COURT FILE NUMBER		Clerk's Stamp CLERK OF THE COURT FILED NOV 29 2011 JUDICIAL CENTRE OF CALGARY
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
APPLICANTS	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* R.S.C. 1985, c. C-36, AS AMENDED** **AND IN THE MATTER OF OILSANDS QUEST INC., OILSANDS QUEST SASK INC., TOWNSHIP PETROLEUM CORPORATION, STRIPPER ENERGY SERVICES INC., 1291329 ALBERTA LTD., OILSANDS QUEST TECHNOLOGY INC.**	
DOCUMENT	**AFFIDAVIT OF GARTH WONG sworn November 28, 2011 (Initial CCAA Order)**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Macleod Dixon LLP 3700 Canterra Tower 400 Third Avenue SW Calgary, Alberta T2P 4H2 Phone: 403-267-8222 Fax: 403-264-5973 Attention: Howard A. Gorman File No. 196023	

I, Garth Wong, of the City of Calgary, in the Province of Alberta, President and Chief Executive Officer, MAKE OATH AND SAY THAT:

1. I am the President and Chief Executive Officer of Oilsands Quest Inc. ("**BQI**"), which is the 100% parent of Township Petroleum Corporation, ("**Township**"), 1291329 Alberta Ltd. ("**129**"), Oilsands Quest Technology Inc. ("**Technology**"), and Oilsands Quest Sask Inc. ("**Sask**") (which is in turn the 100% parent of Stripper Energy Services Inc. ("**Stripper**")). (BQI, Sask, Stripper, Township, 129 and Technology shall hereinafter be referred to collectively as "**the Company**".) As such I have personal knowledge of the facts and matters

deposed to herein except where stated to be based on information and belief, and where so stated I do verily believe the same to be true.

RELIEF REQUESTED

2. This affidavit is made in support of an application by the Company for an Order (the "**Initial Order**") pursuant to the *Companies' Creditor's Arrangement Act*, R.C.A. 1985, c. C-36, as amended (the "CCAA"), among other things:

   (a) Declaring that the Company is one to which the CCAA applies;

   (b) Staying all proceedings and remedies taken or that might be taken in respect of the Company or any of its property, except as otherwise set forth in the Initial Order or otherwise permitted by law;

   (c) Authorizing the Company to carry on business in a manner consistent with the preservation of its property and business;

   (d) Appointing Ernst & Young Inc. as monitor (the "**Monitor**" or "**E&Y**") of the Company in these proceedings;

   (e) Approving certain charges as set out herein;

   (f) Approving certain agreements as set out herein; and

   (g) Deeming service of the Application for the Initial Order to be good and sufficient.

OVERVIEW AND CORPORATE STRUCTURE

3. BQI was incorporated in Colorado, USA on April 3, 1998 as "Uranium Power Corporation", and changed its name to "CanWest Petroleum Corporation" on November 2, 2004. On October 31, 2006 it changed its name to "Oilsands Quest Inc." BQI is a publicly-traded company trading on the New York Stock Exchange under the trading symbol "**BQI**".

4. The executive offices for BQI and all other corporations in the Company are located in Suite 800, 1333 – 8 Street S.W., Calgary, Alberta, T2R 1M6.

5. Township is incorporated pursuant to the *Alberta Business Corporations Act*, R.S.A. 2000 c. B-9, is a wholly owned subsidiary of BQI, and owns an oil sands lease in the Province of Alberta (referred to as "**Eagles Nest**") which it acquired in 2005.

6. 129 is incorporated pursuant to the *Alberta Business Corporations Act*, R.S.A. 2000 c. B-9, is a wholly owned subsidiary of BQI, and owns assets related to camp facilities and equipment.

7. Technology is incorporated pursuant to the *Alberta Business Corporations Act*, R.S.A. 2000 c. B-9, is a wholly owned subsidiary of BQI, and was incorporated to assess technologies related to bitumen and shale oil extraction and to ensure any proprietary information created from the development of the Company's prospects could be commercially exploited.

8. Stripper is incorporated pursuant to *Alberta Business Corporations Act*, R.S.A. 2000 c. B-9 and is a wholly-owned subsidiary of Sask.

9. Sask is incorporated pursuant to the *Alberta Business Corporations Act*, R.S.A. 2000 c. B-9, and was established as an operating subsidiary of the Company primarily to explore for and develop oil sands deposits in the provinces of Saskatchewan and Alberta. BQI owns 100% of the voting shares and 100% of the equity shares of Sask. Other shareholders own shares in a class of non-voting preferred exchangeable shares (the "**Exchangeable Shares**") of Sask. The Exchangeable Shares are exchangeable for shares of common stock of BQI on a one-for-one basis and otherwise give holders the economic rights and voting rights of holders of BQI common stock.

10. The Company currently has nineteen (19) employees or contractors.

BACKGROUND AND BUSINESS OPERATIONS

11. The Company is a development stage company which (as more particularly described below) holds certain permits, licenses and leases in Alberta and Saskatchewan allowing it to explore and develop natural resource properties. To date the Company has not received any revenue from any of its natural resource properties, and none of its estimated resources have been classified as proved reserves. The Company expects that significant additional exploration and development activities will be necessary to establish proved reserves, and to develop the infrastructure necessary to facilitate production, if any, from the estimated resources.

Properties

12. The Company (through the subsidiaries described above) holds the following permits, licenses, and leases:

Saskatchewan Oil Sands Permits

(a) As a result of various transactions commencing in 2004, Sask acquired oil shale exploration permits PS00205, PS00206, PS00207, PS00208, PS00209, PS00210, PS00211, PS00212, PS00213, PS00214, PS00215, PS00216 and PS00217 (the "Sask Permits") located in north-western Saskatchewan along the Alberta border. A portion of the area covered by the Sask Permits (being approximately 65 sections located in Townships 94 and 95, Ranges 24 and 25, west of the Third Meridian) was designated as "**Axe Lake**".

(b) The Sask Permits provided for the right to explore and work the lands covered by the Sask Permits but not to remove, produce, or recover, except for test purposes, oil products until a lease has been granted. The permits were granted by the Province of Saskatchewan in 2004 under the Oil Shale Regulations, 1964 for a term of five years. The term of the permits may be extended for up to three, one-year extensions subject to regulatory approvals, as required.

(c) The Company began exploration of its Sask Permits in the winter of 2005/2006 by drilling a number of delineation wells in the Axe Lake region. The exploration program continued through the winter of 2008/2009 and a total of 359 exploration wells had been drilled on the Axe Lake lands.

(d) Throughout 2009, 2010, and 2011, various exploration and testing activities occurred on the Axe Lake area permits. Various permits were relinquished to the Crown to allow Sask to focus activities on those lands that exploration activity had demonstrated to be prospective, primarily the lands covered by permits PS00208 and PS00210.

(e) At April 1, 2011, all Sask Permits except PS00208 and PS00210 had been relinquished to the Crown and on July 15, 2011 portions of these Sask Permits were converted into 15 year leases (the "**Axe Lake Leases**") identified as OSA00001 and OSA00002. The Axe Lake Leases cover 43,088 acres.

(f) The Axe Lake Leases are subject to a 2.5% GORR which is held by Stripper.

Saskatchewan Oil Sands Licenses

(g) On August 13, 2007 the Company acquired five oil sands licenses south of the Axe Lake Leases. These licenses were relinquished on August 12, 2011 due to their low prospectivity for future development.

Alberta Oil Sands Permits

Raven Ridge

(h) During the year ended April 30, 2007, Sask acquired four oil sand permits which were granted by the Province of Alberta under the terms of the *Mines and Minerals Act* and which provide the Company with the opportunity to convert up to 100% of the permits to a production lease following the completion of specified work requirements.

(i) These oil sand permits covered an area (designated as "**Raven Ridge**") of approximately 12 sections located within Townships 93 and 94, Range 1, West of the 4th Meridian, in Alberta, directly to the west of the Axe Lake area.

(j) On August 12, 2011 permit 7006080098 expired, leaving the Company with three permits covering 55,667 acres which will expire in March and May of 2012.

(k) Drilling and other exploration work was conducted on the Raven Ridge lands in 2007, 2008 and 2009, which demonstrated continuity of bitumen characteristics extending from the Axe Lake lands westward into Alberta, and which has potential for future development. Cenovus has developed a recovery process for reservoirs with structural highs and top lean zones for its Borealis project directly west of Raven Ridge and these reservoirs may be effectively and economically produced using modified SAGD technology. However, the Company does not currently have the technical or financial wherewithal to develop the Raven Ridge area.

Wallace Creek

(l) On January 23, 2008 the Company acquired two oil sands permits covering 45,546 acres (designated as "**Wallace Creek**") which were granted by the Province of Alberta under the terms of the *Mines and Minerals Act*, and which provide an opportunity to convert up to 100% of the permits to a production lease following the completion of specified work requirements.

(m) The Company conducted an exploration drilling program on the Wallace Creek lands in 2010 and 2011, which program has indicated significant quantities of bitumen. The Wallace Creek permits have been extended to March 31, 2013, which extension will allow the Company two full winter exploration seasons in which to complete additional exploratory seismic and drilling prior to any applications for conversion to lease.

(n) On September 25, 2011 BQI entered into a non-binding Letter of Intent (the "**Wallace Creek LOI**") with a third party to sell its Wallace Creek assets for total consideration of $60 million, which includes $40 million cash at closing and a $20 million contingent payment that is subject to certain future events.

(o) Completion of the transaction contemplated by the Wallace Creek LOI was subject to a number of terms and conditions, including negotiation of a definitive agreement, board approvals, due diligence, financing and approval by BQI shareholders. All of the conditions, with the exception of the BQI shareholder vote, were to be completed by October 31, 2011.

(p) The purchaser continued to conduct their due diligence and, in early November, they requested an extension of the time to January 31, 2012 so that they could complete their due diligence, arrange the financing and negotiate the definitive agreements required for the purchase and development of the Wallace Creek properties. BQI agreed to extend in exchange for a US$3,000,000 non-refundable deposit.

(q) On November 28, 2011 the purchaser did not agree to the conditions set forth by BQI and negotiations were terminated.

Alberta Oils Sands Lease

(r) On June 1, 2005 Township acquired oil sands lease no. 7405080355 with a term of 15 years. The lease is located in the Athabasca oil sands region of Alberta in Township 101, Range 13, and West of the Fourth Meridian ("**Eagles Nest**").

(s) The Company intends to divest itself of its Eagles Nest oil sands lease given that it is geographically distant from its other oil sands discoveries and is largely unexplored. Currently the Company has not received any acceptable offers and the Company has determined that it is in its best interest to retain this asset until an adequate offer has been received or additional funds are available for the development of these longer term assets. The Company currently does not have the commercial wherewithal to develop this area.

Saskatchewan Oil Shale Permits

(t) In September and October 2006 the Company acquired nine exploration permits in the Pasquia Hills Oil Shale prospect area from the Province of Saskatchewan, and as of September 30, 2011 the Company had relinquished all of these permits with the exception of SHP0001.

(u) The remaining permits covers 405,961 acres near Hudson Bay, Saskatchewan, and provide for the right to explore, mine, quarry and work the permit lands, but not produce or recover oil, shale except for test purposes until the lease has been granted.

