

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*, R.S.C. 1985, c. C-36 as amended

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

DOCUMENT **FIRST REPORT OF BDO CANADA LIMITED,
IN ITS CAPACITY AS MONITOR OF
BOW RIVER ENERGY LTD.**

JUNE 5, 2020

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

MONITOR'S COUNSEL

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**FIRST REPORT OF THE MONITOR
BDO CANADA LIMITED
JUNE 5, 2020**

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INTRODUCTION

1. On June 1, 2020, Bow River Energy Ltd. (“**Bow River**” or the “**Company**”) made an application (the “**Initial Application**”) to the Court of Queen’s Bench of Alberta (the “**Court**”) for an order granting an initial stay of proceedings in respect of the Company pursuant to the *Companies Creditors Arrangement Act*, RSC 1985 c. C-36, as amended (the “**CCAA**”).
2. On June 1, 2020 (the “**Filing Date**”), a *CCAA Initial Order* (the “**Initial Order**”) was granted by the Honourable Madam Justice A. D. Grosse of the Court providing initial relief including but not limited to:
 - a. The imposition of an initial stay of proceedings (the “**Stay**”) in favour of the Company and its assets through to June 11, 2020;
 - b. The appointment of BDO Canada Limited as monitor (the “**Monitor**”) in the CCAA proceedings (the “**Proceedings**”);
 - c. The granting of an administration charge in respect of the professional fees and disbursements of Bow River’s legal counsel, the Monitor and counsel to the Monitor, in an aggregate amount not to exceed \$250,000 (the “**Administration Charge**”); and
 - d. The granting of a charge in favour of the directors and officers in an amount not to exceed \$300,000 (the “**Directors’ Charge**”).

PURPOSE

3. The purpose of this report (the “**First Report**”) is to provide information to this Honourable Court with respect to:
 - a. The steps undertaken by the Monitor since the Filing Date;
 - b. An overview of the Company;
 - c. The Company’s cash flow forecast through to August 21, 2020;

- d. Bow River's upcoming application for an Amended and Restated Initial Order (the "ARIO") seeking to:
 - Increase the quantum of the Administration Charge to \$300,000;
 - Increase the quantum of the Director's Charge to \$400,000; and
 - Extend the Stay through to July 31, 2020.
- e. The Company's restructuring activities since the Filing Date; and
- f. The Monitor's conclusions and recommendations in respect of the above, as applicable.

TERMS OF REFERENCE AND DISCLAIMER

4. In preparing this First Report, the Monitor has been provided with, and has relied upon unaudited financial information, certain books and records of the Company, discussions with Bow River's management ("**Management**") (collectively referred to as the "**Information**").
5. Except as otherwise described in this First Report in respect of Bow River's initial cash flow forecast:
 - a. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided; however, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information in such a manner that would wholly or partially comply with standards as set out in the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such Information; and
 - b. Some of the Information referred to in this First Report consists of weekly cash flow forecasts, projections and related assumptions. An examination or review of cash flow forecasts, projections and related assumptions as outlined in the CPA Handbook has not been performed.

ACTIVITIES OF THE MONITOR SINCE THE FILING DATE

6. Since the commencement of the Proceedings, the Monitor has:
- a. Established a website at the following URL <https://www.bdo.ca/en-ca/extranets/bowriver/> (the “**Website**”) and uploaded the Initial Order and the documents filed in the Proceedings to the Website;
 - b. Issued notice of the Proceedings (the “**Creditor Notice**”) to all known creditors as represented by Bow River. In the Creditor Notice, creditors were directed to the Website to obtain copies of the Initial Order and a listing of the known creditors and amounts due to creditors as estimated by Management. The Creditor Notice encourages creditors to refer back to the Website regularly for updates as to the status of the Proceedings. A copy of the Creditor Notice is attached as **Appendix “1”**;
 - c. Caused a notice of the Proceedings (the “**Publication**”) to be published in the *Calgary Herald* and the *Daily Oil Bulletin* on June 4, 2020 in accordance with paragraph 38 of the Initial Order. A copy of the form of the Publication is attached as **Appendix “2”**;
 - d. Filed the statutory *Forms 1 and 2* containing certain prescribed information regarding the Proceedings with the Office of the Superintendent of Bankruptcy;
 - e. Posted the Court filings and other relevant materials to the Website along with a copy of the service list;
 - f. Reviewed the terms of the Initial Order with Management as they relate to the administration of pre-filing and post-filing payment obligations;
 - g. Reviewed the background information in respect of the Company’s contemplated resiliation of an office lease;
 - h. Participated in a telephone call with the Alberta Energy Regulator, the primary regulator for the Alberta assets of Bow River; and

- i. Participated in telephone calls and communications with Management in respect of the status of the Proceedings and ongoing supply arrangements.

