

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.**

**THIRD REPORT OF THE MONITOR
HARDIE & KELLY INC.
MARCH 17, 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”). The Court granted an initial stay of proceedings (the “Stay”) through to February 19, 2010.
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 March 16, 2010, the Monitor filed a full report (the “Second Report”) discussing the Companies’ operations and restructuring activities in advance of its March 17, 2010 application for an extension of the Stay and for the approval of the initiation of a claims process.
4. The purpose of this interim report (the “Third Report”) is to provide the Court with the Monitor’s recommendation in respect of the Companies’ March 17, 2010 application seeking an Order approving:
 - a. The appointment of Peters & Co. Limited (“Peters”) as Darian’s financial advisor pursuant to the terms of the engagement letter dated March 16, 2010 (the “Engagement Letter”) attached as Exhibit “A” to the March 16, 2010 sworn Affidavit of Grant Aulden Bartlett (the “March 16 Bartlett Affidavit”); and
 - b. A charge in favour of Peters (the “Financial Advisor Charge”) over the proceeds generated by Peters’ solicitation process as security for the payment of their fees.

BACKGROUND

5. The Companies' management ("Management") determined that they require the advice and assistance of an experienced financial advisor in order to facilitate a successful restructuring.
6. Shortly after the commencement of the CCAA proceedings, Management began holding discussions and negotiations with numerous experienced well known financial advisors. The list of potential advisors was reduced to a short list of two firms as described in the March 16 Bartlett Affidavit.
7. Both firms on the short list were very well qualified; however, Management was unable to come to terms acceptable to Management and the Monitor with one of the parties.
8. The key terms of the Engagement Letter are as follows:
 - a. An initial work fee of \$100,000 (the "Work Fee") is payable to Peters upon Court approval of the Engagement Agreement;
 - b. Peters shall be entitled to a transaction fee of 1.25% of the overall transaction value (the "Transaction Fee") upon the closing of a transaction with the Work Fee being credited against the Transaction Fee;
 - c. The Transaction Fee is still payable to Peters in the event Darian closes a transaction within six months after the termination of the Engagement Agreement with a party that previously participated in the Peters' solicitation process;
 - d. A fee equal to 20% of any proceeds Darian may be entitled to as a result of a transaction entered into that is subsequently terminated;
 - e. Out-of-pocket expenses to a maximum of \$20,000 unless otherwise pre-approved by Darian; and

- f. Darian will seek this Honourable Court's approval of the Financial Advisor Charge.

ASSESSMENT

9. The Monitor has reviewed the Engagement Letter and the March 16, 2010 Confidential Affidavit of Grant Aulden Bartlett and participated in various discussions and analysis leading up to Management's decision to retain Peters.
10. The Monitor is satisfied that:
 - a. The engagement of a financial advisor is appropriate in the circumstances in order to facilitate a successful restructuring;
 - b. Management has acted with due diligence and in good faith by undertaking a thorough and competent process to arrive at the selection of Peters as the party to act as its financial advisor;
 - c. Peters is a competent, experienced and qualified party capable of acting as financial advisor; and
 - d. The Terms of the Engagement Letter are commercially reasonable.
11. Various other professionals involved in these CCAA proceedings have received retainers or certain charges to ensure payment for their services so the Monitor does not believe it is unreasonable for Peters to require a form of charge to ensure payment of their fees.
12. Shaw Family Group, the principal group of secured creditors, has indicated their support of Management's selection of Peters as the financial advisor.

RECOMMENDATION

13. Based on the foregoing, the Monitor recommends to this Honourable Court:

- e. the approval of the Engagement Letter; and
- f. the approval of the Financial Advisor Charge.

All of which is respectfully submitted this 17th day of March 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