13. In addition to the foregoing permits, licenses and leases, the Company owns various assets under construction, being facilities required for a steam assisted gravity drainage (SAGD) pilot on the Axe Lake Leases.

14. As at April 30, 2011, the Company had drilled the following wells as part of its exploration program on the various lands described above:

	Wells Drilled	Sections Drilled	Wells per Section
Axe Lake Exploration	323	78	4.1
Axe Lake Development/Reservoir Test	26	n/a	n/a
Axe Lake Groundwater Monitoring	19	n/a	n/a
Saskatchewan Exploration (outside Axe Lake)	36	29	1.2
Raven Ridge Exploration	48	23	2.1
Wallace Creek Exploration	14	14	1.0
Eagles Nest Exploration	0	0	0.0
Total	**466**	**144**	**3.2**

AXE LAKE CAMP

15. The Company also owns a camp on its Axe Lake Leases (the "**Axe Lake Camp**").

16. The Company has a series of agreements with Cenovus to allow it to use the Axe Lake Camp and access roads while it conducts operations in the area. Under these agreements, the

Company retains and pays suppliers to the Camp and is then repaid by Cenovus at cost plus approximately 10%. To ensure these arrangements are uninterrupted, and as all costs paid are recovered in full with a premium, the Company requests this Court authorize the Company to pay all costs and suppliers related to the Axe Lake Camp, both pre and post CCAA filing.

SENIOR MANAGEMENT

17. The Company's senior management is currently made up of the following:

(a) Garth Wong - President and Chief Executive Officer, appointed President and Chief Executive Officer of Oilsands Quest Inc. on February 1, 2011. He was previously the Company's Chief Financial Officer, having joined the Company in February 2009;

(b) Annie Lamoureux - Vice President and Controller and Principal Accounting Officer, appointed Vice-President and Controller of the Company on February 1, 2011. She joined the Company as Controller in August 2009; and

(c) Simon Raven - Vice President, Exploration and Development, appointed Vice President, Exploration and Development of the Company on January 13, 2011. Prior to this, he served as Chief Geologist at Oilsands Quest Inc. from August 2006 to January 2011.

18. The Senior Management, and all employees, are directly employed by BQI, but provide services to all of the Company entities. Costs for employees, and other general and other expenses are satisfied through inter-company transfers between the various Company entities. To allow efficient ongoing operations through the CCAA Proceedings, it is necessary that the ability to transfer funds, under the Monitor's supervision, be allowed to be continued amongst the Company.

ASSETS AND LIABILITIES

A. ASSETS

19. Attached hereto and marked respectively as Exhibits "**A**" and "**B**" are the unaudited financial statements for the three month period ending July 31, 2011 and the audited financial statements for the 12 month period ending April 30, 2011.

20. In general, the Company's assets are comprised of US$12.5 million of current assets and US$154.3 million of property and equipment, as follows:

(a) Cash and cash equivalents, including restricted cash of US$11.2 million;

(b) Accounts receivable of US$0.3 million;

(c) Prepaid expenses of US$1.0 million; and

(d) Property and equipment of US$154.3 million.

21. The total of all of the foregoing as at July 31, 2011 is approximately US$166.9 million.

B. LIABILITIES

22. The approximate balance owing (both liquidated and contingent) to creditors of the Company as of July 31, 2011 are approximately US$33.9 million (rounded) as follows:

(a) Accounts payables including those anticipated to be incurred and accrued up to and including July 31, 2011 are approximately US$13.0 million;

(b) Obligations under sublease contracts of US$0.5 million;

(c) Asset retirement obligations of US$20.4 million.

23. All of the liabilities are to Canadian suppliers or creditors with the exception that BQI has certain payables to U.S. based regulators or consultants and is involved in disputed shareholder litigation in the States of New York and Colorado, the Colorado litigation being an insured, conditionally settled claim.

24. While the Company assets on its balance sheet are in excess of its liabilities, the majority of the asset value is in long term, heavy oil production reserves that will require substantial further investment to bring on to production. The Company's efforts to monetize all or a portion of these reserves is set out herein.

25. The Company is currently in a position that it is unable to pay its obligations generally as they become due and are therefore insolvent. The proposed CCAA proceedings are intended to allow the Company an opportunity to maximize recovery for all stakeholders.

EVENTS LEADING TO PRESENT APPLICATION

26. As noted above, the Company is a development stage company which holds the permits, licenses and leases described above allowing it to explore and develop natural resource properties. To date the Company has not received any revenue from any of its natural resource properties, none of its estimate resources have been classified as proved reserves, and the Company's exploration and development work is capital intensive.

Strategic Alternative Process

27. On August 17, 2010 the Company had announced that it had initiated a process to explore strategic alternatives for enhancing shareholder value. The strategic alternative process was overseen by a Special Committee with advice from TD Securities Inc. which was engaged as a financial advisor to assist with this process.

28. The Special Committee considered all alternatives to increase shareholder value, including strategic financing opportunities, asset divestitures, joint ventures and/or a corporate sale, merger or other business combination. The Company had many initial expressions of interest and exploratory conversations and signed confidentiality agreements with a number of entities who carried out detailed due diligence.

29. The formal strategic alternative process did not result in any proposals to the Company, and the process was concluded in June, 2011 upon the recommendation of the Special Committee.

30. The Company then proceeded to raise the funds required to advance the development of the Company's assets and on July 18, 2011, the Company commenced a Rights Offering under which the existing shareholders were given the right to purchase shares in the Company. This Rights Offering process was terminated on September 12, 2011, and the Company has, to date, been unable to raise the funds required to advance the development of the Company's assets. The decision to cancel the rights offering considered that the negotiation of a material transaction had reached an advanced stage – a transaction that would significantly change the use of proceeds described in the rights offering prospectus. It had also become apparent that the Company would not achieve a full $60 million subscription through the rights offering, perhaps at least partially due to weak market conditions.

31. On September 25, 2011, the company entered into a non-binding Letter of Intent with a third party to sell its Wallace Creek assets for total consideration of $60 million, which includes $40 million cash at closing and a $20 million contingent payment that is subject to certain future events. The sale of the Wallace Creek property would have provided the Company with the financial resources to focus on moving its largest and most advanced asset, Axe Lake, toward commercial development.

32. Completion of the transaction was subject to a number of terms and conditions, including negotiation of a definitive agreement, board approvals, due diligence, financing and approval by BQI shareholders.

33. On November 28, 2011, negotiations for the sale of the Wallace Creek assets were terminated as outlined above.

Asset Retirement Obligation

34. The Company is in discussions with the Saskatchewan Ministry of Energy and Resources ("**SMER**") to assess a re-abandonment issue relating to the abandonment of early exploration core holes. The Company has drilled 359 exploration core holes in Saskatchewan and it was determined during a review of development plans and well records that 242 of the early-year wells were not abandoned to a standard that meets the

Company's thermal development requirements or were not abandoned in accordance with the regulatory requirements.

35. The Company has applied for waivers on 99 core holes, and during the year ending April 30, 2011, the Company completed an 18 hole re-abandonment program. The remaining 125 core holes are comprised of a combination of locations that are adjacent to the commercial development area plus a portion of the core holes for which the Company intends to seek waivers from the SMER.

36. The Company has submitted a re-abandonment program to the SMER that has included costs estimates and a schedule of work. As at July 31, 2011, the total undiscounted inflation-adjusted future obligations for such abandonment work over the next four years is approximately US$28.6 million.

37. SMER has advised the Company that SMER's assessment of the Company's re-abandonment obligations could result in cancellation of the Axe Lake permits if the Company does not comply with the governing regulations.

38. In addition to the re-abandonment obligations outlined above, the company has undiscounted inflation-adjusted future reclamation obligations of approximately US$16.3 million, primarily for the restoration of well sites and access roads.

Socius Financing

39. On October 17, 2011 the Company entered into a Securities Purchase Agreement ("**SPA**") with Socius CG II, Ltd., a subsidiary of Socius Capital Group ("**Socius**"). The Company has the right, over a term of two years, to require Socius, subject to the terms and conditions of the SPA, to purchase up to $12 million of Series C redeemable preferred shares (the "**Preferred Shares**"). The Preferred Shares bear interest at an annual rate of 10%. The Company may, at its sole discretion, submit a tranche notice to Socius to purchase a certain dollar amount of the Company's Preferred Shares at $10,000 per share.

40. Upon the issuance of the initial tranche notice, Socius will also receive warrants to purchase shares of the Company's common stock valued at 35% of the Preferred Share amount. The

initial exercise price of the warrants will be equal to the closing bid price of the Company's common stock on the day preceding the issuance of the first tranche notice. When the Company elects to sell a tranche of Preferred Shares, warrants equal to 35% of the value of the Preferred Shares will vest and Socius is obligated to exercise these warrants. The vested warrants will be at a price equal to the closing bid price on the day preceding the issuance of the tranche notice. In addition, Socius is obligated to exercise an additional investment right to purchase common stock valued at 100 per cent of the amount of the Preferred Stock, at a per share price equal to the exercise price of the warrants associated with the sale of Preferred Stock.

41. The Company cannot issue a tranche notice in a dollar amount that will result in the common shares issued in accordance with the additional investment right and related warrants exceeding 9.99% of the then outstanding shares of the common stock.

42. Socius may elect to issue secured promissory notes for the purchase of the common shares. These promissory notes would be for a five year term and would bear interest at an annual rate of 2%.

43. The Company has not sold any Preferred Shares under the terms of the SPA.

NYSE Amex Listing Requirements

44. On September 12, 2011 Oilsands Quest received notice from the staff of the NYSE Amex LLC (the "**Exchange**") that, based on their review of the Company's Form 10-K/A for the fiscal year ended April 30, 2011 and discussions and correspondence with management, the Company is not in compliance with certain of the Exchange's continued listing standards as set forth in Part 10 of the Exchange's Company Guide. Specifically, the Exchange noted that the Company is not in compliance with Section 1003(a)(iv) of the Company Guide because the Company has sustained losses which are so substantial in relation to the Company's overall operations or its existing financial resources, or its financial condition has become so impaired that it appears questionable, in the opinion of the Exchange, as to whether the Company will be able to continue operations and/or meet its obligations as they mature. A copy of the Exchange Notice is attached as Exhibit "**C**".

45. The Company has submitted a plan explaining how BQI intends to return to full compliance with the Exchange's listing requirements. The Company believed that with the Socius financing and the Wallace Creek asset sale, Oilsands Quest would have secured the necessary capital to move ahead use the resulting reservoir production data to seek a joint venture partner, strategic investor, or purchaser of the asset or the Company.

46. If the within Application is successful, the Company will forthwith contact the Exchange to make submissions for its potential continued listing.

47. The Company's common stock continues to trade on the Exchange under the symbol "BQI", however, the Exchange has advised the Company that the Exchange is utilizing the financial status indicator fields in the Consolidated Tape Association's Consolidated Tape System and Consolidated Quote Systems High Speed Tapes to identify companies that are in noncompliance with the Exchange's continued listing standards. Accordingly, the Company will become subject to the trading symbol extension ".BC" to denote its noncompliance.

CASH FLOW PROJECTIONS

48. Attached as Exhibit "**D**" to this my Affidavit are the cash flow projections for the Company (the "**Cash Flow Projections**") for the period ending December 31, 2011. Based on my knowledge of the financial position of the Company, and based on the assumptions set out in the Cash Flow Statements, I verily believe that they are fair and reasonable.

