

COURT FILE NUMBER **2001-06997**
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE Calgary

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, c C-36, as amended

AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF BOW RIVER ENERGY LTD.

DOCUMENT **ORDER: STAY EXTENSION, APPROVAL OF INTERIM FINANCING & SETTLEMENT AGREEMENT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
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DATE ON WHICH ORDER WAS PRONOUNCED: July 24, 2020

LOCATION WHERE ORDER WAS PRONOUNCED: Edmonton, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice J.E. Topolniski

UPON the application of Bow River Energy Ltd. (the "**Applicant**"); **AND UPON** having read the Application, the Affidavit of Daniel G. Belot sworn July 17, 2020 (the "**Third Belot Affidavit**"), the Supplement to the Third Affidavit of Daniel G. Belot, sworn July 23, 2020 (the "**Supplemental Affidavit**"), and the Affidavit of Service of Stella Kim sworn July 23, 2020; **AND UPON** having read the Second Report of the Monitor, dated July 20, 2020; **AND UPON** reviewing the amended



Filed in Edmonton as per Justice Topolniski's direction in court on July 24, 2020

and restated initial order granted in the within proceedings by the Honourable Mister Justice Jeffrey on June 10, 2020 (the “**ARIO**”); **AND UPON** having reviewed the pleadings and proceedings previously filed in the within CCAA proceedings; **AND UPON** hearing counsel for the Applicant, the Monitor, and any other parties present at the Application;

IT IS HEREBY ORDERED AND DECLARED THAT:

1. The time for service of this application together with all supporting materials is hereby declared to be good and sufficient and no other person is required to have been served with such documents, and this hearing is properly returnable before this Honourable Court today and further service thereof is hereby dispensed with.
2. All capitalized terms used by not otherwise defined herein shall have the meanings ascribed to them in the ARIO.
3. All references to monetary amounts shall be to Canadian Dollars.

APPROVAL OF STAY EXTENSION

4. The Stay Period as provided for by paragraph 15 of the ARIO is hereby extended until and including October 16, 2020.

APPROVAL OF SETTLEMENT AGREEMENT

5. The settlement agreement between the Applicant and Husky Oil Operations Limited dated July 20, 2020, and as attached to the Supplemental Affidavit as Confidential Exhibit “1” (the “**Settlement Agreement**”) and the releases granted thereunder are hereby approved. The Applicant is hereby authorized and directed to do all things as are reasonably necessary to conduct and give effect to the Settlement Agreement and carry out its obligations thereunder, including payment of amounts due to be paid pursuant to the terms of the Settlement Agreement.

APPROVAL OF INTERIM FINANCING

6. The Applicants are hereby authorized and empowered to obtain and borrow under a credit facility (the “**Interim Facility**”) pursuant to the Interim Financing Term Sheet dated as of

July 17, 2020 (the “**Interim Financing Term Sheet**”), among the Applicants as borrowers thereunder and 2270943 Alberta Ltd. (the “**Interim Lender**”), in order to finance the Applicant’s working capital requirements and other general corporate purposes, including payment of the cash portion of the Settlement Amount (pursuant to and as defined in the Settlement Agreement), and permitted capital expenditures set forth in the Interim Financing Term Sheet, provided that borrowings under such credit facility shall not exceed the principal amount of \$1.1 million unless permitted by further order of this Court and agreed to by the Interim Lender.

7. The Interim Facility shall be on the terms and subject to the conditions set forth in the Interim Financing Term Sheet attached hereto as **Schedule "A"**, as such Interim Financing Term Sheet may be amended in accordance with its terms with the consent of the Monitor.
8. The Applicant is hereby authorized and empowered to execute and deliver the Interim Financing Term Sheet and such credit agreements, mortgages, charges, hypothecs, and security documents, guarantees and other definitive documents (collectively, the “**Definitive Documents**”), as are contemplated by the Interim Financing Term Sheet or as may be reasonably required by the Interim Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities, and obligations to the Interim Lender under and pursuant to the Interim Financing Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of the ARIO or any other Order granted by this Court in these CCAA proceedings.
9. The Interim Lender shall be entitled to the benefits of and is hereby granted a charge (the “**Interim Lender’s Charge**”) on the Applicant’s Property to secure all Interim Financing Obligations (as defined in the Interim Financing Term Sheet), which Interim Lender’s Charge shall be in the aggregate amount of the Interim Financing Obligations outstanding at any given time under the Definitive Documents. The Interim Lender’s Charge shall not secure any obligation existing before the date this Order is made.
10. The Interim Lender’s Charge shall rank behind the Administration Charge, but in priority to all other Encumbrances in favour of any Person. For greater clarity, the priorities of the

Directors' Charge, the Administration Charge and the Interim Lender's Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$300,000);

Second – Interim Lender's Charge (to the maximum amount of \$1.1 million); and

Third – Directors' Charge (to the maximum amount of \$400,000).

11. The filing, registration or perfection of the Interim Lender's Charge shall not be required, and the Interim Lender's Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected prior to or subsequent to the Interim Lender's Charge coming into existence, notwithstanding any failure to file, register, record, possess, or perfect.
12. Except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the Interim Lender's Charge unless the Applicant also obtains the prior written consent of the Monitor and the Interim Lender, or further order of this Court.
13. 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 any of the Definitive Documents;
 - (b) upon the occurrence of an event of default under the Definitive Documents or the Interim Lender's Charge, the Interim Lender may (i) immediately 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 Term Sheet, the Definitive Documents or the Interim Lender's Charge and make demand, accelerate payment, and give other notices; (ii) upon five (5) days notice to the Applicant and the Monitor, 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 (iii) with leave of the Court, exercise any other rights and remedies against the Applicant or the Property under or pursuant to the Interim Financing Term Sheet, Definitive Documents, and Interim Lender's Charge; 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.
14. The Interim Lender shall be treated as unaffected in any Plan filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the “**BIA**”), with respect to any Interim Financing Obligations.
15. The Interim Lender’s Charge, the Interim Financing Term Sheet and the other Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the Interim Lender 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 the ARIO;
 - (b) any application(s) for bankruptcy or receivership order(s) issued pursuant to the BIA, or any bankruptcy or receivership order made in respect of the Applicant;
 - (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, licence, permit or other agreement (collectively, an “**Agreement**”) that binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:
 - (i) neither the creation of the Interim Lender’s Charge nor the execution, delivery, perfection, registration or performance of any documents in respect thereof, including the Interim Financing Term Sheet and the other Definitive Documents, shall create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;
 - (ii) the Interim Lender shall not 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 Interim Lender’s Charge, the Applicant entering into the Interim Financing Term Sheet, or the execution, delivery or performance of the Definitive Documents; and
 - (iii) the payments made by the Applicant pursuant to this Order, including the Interim Financing Term Sheet or the Definitive Documents, and the granting of the Interim Lender’s Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive

conduct or other challengeable or voidable transactions under any applicable law.

16. Any interested Person may apply to this Court on notice to any other party likely to be affected for an order to allocate the Interim Lender's Charge amongst the various assets comprising the Property, provided that any such allocation shall not affect or impair the right of the Interim Lender to credit bid the full amount of the Interim Financing Obligations in respect of all Property.
17. This Order is subject to provisional execution and, if any of the provisions of this Order in connection with the Definitive Documents or the Interim Lender's Charge shall subsequently be stayed, modified, varied, amended, reversed or vacated in whole or in part (each, a "**Variation**") whether by subsequent order of this Court or any other court on or pending an appeal from this Order, such Variation shall not in any way impair, limit or lessen the priority, protections, rights or remedies of the Interim Lender under this Order (as made prior to the Variation) or the Definitive Documents, with respect to any advances made prior to the Interim Lender being given written notice of the Variation and the Interim Lender shall be entitled to rely on this Order as issued (including, without limitation, the Interim Lender's Charge) for all advances so made.

