

Action No: 1001-02216

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY**

**IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF
DARIAN RESOURCES LTD.**

**AND IN THE MATTER OF
BOWVIEW PETROLEUM INC.**

**SIXTH REPORT OF THE MONITOR
HARDIE & KELLY INC.
JUNE 2, 2010**

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INTRODUCTION

1. On February 12, 2010, Darian Resources Ltd. (“Darian”) and Bowview Petroleum Inc. (“Bowview”) made application for and obtained protection from their creditors under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985 c. C-36 as amended, (the “CCAA”) pursuant to an order (the “Initial Order”) of the Court of Queen’s Bench of Alberta (the “Court”).
2. Pursuant to the Initial Order, Hardie & Kelly Inc. was appointed as monitor (the “Monitor”) of Darian and Bowview (collectively referred to as the “Companies”).
3. On May 7, 2010, the Monitor prepared a report for this Honourable Court (the “Fifth Report”) in advance of the Companies’ application for an extension of the stay of proceedings (the “Stay”) provided for in the Initial Order.
4. On May 10, 2010, this Honourable Court granted a further extension of the Stay through to June 24, 2010.
5. The purpose of this sixth report (the “Sixth Report”) is to provide an update and commentary to this Honourable Court with respect to the following:
 - a. The Companies’ restructuring activities;
 - b. The Monitor’s comments, analysis and recommendation regarding the Companies’ proposed *Plan of Compromise and Arrangement* (the “Plan”) attached as Exhibit “A” to the June 2, 2010 Affidavit of Grant Aulden Bartlett; and
 - c. The Companies’ request for an order authorizing the establishment of a single class of creditors, the holding of a meeting of creditors and the establishment of the procedures associated therewith in order for creditors to consider the Plan.

TERMS OF REFERENCE

6. In preparing this Sixth Report, the Monitor has relied upon unaudited financial information, records of the Companies and discussions with the Companies' management ("Management") and the Companies' advisors. The Monitor has not performed an audit, review or other verification of such information.

RESTRUCTURING EFFORTS

7. Since the commencement of the CCAA proceedings, the Companies have undertaken and accomplished a number of significant initiatives leading to the filing of the Plan.
8. In the Fifth Report, the Monitor reported to this Honourable Court that further to the unsolicited pre-emptive offer submitted by a party (the "Pre-Emptive Bidder"), Darian had executed a confidential Letter of Intent (the "LOI") with the Pre-Emptive Bidder on April 7, 2010, which contemplated a transaction providing for all of the Companies' creditors to be paid in full and also see Darian's shareholders receive some consideration.
9. Subsequent to the execution of the LOI, Management and Peters & Co. Limited ("Peters & Co.") continued to work diligently to assist the Pre-Emptive Bidder with the completion of its due diligence and with the drafting of a definitive agreement.
10. On May 28, 2010, the Pre-Emptive Bidder and Darian entered into an agreement (the "Arrangement Agreement") contemplating a corporate transaction under the provisions of the *Business Corporations Act (Alberta)*. The specific terms and details of the Arrangement Agreement are commercially sensitive in nature and disclosure of same could seriously compromise Darian's efforts of seeking a viable alternative in the event the transaction contemplated with the Pre-Emptive Bidder does not close. Consequently, the Arrangement Agreement has been provided to this Honourable Court attached as an exhibit to the June 1, 2010 Confidential Affidavit of Grant Aulden Bartlett. The Monitor has reviewed the Arrangement Agreement and can comment on its following general features as follows:

- a. The Pre-Emptive Bidder will acquire the shares of Darian in exchange for shares of the Pre-Emptive Bidder;
 - b. The Proven Claims accepted in the court directed claims process (the “Claims Process”) will be paid in full;
 - c. Darian and Bowview will be amalgamated; and
 - d. A break fee of \$3 Million has been established in respect of liquidated damages payable by both Darian and the Pre-emptive Bidder in the event of certain defaults, which shall have a charge over the assets of Darian subordinate to the charges of the principal secured creditor, the Shaw Family Group (“SFG”), and creditors with secured claims accepted in the Claims Process.
11. In the Fifth Report, the Monitor reported to this Honourable Court that on May 6, 2010, Darian and EnCana Corporation entered into a Memorandum of Understanding in respect of the terms of the EnCana Farm In (as defined in the February 11, 2010 sworn Affidavit of Grant Aulden Bartlett). The parties continue to work towards the preparation and execution of amending agreements in respect of the EnCana Farm In.
 12. Management, Peters & Co. and the Monitor continue to hold regular conference calls with SFG, to provide SFG updates in respect of the Companies’ operations and restructuring activities.
 13. As discussed further below, Management and the Monitor continue to attend to the Claims Process.

PLAN OF COMPROMISE AND ARRANGEMENT

Summary

14. The Plan contemplates those creditors whose claims have been accepted by the Companies through the Claims Process, or as will otherwise be determined to be valid claims by the Court (collectively referred to as “Accepted Proven Claims”), receiving the following cash distributions immediately after the date of the anticipated implementation of the Plan (the “Plan Implementation Date”):

- a. payment in full of the accepted or otherwise determined amount of the claim; and
 - b. simple interest calculated in accordance with the *Judgment Interest Act (Alberta)* on Accepted Proven Claims from the date of the Initial Order to the Plan Implementation Date.
15. Given that the intention of the Plan is to see those creditors with Accepted Proven Claims paid in full, the Plan contemplates the establishment of a single class of voting creditors (the “Eligible Voting Creditors”). The Monitor is of the opinion that this treatment is appropriate in the circumstances because creditors with Accepted Proven Claims will all be paid in full.
16. The Plan requires the approval of:
- a. a majority in number and two-thirds in value of the Eligible Voting Creditors present either by proxy or in person voting on the Plan; and
 - b. this Honourable Court.