49. Management of the Company has worked with E&Y to prepare the Cash Flow Projections. E&Y has made certain suggestions about the Cash Flow Projections, which have been incorporated therein, and E&Y has not expressed any concern over the reasonableness of the Cash Flow Projections.

PLAN OF ARRANGEMENT

50. Based on the Cash Flow Projections and the other financial information set out in this Affidavit, I believe that given a reasonable period of time to reorganize the financial affairs

of the Company that there is a reasonable prospect that the Company will be able to file a viable Plan of Arrangement.

DIP FINANCING

51. The Company has not made arrangements for Debtor-in-Possession ("**DIP**") financing at this time, but has had preliminary discussions with various lenders concerning such a DIP financing facility. The Company wishes to reserve its rights to reapply to this Honourable Court for such a DIP financing facility if the Company should determine that it is necessary to do so.

OTHER CHARGES

52. I do verily believe it appropriate that this Court authorize, and grant priority to an Administration Charge and a Directors and Officers Charge, each in the sum of up to $1,000,000, which charges I am advised by counsel are typical in CCAA proceedings in this jurisdiction. The Company has no significant secured creditors who would be affected by such charges.

KEY EMPLOYEE RETENTION PLANS

53. Because of concerns relating to the Company's viability, a retention program and agreement was entered into with each Company head office employee in early 2011, generally in the form as attached as Exhibit "**E**" hereto (the "**Existing Retention Program**").

54. The terms of the Existing Retention Program include the following:

(a) all employees who remain with the Company through December 31, 2011, would receive a bonus equal to 75% of their annual salary; and

(b) any employee terminated, other than for cause, prior to December 31, 2011, would receive their pro rata portion of the bonus.

55. The retention payment for the remaining employees for 2011 totals approximately $964,000 (11/12 of which has already been earned). The potential retention payment amounts have been transferred to the Company's counsel in October 2011, to protect the employees and ensure their continued services.

56. The Company will discuss with the Monitor and may apply to the Court with respect to an appropriate 2012 employee retention program.

MONITOR

57. I believe that E&Y is qualified and competent to act as Monitor under the CCAA proceedings. Attached as Exhibit "**F**" to this my Affidavit is a copy of a Consent to Act as Monitor signed by E&Y.

RELIEF REQUESTED

58. This affidavit is made in support of an application by the Company for the Initial Order pursuant to the *Companies' Creditor's Arrangement Act*, R.C.A. 1985, c. C-36, as amended (the "**CCAA**"), among other things:

(a) Declaring that the Company is one to which the CCAA applies;

(b) Staying all proceedings and remedies taken or that might be taken in respect of the Company or any of its property, except as otherwise set forth in the Initial Order or otherwise permitted by law;

(c) Authorizing the Company to carry on business in a manner consistent with the preservation of its property and business;

(d) Appointing Ernst & Young Inc. as monitor of the Company in these proceedings;

(e) Approving certain charges as set out herein;

(f) Approving certain agreements as set out herein; and

(g) Deeming service of the Application for the Initial Order to be good and sufficient.

SWORN before me at the City of Calgary, in the Province of Alberta, this 18 day of November, 2011	)	
A Commissioner for Oaths in and for the Province of Alberta	)	GARTH WONG

HOWARD A. GORMAN
BARRISTER & SOLICITOR

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Balance Sheets
(Unaudited)
(In thousands, except share data)

	July 31, 2011	April 30, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 9,392	$ 15,984
Restricted cash (note 4)	1,852	1,862
Accounts receivable	253	921
Prepaid expenses	1,049	630
Total Current Assets	12,546	19,397
Property and Equipment (notes 5 and 6)	154,339	153,795
Total Assets	$ 166,885	$ 173,192
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 548	$ 561
Accrued liabilities	4,824	5,696
Current portion of asset retirement obligation (note 7)	7,641	7,297
Total Current Liabilities	13,013	13,554
Obligation under sublease contract	538	550
Asset Retirement Obligation (note 7)	20,434	19,585
Stockholders' Equity:		
Capital Stock		
Preferred Stock, par value of $0.001 each, 10,000,000 shares authorized, 1 Series B Preferred share outstanding (note 9)	-	-
Common Stock, par value of $0.001 each, 750,000,000 shares authorized, 348,698,837 and 348,495,556 shares outstanding at July 31, 2011 and April 30, 2011 respectively (note 10)	348	348
Additional Paid-in Capital	789,713	789,738
Deficit Accumulated During Development Stage	(717,275)	(711,435)
Accumulated Other Comprehensive Income	60,114	60,852
Total Stockholders' Equity	132,900	139,503
Total Liabilities and Stockholders' Equity	$ 166,885	$ 173,192

Going concern (note 1)
Contingencies and commitments (note 13)
Subsequent events (notes 5b, 5c and 14)

See Notes to Consolidated Financial Statements

THIS IS EXHIBIT "A"
referred to in the Affidavit of
Garth Wong
Sworn before me this ......
Day of November A.D. 2011
....
A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

HOWARD A. GORMAN
BARRISTER & SOLICITOR

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Statements of Operations
(Unaudited)
(In thousands, except share data and per share amounts)

	Three Months Ended July 31, 2011	Three Months Ended July 31, 2010	From Inception on April 3, 1998 through to July 31, 2011
Expenses:			
Exploration	$ 535	$ 11,679	$ 278,860
General and administrative:			
Corporate	4,095	3,793	80,184
Stock-based compensation (notes 8 and 11)	(25)	968	148,094
Foreign exchange (gain) loss	(98)	284	(286)
Depreciation and accretion	1,348	1,104	11,423
Impairment of property and equipment (note 6)	-	2,025	346,663
Total Expenses	5,855	19,853	864,938
Other Items:			
Interest income	(15)	(14)	(6,583)
Loss before income tax	5,840	19,839	858,355
Deferred income tax benefit	-	(3,858)	(133,386)
Net loss	5,840	15,981	724,969
Net loss attributable to non-controlling interest	-	-	(7,694)
Net loss attributable to common stockholders	$ 5,840	$ 15,981	$ 717,275
Net loss attributable to common stockholders per share – Basic and Diluted	$ 0.02	$ 0.05	
Weighted Average Number of Common Shares Outstanding	367,624,793	331,628,490	

See Notes to Consolidated Financial Statements

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity
(in thousands, except shares)

	Common Stock		Preferred Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value				
Balance, April 30, 2011	348,495,556	$ 348	1	$ -	$ 789,738	$ 60,852	$ (711,435)	$ 139,503
Exchange of OQI Sask Exchangeable shares	203,281	-	-	-	-	-	-	-
Stock-based compensation cost	-	-	-	-	(25)	-	-	(25)
Other comprehensive income								
Foreign exchange loss on translation	-	-	-	-	-	(738)	-	(738)
Net loss	-	-	-	-	-	-	(5,840)	(5,840)
Balance July 31, 2011	348,698,837	$ 348	1	$ -	$ 789,713	$ 60,114	$ (717,275)	$ 132,900

	Common Stock		Preferred Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value				
Balance, April 30, 2010	292,491,188	$ 292	1	$ -	$ 758,007	$ 35,612	$ (395,196)	$ 398,715
Common stock issued for:								
Cash	19,688,058	20	-	-	18,089	-	-	18,109
Exchange of OQI Sask Exchangeable shares	316,855	-	-	-	-	-	-	-
Stock-based compensation cost	-	-	-	-	968	-	-	968
Share issue costs	-	-	-	-	(165)	-	-	(165)
Premium on flow-through shares	-	-	-	-	(1,584)	-	-	(1,584)
Proceeds from exercise of OQI Options	-	-	-	-	112	-	-	112
Other comprehensive income								
Foreign exchange loss on translation	-	-	-	-	-	(7,462)	-	(7,462)
Net loss	-	-	-	-	-	-	(15,981)	(15,981)
Balance July 31, 2010	312,496,101	$ 312	1	$ -	$ 775,427	$ 28,150	$ (411,177)	$ 392,712

See Notes to Consolidated Financial Statements

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity
(In thousands, except shares)

	Common Stock		Preferred Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value				
Balance, April 30, 2010	292,491,188	$ 292	1	$ -	$ 758,007	$ 35,612	$ (395,196)	$ 398,715
Common stock issued for:								
Cash	53,126,995	53	-	-	34,155	-	-	34,208
Premium on flow-through shares	-	-	-	-	(1,851)	-	-	(1,851)
Exchange of OQI Sask Exchangeable shares	2,877,373	3	-	-	(3)	-	-	-
Stock-based compensation cost	-	-	-	-	1,292	-	-	1,292
Share issue costs	-	-	-	-	(2,074)	-	-	(2,074)
Proceeds from exercise of OQI Sask options	-	-	-	-	212	-	-	212
Other comprehensive income								
Foreign exchange gain on translation	-	-	-	-	-	25,240	-	25,240
Net loss	-	-	-	-	-	-	(316,239)	(316,239)
Balance April 30, 2011	348,495,556	$ 348	1	$ -	$ 789,738	$ 60,852	$ (711,435)	$ 139,503

See Notes to Consolidated Financial Statements

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity
(in thousands, except shares)

	Common Stock		Preferred Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Deficit Accumulated During the Development Stage	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value				
Balance, April 30, 2009	241,559,549	$ 242	1	$ -	$ 713,591	$ (26,022)	$ (330,715)	$ 357,096
Common stock issued for:								
Cash	44,789,313	45	-	-	39,969	-	-	40,014
Stock option exercises	964,769	-	-	-	782	-	-	782
Exchange of OQI Sask Exchangeable shares	5,177,557	5	-	-	(5)	-	-	-
Stock-based compensation cost	-	-	-	-	5,584	-	-	5,584
Share issue costs	-	-	-	-	(2,096)	-	-	(2,096)
Proceeds from exercise of OQI Sask options	-	-	-	-	182	-	-	182
Other comprehensive income								
Foreign exchange gain on translation	-	-	-	-	-	61,634	-	61,634
Net loss	-	-	-	-	-	-	(64,481)	(64,481)
Balance April 30, 2010	292,491,188	$ 292	1	$ -	$ 758,007	$ 35,612	$ (395,196)	$ 398,715

See Notes to Consolidated Financial Statements

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity
(in thousands, except shares)