SEALING ORDER

18. Confidential Exhibit "1" to the Third Belot Affidavit and Confidential Exhibit "1" to the Supplemental Affidavit (the "**Confidential Exhibits**") shall be sealed on the Court file, notwithstanding Division 4 of Part 6 of the *Alberta Rules of Court*.
19. The Clerk of the Court shall file the Confidential Exhibits in a sealed envelope attached to a notice that sets out the style of cause of these proceedings and states that:

THIS ENVELOPE CONTAINS CONFIDENTIAL MATERIALS FILED IN COURT FILE NO. 2001-06997. THE CONFIDENTIAL MATERIALS ARE SEALED PURSUANT TO THE SEALING ORDER ISSUED BY THE HONOURABLE JUSTICE J.E. TOPOLNISKI ON JULY 24, 2020.
20. The Applicant is empowered and authorized, but not directed, to provide the Confidential Exhibits (or any portion thereof, or information contained therein) to any interested party,

entity or person that the Applicant considers reasonable in the circumstances, subject to confidentiality arrangements satisfactory to the Applicant.

MISCELLANEOUS MATTERS

21. Service of this Order shall be deemed good and sufficient by serving the same on the persons listed on the Service List (attached as Schedule "A" to the Application) and by posting a copy of this Order to the Monitor's Website at: <https://www.bdo.ca/en-ca/extranets/bowriver/>.
22. No other persons are entitled to be served with a copy of this Order.



for: Justice of the Court of Queen's Bench of Alberta

SCHEDULE "A"

Interim Financing Term

INTERIM FINANCING TERM SHEET

Dated as of July 17, 2020

WHEREAS Bow River Energy Ltd. (the "**Borrower**") has commenced proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") before the Alberta Court of Queen's Bench (the "**Court**") in Court Action No. 2001-06997 (the "**CCAA Proceedings**").

AND WHEREAS the Court granted the Borrower's application for creditor protection and granted an Initial Order pursuant to the CCAA on June 1, 2020 (the "**Initial Order**"), which Initial Order was further amended and restated by the Court on June 10, 2020 (the "**Amended and Restated Initial Order**");

AND WHEREAS the Borrower has requested that the Interim Lender (as defined below) provide it with loans in order to fund certain of the Borrower's obligations during the pendency of the CCAA Proceedings.

AND WHEREAS the Interim Lender (as defined below) has agreed to provide the requested loans in accordance with the terms set out herein.

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

1. **Borrower:** Bow River Energy Ltd.
2. **Interim Lender:** 2270943 Alberta Ltd. (together with any person party hereto from time to time as a lender or as successor or assignee thereof, collectively the "**Interim Lenders**", and each individually an "**Interim Lender**").

The obligations of the Interim Lenders shall be several (and not joint and several). No Interim Lender shall be responsible for the obligations of any other Interim Lender under this Interim Financing Term Sheet, and the failure of any Interim Lender to perform its obligations under this Interim Financing Term Sheet (each such defaulting party being a "**Defaulting Lender**") shall not affect the obligations of any other Interim Lender (each such non-defaulting lender being a "**Non-Defaulting Lender**") hereunder, provided that, in the event of any such failure (i) any Non-Defaulting Lender shall have the right, at its option and in its sole discretion, to assume and perform such Defaulting Lender's obligations (each an "Assuming Non-Defaulting Lender"), in which case all rights including all interest and fees that would have been payable to the Defaulting Lender shall accrue to such Assuming Non-Defaulting Lender. The rights of any Non-Defaulting Lender hereunder shall not prohibit or impair any remedies that the Borrower may pursue against the Defaulting Lender. To the extent multiple Non-Defaulting Lenders wish to assume the obligations of any Defaulting Lender, such Defaulting lender's obligations and all rights in respect thereof shall be divided among such Non-Defaulting Lenders on a pro rata basis in accordance with their respective share of the Interim Facility (excluding for the

purposes of such calculation such Defaulting Lender's own share of the aggregate Interim Facility).

3. **AGENT:** Randy Eresman shall act as administrative agent and collateral agent for and on behalf of the Interim Lenders (the "**Agent**") and all security will be held by the Agent for and on behalf of the Interim Lenders on a *pari passu* basis, based on the amount of their respective contributions to the Interim Facility.

The Agent is hereby authorized to communicate the consent, approval or acceptance of the Interim Lenders, where such consent, approval or acceptance is required in this Interim Financing Term Sheet, and where so communicated by the Agent in the manner prescribed herein, it is as if such consent, approval or acceptance was provided by the Interim Lenders.

4. **Defined Terms:** Capitalized terms used in this Interim Financing Term Sheet and not defined herein have the meanings given thereto in Schedule "A". Unless otherwise noted herein, all references herein to "dollars" or to "\$" means Canadian dollars.

5. **Purpose:** To provide for i) payment towards the Settlement Fund (as defined and detailed below), and ii) the short-term liquidity needs of the Borrower pursuant to the Cash Flow Budget while the Borrower is under CCAA protection pursuant to the CCAA Proceedings.

6. **Interim Facility and Maximum Amount:** A senior secured super priority (debtor-in-possession), interim, revolving credit facility (the "**Interim Facility**") up to a maximum principal amount of \$1.1 million (as such amount may be reduced from time to time pursuant to Section 13 hereof, the "**Maximum Amount**"), subject to the terms and conditions contained herein.

The initial advance of the Interim Facility in the amount of \$260,000 (the "**Initial Advance**") shall be funded to the Borrower's account on the date the Conditions Precedent have been satisfied or waived in accordance with Section 10 hereof.

7. **Interest Rate and Default Interest:** Advances under the Interim Facility ("**Advances**"), including the Initial Advance, shall bear interest at a rate equal to 8% per annum. Interest on Advances shall accrue monthly in arrears and be added to the principal amount outstanding under the Interim Facility on the first Business Day of each month.

All interest will be calculated on the basis of a 365 day year and actual days lapsed, up to and including the date of actual payment from (but excluding) the due date; provided that whenever a rate of interest hereunder is calculated on the basis of a year (the "**deemed year**") that contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of

days in the deemed year. The principle of deemed reinvestment of interest does not apply to any interest calculation in any Interim Financing Credit Documentation, and the rates of interest stipulated in any Interim Financing Credit Documentation are intended to be nominal rates and not effective rates or yields.

Any amounts which are not paid when due and payable by the Borrower hereunder or in respect of any Interim Financing Credit Documentation shall accrue interest (after as well as before maturity, default and judgment) on a daily basis up to and including the date of actual payment from (but excluding) the due date, at a rate equal to 8% per annum, payable on demand by the Interim Lender.

8. **Use of Proceeds:**

The Borrower is authorized to use Advances (i) to make payments (the “**Settlement Funds**”) in accordance with the Settlement and Release Agreement between the Borrower and Husky Oil Operations Limited (“**Husky**”), as more particularly set-forth in Confidential Schedule “D” hereto (the “**Settlement Agreement**”); (ii) for working capital, including for restructuring costs in the CCAA Proceedings and for other general corporate purposes of the Borrower; (iii) to make payments necessary to comply with or as contemplated under the Amended and Restated Initial Order; and (iv) to pay the fees and expenses of the beneficiaries of the Administration Charge, the Directors' Charge, and professional fees (including the Interim Lender's and the Borrower's legal counsel, the Monitor and the Monitor's legal counsel, and such other agents, advisors and consultants of the Borrower), in each case of the foregoing paragraphs (i) to (iv), consistent with (and as provided for) in the Cash Flow Budget in all material respects; provided that no proceeds from the Interim Facility or the Collateral shall be used other than in accordance with this Interim Financing Term Sheet unless otherwise agreed in writing by the Interim Lender.