OVERVIEW OF BOW RIVER.

7. Bow River is a private oil and gas exploration company incorporated in Alberta, with its head office located in Calgary, Alberta.
8. The Company's core oil and gas interests are located near Provost, Alberta, West Central Saskatchewan and Northwest Saskatchewan with recent production levels being approximately 1,400 boe/d comprised of 800 bbl/d of oil and 3.5 mcf/d of natural gas.
9. The Company currently has 25 full-time employees and engages another twelve individuals on a contract basis.
10. As a result of the well-publicized financial struggles within the oil and gas industry as a whole over the last several years which was recently magnified with the sudden dramatic drop in oil prices that occurred as a result of the COVID-19 pandemic, Bow River found itself in a position where it is no longer able to meet its obligations as they become due.
11. Bow River does not maintain a credit facility with a bank. The Company's existing obligations to its creditors can be summarized as follows:
 - a. Secured – approximately \$4.2 Million pursuant to a series of secured debentures to 12 parties (the “**Debenture Holders**”);
 - b. Accounts payable – approximately \$9 Million to vendors, royalty holders, joint venture partners and lessors; and
 - c. Royalty – approximately \$1 Million to Husky Oil Operations Limited in respect of a production royalty financing agreement with Bow River.

CASH FLOW FORECAST

12. In advance of the Initial Application, Management prepared a 13 week cash flow forecast (the “**Initial Forecast**”) through to August 21, 2020 (the “**Initial Forecast Period**”), a copy of which was appended as Exhibit “J” to the May 29, 2020 Affidavit of Daniel Belot filed in the Proceedings.
13. A letter containing the prescribed representations of the Company regarding the preparation of the Initial Forecast is attached to this First Report as **Appendix “3”**.
14. In light of the brief period between the Initial Application and the date of this First Report, the Monitor has not at this time undertaken a variance analysis of the Company’s actual receipts and disbursements since the Filing Date in comparison to the Initial Forecast.
15. A summary of the initial Forecast is set out below:

Receipts	
Gross oil and gas sales	\$ 2,013,720
Accounts receivable	301,575
	<hr/>
	2,315,295
Disbursements	
Operating expenses	2,717,126
Transportation	149,258
Royalties	70,133
Leases	555,746
G&A	542,649
Other	18,000
Professional fees	400,000
Sales process	50,000
	<hr/>
	4,502,912
Net cash flow	- 2,187,617
Cash - beginning	3,389,271
Cash - ending	<hr/> <hr/>
	\$ 1,201,654

16. The Monitor has reviewed the reasonableness of the Initial Forecast in accordance with section 23(1)(b) of the CCAA and wishes to highlight the following significant points:

- a. The Initial Forecast contemplates a net cash outflow of approximately \$2.2 Million during the Initial Forecast Period; and
 - b. Bow River does not require any form of interim financing during the Initial Forecast Period.
17. Our review consisted of inquiries, analytical procedures and discussions related to the information and assumptions provided to us by Management. Since hypothetical assumptions need not be supported, our analysis thereof was limited to evaluating whether they were consistent with the purpose of the Initial Forecast. We have also reviewed the supporting documents provided by Management for the probable assumptions and the preparation and presentation of the Initial Forecast.
18. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:
 - a. The hypothetical assumptions are not consistent with the purpose of the Initial Forecast;
 - b. As of the date of this First Report, the probable assumptions developed by Management are not suitably supported and consistent with the current plans of Bow River or do not provide a reasonable basis for the Initial Forecast, given the hypothetical assumptions; or
 - c. The Initial Forecast does not reflect the probable and hypothetical assumptions.
19. The Monitor gives no assurance and makes no representations as to whether the Initial Forecast will be met. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this First Report. The Initial Forecast has been prepared solely for the purpose described in the notes thereto and readers are cautioned that they might not be appropriate for other uses.