	Common Stock		Preferred Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Deficit Accumulated During the Development Stage	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value					
Common stock issued at inception on April 3, 1998 for assets	6,000,000	$ 6	-	$ -	$ 92	$ -	$ -	$ -	$ 98
Common stock issued for:									
Subscription	77,500	-	-	-	36	-	-	-	36
Property	18,796,604	18	-	-	12,815	-	-	-	12,833
Cash	114,665,547	116	-	-	340,013	-	-	-	340,129
Cashless exercise of warrants and options	13,184,966	13	-	-	(13)	-	-	-	-
Stock based compensation	44,000	-	-	-	116	-	-	-	116
Services	17,973,611	18	-	-	10,836	-	-	-	10,854
Settlement of debt	32,490,383	33	-	-	28,294	-	-	-	28,327
Premium on flow-through shares	-	-	-	-	(8,717)	-	-	-	(8,717)
Preferred shares issued on reorganization (note 9)	-	-	1	-	223,579	-	-	-	223,579
Stock option exercises	35,000	-	-	-	165	-	-	-	165
Exchange of OQI Sask exchangeable shares	38,291,938	38	-	-	(38)	-	-	-	-
Share issue costs	-	-	-	-	(13,082)	-	-	-	(13,082)
Stock-based compensation cost	-	-	-	-	94,395	-	-	-	94,395
Proceeds from exercise of OQI Sask options and warrants	-	-	-	-	4,177	-	-	-	4,177
Beneficial conversion feature of Convertible debenture and warrants	-	-	-	-	20,923	-	-	-	20,923
Non-controlling interest:									
Shares issued to non-controlling interest	-	-	-	-	-	-	-	13	13
Net loss attributable to non-controlling interest	-	-	-	-	-	-	-	(7,694)	(7,694)
Increase in interest arising from share issuance by OQI Sask								24,433	24,433
Shares purchased from non-controlling interest								(16,752)	(16,752)
Other comprehensive loss:									
Foreign exchange loss on translation	-	-	-	-	-	(26,022)	-	-	(26,022)
Net loss	-	-	-	-	-	-	(330,715)	-	(330,715)
Balance April 30, 2009	241,559,549	$ 242	1	$ -	$ 713,591	$ (26,022)	$ (330,715)	$ -	$ 357,096

See Notes to Consolidated Financial Statements

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Statements of Comprehensive Loss
(Unaudited)
(in thousands)

	Three Months Ended July 31, 2011	Three Months Ended July 31, 2010	From Inception on April 3, 1998 through to July 31, 2011
Net Loss	$ 5,840	$ 15,981	$ 724,969
Foreign exchange loss (gain) on translation	738	7,462	(60,114)
Comprehensive loss	$ 6,578	$ 23,443	$ 664,855
Comprehensive loss attributable to non-controlling interest	-	-	(7,694)
Comprehensive loss attributable to common stockholders	$ 6,578	$ 23,443	$ 657,161

See Notes to Consolidated Financial Statements

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Three Months Ended July 31, 2011	Three Months Ended July 31, 2010	From Inception on April 3, 1998 through to July 31, 2011
Operating Activities			
Net loss	$ (5,840)	$ (15,981)	$ (724,969)
Non-cash adjustments to net loss			
Stock-based compensation	(25)	968	148,094
Deferred income tax benefit	-	(3,858)	(133,386)
Depreciation and accretion	1,348	1,104	11,423
Asset retirement obligation expensed	537	8,051	25,408
Impairment of property and equipment	-	2,025	346,663
Other non-cash items	3	-	1,788
Asset retirement expenditures	-	(723)	(4,585)
Net lease expenditures	(26)	-	(26)
Changes in Non-Cash Working Capital			
Accounts receivable and prepaid expenses	217	829	(535)
Accounts payable and accrued liabilities	(831)	2,730	9,786
Cash Used in Operating Activities	(4,617)	(4,855)	(320,339)
Investing Activities			
Property and equipment expenditures	(1,909)	(1,702)	(86,119)
Short-term investment	-	-	-
Restricted cash	-	(905)	(1,862)
Other investments	-	-	(548)
Cash Used in Investing Activities	(1,909)	(2,607)	(88,529)
Financing Activities			
Issuance of shares for cash, net of issue costs	-	17,944	398,396
Shares issued on exercise of subsidiary options and warrants	-	112	4,505
Shares issued by subsidiary to non-controlling interest	-	-	7,664
Convertible debentures	-	-	8,384
Cash Provided by Financing Activities	-	18,056	418,949
Inflow (Outflow) of cash and cash equivalents	(6,526)	10,598	10,081
Effects of exchange rate changes on cash and cash equivalents	(66)	236	(689)
Cash and cash equivalents, Beginning of Period	15,984	18,642	-
Cash and cash equivalents, End of Period	$ 9,392	$ 29,472	$ 9,392
Non-Cash Financing Activities			
Common stock issued for properties	$ -	$ -	$ 10,848
Warrants issued for properties	$ -	$ -	$ 1,764
Common stock issued for services	$ -	$ -	$ 10,505
Common stock issued for debt settlement	$ -	$ -	$ 28,401

See Notes to Consolidated Financial Statements

OILSANDS QUEST INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements
(Unaudited)

1. GOING CONCERN

To date, the Company has not earned revenue from any of its natural resource properties, and none of its estimated resources have been classified as proved reserves. The Company expects that significant additional exploration and development activities will be necessary to establish proved reserves, and to develop the infrastructure necessary to facilitate production, if any, from the estimated resources. As at July 31, 2011, the Company had negative working capital of $2.3 million, including cash and cash equivalents of $9.4 million, and a deficit accumulated during the development phase of $717.3 million.

These financial statements have been prepared on a going concern basis in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The going concern basis assumes that the Company will continue its operations for the foreseeable future and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Future operations are dependent on the continued ability of the Company to raise funds through financings such as public offerings or private placements of debt or equity securities. Management anticipates that the Company will be able to fund its activities at a reduced level through October 2011 with its cash and cash equivalents as at July 31, 2011. Accordingly, there is substantial doubt about the Company's ability to continue as a going concern and without additional funding, it may not be able to maintain operations beyond that date.

In June 2011, the Company concluded a formal process to explore strategic alternatives, including strategic financing opportunities, asset divestitures, joint ventures and/or a corporate sale, merger or other business combination. This process was overseen by a Special Committee to the Board of Directors. The discussions and negotiations throughout this process have illustrated that potential future partners or acquirers would need to see a further level of development and de-risking of the assets in order to be prepared to make a substantial investment. In light of the feedback received through the strategic alternatives process, the Special Committee recommended that the Company conclude the formal review and proceed to raise the funds required to advance the development of the assets. The Company commenced a rights offering under which the existing shareholders were given the right to purchase additional shares in the Company based on their pro-rata share ownership. The Company is currently negotiating a letter of intent from a third-party interest (the "Letter of Intent") for the sale of the Wallace Creek assets. The rights offering was terminated on September 12, 2011 and the Company may conduct a new, smaller, rights offering following the execution of any Letter of Intent. The proceeds from the new rights offering will be used to continue with the development and delineation of the Axe Lake assets and for general corporate purposes.

There can be no assurance that the Letter of Intent (or subsequent definitive agreements) will be signed. Even if executed, there can be no assurance that any funds received as a consequence of the Letter of Intent, or funds received from future rights offerings or other sources of financing will result in the Company raising sufficient funds to carry out its exploration and development plans. The Company may continue to seek other sources of financing or asset sales. The Company will monitor its cash flow requirements and continue to operate in a prudent manner to preserve cash while working towards financing alternatives.

Our development strategy will also continue to consider other sources of financing, asset sales or partners on a joint venture basis to fund the development of projects in a timely and responsible manner.

Absent the ability to obtain additional financing through the proposed transaction contemplated by the Letter of Intent, a future rights offering or other sources of financing, there is substantial doubt about the Company's ability to continue as a going concern susbsequent to October 2011.

These financial statements do not include any adjustments to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

On October 31, 2006, CanWest Petroleum Corporation changed its name to Oilsands Quest Inc. ("OQI"). At the same time the name of the Company's main operating subsidiary was changed from Oilsands Quest Inc. to Oilsands Quest Sask Inc. ("OQI Sask").

Oilsands Quest Inc. ("OQI") together with its subsidiaries, (collectively the "Company") is in the development stage and follows the guidance for a development stage company as defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 915-10. The principal business activity is the acquisition, exploration and development of natural resource properties in Canada.

These consolidated financial statements include the accounts of OQI and all of its wholly-owned Canadian subsidiaries (directly and indirectly) including OQI Sask, Township Petroleum Corporation ("Township"), Western Petrochemicals Corporation, 1291329 Alberta Limited, Oilsands Quest Technology Inc. and Stripper Energy Services, Inc. ("Stripper").

All inter-company transactions and balances have been eliminated.

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with US GAAP and reflect all adjustments (all of which are normal and recurring in nature) that, in the opinion of management, are necessary for fair presentation of the interim financial information. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for any subsequent quarter or for the entire year ending April 30, 2012. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with US GAAP have been condensed or omitted. These unaudited consolidated financial statements and notes included herein have been prepared on a basis consistent with and should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended April 30, 2011 as filed in its annual report on Form 10-K/A. Certain comparative figures have been reclassified to conform to current financial statement presentation.

The U.S. dollar is the functional currency for OQI (the parent company). The Canadian dollar (CDN) is the functional currency for OQI's Canadian subsidiaries. The assets and liabilities of OQI's Canadian subsidiaries are translated into U.S. dollars based on the current exchange rate in effect at the balance sheet dates. Canadian income and expenses are translated at weighted average rates for the periods in which those elements are recognized. Foreign currency translation adjustments have no effect on net loss and are included in accumulated other comprehensive loss in stockholders' equity. The only component of accumulated other comprehensive loss is foreign currency translation adjustments. Deferred income taxes are not provided on cumulative foreign currency translation gains and losses where OQI expects undistributed earnings of a foreign operation to be indefinitely reinvested.

Gains and losses arising from transactions denominated in currencies other than the functional currency are included in the results of operations of the period in which they occur. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the reporting currency using the rate in effect on that date. Non-monetary assets and liabilities are translated at the rates of exchange prevailing at the time the asset was acquired or the liability was incurred.

Recent Accounting Pronouncements

There have been no recent accounting pronouncements or changes in accounting pronouncements during the three months ended July 31, 2011, as compared to the recent accounting pronouncements described in the Company's Annual Report on Form 10-K/A, that are of significance, or potential significance to the Company.

4. RESTRICTED CASH

Restricted cash represents amounts on deposit with the Saskatchewan Ministry of Energy and Resources as collateral for unfunded liability under the Saskatchewan Oil and Gas Orphan Fund and the Licensee Liability Rating Program. The restricted cash is in the form of a letter of guarantee maturing April 29, 2012.

5. PROPERTY AND EQUIPMENT

	July 31, 2011 (in thousands)	April 30, 2011 (in thousands)
Saskatchewan Oil Sands Rights		
Permits and Leases	$ 429,265	$ 430,174
Licenses	2,686	2,701
Alberta Oil Sands Rights		
Permits	37,796	38,003
Leases	8,359	8,405
Saskatchewan Oil Shale Rights (Permits)	11,862	11,927
Equipment	15,704	15,780
Assets Under Construction	3,271	2,786
	508,943	509,776
Less: Accumulated Depreciation and Impairment (Note 6)	(354,604)	(355,981)
Net Book Value	$ 154,339	$ 153,795

a) Saskatchewan Oil Sands Permits

As at April 30, 2011, the Saskatchewan permits comprised an area of approximately 406,274 acres. At July 31, 2011, all Saskatchewan oil sands permits except PS00208 and PS00210 have been relinquished. The remaining permits total 160,632 acres. Relinquishing these permits did not impact the Company's resource estimates or development plans. The permits were granted by the Province of Saskatchewan in 2004 under *The Oil Shale Regulations, 1964* as amended, revised or substituted from time to time. The permits provide for the right to explore and work the permit lands but not to remove, produce or recover, except for test purposes, oil products until a lease, pursuant to these regulations has been granted. The initial five-year term of the permits expired on May 31, 2009 and the Company applied for and received the third of three one-year extensions to May 31, 2012 for the two permits that include the Axe Lake Discovery, PS00208 and PS00210, as allowed under the regulation.