9. **Conditions Precedent To Effectiveness:**

The effectiveness of this Interim Financing Term Sheet is subject to the satisfaction of the following conditions precedent as determined by the Interim Lender in its sole discretion:

- (a) The Court shall have issued an order (the “**Interim Lender Order**”) approving this Interim Financing Term Sheet and the Interim Facility and granting the Interim Lender a charge (the “**Interim Lender Charge**”) on the Collateral of the Borrower, securing all obligations owing by the Borrower to the Interim Lender hereunder or under any other related agreement, including, without limitation, all principal, interest and Interim Financing Fees and Expenses (collectively, the “**Interim Financing Obligations**”); the Interim Lender Order shall provide that the Interim Lender Charge shall have priority over all Liens, other than the Administration Charge; and the Interim Lender Order shall not have been stayed, vacated or otherwise caused to be ineffective or amended, restated or modified in a way that adversely impacts the rights and interests of the Interim

Lender in a material manner, without the consent of the Interim Lender;

- (b) The Court shall have issued an order approving the Settlement Agreement (as defined below), including payment of the Settlement Funds as contemplated therein;
- (c) The Interim Financing Credit Documentation shall be satisfactory to the Interim Lender, acting reasonably, and shall have been executed by the Borrower;
- (d) The Interim Lender shall have received the Cash Flow Budget in accordance with the terms of this Interim Financing Term Sheet;
- (e) All of the representations and warranties of the Borrower as set forth herein and in any other Interim Financing Credit Documentation are true and accurate in all material respects; and
- (f) There are no Liens ranking in priority to the Interim Lender Charge, other than the Administration Charge.

10. **Conditions Precedent To Advances:**

The Interim Lender's obligation to make Advances to the Borrower under this Interim Financing Term Sheet is subject to the satisfaction of the following conditions precedent as determined by the Interim Lender in its sole discretion (collectively, the "**Funding Conditions**"):

- (a) This Interim Financing Term Sheet shall have become effective and all conditions precedent set out in Section 9 shall have been fulfilled;
- (b) The Borrower shall have entered into the Settlement Agreement;
- (c) The Interim Lender shall have received from the Borrower an Advance Request, substantially in the form attached hereto as Schedule "C", which shall be executed by an officer of the Borrower, and shall certify, inter alia, that the Advance Request is within the Maximum Amount, is consistent with the Cash Flow Budget, and that the Borrower is in compliance with the Interim Financing Credit Documentation and the Restructuring Court Orders (as defined below);
- (d) The Interim Lender shall, acting reasonably, be satisfied that the Borrower has complied with and is continuing to comply in all material respects with all applicable laws, regulations and policies in relation to its business other than (i) as may be permitted under the court orders made in the CCAA Proceedings applicable to the Borrower (collectively, the "**Restructuring Court Orders**" and each a "**Restructuring Court Order**") or (ii) as to which any enforcement in respect of noncompliance is

stayed by a Restructuring Court Order, provided the issuance of such Restructuring Court Order (in each case) does not result in the occurrence of an Event of Default;

- (e) The requested Advance shall not, if advanced to the Borrower, cause the aggregate amount of all outstanding Advances to exceed the Maximum Amount or be greater than the total Advances projected to be required in the Cash Flow Budget, unless otherwise specifically approved by the Interim Lender;
- (f) All Interim Financing Fees and Expenses for which invoices have been provided to the Borrower shall have been paid, or will be paid from the proceeds of the requested Advance within such period of time as is acceptable to the Interim Lender in its discretion;
- (g) All of the representations and warranties of the Borrower as set forth herein and in any other Interim Financing Credit Documentation are true and accurate in all material respects;
- (h) No Default or Event of Default has occurred or will occur as a result of the requested Advance;
- (i) The Interim Lender is satisfied that no Material Adverse Change shall have occurred after the date of the issuance of the Initial Order;
- (j) The Interim Lender is satisfied, in their sole discretion, with conduct of all Sales Processes;
- (k) The Interim Lender shall have a valid and perfected super priority Lien on the Collateral pursuant to the Interim Lender Order and, without limiting Section 10(a) herein, there are no Liens ranking in priority to the Interim Lender Charge, other than the Administration Charge; and
- (l) Each of the Amended and Restated Initial Order and the Interim Lender Order shall be in full force and effect and shall not have been reversed, modified, amended or stayed in a manner adverse to the interests of the Interim Lender.

Notwithstanding any other provision herein (including this Section 10) or in any other Interim Financing Credit Documentation, the Interim Lender is under no obligation to make Advances to the Borrower in an aggregate amount exceeding \$1.1 million.

11. **Repayment:**

The Interim Facility shall be repayable in full on the earlier of: (i) the occurrence of any Event of Default hereunder which is continuing and has not been cured; (ii) the implementation of a plan of compromise or arrangement within the CCAA Proceedings (a "**Plan**") which has been approved by the requisite majorities of the Borrower's creditors

and by order entered by the Court; (iii) conversion of the CCAA Proceedings into a proceeding under the *Bankruptcy and Insolvency Act* (Canada); (iv) the sale of all or substantially all of the Collateral; and (v) December 31, 2020 (the earliest of such dates being the "**Maturity Date**").

The commitment in respect of the Interim Facility shall expire on the Maturity Date and all amounts outstanding under the Interim Facility shall be repaid in full no later than the Maturity Date, without the Interim Lender being required to make demand upon the Borrower or to give notice that the Interim Facility has expired and the obligations are due and payable. The order of the Court sanctioning any Plan shall not discharge or otherwise affect in any way any of the obligations of the Borrower to the Interim Lender under the Interim Facility, other than after the permanent and indefeasible payment in cash to the Interim Lender of all obligations under the Interim Facility on or before the date the Plan is implemented.

12. Prepayment:

Upon 5 days prior written notice to the Interim Lender, the Borrower may prepay any amounts outstanding under the Interim Facility at any time prior to the Maturity Date, without any prepayment fee or penalty. In no event shall the Interim Lender be obligated to accept any amount that would be contrary to any applicable law respecting interest to be charged. If the minimum interest is determined to be in excess of the maximum amount permitted by applicable law, then the minimum interest shall be reduced to the maximum amount that would be permitted by applicable law.

The Borrower may borrow, repay and re-borrow Advances, subject to the terms and conditions herein. Any amount repaid or prepaid under the Interim Facility (including those repaid in accordance with Section 13) shall be applied against amounts outstanding hereunder and in connection herewith by the Interim Lender in its sole and absolute discretion.

13. Mandatory Repayments:

Unless otherwise consented to in writing by the Interim Lender, Advances to the Borrower shall be forthwith repaid and the Maximum Amount shall be permanently reduced: (i) upon a sale of any of the Collateral out of the ordinary course of business, in an amount equal to the net cash proceeds of such sale (for greater certainty, net of reasonable costs and closing adjustments); (ii) upon receipt by the Borrower of insurance proceeds with respect to the Collateral owned by it and (iii) upon receipt by the Borrower of a refund or payment on account of Taxes from any Governmental Entity, excluding refunds or payments on account of sales taxes.

14. Evidence of Indebtedness:

The Interim Lender's accounts and records constitute, in the absence of manifest error, *prima facie* evidence of the indebtedness of the Borrower to the Interim Lender pursuant to the Interim Facility.