COURT ORDERED CHARGES

20. As set out earlier in this First Report, the Initial Order provided for the establishment of the Administration Charge and the Directors' Charge (the "**Court Ordered Charges**") in respective order of priority.
21. Bow River will be making application seeking some amendments in respect of the Court Ordered Charges for which the Monitor can offer the following comments:

Administration Charge

22. The Company will be seeking to increase the aggregate maximum of the Administration Charge from \$250,000 to \$300,000. The restructuring professionals involved in the Proceedings tasked with attempting to effect a successful restructuring require comfort that their accounts are secured by a priority charge. The Monitor has considered the professionals involved in the Proceedings, the potential complexities thereof and the anticipated services required to be performed and is of the view that the requested increase of the aggregate maximum of the Administration Charge is reasonable and appropriate.

Directors' Charge

23. The Company will be seeking to increase the aggregate maximum of the Director's Charge from \$300,000 to \$400,000, to the extent there is no coverage under a directors' or officers' insurance policy. The officers and directors of Bow River require the comfort of the Directors' charge while they manage the Company through the Proceedings. The quantum of the revised proposed Directors' Charge, established in consultation with the Monitor, represents approximately one month of gross payroll expenses. The Monitor is of the view that the requested increase of the aggregate maximum of the Directors' Charge and the rationale for the requested increase in the quantum is reasonable and appropriate.

RESILIATION OF OFFICE LEASE

24. On June 4, 2020, pursuant to Section 32 of the CCAA, and with the approval of the Monitor, Bow River issued a notice to disclaim or resiliate (the “**Disclaimer Notice**”) to RioCan YEC Holdings Inc. (“**RioCan**”) in relation to the Net Office Lease between RioCan and Bow River dated September 7, 2016 (the “**Lease**”) in respect of a 1,195 sq/ft office space in Toronto, Ontario (the “**Toronto Office**”).
25. The relevant details associated with respect to the Lease are:
- a. Expiration – November 30, 2021;
 - b. Current monthly rent – approximately \$5,300;
 - c. Current arrears – approximately \$5,300; and
 - d. Estimated remaining rent payable over remaining term – approximately \$96,000.
26. The Company has advised the Monitor that the Toronto Office has been vacant since March 2020 and that Bow River has no further use for it.
27. The Monitor is satisfied that the Lease represents an unnecessary expense for Bow River and that the issuance of the Disclaimer Notice is appropriate in the circumstances.

INITIAL RESTRUCTURING ACTIVITIES

28. Since the Filing Date, Management has:
- a. Participated in ongoing meetings and communications with the Monitor;
 - b. Notified employees and various other stakeholders of the Proceedings;
 - c. Engaged in initial discussions with suppliers with a view to confirming the ongoing supply of goods and services on mutually agreeable terms;
 - d. Held discussions with potential candidates in regard to serving as the Company’s advisor (“**Sales Agent**”) to administer a Sale and Investment Solicitation Process (“**SISP**”);

- e. Held discussions with the Company's legal counsel and the Monitor surrounding the establishment of a SISP;
- f. Attended to the elimination of an unnecessary expense by way of issuing the Disclaimer Notice; and
- g. Assisted as required in preparation for the upcoming application scheduled for June 10, 2020 (the "**Comeback Application**").

EXTENSION OF STAY OF PROCEEDINGS

- 29. At the Comeback Application, the Company will be seeking a further extension of the Stay through to July 31, 2020.
- 30. As set out earlier in this First Report, Bow River has taken preliminary steps with a view towards establishing a SISP. The Monitor is of the view that it will likely take several weeks to finalize the terms of a SISP. Notwithstanding that the Company intends on making a further application to the Court to seek approval of the terms of a SISP and the engagement of a Sales Advisor in due course, the Monitor does not believe that there is any merit to requiring the Company to be forced to make an application for a further extension of the Stay prior to potentially having the mechanics of a SISP established, particularly in light of the Initial Forecast demonstrating that the Company has sufficient funds available to it over the short-term without the need for interim funding.
- 31. The Monitor understands that the Debenture Holders are supportive of the Company's request for an extension of the Stay and the Monitor is not aware that any party would be unduly prejudiced by the requested length of the extension of the Stay.
- 32. In light of the foregoing, the Monitor is of the view that an extension of the Stay through to July 31, 2020 is appropriate in the circumstances.