The permits, when granted, were subject to annual rental payments and certain levels of expenditures annually pursuant to the terms of the permits and government regulations. The annual rentals were payable in advance as to $0.02 ($0.02 CDN) per acre for the first year and escalating to $0.10 ($0.10 CDN) per acre in the fifth year. On May 7, 2007, the province updated the *Oil Shale Regulations, 1964* requiring an increase to annual rentals of $0.10 ($0.10 CDN) per acre for the remaining term of the permits. The required exploration expenditures to hold the permits were also increased to $0.85 (0.81 CDN) per acre for each of the remaining years of the permits and $1.27 ($1.21 CDN) per acre for each year that the permits are extended.

On July 15, 2011, the Company received approval from the Government of Saskatchewan to convert the Axe Lake permits PS00208 and PS00210 to 15 year leases. The leases will give the Company certainty of land tenure needed for commercial development of the property. The leases require annual rental payments of $63,986 ($61,030 CDN) for the term of the leases.

The Company is currently working with the regulators to assess an issue relating to the re-abandonment of early exploration core holes. As indicated by the Ministry of Energy and Resources, it is possible that the outcome of such assessment could result in cancellation of the Axe Lake permits if the Company does not comply with the governing regulations (See note 7).

b) Saskatchewan Oil Sands Licenses

On August 13, 2007, the Company acquired five oil sands licenses totaling 109,920 acres granted under *The Petroleum and Natural Gas Regulations, 1969*, as amended revised or substituted from time to time, for a term of five years for an aggregate cost of $2,140,233 ($2,249,089 CDN). The licenses provide for the exclusive right to search for oil sands on the lands granted and to win, recover, extract, carry off, dispose of and sell the oils sands products found on the license lands. The oil sands licenses provide the opportunity to convert up to 100% of the licenses to a production lease following the completion of specified work requirements. Licenses require annual rental payments of $0.74 ($0.71 CDN) per acre. The licenses were relinquished on August 12, 2011 due to their low prospectivity.

c) Alberta Oil Sands Permits

As at April 30, 2007, the Alberta oil sands permits comprised an area totaling 67,053 acres ("Raven Ridge Prospect"). The permits were granted by the Province of Alberta under the terms of the *Mines and Minerals Act, Alberta*. The permits provide the opportunity to convert up to 100% of the permits to a production lease following the completion of specified work requirements. Permits are granted for five year primary terms which expire on August 9, 2011 — 11,386 acres and March 21, 2012 — 55,667 acres, and require annual rental payments of $1.49 ($1.42 CDN) per acre. On August 9, 2011, permit 7006080098 expired totaling 11,386 acres.

On January 23, 2008, the Company acquired two oil sands permits totaling 45,546 acres ("Wallace Creek Prospect") in a public offering of Crown Oil Sands Rights. The total consideration paid for these permits was $9,732,500 ($10,010,880 CDN). The permits were granted by the Province of Alberta under the terms of the *Mines and Minerals Act, Alberta*. The permits provide the opportunity to convert up to 100% of the permits to a production lease following the completion of specified work requirements. Permits are granted for a five year primary term which expires January 23, 2013. On June 27, 2011, the Company received approval from Alberta Energy to extend the Wallace Creek permits for an additional 67 days to March 31, 2013. Annual rental payments of $1.49 ($1.42 CDN) per acre are required. Following the acquisition, the Alberta permit lands comprised an area totaling 112,599 acres. The Company is currently negotiating a Letter of Intent from a third-party interest for the sale of the Wallace Creek assets.

d) Alberta Oil Sands Lease

On June 1, 2005, Township acquired one lease consisting of approximately 22,773 acres (the "Eagles Nest Prospect") via a joint venture arrangement.

As part of the acquisition of the lease, Township granted royalties as to $0.0061 ($0.0058 CDN) (net after a buy back) on each barrel of crude bitumen produced, saved and sold from the Eagles Nest Prospect. Royalties are payable to the original joint venture partners.

The annual lease rental payable to the Province of Alberta for the Eagles Nest Prospect is $33,818 ($32,256 CDN) per year.

e) Saskatchewan Oil Shale Permits

As at April 30, 2011 and July 31, 2011, the Company held seven oil shale exploration permits near Hudson Bay, Saskatchewan covering 405,961 acres granted under *The Oil Shale Regulations, 1964 (Saskatchewan)* as amended, revised or substituted from time to time for a term of five years which expire in September and October 2011. The Permits provide for the right to explore and work the permit lands but not to remove, produce or recover, except for test purposes, oil products until a lease, pursuant to these regulations, has been granted. The term of the permits may be extended for up to three one-year extensions subject to regulatory approvals, as required.

Annual rentals are payable in advance in the amount of $0.10 ($0.10 CDN) per acre during the term of the permit. Required exploration expenditures to hold the permits are $0.85 ($0.81 CDN) per acre for the remaining years of the permits and $1.27 ($1.21 CDN) per acre for each year that the permit is extended, as required.

As at April 30, 2011 and July 31, 2011, the Company held one oil shale exploration permit granted under *The Petroleum and Natural Gas Regulations, 1969 (Saskatchewan)* as amended, revised or substituted from time to time for a term of five years totaling 83,769 acres in the same area near Hudson Bay, Saskatchewan. The permit provides for the right, license, privilege and authority to explore for oil shale within the permit lands and expires on August 12, 2012.

The term of the permits may be extended for up to three one-year extensions subject to regulatory approvals, if required. This oil shale permit was acquired under a land sale work commitment bid for the first two years of the permit. The Company bid a total work commitment of $316,175 ($301,568 CDN) to be incurred during the first two years of the permit and the permit requires a further work commitment of $0.85 ($0.81 CDN) per acre for the last three years and $1.27 ($1.21 CDN) for each extension year plus annual rental payments of $0.10 ($0.10 CDN) per acre. Through the exploration program conducted during the year ended April 30, 2009, the Company has fulfilled its work commitment for the term of the permit.

f) Assets under construction

During the period ended July 31, 2011, the Company incurred costs to construct facilities required for the steam assisted gravity drainage (SAGD) pilot. The construction of these facilities was still in progress at July 31, 2011. The cost of property classified as "Assets under construction" is excluded from capitalized costs being depreciated. This amount represents property elements that are work-in-progress and not yet suitable to be placed into productive service as of the balance sheet date.

6. IMPAIRMENT OF PROPERTY AND EQUIPMENT

	July 31, 2011 (in thousands)				April 30, 2011 (in thousands)
	Book Value	Valuation Allowance	Accumulated Depreciation	Net Book Value	Net Book Value
Saskatchewan Oil Sands Rights					
Permits and leases	$ 429,265	$ (294,537)	$ -	$ 134,728	$ 134,023
Licenses	2,686	(2,686)	-	-	-
Alberta Oil Sands Rights					
Permits	37,796	(27,082)	-	10,714	10,772
Leases	8,359	(8,359)	-	-	-
Saskatchewan Oil Shale Rights (Permits)	11,862	(11,862)	-	-	-
Equipment	15,704	(1,106)	(8,972)	5,626	6,214
Assets Under Construction	3,271	-	-	3,271	2,786
Total Property and Equipment	$ 508,943	$ (345,632)	$ (8,972)	$ 154,339	$ 153,795

The Company evaluates undeveloped properties periodically for impairment on a property-by-property basis considering a combination of time, geological and engineering factors as well as the Company's current exploration plans and the ability to obtain necessary financing to complete the development of the properties. Where circumstances indicate impairment in value, a valuation allowance is provided. Property and equipment has a net book value of $154.3 million as at July 31, 2011 compared to $153.8 million as at April 30, 2011.

a) Saskatchewan Oil Sands Permits

The Company initiated a strategic alternative review process on August 17, 2010 to consider all alternatives to increase shareholder value, including strategic financing opportunities, asset divestitures, joint ventures and/or corporate sale, merger or other business combination. The formal phase of the strategic alternative review process did not result in any firm proposals to the Company. The discussions and negotiations throughout the process have illustrated that potential future partners or acquirers would need to see a further level of development, reducing the remaining areas of uncertainty, in order to be prepared to make a substantial investment. The conclusion of the formal phase of the strategic alternative review process indicated that the carrying value of the Saskatchewan Oil Sands Permits was greater than their fair value or estimated future net cash flows at April 30, 2011.

Potential partners or purchasers would negotiate a price that is dependent upon specific facts regarding the property, including the nature and extent of geological and geophysical data, the terms of the permits holding the acreage in the property and a level of asset development that would reflect the results of the Axe Lake reservoir testing efforts. We estimated the fair value of the property by calculating the property's risk adjusted net present value. We categorize the measurement of fair value of the Saskatchewan Oil Sands Permits as Level 3 inputs. Since the Saskatchewan Oil Sands Permits are nonproducing undeveloped properties with no quoted market, their estimable cash flow streams involve significant judgment and the results are based on estimated future events. The property's expected future cash flows were calculated on an estimate of contingent resources using a discount rate and price forecast selected by management. The property's risk adjusted net present value gave effect to such factors as future production costs, drilling and completion costs, prevailing commodity prices, transportation systems for oil and gas production in the vicinity and other economic factors. We also used market data to support the risk adjusted net present value calculated by management. The results of this assessment indicated impairment and the Company recorded a valuation allowance in the year ended April 30, 2011. There was no additional impairment recorded during the period ended July 31, 2011. The valuation allowance amounts to $294.5 million at July 31, 2011.

b) Saskatchewan Oil Sands Licenses

The Company has determined that the presence of extensive top-water in the reservoirs would not allow for commercial development in the near term. Accordingly, an impairment provision on the full carrying value of the Saskatchewan Oil Sands Licenses was recorded in the year ended April 30, 2011. The valuation allowance amounts to $2.7 million at July 31, 2011.

c) Alberta Oil Sands Permits

The Company has recognized a full impairment on the Alberta Oil Sands Permits related to the Raven Ridge prospect at April 30, 2011. Following the conclusion of the formal phase of the strategic alternative review process, the Raven Ridge prospect has been excluded from the Company's current and future exploration plans and no further development is expected. Accordingly, an impairment provision on the full carrying value of the Raven Ridge prospect was recorded in the year ended April 30, 2011. The valuation allowance amounts to $27.1 million at July 31, 2011.

The Company performed a fair value assessment of the Alberta Oil Sands Permits at Wallace Creek at April 30, 2011 using best estimate of contingent resources of the prospect. The results of this assessment indicated that the fair value of the property was in excess of its carrying value, thus supporting its net book value at April 30, 2011 and July 31, 2011. The net book value of the Wallace Creek prospect is $10.7 million at July 31, 2011.

d) Alberta Oil Sands Lease

The Company has recognized a full impairment on the Eagles Nest Prospect at April 30, 2011. Since the property is geographically distant from our other oil sands discoveries and is largely unexplored, the Company announced on September 22, 2010 its intention to divest the Eagles Nest oil sands lease. The Company did not receive any offers under financial terms that were acceptable and determined that it was in the best interest to retain these assets until an adequate offer is received or additional funds are available for the development of these longer-term assets. Following the conclusion of the formal phase of the strategic alternative review process, an impairment provision on the full carrying value of the lease was recorded in the year ended April 30, 2011. The valuation allowance amounts to $8.4 million at July 31, 2011.

e) Saskatchewan Oil Shale Permits

Due to the considerable time, effort and financial resources required for the exploration and development of the property, the Company recognized a full impairment on the property in the year ended April 30, 2011. The Company has no plan to further develop the property. As at July 31, 2011, the cumulative impairment on the Pasquia Hills properties amounts to $11.9 million.

f) Equipment

Based on an assessment of the carrying value of the leasehold improvements and office equipment related to the Calgary head office, the Company determined that it may not be able to recover the value and recorded an allowance for impairment of $1.1 million on these assets at April 30, 2011 and July 31, 2011.

