

REPORT OF TRUSTEE ON PROPOSAL
IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE PROPOSAL OF
RADIUS RESOURCES CORP.

We, Alger & Associates Inc. (“Alger”), the trustee acting in the Proposal of Radius Resources Corp. (“Radius” or the “Company”), hereby report to the Court as follows:

1. All Capitalized items are defined under Part I of the Proposal.
2. Radius filed a Notice of Intention to Make a Proposal under Part III of the Bankruptcy and Insolvency Act on February 23, 2010. The Company filed a Proposal with the Office of the Superintendent of Bankruptcy (the “OSB”) on March 19, 2010, a copy of which, together with the Certificate of Filing of a Proposal issued by the OSB on March 19, 2010, is attached and marked as Appendix “A”.
3. Notice of a Meeting of Creditors to be held April 6, 2010 to consider the Proposal (the “Notice”) was sent by email and ordinary mail on March 22, 2010 to the Company, the OSB and every known creditor affected by the Proposal, whose names and addresses are attached and marked as Appendix “B”.
4. The Notice included a Statement of Affairs of the Company containing a list of the creditors with claims of \$250 or more, a copy of the Proposal, a copy of the Trustee’s Report dated March 19, 2010 (the “Trustee’s First Report”), a Proof of Claim form, blank proxy and a voting letter. Copies of the Notice and the Statement of Affairs are attached hereto as Appendices “C” and “D”. A copy of the Trustee’s First Report is attached hereto as Appendix “E”.
5. Prior to the meeting of creditors, the Trustee made detailed and careful inquiries into the liabilities and assets of the Company as well as the Company’s conduct and the causes of its insolvency.

6. The meeting of creditors was held on April 6, 2010 and was presided over by Mr. Andrew H. Basi.
7. Voting results on the Proposal were as follows:

Unsecured Creditors

	In Number		Value Represented	
Votes in Favour	41	95%	15,138,703.48	99%
Votes Against	<u>2</u>	5%	<u>83,615.37</u>	1%
Total	<u><u>43</u></u>		<u><u>15,222,318.85</u></u>	

Accordingly, the requisite majority in number and two-thirds in dollar value of those Affected Creditors voting on the Proposal accepted the Proposal. A copy of the Minutes of the First Meeting of Creditors is attached as Appendix "F".

8. The Trustee is seeking abridged notice for the court hearing to approve the Proposal as a result of the time requirements in the forbearance agreement, attached as Appendix "G", in place between the Company and Alberta Treasury Branch ("ATB"), the Company's primary secured lender, and the date requirements in the purchase and sale agreement made March 19, 2010 (the "PSA"), attached as Appendix "H", between the Company and Argosy Energy Inc. ("Argosy").
9. The Trustee has made the following efforts to notify all proven creditors of the Trustee's intention to seek abridged notice for the court application scheduled to be heard in the Court of Queen's Bench of Alberta, at the Calgary Court Centre, at 2:00pm on April 13, 2010 for an Order approving the Proposal (the "Court Application"):
 - The Trustee announced to all creditors in attendance at the meeting of creditors that the Court Application for the approval of the Proposal is scheduled to heard in the Court of Queen's Bench of Alberta, at the Calgary Court Centre, at 2:00pm on April 13, 2010;

- All proven Creditors, except for six creditors who did not provide an email address and were therefore notified by standard mail, and the OSB were electronically notified of the Notice of Hearing on April 6, 2010. The affidavit of service is attached as Appendix "I";
- The Notice of Hearing was also posted on the Trustee's website at www.alger.ca/western on April 6, 2010.

10. The Trustee is of the opinion that:

- The assets of the Company and their fair realizable values are as follows:

Cash	\$	147,000
Accounts receivable and deposit		32,508
Investment		54,000
Oil and gas assets		2,000,000
Tax losses		650,000
Total	<u>\$</u>	<u>2,883,508</u>

- The liabilities of the Company are as follows:

Ordinary unsecured creditors	<u>\$14,830,466</u>
Secured Creditors	<u>\$2,538,373</u>

11. We are also of the opinion that the causes of the insolvency of the Company can be summarized as follows:

- Due to low oil and gas prices and the resulting effect on the financial strength of the Company, the Company's primary secured lender, ATB, issued demands for repayment of the outstanding credit facility. The

Company negotiated a forbearance agreement with the ATB in February 2009 and a further amended forbearance agreement in March 2010.

- As a result of the above issues, the Company filed a Notice of Intention under the BIA to allow the time required to attend to the above issues and complete the transaction with Argosy.

12. The conduct of the debtor is not subject to censure. The Trustee's preliminary review has not identified any preferential payments, settlement transactions or reviewable transactions (defined as transactions with parties who are non-arms length).
13. We are further of the opinion that there are no facts, mentioned in section 173 of the Act, which may be proved against the Company.
14. It is the Trustee's opinion that the Company's Proposal be accepted for the following reasons:
 - a. The restructuring of the Company's existing liabilities in accordance with the terms of the Proposal will be beneficial to creditors in that it will allow the Company to:
 - Allow the Company to compromise and settle the amount due to the ATB and eliminate the security interest on the assets of Radius;
 - Crown Claims and Preferred Claims, as defined in the Proposal, are paid in full;
 - The Ordinary Creditors will receive a cash payment or cash and commons shares in Argosy, a publicly traded company, which should allow them to benefit from any future success of Argosy; and
 - The Company's assets are transferred as a going concern to Argosy which will benefit the Ordinary Creditors who receive Argosy Common Shares as


they will become shareholders of Argosy and the transaction reflected by the PSA will preserve the value of the tax losses of the Company.

- b. The Company's Proposal provides for the payment to the Ordinary Creditors with a combination of cash or cash and shares that will result in a number of the Ordinary Creditors to be paid in full less the Superintendent of Bankruptcy levy.
- c. The Trustee is of the view that the Proposal, and the sale of Radius' common shares thereunder, provides for a greater realization for the Ordinary Creditors than a bankruptcy and attendant liquidation of the Company's assets.

15. A copy of this report will be forwarded to the OSB forthwith.

Dated at the City of Calgary in the Province of Alberta, this 7th day of April 2010.

Alger & Associates Inc.



Per: Andrew H. Basi, CA•CIRP
Vice President