15. **Costs and Expenses:** The Borrower shall pay all of the Interim Lender's legal fees and out-of-pocket disbursements and any costs of realization or enforcement, in each case in connection with or otherwise related to the Interim Facility, the Interim Lender Charge, the other Interim Financing Credit Documentation or the CCAA Proceedings (collectively, the "**Interim Financing Fees and Expenses**").
16. **Documentation and Interim Facility Security:** The Interim Financing Obligations shall be secured by
- (a) the Interim Lender Charge; and
 - (b) such other documents as the Interim Lender may reasonably request, including those documents required in order to register or otherwise perfect the security interests comprising the Interim Lender Charge.
- ((a) and (b) collectively, the "**Interim Financing Security**").
- The Interim Financing Security shall be in priority to all Liens pursuant to the Initial Order, subordinate only to the Administration Charge. Notwithstanding the foregoing and subject to the concluding sentence of this paragraph, no proceeds of any Advance may be used to (a) investigate, object to or challenge in any way any claims of the Interim Lender against the Borrower in respect of the Interim Facility, or (b) investigate, object to or challenge in any way the validity or enforceability of the Liens created under the Interim Financing Security. Nothing in this paragraph shall restrict the Borrower or the Monitor, including the engagement by the Monitor of independent legal counsel, from conducting a claims process in accordance with any Restructuring Court Order (and receiving their fees, costs and expenses therefor).
- The Interim Financing Security and charges created hereby and in the Interim Lender Order shall be deemed to be valid and perfected by the granting of the Interim Lender Order. The Interim Lender shall not be required to file any financing statement, mortgage or similar instrument or take any other action to validate or perfect the security charges granted hereunder and in the Interim Lender Order, however the Interim Lender may register the Interim Financing Security (and/or any notice, certificate, instrument or other agreement associated therewith) in jurisdictions and at registries or public offices as the Interim Lender may determine necessary or beneficial to protect the interests under the Interim Financing Security.
17. **Permitted Liens and Priority:** All Collateral will be free and clear of all other Liens, except for the Permitted Liens.
18. **Cash Flow Budget:** Attached hereto as Schedule "B" is the Cash Flow Budget, which is in form and substance satisfactory to the Interim Lender.

Following the granting of the Interim Lender Order, the Interim Lender may, once every 14 days, issue a written request to the Borrower requesting an updated Cash Flow Budget in form and substance satisfactory to and approved by the Interim Lender, together with (i) a comparison of the previous week's forecast to actual cash receipts and expenditures for each line item in the Cash Flow Budget (i.e. a week in arrears), and (ii) an explanation of the differences. Upon receipt of such a written request, the Borrower shall, within a reasonable period of time, deliver the updated Cash Flow Budget and such other information to the Interim Lender.

19. **Monitor:**

The monitor in the CCAA Proceedings is BDO Canada Limited (the "**Monitor**"). The Monitor shall be authorized to have direct discussions with the Interim Lender, and the Interim Lender shall be entitled to receive information from the Monitor as may be requested by the Interim Lender from time to time.

20. **Representations and Warranties:**

The Borrower represents and warrants to the Interim Lender, upon which the Interim Lender relies in entering into this Interim Financing Term Sheet and the other Interim Financing Credit Documentation, as follows:

- (a) The Interim Financing Term Sheet and the other Interim Financing Credit Documentation and the transactions contemplated hereby and thereby:
 - (i) are within the powers of the Borrower;
 - (ii) have been duly executed and delivered by or on behalf of the Borrower pursuant to the Amended and Restated Order;
 - (iii) do not conflict with or result in a breach of any of the terms or conditions of the constating documents of the Borrower, any applicable law, any contractual restrictions binding on or affecting the Borrower or the Borrower's material properties or any judgement, injunction, determination or award which is binding on the Borrower;
 - (iv) upon the granting of the Interim Lender Order, constitute legal, valid and binding obligations of the Borrower; and
 - (v) other than those already obtained, do not require the consent or approval of, registration or filing with, or any other action by, any governmental authority or any third party, other than filings which may be made, but are not required, to register or otherwise record the Interim Lender Charge or the Interim Financing Security.

- (b) The activities of the Borrower will be conducted in material compliance with all applicable provincial and federal laws, subject to the provisions of the CCAA and any Restructuring Court Order, unless (i) otherwise ordered by the Court, or (ii) the sanctions for non-compliance are stayed by a Restructuring Court Order.
- (c) The Borrower, since the commencement of the CCAA Proceedings, has maintained its obligations for payroll, source deductions, current normal cost pension liabilities, retail sales tax, goods and services tax and harmonized sales tax, as applicable, and is not in arrears in respect of payment of these obligations.
- (d) All representations and warranties made by the Borrower in all other Interim Financing Credit Documentation are true and accurate in all material respects.
- (e) No Default or Event of Default has occurred and is continuing.
- (f) The Borrower is duly incorporated and validly existing under the laws of its jurisdiction of incorporation and is qualified to carry on business in each jurisdiction in which it owns property or assets or carries on business.

21. Affirmative Covenants:

In addition to all of the other covenants and obligations contained herein, the Borrower covenants and agrees to perform and do each of the following until the Interim Facility is permanently and indefeasibly repaid in full and terminated:

- (a) allow the Interim Lender or its agents and advisors, on reasonable notice during regular business hours, to enter on and inspect the Borrower's assets and properties, and provide the Interim Lender and its agents or advisors, on reasonable notice and during normal business hours, full access to the Borrower's books and records and cause management and employees thereof to fully co-operate with the Interim Lender, its agents and advisors;
- (b) provide to the Interim Lender regular updates regarding the status of the CCAA Proceedings including, without limitation, reports on the progress of any Plan, Restructuring Option, any Sale Process and any information, which may otherwise be confidential, subject to same being maintained as confidential by the Interim Lender, provided, however, that the Interim Lender shall not be entitled to receive any information in respect of bids or offers received in the Sale Process that encompass property over which the Interim Lender, or any of its affiliates or related parties, or another party in which the Interim Lender holds an interest, has also submitted a bid;

- (c) provide the Interim Lender with draft copies of all motions, applications, proposed orders or other material or documents that any of them intend to file within the CCAA Proceedings as soon as practically possible prior to any such filing;
- (d) use reasonable efforts to keep the Interim Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Borrower;
- (f) deliver to the Interim Lender the updated Cash Flow Budget as and when set out herein, and such other reporting and other information from time to time reasonably requested by the Interim Lender. Without limiting the foregoing, the Borrower shall use commercially reasonable efforts to deliver to the Interim Lender copies of any financial reporting provided to the Monitor in a timely manner and forthwith provide to the Interim Lender any reports or commentary received from the Monitor regarding the financial position of the Borrower;
- (g) conduct all activities in a manner consistent with the Cash Flow Budget;
- (h) use the proceeds of the Interim Facility only for the purposes described in Section 4, and in a manner consistent with the restrictions set out herein;
- (i) comply with the provisions of the Restructuring Court Orders; provided that if any Restructuring Court Order contravenes this Interim Financing Term Sheet or any of the Interim Financing Credit Documentation so as to adversely impact the rights or interests of the Interim Lender in a material manner, such contravention shall constitute, and shall be deemed to be, an Event of Default hereunder;
- (j) preserve, renew and keep in full force its respective corporate existence and its respective material licenses, permits, approvals, etc. required in respect of its business, properties, assets or any activities or operations carried out therein, unless otherwise agreed by the Interim Lender;
- (k) use commercially reasonable efforts consistent with the Cash Flow Budget to (i) maintain the insurance, in existence as at the date hereof with respect to the Collateral owned by it, or (ii) obtain insurance over such Collateral where none exists or has expired, on terms acceptable to the Interim Lender, acting reasonably; and
- (l) forthwith notify the Interim Lender of the occurrence of any Default or Event of Default, or any event that could reasonably be expected to cause a Material Adverse Change.