7. ASSET RETIREMENT OBLIGATION

The Company's obligations with respect to asset retirement relate to reclamation of an airstrip, camp site, access roads and reservoir test wells. The obligation is recognized when incurred at the present value of the estimated future reclamation cost using a credit-adjusted risk-free rate of 7 to 13 percent (April 30, 2011 – 7 to 13 percent) and an inflation rate of 2.5 percent (April 30, 2011 – 2.5 percent). During the year ended April 30, 2010, the Company conducted a review of its development plans and well licenses and determined that a number of core holes were not abandoned to accommodate our thermal development plans or in accordance with regulatory requirements. We also evaluated the core holes located outside the potential commercial development area and included a portion of these costs in the re-abandonment liability based on performing the obligation over a 5 year period. During the year ended April 30, 2011, the Company revised the estimated amounts and timing of the settlement of the asset retirement on the airstrip, campsite, access roads and reservoir test wells and conducted a core hole-by-core hole analysis to determine the number of core holes that management believes will require re-abandonment. The number of core holes to be re-abandoned increased as a result of this review. Accordingly, $8.3 million of cost revisions were recorded in the re-abandondment liability during the year ended April 30, 2011. Subsequent cost revisions amounting to $0.5 million in relation to the re-abandonment liability were recorded during the period ending July 31, 2011. The Company has submitted a re-abandonment program to the Saskatchewan Ministry of Energy and Resources that included cost estimates and a schedule of work. The uncertainty related to the timing and/or method of settlement that may be beyond the Company's control is factored into the measurement of the liability.

At July 31, 2011, the total undiscounted inflation-adjusted future obligation was approximately $44.9 million.

Continuity of Asset Retirement Obligation (in thousands):	Three months ended July 31, 2011	Year ended April 30, 2011
Present value of obligation, beginning of period	$ 26,882	$ 17,485
Liabilities settled	-	(4,585)
Accretion expense	784	2,076
Revisions	537	10,185
Foreign currency translation adjustment	(128)	1,721
Present value of obligation, end of period	$ 28,075	$ 26,882
Less: current portion of asset retirement obligation	(7,641)	(7,297)
Long term portion of asset retirement obligation	$ 20,434	$ 19,585

8. OQI SASK STOCK OPTIONS

OQI acquired the non-controlling shareholder interest in OQI Sask in August 2006 ("the reorganization"). Certain stock options issued by OQI Sask remained outstanding after the reorganization. On exercise, each OQI Sask option may be exchanged into 8.23 OQI Sask Exchangeable Shares which are exchangeable into OQI common shares. Options in OQI Sask during the three months ended July 31, 2011 and OQI Sask options outstanding at July 31, 2011 are detailed below.

	Number	Weighted Average Exercise Price (CDN)
Issued and outstanding, April 30, 2011	946,667	$ 23.01
Expired (note 11)	(896,667)	$ 21.50
Issued and outstanding, July 31, 2011	50,000	$ 50.00

Exercise Price (CDN)	Number Outstanding at July 31, 2011	Number Exercisable at July 31, 2011	Weighted Average Remaining Contractual Life	Weighted Average Grant-Date Fair Value (CDN)	Aggregate Intrinsic Value at July 31, 2011 (CDN)
$ 50.00	50,000	50,000	0.00	$ 34.60	
	50,000	50,000	0.00		$

The 50,000 OQI Sask options outstanding at July 31, 2011 represent 411,500 OQI Sask Exchangeable Shares that would be issued on exercise of the OQI Sask options as a result of the completion of the acquisition of the non-controlling interest in OQI Sask (see note 9). These options expired on August 1, 2011.

As at July 31, 2011, the Company had no unrecognized stock option compensation expense related to the OQI Sask options.

9. OQI SASK EXCHANGEABLE SHARES AND PREFERRED STOCK

Holders of OQI Sask common shares received Exchangeable Shares which can be exchanged into shares of OQI common stock at any time at each holder's option or by the Company upon the occurrence of certain events or any time thereafter on August 14, 2013 if the holder has yet to exchange the shares. Transactions in Exchangeable Shares during the three months ended July 31, 2011 are detailed below. For voting purposes, holders of Exchangeable Shares are represented by one outstanding Series B preferred share which carries a number of votes equal to the number of Exchangeable Shares then outstanding.

	OQI Sask Exchangeable Shares	OQI Sask Exchangeable Shares issuable on exercise of OQI Sask options	Total Exchangeable Shares
Balance, April 30, 2011	19,129,237	7,791,069	26,920,306
OQI Sask options expired (note 8)	-	(7,379,569)	(7,379,569)
Exchangeable Shares exchanged into OQI common shares	(203,281)	-	(203,281)
Balance, July 31, 2011	18,925,956	411,500	19,337,456

10. COMMON STOCK

As of January 17, 2011 the Company has entered into an equity distribution agreement. Under the terms of the agreement the Company may offer and sell shares of its common stock by way of "at-the-market" (ATM) distributions, up to a maximum of $20 million until January 18, 2012. Shares will be distributed at market prices prevailing at the time of each sale; prices may therefore vary between purchasers and during the period of distribution. To date, 5,537,137 shares have been distributed under this arrangement for gross proceeds of $3.1 million. No share issues occurred during the three month period ending July 31, 2011. Funds raised from the ATM program will be used to finance general corporate purposes. The ATM program was suspended during the rights offering period of August 2, 2011 to September 12, 2011.

11. STOCK OPTIONS

Stock based compensation generally takes the form of equity classified stock options granted to employees and non-employees. Options are granted under the Company's 2006 Stock Option Plan and vest over various terms – generally 18 months to three years. One set of option grants included a performance condition based upon achieving a defined bitumen in place barrel count. Two other sets of option grants included both a market condition based upon total shareholder return over a three year period and performance conditions based upon achieving a combination of defining a reservoir recovery configuration and achieving a defined bitumen in place barrel count. The fair value of the options containing the performance and market conditions were estimated at the date of grant and amortization of these amounts commences when satisfaction of the performance conditions becomes probable. As of July 31, 2011, it was not probable that any of the conditions would be satisfied.

The following summarizes our stock option activity under the Company's 2006 Stock Option Plan for the three months ended July 31, 2011:

	Options	Weighted-Average Exercise Price	Weighted-Average Grant-Date Fair Value	Aggregate Intrinsic Value
Outstanding at April 30, 2011	22,883,452	$ 3.02	$ 2.44	$ -
Granted	100,000	0.29	0.19	-
Forfeited	(910,208)	1.33	0.91	-
Expired	(1,000,000)	6.75	5.82	-
Outstanding at July 31, 2011	21,073,244	$ 2.90	$ 2.34	-
Exercisable at July 31, 2011	14,834,410	$ 3.69	$ 3.04	$ -

Of the total number of outstanding options at July 31, 2011, 4,550,000 options are subject to market and performance conditions with a weighted average grant date fair value of $0.57 per option. As of July 31, 2011 these options have not yet vested and no stock based compensation expense has been recognized as achievement of the required performance and market conditions is not probable.

The weighted average remaining contractual term of vested and exercisable options at July 31, 2011 was 3.1 years.

In addition to the above, OQI Sask has 50,000 outstanding options which may be exercised and exchanged into OQI Sask Exchangeable Shares whereby up to an additional 411,500 OQI common shares may be issued (notes 8 and 9).

During the three months ended July 31, 2011, 100,000 (July 31, 2010 - 1,517,474) options were granted and accounted for using the Black-Scholes option-pricing model and nil (July 31, 2010 - 3,050,000) options were granted and accounted for using the trinomial option-pricing model.

The trinomial option-pricing model takes into account the same input assumptions as the Black-Scholes model; however, it also further incorporates into the fair-value determination, the possibility that the market condition may not be satisfied and the impact of the possible differing stock price paths. The following weighted average assumptions were used to determine the fair value of the options granted during the three months ended July 31, 2011 and 2010:

Black Scholes	2011	2010
Expected Life (years)	3.84	4.02
Risk free interest rate	1.96%	2.62%
Expected volatility	93.15%	97.27%
Dividend yield	0%	0%

As at July 31, 2011, the Company had unrecognized stock option compensation cost of $235,670 which will be recorded in future periods as options vest. The expense is expected to be recognized over a weighted-average period of 1.3 years. As at July 31, 2011, there were 6,238,834 unvested options with a weighted average grant date fair value of $0.68. The weighted average grant date fair value of options that vested and were forfeited during the period was $0.54 and $0.82, respectively.

12. RELATED PARTY TRANSACTIONS

The son of a director of the Company is a 50% shareholder of a company that facilitated local on-site kitchen labor and catering functions to the Company for field operations. For the three months ended July 31, 2011, $nil (2010 - $24,952) has been included in exploration expense. These transactions are in the normal course of operations. As at July 31, 2011, $nil (April 30, 2011 - $nil) was payable to the above mentioned company. The contract with this company was terminated on March 31, 2010.

13. CONTINGENCIES AND COMMITMENTS

Contingency

On February 24, 2010, a derivative action entitled Make a Difference Foundation Inc. v. Hopkins, et al., Case No. 10-CV-00408, was filed in United States District Court for the District of Colorado by plaintiff Make a Difference Foundation, Inc. The derivative action names the following individual defendants: Christopher H. Hopkins, T. Murray Wilson, Ronald Blakely, Paul Ching, Brian MacNeill, Ronald Phillips, John Read, Gordon Tallman, Pamela Wallin, Thomas Milne and W. Scott Thompson. In addition, the Company is named as a nominal defendant. Plaintiff asserts, among other things, claims for waste and breaches of the fiduciary duty of loyalty and good faith by the defendants stemming from the Company's approval of the proposed sale of the Company's Pasquia Hills assets to Canshale Corp. The plaintiff seeks unspecified damages on behalf of the Company, restitution on behalf of the Company, and reasonable costs and expenses including counsel fees and experts' fees. The Company believes the claims are wholly without merit and filed a motion to dismiss the Complaint on May 18, 2010. Before the motion to dismiss was ruled upon, Plaintiff filed an amended complaint and a second amended complaint on July 15, 2010 and September 20, 2010, respectively. Defendants moved to dismiss the second amended complaint on September 29, 2010. On May 23, 2011, Plaintiff and Defendants filed a stipulated motion requesting stay of all case deadlines pending further negotiation of a settlement agreement that would resolve the litigation. On August 11, 2011, the parties filed a Notice of Settlement Stipulation and Agreement. Plaintiff filed a Motion for Order to Preliminarily Approve Derivative Litigation Settlement on September 2, 2011. Among other things, the court is considering whether to preliminarily approve the settlement. If approved, the court will set a schedule to conduct a fairness hearing with regard to the settlement.

