

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, Administration Charge, Interim
Financing, Interim Financing Charge, D&O Charge and Other
Relief)**

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File No.: G10010664

DATE ON WHICH ORDER WAS PRONOUNCED: January 6, 2025

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

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

UPON THE APPLICATION of Cleo Energy Corp. (“**Cleo**” or, the “**Applicant**”) filed December 23, 2024; **AND UPON** reading the Affidavit of Chris Lewis, sworn December 23, 2024, and the Affidavit of Chris Lewis, sworn January 5, 2025 (the “**January 5 Affidavit**”), and the Affidavit of Service of Sherry Langley, sworn January 6, 2025; **AND UPON** reading the First Report of Alvarez & Marsal Canada Inc. in its capacity as proposal trustee of the Applicant (in such capacity, the “**Proposal Trustee**”), dated January 6 2024; **AND UPON** hearing submissions by counsel for the Applicant, the Proposal Trustee, counsel for the Proposal Trustee any other counsel or other interested parties present,

IT IS HEREBY ORDERED 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 February 21, 2025 (as extended from time to time, the “**Stay Period**”).

ADMINISTRATION CHARGE

3. Legal counsel to Cleo, the Proposal Trustee and legal counsel to the Proposal Trustee, as security for their respective professional fees and disbursements incurred in preparing for and during these proposal proceedings, and both before and after the granting of this Order, shall be entitled to the benefit of, and are hereby granted, a security and charge (the “**Administration Charge**”) on all of Cleo’s present and after-acquired assets, property and undertakings (the “**Property**”), which charge shall not exceed \$700,000.

INTERIM FINANCING

4. Cleo is hereby authorized and empowered to obtain and borrow under an interim financing facility (the “**Interim Financing Facility**”) pursuant to the interim financing facility commitment letter dated January 5, 2025 (the “**Interim Financing Agreement**”) between Cleo as borrower and uCapital – uLoan Solutions Inc. (the “**Interim Lender**”) as lender, provided that borrowings under the Interim Financing Facility shall not exceed the principal amount of \$900,000 unless permitted by further order of this Court and agreed to by the Interim Lender.
5. The Interim Financing Facility shall be on the terms and subject to the conditions set forth in the Interim Financing Agreement attached as **Exhibit “K”** to the January 5 Affidavit, as such Interim Financing Agreement may be amended in accordance with its terms.
6. The Interim Lender shall be entitled to the benefit of and are hereby granted a security and charge on the Property (the “**Interim Lender’s Charge**”) as security for the payment and

performance of the indebtedness, liabilities and obligations of Cleo to the Interim Lender under the Interim Financing Agreement and the Interim Financing Facility created thereby in the principal amount of \$900,000 together with any interest accrued thereon or costs and expenses incurred thereunder.

7. Cleo shall be prohibited from granting any additional liens, charges, security interests or any other encumbrances upon the Property without the prior written consent of the Interim Lender.
8. Except as specifically permitted in this Order, the Applicant is hereby directed, until further order of this Court:
 - a) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and
 - b) to not borrow any further interim financing without the written consent of the Interim Lender.
9. Notwithstanding any other provision of this Order:
 - (a) the Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Lender's Charge or the Interim Financing Agreement;
 - (b) upon the occurrence of an event of default under the Definitive Documents or the Interim Lender's Charge, the Interim Lender, upon five (5) days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Interim Financing Agreement, and the Interim Lender's Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the Interim Lender to the Applicant against the obligations of the Applicant to the Interim Lender under the Interim Financing Agreement or the Interim Lender's Charge, to make demand, accelerate payment, and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and

- (c) the foregoing rights and remedies of the Interim Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.
10. The Interim Lender shall be treated as unaffected in any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the “**BIA**”), or with respect to any advances made under the Interim Financing Agreement.

D&O INDEMNIFICATION AND CHARGE

11. Cleo shall indemnify its director and officer against obligations and liabilities that he may incur as director or officer after the Filing Date, except to the extent that, with respect to any director or officer, the obligation or liability was incurred as a result of the director or officer’s gross negligence or wilful misconduct.
12. The director and officer of Cleo shall be entitled to the benefit of and is hereby granted a charge (the “**D&O Charge**”) on all of the Property, which shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in this Order.