CONCLUSION AND RECOMMENDATIONS

33. To date, the Monitor is satisfied that Management has been acting in good faith and with due diligence as reflected by:
- a. Ongoing cooperation as required by the Monitor;
 - b. Preliminary steps taken with respect to the retention of a Sales Agent and the parameters of a SISP; and
 - c. Its initial efforts in attempting to manage relationships with its suppliers.
34. In light of the above and for the reasons set out in this First Report, the Monitor is supportive of and recommends to this Honourable Court approval of the following:
- a. An extension of the Stay through to July 31, 2020; and
 - b. Approval of the priority Court Ordered Charges as against the property, assets and undertakings of Bow River in the following amounts and ranking:
 - i. Administration Charge (\$300,000) – first ranking; and
 - ii. Directors’ Charge (\$400,000) – second ranking.

All of which is respectfully submitted this 5th day of June 2020.

BDO Canada Limited
in its capacity as Monitor of Bow River Energy Ltd.
and not in its personal or corporate capacity

Per:



Marc Kelly
Senior Vice President

APPENDIX “1”



Tel: 403 777 9999
Fax: 403 640 0591
www.bdo.ca

BDO Canada Limited
110, 5800 - 2nd Street SW
Calgary, AB T2H 0H2 Canada

June 4, 2020

To the Creditors of Bow River Energy Ltd. ("Bow River")

Dear Sirs/Mesdames:

Re: Proceedings under the *Companies' Creditors Arrangement Act*

TAKE NOTICE that on June 1, 2020, an Order (the "CCAA Initial Order") was granted by the Honourable Madam Justice A. D. Grosse of the Court of Queen's Bench of Alberta (the "Court") pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA") granting Bow River various relief including, but not limited to, the imposition of an initial *Stay of Proceedings* against Bow River and its assets through to June 11, 2020. The Court appointed BDO Canada Limited as the monitor of Bow River (the "Monitor").

Pursuant to the CCAA Initial Order, Bow River is to continue to carry on business in a manner consistent with the commercially reasonable preservation of its business while it considers and pursues restructuring alternatives.

The CCAA Initial Order provides that claims against Bow River in relation to obligations arising prior to June 1, 2020, including for goods and services supplied to Bow River prior to that date, are suspended, and creditors are prohibited from continuing or taking any actions or exercising any rights against Bow River except with leave of the Court.

You are not required to file a proof of claim at this time. A formal claims process is expected to be initiated in due course.

A copy of the CCAA Initial Order and a list of the names and addresses of Bow River's creditors and amounts due to creditors as estimated by the management of Bow River can be found on the Monitor's website at <https://www.bdo.ca/en-ca/extranets/bowriver/> (the "Website") or by contacting the Monitor directly. Additional materials will be posted to the Website from time to time and creditors are encouraged to check the Website regularly for updates as to the status of the proceedings. The next Court application is scheduled for June 10, 2020.

Should you have any questions or concerns, please contact Vivi Ann Hall, of Bow River, at 403-475-4100 extension 114 or viviann.hall@bowriverenergy.com, or Ms. Lorry Fritsche, of the Monitor, at 403-536-8507 or lfritsche@bdo.ca.

Yours truly,

BDO Canada Limited,
In its capacity as Monitor of Bow River Energy Ltd.
and not in its personal capacity

Per: Marc Kelly
Senior Vice President

APPENDIX “2”

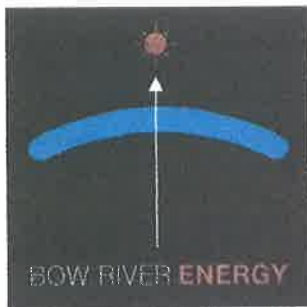
**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY
IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985,
c C-36, as amended
AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF
BOW RIVER ENERGY LTD.**

On June 1, 2020, the Court of Queen's Bench of Alberta granted an order (the "CCAA Initial Order") under the *Companies' Creditors Arrangement Act* in respect of Bow River Energy Ltd. providing various relief including, but not limited to, an initial stay of proceedings through to June 11, 2020. BDO Canada Limited was appointed as monitor (the "Monitor"). The CCAA Initial Order can be accessed by referring to the Monitor's website at <https://www.bdo.ca/en-ca/extranets/bowriver/> (the "Website"). Interested parties are encouraged to check the Website regularly for updates as to the status of the proceedings. For further information, please contact Lorry Fritsche, of BDO Canada Limited, at 403-536-8507 or by email at lfritsche@bdo.ca.