As previously disclosed, on February 24, 2011, a putative class action complaint (the "Original Complaint") was filed against the Company and certain current and former officers of the Company on behalf of investors who purchased or sold the Company's securities between August 14, 2006 and July 14, 2009, alleging claims of securities fraud under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and control person liability for such fraud under Section 20(a) of the same act, arising out of the Company's accounting for its acquisition of an interest in OQI Sask in August 2006. On May 27, 2011, the plaintiffs in that putative class action filed an amended complaint (the "Amended Complaint") alleging the same legal causes of action but making the following changes from the Original Complaint: a) expanding the putative class period so that it runs from March 20, 2006 to January 13, 2011; b) naming as additional defendants eight individuals who are current or former directors of the Company as well as two additional corporate defendants, McDaniel & Associates Consultants Ltd. and TD Securities, Inc.; and c) basing the claimed fraud on a new theory that the Company overstated the value of its mineral rights as a result of misstatements about, among other things, the potential for extracting bitumen from oil sands lands for which the Company had exploration and development permits. The Amended Complaint seeks unspecified damages. The Company believes the suit is without merit and intends to defend itself vigorously. On June 6, 2011, the Company filed a motion to dismiss the Amended Complaint. On June 20, 2011, the plaintiffs filed their opposition to the motion to dismiss. The Company filed its reply to the plaintiffs' opposition on June 27, 2011 and on July 29, 2011, the court heard oral arguments and reserved decision.

On April 13, 2011, a derivative action entitled Proctor v. Wilson, et al., Case No 2011CV2769 was filed in District Court, Denver County, Colorado. The derivative action names the following individual defendants: T. Murray Wilson, Ronald Blakely, Paul Ching, Christopher H. Hopkins, Brian F. MacNeill, Ronald Philips, John Read, Gordon Tallman and Pamela Wallin. In addition, the Company is named as a nominal defendant. Plaintiff asserts, among other things, claims for breach of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement and waste against the defendants relating to the alleged failure to properly account for the Company's acquisition of a minority interest in Oilsands Quest Sask Inc. and the Company's restatement of its financial statements for certain periods. The plaintiff seeks unspecified damages on behalf of the Company, restitution on behalf of the Company, unspecified disgorgement of profits, unspecified equitable relief and reasonable costs and expenses including counsel fees and experts' fees. Plaintiff sought and obtained approval from the court to file an amended complaint on September 8, 2011. The response to the amended complaint is due thirty days thereafter. The Company believes the claims are wholly without merit and intends to vigorously defend against such claims.

Commitments

The Company is subject to annual lease rentals, minimum exploration expenditures and work commitments related to its exploration permits, licenses and lease assets. For details of these required expenditures, refer to note 7.

14. SUBSEQUENT EVENTS

a) On July 18, 2011, the Company announced a $60 million rights offering open to all holders of the Company's common stock and OQI Sask Exchangeable Shares as of July 28, 2011 (the "Record Date"). Each holder of common stock and Exchangeable Shares on the Record Date received 0.816 subscription rights per share for a total of 300,000,000 rights. The subscription price per full share of common stock was $0.20, which was a 40% discount to the closing share price on July 18, 2011. The rights offering was terminated on September 12, 2011. The Company may conduct a new, smaller, rights offering.

b) On August 1, 2011, 50,000 OQI Sask Options expired. These options represented 411,500 OQI Sask Exchangeable Shares. There are no remaining Sask Options.

c) The Saskatchewan Oil Sands Licenses were relinquished on August 12, 2011. On August 9, 2011, permit 7006080098 of the Alberta Oil Sands property at Raven Ridge totaling 11,386 acres expired.

d) The Company is currently negotiating a Letter of Intent from a third-party for the sale of the Wallace Creek assets. There is no assurance that any agreement will be signed. One of the Company's board members, Christopher Hopkins, is a director of this third-party interest. He has recused himself from the Company's Board of Directors pending the completion of negotiations and has not participated, on behalf of the Company, in any of the negotiations relating to the Letter of Intent. The Company has formed a Special Committee of the Board of Directors of independent directors that will be responsible for negotiating definitive agreements pursuant to the terms and agreements of the Letter of Intent, if executed.

e) On September 12, 2011 Oilsands Quest received notice from the staff of the NYSE Amex LLC (the "Exchange") that, based on their review of the Company's Form 10-K/A for the fiscal year ended April 30, 2011 and discussions and correspondence with management, the Company is not in compliance with certain of the Exchange's continued listing standards as set forth in Part 10 of the Exchange's Company Guide. Specifically, the Exchange noted that the Company is not in compliance with Section 1003(a)(iv) of the Company Guide because the Company has sustained losses which are so substantial in relation to the Company's overall operations or its existing financial resources, or its financial condition has become so impaired that it appears questionable, in the opinion of the Exchange, as to whether the Company will be able to continue operations and/or meet its obligations as they mature.

In order to maintain listing of the Company's common stock on the Exchange, the Company must submit a plan by October 12, 2011, addressing how the Company intends to regain compliance with Section 1003(a)(iv) by January 12, 2011. The Company expects to submit such a plan by the October 12, 2011 deadline. If the Exchange accepts the plan, then the Company may be able to continue its listing during the plan period, up to January 12, 2012, during which time the Company will be subject to periodic reviews to determine whether it is making progress consistent with the plan. If the plan is accepted but the Exchange determines that the Company is not making progress consistent with the plan or that the Company is not in compliance with all continued listing standards of the Company Guide by January 12, 2012, then the Company expects the Exchange will initiate delisting proceedings. If the Company fails to submit a plan by October 12, 2011, or if the plan submitted is not acceptable to the Exchange, the Company expects the Exchange will initiate delisting proceedings at that time.

The Company's common stock continues to trade on the Exchange under the symbol "BQI," however, the Exchange has advised the Company that the Exchange is utilizing the financial status indicator fields in the Consolidated Tape Association's Consolidated Tape System and Consolidated Quote Systems High Speed Tapes to identify companies that are in noncompliance with the Exchange's continued listing standards. Accordingly, the Company will become subject to the trading symbol extension ".BC" to denote its noncompliance.

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Balance Sheets
(in thousands, except share data)

	April 30, 2010	April 30, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 18,642	$ 6,986
Accounts receivable	1,421	3,617
Short-term investments	-	25,209
Prepaid expenses	739	337
Available for sale equity securities	65	60
Total Current Assets	20,867	36,209
Property and Equipment (note 5)	458,168	398,975
Assets held for sale (note 3)	5,059	-
Total Assets	$ 484,094	$ 435,184
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable (notes 15 and 16)	$ 1,606	$ 3,463
Accrued liabilities	2,626	5,604
Flow-through share premium liability	-	749
Total Current Liabilities	4,232	9,816
Deferred Taxes (note 7)	62,516	65,651
Asset Retirement Obligation (note 6)	17,485	2,621
Liabilities related to assets held for sale (note 3)	1,146	-
Stockholders' Equity:		
Capital Stock		
Preferred Stock, par value of $0.001 each, 10,000,000 shares authorized, 1 Series B Preferred share outstanding (note 10)	-	-
Common Stock, par value of $0.001 each, 750,000,000 shares authorized, 292,491,188 and 241,559,549 shares outstanding at April 30, 2010 and April 30, 2009 respectively (note 11)	292	242
Additional Paid-in Capital	758,007	713,591
Deficit Accumulated During Development Stage	(395,196)	(330,715)
Accumulated Other Comprehensive Income (Loss)	35,612	(26,022)
Total Stockholders' Equity	398,715	357,096
Total Liabilities and Stockholders' Equity	$ 484,094	$ 435,184

Contingencies and commitments (note 16)
Subsequent events (notes 3, 5(a) and 17)

See Notes to Consolidated Financial Statements

THIS IS EXHIBIT "B"
referred to in the Affidavit of
Garth Wong
Sworn before me this
Day of November A.D. 2011
A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA
HOWARD A. GORMAN
BARRISTER & SOLICITOR

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Statements of Operations
(In thousands, except share data and per share amounts)

	For the Years Ended April 30, 2010	2009	2008	From Inception on April 3, 1998 through to April 30, 2010
Expenses				
Exploration	$ 48,682	$ 70,843	$ 96,362	$ 253,723
General and administrative				
Corporate	16,979	12,567	11,386	58,820
Stock-based compensation (notes 9, 11 and 12)	5,584	17,481	20,847	146,827
Foreign exchange (gain) loss	(5,088)	4,780	(441)	(548)
Depreciation and accretion	2,528	1,564	1,073	5,532
	68,685	107,235	129,227	464,354
Other Items				
Interest income	(134)	(1,089)	(2,469)	(6,432)
Loss before income tax	68,551	106,146	126,758	457,922
Deferred income tax benefit (note 7)	(9,830)	(17,847)	(34,053)	(61,680)
Net loss from continuing operations	58,721	88,299	92,705	396,242
Net loss from discontinued operations (note 3)	5,760	835	42	6,648
Net loss	64,481	89,134	92,747	402,890
Net loss attributable to non-controlling interest (note 8)	-	-	-	(7,694)
Net loss attributable to common stockholders	$ 64,481	$ 89,134	$ 92,747	$ 395,196
Net loss from continuing operations per share – Basic and Diluted	$ 0.19	$ 0.34	$ 0.41	
Net loss from discontinued operations per share – Basic and Diluted	0.02	-	-	
Net loss attributable to common stockholders per share – Basic and Diluted	$ 0.21	$ 0.34	$ 0.41	
Weighted Average Number of Common Shares Outstanding (note 11)	305,327,827	261,510,084	227,054,265	

See Notes to Consolidated Financial Statements

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity
(in thousands, except shares)

	Common Stock		Preferred Stock				Deficit Accumulated	
	Shares	Par Value	Shares	Par Value	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	During the Development Stage	Total Stockholders' Equity
Balance, April 30, 2009	241,559,549	$ 242	1	$ -	$ 713,591	$ (26,022)	$ (330,715)	$ 357,096
Common stock issued for:								
Cash	44,789,313	45	-	-	39,969	-	-	40,014
Stock option exercises	964,769	-	-	-	782	-	-	782
Exchange of OQI Sask Exchangeable shares	5,177,557	5	-	-	(5)	-	-	-
Stock-based compensation cost	-	-	-	-	5,584	-	-	5,584
Share issue costs	-	-	-	-	(2,096)	-	-	(2,096)
Proceeds from exercise of OQI Sask options	-	-	-	-	182	-	-	182
Other comprehensive income								
Foreign exchange gain on translation	-	-	-	-	-	61,634	-	61,634
Net loss	-	-	-	-	-	-	(64,481)	(64,481)
Balance April 30, 2010	292,491,188	$ 292	1	$ -	$ 758,007	$ 35,612	$ (395,196)	$ 398,715

See Notes to Consolidated Financial Statements

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity
(in thousands, except shares)