Implementation of the Plan

17. The implementation of the Plan is subject to the following key conditions being fulfilled:
- a. The amendments to the EnCana Farm In shall have been finalized;
 - b. The approval of the Plan by the statutory majority of creditors and this Honourable Court; and
 - c. the Plan of Arrangement contemplated by the Arrangement Agreement shall have been approved by the Court.
18. Assuming the above conditions are satisfied, the distribution to creditors is then scheduled to be facilitated by way of the following:

- a. The Pre-Emptive Bidder will pay to the Monitor an amount sufficient to fully pay the secured claims that have been proven and accepted in the Claims Process and all amounts secured by the Administration Charge provided for by the Initial Order;
- b. The Pre-Emptive Bidder will advance to the Monitor the additional amount of funds required to satisfy the claims of the remaining creditors whose claims have been accepted or determined to be valid by the Court (the “Affected Creditors”) and those creditors whose claims remain in dispute (the “Disputed Claims”); and
- c. The Monitor will establish the Affected Creditors’ Pool and the Disputed Claims Reserve (as defined in the Plan) and distribute funds to those parties entitled thereto.

Claims

19. In the Fifth Report, the Monitor provided this Honourable Court with a summary of the claims and dispensation of same by the Companies at that time.
20. Since the date of the Fifth Report, eighteen creditors have filed *Notices of Objection* in accordance with the protocol established by the Claims Process. Management with the assistance of legal counsel and the Monitor have resolved certain of the disputes; however, as of the date of this report, fourteen claims totalling approximately \$1.1 Million remain disputed and may be required to be resolved by this Honourable Court. As at the date of this report, only one claimant has filed a *Notice of Motion* as prescribed by the Claims Process.
21. On June 4, 2010, the Companies will be seeking this Honourable Court’s approval authorizing the acceptance of eleven claims totalling approximately \$195,000 that were filed after the April 16, 2010 Claims Bar Date but for which would otherwise be accepted as valid claims by Management (the “Late Claims”). As to date, no prejudice has resulted, the Monitor approves of the admission of the Late Claims.

22. Including the *Notices of Objection* that have been resolved and the aforementioned Late Claims, a summary of the claims now accepted in whole or in part by the Companies is as follows:

	Number of Claims	Amount
Unsecured	346	\$9,445,415.89
Secured	31	64,750,008.02
Total	377	\$74,195,423.91

Monitor's Analysis and Conclusion

23. Throughout the proceedings, the Companies have represented their intention of satisfying the claims of their creditors in full. The restructuring initiatives and the implementation of the Plan will achieve this goal and will also provide the following benefits:
- a. an additional payment of interest to creditors;
 - b. a certain and expedited distribution to creditors;
 - c. resolution of the previous concerns raised by SFG; and
 - d. the ability for Darian to emerge from CCAA as a going concern.
24. In the event the Plan is refused by the statutory majority of creditors or this Honourable Court or the conditions precedent set out in Paragraph 17 above are not satisfied or completed, the Companies would seek to reinstate the solicitation process that had been contemplated in advance of the receipt of the offer from the Pre-Emptive Bidder. This would result in additional expenses and create a level of uncertainty in respect of the ultimate recovery for creditors and the timing of same.
25. As a result of the foregoing, the Monitor considers the Plan to be fair and reasonable.

MEETING OF CREDITORS

26. On June 4, 2010, the Companies will be seeking an Order of this Honourable Court (the "Creditors' Meeting Order") establishing the procedures and conduct to be followed in regard to the establishment of a creditors meeting to consider and vote on a resolution to approve the Plan (the "Creditors' Meeting") which would include the following:
- a. accepting the filing of the Plan;
 - b. establishing one class of creditors for the purposes of considering and voting on the Plan;
 - c. authorizing the Creditors' Meeting to be held on June 28, 2010;
 - d. directing the Monitor to publish a notice of the Creditors' Meeting on or before June 11, 2010 in the *Calgary Herald*;
 - e. directing the Monitor to deliver the necessary meeting materials to each creditor that has a Proven Claim and each alleged creditor with a Disputed Claim on or before June 8, 2010;
 - f. requiring the Monitor to provide a report to this Honourable Court no later than one (1) Court Day after the Creditors' Meeting on the results of the vote on the Plan; and
 - g. In the event the Plan is approved by the required statutory majority of the Affected Creditors, authorizing the Companies to bring a motion to this Honourable Court on July 2, 2010 seeking an Order sanctioning the Plan pursuant to the CCAA.

RECOMMENDATION

27. The Monitor is of the opinion that the Plan is fair and reasonable and provides the best alternative to the Proven Creditors in the circumstances; however the Monitor cautions that in order to fully fund the Plan certain conditions precedent as set out in Paragraph 17 above must be satisfied or completed prior to the Plan Implementation Date.

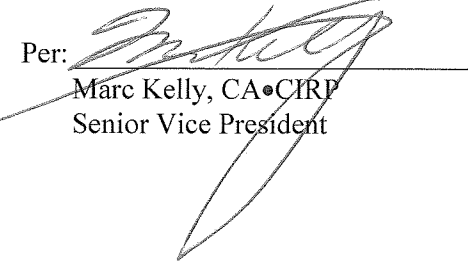
28. The Monitor recommends to this Honourable Court the following:

- a. Acceptance of the filing of the Plan;
- b. Approval of the proposed Creditors' Meeting Order; and
- c. Acceptance of the Late Claims.

All of which is respectfully submitted this 2nd day of June 2010.

Hardie & Kelly Inc., in its capacity as Monitor of
Darian Resources Ltd. and Bowview Petroleum Inc.
and not in its personal capacity

Per:



Marc Kelly, CA•CIRP
Senior Vice President