#110, 5800 - 2nd Street SW, Calgary, AB, T2H 0H2 Tel: 403-777-9999, Fax: 403-640-0591

APPENDIX “3”



Bow River Energy Ltd.
500, 321 - 6th Avenue S.W.
Calgary, Alberta, T2P 3H3

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

Attention: Mr. Marc Kelly

June 2, 2020

Dear: Mr. Kelly

Re: Proceedings under the Companies' Creditors Arrangements Act ("CCAA")

In connection with the original application Bow River Energy Ltd. (the "Company") under the CCAA, the management of the Company ("Management") has prepared the attached Cash Flow Forecast (the "Forecast") and underlying assumptions upon which the Forecast is based.

Management confirms that:

- The Forecast and underlying assumptions are the responsibility of the Company;
- All material information relevant to the Forecast and the underlying assumptions have been made available to BDO Canada Limited in its capacity as the Monitor; and
- Management has taken all actions that it considers necessary to ensure that:
 - The individual assumptions underlying the Forecast are appropriate in the circumstances;
 - That the underlying assumptions, taken as a whole, are appropriate in the circumstances; and
 - All relevant assumptions have been properly presented in the notes to the Forecast.

Management understands and agrees that the determination of what constitutes a material adverse change from the Forecast, or with the financial circumstances of the Company, is

ultimately at the discretion of the Monitor notwithstanding that Management may disagree with such determination.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Daniel Belot', with a large, sweeping initial 'D'.

Daniel Belot
VP Finance and CFO
Bow River Energy Ltd.

BOW RIVER ENERGY LTD.

13 Week Cash Forecast - SCHEDULE A - OPEX

Prepared by Management on May 27, 2020 - UNAUDITED

\$CAD

	Note	FORECAST FOR WEEK ENDING:												13 Week Total	
		29-May-20	05-Jun-20	12-Jun-20	19-Jun-20	26-Jun-20	03-Jul-20	10-Jul-20	17-Jul-20	24-Jul-20	31-Jul-20	07-Aug-20	14-Aug-20		21-Aug-20
OPEX															
Field Payroll	1	(51,069)	(57,751)	93,000	-	43,000	-	-	93,000	-	43,000	-	93,000	-	256,180
Electricity			500,000	-	-	-	-	-	-	-	-	-	300,000	-	1,100,000
Vehicle leases	2		25,241	-	-	-	30,000	-	-	-	-	30,000	-	85,241	
Field Expense	3	260,000	49,758	100,000	-	300,000	165,455	-	-	-	250,000	150,493	-	1,275,705	
Total OPEX		208,931	517,248	193,000	-	343,000	195,455	300,000	93,000	-	293,000	180,493	393,000	-	2,717,126

Notes:

1 - Field payroll includes field employees and contractors' wages and benefits. Also, included is receipt of the Canadian Emergency Wage Subsidy benefit which BRE has applied for.

2 - Vehicle leases include monthly rental, maintenance and fuel charges for Company trucks.

3 - 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.

DOW RIVER ENERGY LTD.
 13 Week Cash Forecast - SCHEDULE B - G&A
 Prepared by Management on May 27, 2020 - UNAUDITED
 \$CAD

	Notes	FORECAST FOR WEEK ENDING:													
		29-May-20	05-Jun-20	12-Jun-20	19-Jun-20	26-Jun-20	03-Jul-20	10-Jul-20	17-Jul-20	24-Jul-20	31-Jul-20	07-Aug-20	14-Aug-20	21-Aug-20	13 Week Total
G&A															
Rent	1		18,814	-	-	-	18,814	-	-	-	18,814	-	-	-	56,441
Payroll & Benefits	2		(51,251)	68,000	19,100	13,000	6,900	-	82,100	-	13,000	6,500	75,600	6,500	234,049
Software and IT Support	3		12,956	-	4,331	-	29,956	-	-	-	25,310	4,646	-	-	77,200
Professional Fees	4		-	-	-	-	25,000	-	-	-	-	-	-	-	25,000
Other	5	30,000	24,558	-	-	3,150	44,553	-	-	-	23,150	24,553	-	-	149,959
Total G&A		30,000	5,072	68,000	23,431	16,150	114,823	-	82,100	-	80,174	35,699	75,600	6,500	542,649

Notes:

- 1- Rent includes offices in Calgary, AB, Toronto, ON and Provost, AB.
- 2- Payroll includes office employees and contractors' wages and benefits. Also, included is receipt of the Canadian Emergency Wage Subsidy benefit which BRE has applied for.
- 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.