22. Negative Covenants:

The Borrower covenants and agrees not to do the following, other than with the prior written consent of the Interim Lender:

- (a) transfer, lease or otherwise dispose of all or any part of its property, assets or undertaking after the date hereof (excluding dispositions of obsolete assets or dispositions in the ordinary course of business), without the prior written consent of the Interim Lender, not to be unreasonably withheld, or the Court. For greater certainty, in the case of any transfer, lease, sale or other disposition of any Collateral, all proceeds of such transfer, lease, sale or other disposition shall be subject to Section 13;
- (b) make any payment of principal or interest in respect of existing (pre-filing) debt or obligation other than as contemplated by the Settlement Agreement, or as may be permitted by a Restructuring Court Order that does not result in an Event of Default, and is provided for in the Cash Flow Budget;
- (c) make any payments not consistent with the Cash Flow Budget;
- (d) subject to the payment of \$12,000 to the Canada Energy Regulator in relation to an outstanding pipeline transfer issue, make or give any additional financial assurances, in the form of bonds, letters of credit, financial guarantees or otherwise, to any person or Governmental Entity;
- (e) create, permit to exist or seek or support a motion by another party to provide to any third party a Lien on the Collateral which is senior to or *pari passu* with the Interim Lender Charge, other than the Administration Charge;
- (f) change its name, amalgamate, consolidate with or merge into, or enter into any similar transaction with any other entity except as part of a transaction under a Sale Process approved by a Restructuring Court Order, and on terms and conditions satisfactory to the Interim Lender, acting reasonably; or
- (g) make any payment in respect of post-employment benefit payments.

23. Indemnity and Release:

The Borrower agrees to indemnify and hold harmless the Interim Lender and its directors, officers, employees, agents, attorneys, advisors and affiliates (all such persons and entities being referred to hereafter as "**Indemnified Persons**") from and against any and all actions, suits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever (excluding indirect or consequential damages and claims for lost profits) which may be incurred by or asserted against or involve any Indemnified Person (collectively, "**Claims**") as a result of or arising out of or in any way related to or resulting from the Interim Facility, this Interim Financing Term Sheet or any other Interim

Financing Credit Documentation (regardless of whether such Claim is made in the CCAA Proceedings or any other proceeding, including a bankruptcy or insolvency proceeding) and, upon demand, to pay and reimburse any Indemnified Person for any legal or other out-of-pocket expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including, without limitation any inquiry or investigation) or claim (whether or not any Indemnified Person is a party to any action or proceeding out of which any such expenses arise); provided, however, the Borrower shall not be obligated to indemnify pursuant to this paragraph any Indemnified Person against any loss, claim, damage, expense or liability (x) to the extent it resulted from the gross negligence or willful misconduct of such Indemnified Person as finally determined by a court of competent jurisdiction, or (y) to the extent arising from any dispute solely among Indemnified Persons other than any claims arising out of any act or omission on the part of the Borrower. The Borrower shall not be responsible or liable to any Indemnified Person or any other person for consequential or punitive damages.

The indemnities granted under this Interim Financing Term Sheet shall survive any termination of the Interim Facility.

24. Events of Default:

The occurrence of any one or more of the following events shall constitute an event of default ("**Event of Default**") under this Interim Financing Term Sheet:

- (a) the failure of the Borrower to pay any principal amount owing under this Interim Financing Term Sheet or any other Interim Financing Credit Documentation when due and such default shall remain unremedied for a period of two (2) Business Days after written notice from the Interim Lender to the Borrower that such amount is overdue;
- (b) failure of the Borrower to pay any interest or fees or any portion thereof owing under Interim Financing Term Sheet or any other Interim Financing Credit Documentation when due and such default shall remain unremedied for a period of five (5) Business Days after written notice from the Interim Lender to the Borrower that such amount is overdue;
- (c) the issuance of an order of the Court (including any Restructuring Court Order) or any other court of competent jurisdiction:
 - (i) dismissing the CCAA Proceedings or lifting the stay in the CCAA Proceedings to permit (A) the enforcement of any Lien against the Borrower, or a material portion of its property, assets or undertaking, or (B) the appointment of a receiver and manager, receiver, or

similar official or the making of a bankruptcy order against the Borrower;

- (ii) granting any Lien which is senior to or *pari passu* with the Interim Lender Charge, other than the Administration Charge;
 - (iii) staying, reversing, vacating or otherwise modifying the Initial Order or any Restructuring Court Order in a manner materially adverse to the interests of the Interim Lender; or
 - (iv) adversely impacting the rights and interests of the Interim Lender in a material manner, without the prior written consent of the Interim Lender;
- (d) the filing of any pleading by the Borrower seeking any of the matters set forth in clause (c) above or failure of the Borrower to diligently oppose any party that brings an application or motion for the relief set out in paragraph (c) above and/or fails to secure the dismissal of such motion or application within thirty (30) days from the date such application or motion is brought;
- (e) failure of the Borrower to comply with any negative covenants in this Interim Financing Term Sheet, which default has not been remedied or cured within five (5) Business Days;
- (f) a Restructuring Court Order is made, a liability arises or an event occurs, including any change in the business, assets, or conditions (financial or otherwise), of the Borrower, that will in the Interim Lender's judgment, acting reasonably, materially further impair the Borrower's financial condition or ability to comply with its obligations under this Interim Financing Term Sheet, any other Interim Financing Credit Documentation, or any Restructuring Court Order or carry out a Plan or Restructuring Option reasonably acceptable to the Interim Lender, including but not limited to an applicable energy regulator's refusal to transfer licenses in accordance with a Sale Process (a "**Material Adverse Change**");
- (g) the Cash Flow Budget or any update thereof contemplates or forecasts an adverse change or changes from the then existing Cash Flow Budget and such change(s) constitute a Material Adverse Change, or any updated Cash Flow Budget forecasts that borrowings under the Interim Facility will exceed the Maximum Amount at any time (unless and until the Interim Lender consents to increase the Maximum Amount, which shall be in the Interim Lender's sole and absolute discretion);

- (h) any representation or warranty by the Borrower herein or in any Interim Financing Credit Documentation shall be incorrect or misleading in any material respect when made;
- (i) borrowings under the Interim Facility exceed the Maximum Amount at any time without the prior consent of the Interim Lender;
- (k) material violation or breach of any Restructuring Court Order upon receipt by the Borrower of notice from the Interim Lender of such violation or breach;
- (l) an event of default has occurred under any of the Interim Financing Credit Documentation, which default has not been remedied or cured in accordance with the terms thereof;
- (m) any proceeding, motion or application is commenced or filed by the Borrower, or if commenced by another party, supported or otherwise consented to by the Borrower, seeking the invalidation, subordination or otherwise challenging of the terms of the Interim Facility, the Interim Lender Charge, this Interim Financing Term Sheet, or any of the other Interim Financing Credit Documentation or, unless the Plan or Restructuring Option provides for repayment in full of the Interim Facility, the approval of any Plan or Restructuring Option which does not have the prior written consent of the Interim Lender;
- (n) any Plan is proposed or any Restructuring Option is consummated by the Borrower that contravenes any provision of this Interim Financing Term Sheet or other Interim Financing Credit Documentation, unless the Interim Lender has consented thereto;
- (o) if the Borrower pays or agrees to pay any of the legal, consulting or other professional fees and/or disbursements incurred by any other party in the CCAA Proceedings without the prior consent of the Interim Lender, other than the Interim Financing Fees and Expenses and the professional fees and disbursements of the beneficiaries to the Administration Charge or the Directors' Charge;
- (p) failure of the Borrower to perform or comply with any other term or covenant under this Interim Financing Term Sheet or any other Interim Financing Credit Documentation, and such default shall continue unremedied for a period of five (5) Business Days;

- (q) if the priority of the Interim Lender Charge set out in the Interim Lender Order is varied without the consent of the Interim Lender; or
- (r) if the Borrower commences an action or takes any other proceeding to obtain any form of relief against the Interim Lender or any affiliate thereof.

