, 2025		<i>Notes</i>	Week 1	Week 2
\$CAD 000's		week ended	30-May-25	2-Jun-25
				2-week Total
				Total
Cash Receipts				
Sales (production settlement)	<i>1</i>		653	2
Total cash receipts			653	2
Cash Disbursements				
Payroll and benefits	<i>2</i>		111	-
Source Deductions	<i>3</i>		-	38
Operating and transportation	<i>4</i>		106	-
Mineral & Surface Leases	<i>5</i>		41	-
General and administrative	<i>6</i>		84	32
Professional fees	<i>7</i>		50	135
Interim Financing Facility Interest	<i>8</i>		30	-
Total cash disbursements			423	205
Net Cash Flow			230	(203)
Net Change in Cash				
Beginning of period			223	452
Net cash flow			230	(203)
Ending of period			452	249
				
Chris Lewis			Orest Konowalchuk, CPA, CA , CIRP, LIT	
President, Cleo Energy Corp.			Senior Vice President	

In the Matter of the Notice of Intention
to make a Proposal of
CLEO Energy Corp.

**Notes to the Consolidated Statement of Cash Flow for the 2-
week period ending June 2, 2025**

Purpose and General Assumptions of the Cash Flow Statement

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

The Company has prepared the Cash Flow Statement based on probable and hypothetical assumptions that reflect the Company’s planned course of action for the period from May 24, 2025 to June 2, 2025 (the “**Cash Flow Period**”). Management is of the opinion that, as at the date of filing the Cash Flow Statement, the assumptions used to develop the projection represent the most probable set of economic conditions facing the Company and that the assumptions used proved a reasonable basis for and are consistent with the purpose of the Cash Flow Statement.

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

Hypothetical and Probable Assumptions of the Cash Flow Statement

1. Revenue is based on actual production settlement received for April 2025 production. Receipts are shown net of any working partner interest and take-in-kind royalties and include collection of 5% GST.
2. Payroll and benefits include wages and benefits for twelve (12) full time employees and five (5) independent contractors. The employees and independent contractors are paid on a semi-monthly basis.
3. Source deductions relate to CPP, EI, and Income Tax.
4. Operating and transportation expenses include payments for contract operators, consultants, and other operating costs such as trucking, chemicals, and related services. These expenses were estimated based on historical data.

5. Mineral and Surface Lease payments relate to Crown and Freehold lease payments required under existing arrangements.
6. General and administrative costs include payments for the Company's software subscriptions, monthly rent for its Calgary-based head office, bank fees, GST, and insurance coverage, which was bound in August 2024, and is paid monthly.
7. Professional fees include the fees and costs of counsel to CLEO, counsel to the Proposal Trustee, and the Proposal Trustee.
8. Interest costs on the interim financing facility.