PRIORITY OF CHARGES

13. The filing, registration or perfection of the Administration Charge, the Interim Lender’s Charge and the D&O Charge (collectively, the “**BIA Charges**”) shall not be required, and the *BIA* Charges shall be enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.
14. The *BIA* Charges shall constitute a security and charge on the Property and such *BIA* Charges shall rank in priority to all other security interests, trusts, liens, charges, deemed trusts, encumbrances and claims of secured creditors, statutory or otherwise in favour of any person, including liens and trusts created by federal and provincial legislation (collectively, the “**Encumbrances**”), provided, however, that the relative priority of the *BIA* Charges and is subject to further order of the Court. The ranking as between the *BIA* Charges shall be as follows:
- (a) first, the Administration Charge;
 - (b) second, the Interim Lender’s Charge; and

- (c) third, the D&O Charge.
15. Except as otherwise provided herein, or as may be approved by this Honourable Court, Cleo shall not grant any Encumbrances over the Property that rank in priority to, or *pari passu* with, any of the *BIA* Charges, unless Cleo obtains the prior written consent of the beneficiaries of the *BIA* Charges (the “**Chargees**”) or further order of this Court.
16. The *BIA* Charges shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees thereunder shall not otherwise be limited or impaired in any way by:
- (a) the pendency of these proceedings and the declarations of insolvency made in this Order;
 - (b) any application(s) for bankruptcy order(s) issued pursuant to the *BIA*, or any bankruptcy order made pursuant to such applications;
 - (c) the filing of any assignments for the general benefit of creditors made pursuant to the *BIA*;
 - (d) the provisions of any federal or provincial statutes; or
 - (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) that binds Cleo, and notwithstanding any provision to the contrary in any Agreement:
 - (i) neither the creation of the *BIA* Charges nor the execution, delivery, perfection, registration or performance of any documents in respect thereof, shall create or be deemed to constitute a new breach by Cleo of any Agreement to which they, or any one of them, is a party;
 - (ii) none of the Chargees shall have any liability to any person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the *BIA* Charges, or the execution, delivery or performance of the Interim Financing Facility; and
 - (iii) the payments made by Cleo pursuant to this Order and the granting of the *BIA* Charges, do not and will not constitute preferences, fraudulent

conveyances, transfers at undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable law.

RESTATEMENT OF STAY AND CONTINUATION OF SERVICES

17. In accordance with section 69(1) of the *BIA*, during the period between December 8, 2024 (the “**Filing Date**”) and the date on which the Stay Period expires:
 - (i) no creditor has any remedy against Cleo or against any of the Property or shall commence or continue any action, execution or other proceedings for the recovery of a claim provable in bankruptcy; and
 - (ii) no provision of a security agreement between Cleo and a secured creditor that provides, in substance, that on Cleo’s insolvency, the default by Cleo of an obligation under the security agreement, or the filing by Cleo of the NOI, Cleo ceases to have rights to use or deal with Property secured under the security agreement as it would otherwise have, has any force or effect.
18. In accordance with section 65.1(1) of the *BIA* but subject to section 65.1(4) of the *BIA*, no person may terminate or amend any agreement with Cleo or claim an accelerated payment, or a forfeiture of the term, under any agreement with Cleo by reason only that Cleo is insolvent or a NOI has been filed with respect to Cleo.
19. During the Stay Period, all persons having oral or written agreements with Cleo or statutory or regulatory mandates for the supply of goods and/or services are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by Cleo, provided in each case that the normal prices or charges for such goods or services received after the date of this Order are paid by Cleo in accordance with normal payment practices of Cleo or other practices as may be agreed upon by the supplier or service provider and each of Cleo and the Proposal Trustee, or as may be ordered by this Honourable Court.
20. Any Person (as such term is defined in the *BIA*) that has collected, realized, seized or taken possession of any money or other Property subsequent to the Filing Date without the consent of the Proposal Trustee or leave of this Honourable Court shall promptly deliver or surrender to Cleo such money or other Property.

21. During the Stay Period, except with the written consent of Cleo and the Proposal Trustee, or with leave of this Court, no Proceedings shall be commenced or continued against or in respect of Chris Lewis (“**Mr. Lewis**”) or any of his respective current and future assets, businesses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceedings thereof, arising upon or as a result of any default under the terms of any document entered into in connection with any of Mr. Lewis’ guarantees of any of the commitments or loans of Cleo or any claims or legal proceedings having been previously commenced or may be commenced as against Mr. Lewis in his capacity as an employee, officer or director of Cleo.

GENERAL

22. 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.
23. 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.