25. **Remedies:**

Upon the occurrence of an Event of Default that is continuing, and subject to the Restructuring Court Orders, the Interim Lender may, in its sole discretion, elect to terminate the Interim Lender's commitments to make Advances to the Borrower hereunder and declare the obligations in respect of the Interim Financing Credit Documentation to be immediately due and payable and cease making any further Advances. Without limiting the foregoing remedies, upon the occurrence of an Event of Default that is continuing, the Interim Lender may, in its sole discretion, elect to permanently reduce the Maximum Amount. In addition, upon the occurrence of an Event of Default that is continuing, the Interim Lender may, in its sole discretion, subject to any Restructuring Court Order:

- (a) apply to a court for the appointment of a receiver or a receiver and manager over any of the Collateral, or for the appointment of a trustee in bankruptcy of the Borrower;
- (b) set-off or combine any amounts then owing by the Interim Lender to the Borrower against the obligations of the Borrower to the Interim Lender hereunder;
- (c) subject to obtaining prior approval from the Court, exercise the powers and rights of a secured party under the *Personal Property Security Act* (Alberta) or any legislation of similar effect; and
- (d) subject to obtaining prior approval from the Court, exercise all such other rights and remedies under the Interim Financing Credit Documentation, the Restructuring Court Orders and applicable law.

26. **Taxes:**

All payments by the Borrower under this Interim Financing Term Sheet and the other Interim Financing Credit Documentation to the Interim Lender, including any payments required to be made from and after the exercise of any remedies available to the Interim Lender upon an Event of Default that is continuing, shall be made free and clear of and without reduction for or on account of, any present or future taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or any political subdivision or any country (collectively "**Taxes**"); provided, however, that if any Taxes are required by applicable law to be withheld ("**Withholding Taxes**")

from any amount payable to the Interim Lender under any Interim Financing Credit Documentation, the amount so payable to the Interim Lender shall be increased to the extent necessary to yield to the Interim Lender on a net basis after payment of all Withholding Taxes the amount payable under such Interim Financing Credit Documentation at the rate or in the amount specified in such Interim Financing Credit Documentation, and the Borrower shall provide evidence satisfactory to the Interim Lender that the Taxes have been so withheld and remedied.

27. **Further Assurances:** The Borrower shall, at its expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the Interim Lender may reasonably request for the purpose of giving effect to this Interim Financing Term Sheet.
28. **Amendments, Waivers, Etc.:** No amendment of any provision of the Interim Financing Term Sheet shall be effective unless agreed to by the Borrower and the Agent, with the consent of the Interim Lenders and, in the case of any material amendment, the Monitor.
- No waiver or delay on the part of the Interim Lender in exercising any right or privilege hereunder or under any other Interim Financing Credit Documentation will operate as a waiver hereof or thereof unless made in writing by the Interim Lender and delivered in accordance with the terms of this Interim Financing Term Sheet or the other applicable Interim Financing Credit Documentation and then such waiver shall be effective only in the specific instance and for the specific purpose given.
29. **Entire Agreement Conflict:** This Interim Financing Term Sheet, including the schedules hereto and the Interim Financing Credit Documentation, constitute the entire agreement between the parties relating to the subject matter hereof. To the extent that there is any inconsistency between this Interim Financing Term Sheet and any of the other Interim financing Credit Documentation, this Interim Financing Term Sheet shall govern.
30. **Assignment:** The Interim Lenders or any one of them may assign this Interim Financing Term Sheet or their interest in this Interim Financing Term Sheet, as the case may be, and their respective rights and obligations hereunder, in whole or in part, or grant a participation in its rights hereunder, at any time. Neither this Interim Financing Term Sheet nor any right hereunder may be assigned by the Borrower.
31. **Severability:** Any provision in this Interim Financing Term Sheet or any other Interim Financing Credit Documentation which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability

without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

32. **No Third Party Beneficiary:** No person, other than the Borrower and the Interim Lender, is entitled to rely upon this Interim Financing Term Sheet and the parties expressly agree that this Interim Financing Term Sheet does not confer rights upon any party not a signatory hereto.
33. **Counterpart and Facsimile Signatures:** This Interim Financing Term Sheet may be executed in any number of counterparts and by facsimile or other electronic transmission, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument.
34. **Notices:** Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the attention of the person as set forth below:

In the case of the Interim Lender, to:

Randy Eresman

1701, 1234 5th Avenue NW
Calgary AB, T2N 0R9

Tel: (403) 966-8016
Email: reresman@gmail.com

In the case of the Borrower to:

Bow River Energy Ltd.

500, 321 6th Avenue SW
Calgary AB, T2P 3H3

Attention: Daniel Belot
Fax: (403) 475-4101
Email: danielbelot@bowriverenergy.com

In either case, with a copy to the Monitor:

BDO Canada Limited

110, 5800 – 2nd Street SW
Calgary, AB T2H 0H2

Attention: Marc Kelly
Tel: 403-777-9999
Email: makelly@bdo.ca

Any such notice shall be deemed to be given and received when received, unless received after 5:00 Mountain Time or on a day other

than a Business Day, in which case the notice shall be deemed to be received the next Business Day

35. **Security Valid
Irrespective of Time of
Advance:**

All rights, agreements, and obligations of the Borrower and the Interim Lender and the granting of, and the priorities of, the Interim Lender Charge and the obligations owing under the Interim Facility, will remain in full force and effect irrespective of the time of any loan or advance made to the Borrower by the Interim Lender, including whether advanced before or after or at the same time as the creation of the security interests or before or after or at the same time as the date of execution of this Interim Financing Term Sheet.


36. **Governing Law and
Jurisdiction:**

This Interim Financing Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Alberta and the federal laws of Canada applicable therein. Without prejudice to the ability of the Interim Lender to enforce this Interim Financing Term Sheet in any other proper jurisdiction, the Borrower irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of Alberta, and further acknowledges and agrees that any disputes arising in respect of the Interim Financing Credit Documentation shall be heard by the Court.

IN WITNESS HEREOF, the parties hereby execute this Interim Financing Term Sheet as at the date first above mentioned.

Interim Lender:

2270943 ALBERTA LTD.

Per: 
Name: Randy Eresman
Title: President

I have authority to bind the corporation

Borrower:

BOW RIVER ENERGY LTD.

Per: _____
Name: Dan Belot
Title: Vice President Finance & CFO

I have authority to bind the corporation

IN WITNESS HEREOF, the parties hereby execute this Interim Financing Term Sheet as at the date first above mentioned.

Interim Lender:

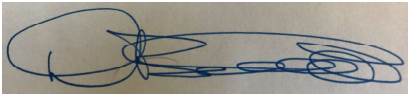
2270943 ALBERTA LTD.

Per: _____
Name: Randy Eresman
Title: President

I have authority to bind the corporation

Borrower:

BOW RIVER ENERGY LTD.

Per:  _____
Name: Dan Belot
Title: Vice President Finance & CFO

I have authority to bind the corporation

SCHEDULE "A"

DEFINED TERMS

"**Administration Charge**" means the administration charge granted in the Amended and Restated Initial Order, as may be amended.

"**Advance**" and "**Advances**" has the meanings given thereto in Section 6.

"**Advance Request**" has the meaning given thereto in Section 8.

"**Amended and Restated Initial Order**" has the meaning given thereto in the Recitals.

"**Business Day**" means any day other than a Saturday, Sunday or any other day in which banks in Calgary, Alberta are not open for business.

"**Cash Flow Budget**" means a 13-week cash flow budget of expected weekly receipts and all of the operating and capital expenditures to be made during each calendar week and in the aggregate for the period of time covered by the Cash Flow Budget, prepared by the Borrower with the assistance of the Monitor, which is attached as Schedule "B" to this Interim Financing Term Sheet, together with any subsequent detailed cash flow budget prepared by the Borrower, with the assistance of the Monitor, and submitted by the Borrower to the Interim Lender and approved by the Interim Lender.

"**CCAA**" has the meaning given thereto in the Recitals.

"**CCAA Proceedings**" has the meaning given thereto in the Recitals.

"**Claims**" has the meaning given thereto in Section 23.

"**Collateral**" means all now owned or hereafter acquired property and assets of the Borrower, real and personal, tangible or intangible.

"**Court**" has the meaning given thereto in the Recitals.

"**Default**" means an event or circumstance which, after the giving of notice or the passage of time, or both, will result in an Event of Default.

"**Directors' Charge**" means the directors' charge granted in the Amended and Restated Initial Order, as may be amended.

"**Event of Default**" has the meaning given thereto in Section 24.

"**Funding Conditions**" has the meaning given thereto in Section 10.

"**Governmental Entity**" means any federal, provincial, state, municipal, local or other government, governmental or public department, commission, board, bureau, agency or instrumentality, domestic or foreign and any subdivision, agent, commission, board or authority of any of the foregoing.

"**Indemnified Persons**" has the meaning given thereto in Section 23.

"**Initial Order**" has the meaning given thereto in the Recitals.

"Interim Facility" has the meaning given thereto in Section 5.

"Interim Financing Credit Documentation" means this Interim Financing Term Sheet, any other documentation in respect of the Interim Facility that is requested by the Interim Lender (which shall be in form and substance satisfactory to the Interim Lender), including the Interim Financing Security.

"Interim Financing Fees and Expenses" has the meaning given thereto in Section 15.

"Interim Financing Obligations" has the meaning given thereto in Section 9(a).

"Interim Financing Security" has the meaning given thereto in Section 16.

"Interim Lender" has the meaning given thereto in Section 2.

"Interim Lender Charge" has the meaning given thereto in Section 9(a).

"Interim Lender Order" has the meaning given thereto in Section 9(a).

"Liens" means all liens, hypothecs, charges, mortgages, trusts, deemed trusts (statutory or otherwise), encumbrances and security interests of every kind and nature whatsoever granted by the Borrower against the Collateral.

"Material Adverse Change" has the meaning given thereto in Section 24(f).

"Maturity Date" has the meaning given thereto in Section 11.

"Maximum Amount" has the meaning given thereto in Section 5.

"Monitor" has the meaning given thereto in Section 19.

"Permitted Liens" means (i) the Interim Lender Charge and the Interim Financing Security; (ii) any charges created under the Amended and Restated Initial Order or other order of the Court in the CCAA Proceedings subsequent in priority to the Interim Lender Charge, the limit and priority of each of which shall be acceptable to the Interim Lender in its discretion; (iii) validly perfected Liens existing prior to the date hereof; and (iv) inchoate statutory Liens arising after the date of the Initial Order in respect of any accounts payable arising after the date of the Initial Order in the ordinary course of business, subject to the obligation to pay all such amounts as and when due.

"Plan" has the meaning given thereto in Section 11.

"Restructuring Court Order" and **"Restructuring Court Order"** have the meanings given thereto in Section 10(b).

"Restructuring Option" means any transaction involving the refinancing of the Borrower, the sale of all or substantially all of the assets of the Borrower (or the equity interests of the Borrower) or any other restructuring of the Borrower's business and operations, including any liquidation, bankruptcy or other insolvency proceeding in respect of the Borrower.

"Sale Process" means a sales process in respect of substantially all of the Borrower's assets.

"Taxes" has the meaning given thereto in Section 26.

"Withholding Taxes" has the meaning given thereto in Section 26.

SCHEDULE "B"

CASH FLOW BUDGET

See attached.

BOW RIVER ENERGY LTD.

Cash Flow Forecast

Prepared by Management on July 13, 2020 - UNAUDITED

CAD

	Note(s)	FORECAST FOR WEEK ENDING:														Total
		17-Jul-20	24-Jul-20	31-Jul-20	07-Aug-20	14-Aug-20	21-Aug-20	28-Aug-20	04-Sep-20	11-Sep-20	18-Sep-20	25-Sep-20	02-Oct-20	09-Oct-20	16-Oct-20	
Opening cash		2,389,641	1,769,227	1,260,227	1,671,461	1,425,762	660,089	535,692	1,528,587	1,152,913	609,313	370,737	1,140,817	814,839	777,839	2,389,641
Cash Inflows																
Gross oil and gas sales	1	-	-	708,842	-	-	-	1,215,808	-	-	-	1,213,080	-	-	-	3,137,730
Receivables/Other	2	20,000	-	-	-	20,000	-	-	-	-	-	-	-	-	-	40,000
Total Cash Inflows		20,000	-	708,842	-	20,000	-	1,215,808	-	-	-	1,213,080	-	-	-	3,177,730
Cash Outflows																
Operating Disbursements:																
Operating	3, 13	377,637	400,000	248,206	185,000	542,625	-	173,206	230,000	393,000	(22,397)	313,000	230,303	-	626,038	3,696,619
Transportation	4	-	25,000	-	25,000	-	25,000	-	25,000	-	25,000	-	-	25,000	-	150,000
Royalties	5	-	-	-	-	71,449	-	-	-	-	99,169	-	-	-	97,265	267,882
Leases	6	104,738	-	-	-	-	88,897	-	-	-	100,200	-	-	-	111,641	405,476
G&A	7, 13	94,491	6,500	68,182	35,699	87,600	6,500	18,206	110,675	87,600	(15,897)	63,000	85,675	12,000	82,100	742,351
Capital	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	9	-	4,000	178,220	-	-	4,000	-	10,000	-	-	4,000	10,000	-	-	210,220
Financing Disbursements:																
Debentures	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim financing	11	-	(260,000)	-	-	-	-	-	-	-	-	-	-	-	(450,000)	(710,000)
Restructuring Costs:	12															
Professional fees		63,548	73,500	63,000	-	84,000	-	31,500	-	63,000	52,500	63,000	-	-	-	494,048
Sales process		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Outflows		640,413	509,000	297,608	245,699	785,674	124,397	222,913	375,675	543,600	238,575	443,000	325,978	37,000	467,044	5,256,576
Net Cash Flow		(620,413)	(509,000)	411,234	(245,699)	(765,674)	(124,397)	992,895	(375,675)	(543,600)	(238,575)	770,080	(325,978)	(37,000)	(467,044)	(2,078,845)
Ending cash		1,769,227	1,260,227	1,671,461	1,425,762	660,089	535,692	1,528,587	1,152,913	609,313	370,737	1,140,817	814,839	777,839	310,795	310,795

BOW RIVER ENERGY LTD.

Per: Daniel Belot
VP Finance and CFO

July _____, 2020
CALGARY, ALBERTA

FORECAST CASH FLOW ASSUMPTIONS:

General Note:

Management of Bow River Energy Ltd. have prepared this forecasted cash flow statement based on probable and hypothetical assumptions as detailed in notes 1-13 below. The forecast has been prepared solely for the purpose of the Company's CCAA filing. As such, readers are cautioned that it may not be appropriate for other purposes and may not match presentation in the Company's financial statements.

Notes:

- Oil and natural gas sales are estimated based on prior month's volumes less anticipated production declines and strip/hedged prices as at the time of filing. Monthly cash receipts relate to production volumes and sales from the prior month. In June and July certain revenues owing from Husky Energy were netted from amounts owed to Husky and the cash was not received, resulting in reduced revenues. BRE and Husky have since entered into a settlement agreement, such that there will be no such set-off in future months.
- Receivables are primarily from joint interest billings receivables. BRE has one primary partner in its Saskatchewan and Amisk, Alberta areas. That partner currently owes approximately \$1.1 million in current JIBs and we anticipate it will be billed approximately \$100-\$200 thousand per month going forward to cover monthly operating costs as they take in kind. However, the partner did not pay in June due to timing of JIB inquiries that included concern over non-payment of lease rentals pre-stay by BRE therefore to be conservative we have reduced our estimated cash inflow to nil.
- Operating costs are broken out in Schedule A to this forecast, and are gross payments including the share that will be billed to partners. Estimates are based on historical expenses and projected production levels. Forecast timing assumes certain vendors continue to withhold credit and require cash-on-delivery payment terms.
- Transportation costs relate to costs to transport products to sales points and are forecast based on average historical costs. BRE does not have any fixed transportation contracts.
- Royalties are comprised of Crown and Freehold royalties, GORRs, and Gas Cost Allowance rebates based on historical results being approximately 8% of oil and natural gas sales.
- Annual mineral and surface lease payments which will become due during the forecast period, excluding certain lease payments becoming due in relation to shut-in properties and which lease payments are being deferred pending the outcome of the SISP.
- General and administrative cost forecasts are broken out in Schedule B to this forecast.
- No capital expenditures planned at this time.
- The Company files GST and PST returns on a monthly basis. This reflects the Company's conservative estimate of potential net GST and PST owing. This includes certain payments made to Husky Energy in respect of the settlement agreement mentioned in Note 1.
- Debenture payments of principal and interest were suspended in April 2020 and are expected to be stayed during the CCAA process.
- BRE has obtained an agreement from a debenture holder for Interim financing of \$1.1 million at a 9% per annum interest rate based on its forecast of cash needs to completion of the proposed sale process. The facility is forecast to be drawn on as necessary to maintain \$300 thousand cash balance for any unanticipated variance in the forecast as no additional funds are available to the Company. A portion of which is anticipated to be drawn in the month following the forecast period.
- Restructuring costs consist of and monthly payments for professional fees to be incurred as part of the CCAA process. This includes payments to the Company's legal counsel and the Monitor and its legal counsel, and is based on updated estimates from those professionals
- The Company has received three months of the Canadian Emergency Wage Subsidy (CEWS) and will continue to apply. The Company has allocated a portion as a credit to field salaries and a portion as a credit to G&A. An estimate of future claims and timing of payments has been included to the end of August. The Prime Minister announced an extension to the end of December 2020 but the revised criteria have not been released therefore to be conservative no additional credits have been estimated at this time.

BOW RIVER ENERGY LTD.
Cash Flow Forecast - SCHEDULE A - OPEX
Prepared by Management on July 13, 2020 - UNAUDITED
\$CAD

	Note	FORECAST FOR WEEK ENDING:														Total
		17-Jul-20	24-Jul-20	31-Jul-20	07-Aug-20	14-Aug-20	21-Aug-20	28-Aug-20	04-Sep-20	11-Sep-20	18-Sep-20	25-Sep-20	02-Oct-20	09-Oct-20	16-Oct-20	
OPEX																
Field Payroll	1	75,445	-	48,206	-	93,000	-	48,206	-	93,000	(22,397)	93,000	-	-	93,000	521,461
Electricity	2	-	400,000	-	-	300,000	-	-	-	300,000	-	-	-	-	300,000	1,300,000
Vehicle leases	3	-	-	-	30,000	-	-	-	30,000	-	-	-	30,000	-	-	90,000
Field Expense	4	302,192	-	200,000	155,000	149,625	-	125,000	200,000	-	-	220,000	200,303	-	233,038	1,785,158
Total OPEX		377,637	400,000	248,206	185,000	542,625	-	173,206	230,000	393,000	(22,397)	313,000	230,303	-	626,038	3,696,619

Notes:

- 1 - Field payroll includes field employees and contractors' wages and benefits net of forecasted Canadian Emergency Wage Subsidy benefit receipts.
- 2 - Shortly prior to the Filing Date, BRE switched electricity providers to Epcor. The Company has not yet received an invoice from Epcor, so monthly charges are estimates based on forecasted usage and anticipated rates. On June 22, 2020 Epcor advised BRE that it required immediate payment of a deposit of \$400,000 (which BRE paid) and it would be further reviewing the deposit requirements, such that an additional deposit may be requested. The forecast payments include deposits but assumes that such additional deposit will amount to no more than \$100k
- 3 - Vehicle leases include monthly rental, maintenance and fuel charges for Company trucks.
- 4 - Field expenses include all other costs to operate and maintain oil and gas operations. Field expenses have been estimated based on a detailed review of historical expenses, adjusted for shut in production and reduced activity due to the current pricing environment.

BOW RIVER ENERGY LTD.

Cash Flow Forecast - SCHEDULE B - G&A

Prepared by Management on July 13, 2020 - UNAUDITED

\$CAD

	Note	FORECAST FOR WEEK ENDING:														Total
		17-Jul-20	24-Jul-20	31-Jul-20	07-Aug-20	14-Aug-20	21-Aug-20	28-Aug-20	04-Sep-20	11-Sep-20	18-Sep-20	25-Sep-20	02-Oct-20	09-Oct-20	16-Oct-20	
G&A																
Rent	1	-	-	13,516	-	-	-	-	13,516	-	-	-	13,516	-	-	40,547
Payroll & Benefits	2	77,067	6,500	18,206	6,500	75,600	6,500	18,206	6,500	75,600	(15,897)	63,000	6,500	-	82,100	426,383
Software and IT Support	3	15,171	-	26,310	4,646	12,000	-	-	17,956	12,000	-	-	17,956	12,000	-	118,040
Professional Fees	4	-	-	-	-	-	-	-	25,000	-	-	-	-	-	-	25,000
Other	5	2,252	-	10,150	24,553	-	-	-	47,703	-	-	-	47,703	-	-	132,361
Total G&A		94,491	6,500	68,182	35,699	87,600	6,500	18,206	110,675	87,600	(15,897)	63,000	85,675	12,000	82,100	742,331

Notes:

- 1 - Rent includes offices in Calgary, AB and Provost, AB.
- 2 - Payroll includes office employees and contractors' wages and benefits net of forecasted Canadian Emergency Wage Subsidy benefit receipts.
- 3 - Software and IT support costs include fees for various software applications used in accounting, geology, land and engineering and 3rd party IT support.
- 4 - Professional fees include legal and accounting fees not directly related to the CCAA process such as annual income tax return preparation.
- 5 - Other includes insurance, office supplies, telephone, courier, postage, etc.

SCHEDULE "C"

FORM OF ADVANCE REQUEST

Date: _____

2270943 ALBERTA LTD.
C/O RANDY ERESMAN
1701, 1234 5th Avenue NW
Calgary AB, T2N 0R9

Dear Sir:

We refer to the Interim Financing Term Sheet dated July 17, 2020 between Bow River Energy Ltd., as borrower, and 2270943 Alberta Ltd., as lender (as the same may be amended, renewed, extended, modified and/or restated from time to time, the "**Loan Agreement**"). Capitalized terms used herein have the same meaning as in the Loan Agreement. The undersigned is an officer of the Borrower and is authorized to make and deliver this notice on behalf of the Borrower pursuant to the Loan Agreement.

1. We hereby give notice of our request for an Advance pursuant to Section 10 of the Loan Agreement particulars of which are as follows:
 - (a) Drawdown Date: _____
 - (b) Amount: _____
 - (c) Payment Instructions (if any): _____
2. The undersigned hereby certifies that:
 - (a) the Advance requested by this Advance Request is consistent with the Cash Flow Budget and is within the Maximum Amount;
 - (b) the Borrower is in compliance with the Interim Financing Credit Documentation and all Restructuring Court Orders; and
 - (c) each of the Amended and Restated Initial Order and the Interim Lender Order are in full force and effect and have not been reversed, modified, stayed or amended.
3. All of the representations and warranties of the Borrower deemed to be made by the Borrower pursuant to the Interim Financing Credit Documentation are true and accurate in all material respects on the date hereof.
4. There exists no Default or Event of Default on the date hereof and no Default or Event of Default will occur as a result of the Advance requested by this Advance Request.
5. No Material Adverse Change has occurred since the date of the issuance of the Interim Lender Order.

6. No Liens rank in priority to the Interim Lender Charge, other than the Administration Charge.

Yours very truly,

BOW RIVER ENERGY LTD., as Borrower

Per: _____

Name:

Title:

**CONFIDENTIAL SCHEDULE "D"
FORM OF SETTLEMENT AGREEMENT**