	Common Stock		Preferred Stock				Deficit Accumulated During the Development Stage	
	Shares	Par Value	Shares	Par Value	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)		Total Stockholders' Equity
Balance, April 30, 2008	213,861,958	$ 214	1	$ -	$ 604,403	$ 36,732	$ (241,581)	$ 399,768
Common stock issued for:								
Cash	23,784,917	24	-	-	91,215	-	-	91,239
Property (note 5(d))	640,000	1	-	-	3,718	-	-	3,719
Premium on flow-through shares	-	-	-	-	(1,803)	-	-	(1,803)
Stock option exercises	35,000	-	-	-	165	-	-	165
Exchange of OQI Sask Exchangeable shares	3,237,674	3	-	-	(3)	-	-	-
Stock-based compensation cost	-	-	-	-	17,481	-	-	17,481
Share issue costs	-	-	-	-	(3,108)	-	-	(3,108)
Proceeds from exercise of OQI Sask options	-	-	-	-	1,523	-	-	1,523
Other comprehensive income								
Transfer of unrealized loss on available-for-sale equity securities	-	-	-	-	-	168	-	168
Foreign exchange loss on translation	-	-	-	-	-	(62,922)	-	(62,922)
Net loss	-	-	-	-	-	-	(89,134)	(89,134)
Balance April 30, 2009	241,559,549	$ 242	1	$ -	$ 713,591	$ (26,022)	$ (330,715)	$ 357,096

See Notes to Consolidated Financial Statements

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity
(in thousands, except shares)

	Common Stock		Preferred Stock			Accumulated	Deficit	
						Other	Accumulated During the	Total
	Shares	Par Value	Shares	Par Value	Additional Paid in Capital	Comprehensive Income (Loss)	Development Stage	Stockholders' Equity
Balance, April 30, 2007	164,624,278	$ 165	1	$ -	$ 440,460	$ 3,365	$ (148,834)	$ 295,156
Common stock issued for:								
Cash	31,314,166	31	-	-	128,224	-	-	128,255
Stock option exercises	1,456,250	2	-	-	3,821			3,823
Premium on flow-through shares	-	-	-	-	(4,379)	-	-	(4,379)
Warrant exercises	8,856,015	9			17,510			17,519
Property (notes 5(a) and (d))	750,000	-	-	-	3,292	-	-	3,292
Stock-based compensation	44,000	-	-	-	116	-	-	116
Exchange of OQI Sask Exchangeable shares	6,817,249	7	-	-	(7)	-	-	-
Stock-based compensation cost	-	-		-	20,847	-	-	20,847
Share issue costs	-	-	-	-	(7,079)	-	-	(7,079)
Proceeds from exercise of OQI Sask options and warrants	-	-	-	-	1,598	-	-	1,598
Other comprehensive income								
Unrealized loss on available for sale equity securities	-	-	-	-	-	(142)	-	(142)
Foreign exchange gain on translation	-	-	-	-	-	33,509	-	33,509
Net loss	-	-	-	-	-	-	(92,747)	(92,747)
Balance April 30, 2008	213,861,958	$ 214	1	$ -	$ 604,403	$ 36,732	$ (241,581)	$ 399,768

See Notes to Consolidated Financial Statements

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity
(in thousands, except shares)

	Common Stock		Perferred Stock						
	Shares	Par Value	Shares	Par Value	Additonal Paid in Capital	Accumulated Other Comprehensive Income	Deficit Accumulated During the Development Stage	Non-Controlling Interest	Total Stockholders' Equity
Common stock issued at inception on April 3, 1998 for assets	6,000,000	$ 6	-	$ -	$ 92	$ -	$ -	$ -	$ 98
Common stock issued for:									
subscription	77,500	-	-	-	36	-	-	-	36
Property	17,406,604	17	-	-	5,805	-	-	-	5,822
Cash	49,254,199	50	-	-	99,243	-	-	-	99,293
Cashless Exercise of warrants and options	13,184,966	13	-	-	(13)	-	-	-	-
Services	17,973,611	18	-	-	10,836	-	-	-	10,854
Settlement of debt	32,490,383	33	-	-	28,294	-	-	-	28,327
Premium on flow-through shares	-	-	-	-	(2,535)	-	-	-	(2,535)
Preferred shares issued on reorganization (noted 10)	-	-	1	-	223,579	-	-	-	223,579
Exchange of OQI Sask Exchangeables	28,237,015	28	-	-	(28)	-	-	-	-
Share issue costs	-	-	-	-	(2,895)	-	-	-	(2,895)
Stock-based compensation cost	-	-	-	-	56,067	-	-	-	56,067
Proceeds from exercise of OQI Sask options and warrants	-	-	-	-	1,056	-	-	-	1,056
Beneficial convesion feature of Convertible debentures and warrants	-	-	-	-	20,923	-	-	-	20,923
Noncontrolling interest:									
Shares issued to noncontrolling interest	-	-	-	-	-	-	-	13	13
Net loss attributable to noncontrolling interest	-	-	-	-	-	-	-	(7,694)	(7,694)
Increase in interest arising from share issuance by OQI Sask	-	-	-	-	-	-	-	24,433	24,433
Shares purchased from noncontrolling interest	-	-	-	-	-	-	-	(16,752)	(16,752)
Other comprehensive income:									
Unrealized loss on available for sale equity securities	-	-	-	-	-	(26)	-	-	(26)
Foreign excahnge gain on translation	-	-	-	-	-	3,391	-	-	3,391
Net loss	-	-	-	-	-	-	(148,834)	-	(148,834)
Balance April 30, 2007	164,624,278	$ 165	1	$ -	$ 440,460	3,365	$ (148,834)	$ -	$ 295,156

See Notes to Consolidated Financial Statement

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Statements of Comprehensive Loss
(In thousands)

	Year Ended April 30, 2010	2009	2008	From Inception on April 3, 1998 through to April 30, 2010
Net loss	$ 64,481	$ 89,134	$ 92,747	$ 402,890
Unrealized loss on available for sale equity securities	-	-	142	168
Transfer of unrealized loss on available for sale equity securities to net loss	-	(168)	-	(168)
Exchange (gain) loss on translation	(61,634)	62,922	(33,509)	(35,612)
Comprehensive loss	$ 2,845	$ 151,888	$ 59,380	$ 367,278
Comprehensive loss attributable to non-controlling interest	-	-	-	(7,694)
Comprehensive loss attributable to common stockholders	$ 2,845	$ 151,888	$ 59,380	$ 359,584

See Notes to Consolidated Financial Statements

OILSANDS QUEST INC.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended April 30, 2010	2009	2008	From Inception on April 3, 1998 Through to April 30, 2010
Operating Activities				
Net loss	$ (64,481)	$ (89,134)	$ (92,747)	$ (402,890)
Non-cash adjustments to net loss				
Stock-based compensation	5,584	17,481	20,847	146,827
Deferred income tax benefit	(11,961)	(18,156)	(34,069)	(64,139)
Depreciation and accretion	2,528	1,564	1,073	5,532
Asset retirement obligation expensed	13,618	1,068	-	14,686
Impairment of unproved properties	6,403	-	-	7,260
Other non-cash items	-	388	(82)	378
Changes in Non-Cash Working Capital				
Accounts receivable and prepaid expenses	2,321	(600)	(2,341)	(1,016)
Accounts payable	(5,715)	(4,845)	10,915	8,414
Changes in non-cash working capital related to assets held for sale	(481)	84	-	(397)
Cash Used in Operating Activities	(52,184)	(92,150)	(96,404)	(285,345)
Investing Activities				
Property and equipment expenditures	(1,781)	(7,418)	(14,621)	(81,195)
Short-term investment	25,209	(5,397)	(17,812)	-
Other investments	-	117	(248)	(548)
Cash Used in Investing Activities	23,428	(12,698)	(32,681)	(81,743)
Financing Activities				
Issuance of shares for cash	38,702	88,297	142,518	366,263
Bank loan	-	-	(21,208)	-
Shares issued on exercise of subsidiary options and warrants	116	1,523	1,598	4,293
Shares issued by subsidiary to non-controlling interest (note 4(a))	-	-	-	7,664
Convertible debentures	-	-	-	8,384
Cash Provided by Financing Activities	38,818	89,820	122,908	386,604
Inflow of Cash and cash equivalents	10,062	(15,028)	(6,177)	19,516
Effects of exchange rate changes on cash	1,594	(4,484)	281	(874)
Cash and cash equivalents, Beginning of Year	6,986	26,498	32,394	-
Cash and cash equivalents, End of Year	$ 18,642	$ 6,986	$ 26,498	$ 18,642
Non-Cash Financing Activities				
Common stock issued for properties	$ -	$ 3,718	$ 3,293	$ 10,848
Warrants issued for properties	$ -	$ -	$ -	$ 1,764
Common stock issued for services	$ -	$ -	$ 116	$ 10,505
Common stock issued for debt settlement	$ -	$ -	$ -	$ 28,401

See Notes to Consolidated Financial Statements

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

On October 31, 2006, CanWest Petroleum Corporation changed its name to Oilsands Quest Inc. ("OQI"). At the same time the name of the Company's main operating subsidiary was changed from Oilsands Quest Inc. to Oilsands Quest Sask Inc. ("OQI Sask").

Oilsands Quest Inc. ("OQI") together with its subsidiaries, (collectively the "Company") is in the development stage and follows the guidance for a development stage company as defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 915-10. The principal business activity is the acquisition, exploration and development of natural resource properties in Canada.

To date, the Company has not earned revenue from any of its natural resource properties, and none of its estimated resources have been classified as proved reserves. The Company expects that significant additional exploration and development activities will be necessary to establish proved reserves and to develop the infrastructure necessary to facilitate production, if any, from the estimated resources.

As at April 30, 2010, the Company has working capital of $16.6 million. On May 10, 2010, the Company raised an additional $18.6 million by issuing 10.5 million flow-through shares at $1.00 CDN ($0.995 USD) and 9.2 million common shares at $0.85 per share. The Company believes that it has sufficient funds to maintain its interests in the existing properties and to maintain other core activities through April 2011. The Company monitors its expenditure budgets and adjusts its expenditure plans to conform to available funding. However, additional funding will be required to complete the exploration or development activities, or for changes in the nature or cost of the activities currently planned.

The Company plans to fund future exploration and development activities by way of financings such as a public offering or private placement of debt or equity securities. The Company's development strategy may also include entering into partnerships with third parties on a joint venture basis. However, the Company cannot provide any assurance that debt or equity financing or joint venture partner arrangements will be available on acceptable terms, if at all, to meet future requirements.

These financial statements have been prepared on a going concern basis in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The going concern basis assumes that the Company will continue its operations for the foreseeable future and realize its assets and discharge its liabilities in the normal course of business. The Company has no revenues and no near term prospects for revenue, and its operating results, profitability and any future growth are dependent on management's ability to successfully implement the business plans, including accessing future funding. If the Company is not able to develop its natural resource properties to a commercial stage, or if the going concern is otherwise not appropriate in future periods, adjustments to the amounts recorded for, and classification of, assets and liabilities may be necessary.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with US GAAP and reflect all adjustments (all of which are normal and recurring in nature) that, in the opinion of management, are necessary for fair presentation of the annual financial information. Certain comparative figures have been reclassified to conform to current financial statement presentation. The significant accounting policies used in these consolidated financial statements are as follows:

a) Principles of consolidation

These consolidated financial statements include the accounts of OQI and all of its wholly-owned Canadian subsidiaries (directly and indirectly) including Oilsands Quest Sask Inc. ("OQI Sask"), Township Petroleum Corporation ("Township"), Western Petrochemicals Corporation, 1291329 Alberta Limited, Oilsands Quest Technology Inc. and Stripper Energy Services, Inc. ("Stripper").

All inter-company transactions and balances have been eliminated.

b) Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates include the carrying value of unproved properties, income taxes, stock-based compensation and asset retirement obligations. Actual results could differ from those estimates and changes in estimates are recorded when known.

c) Foreign currency translation

The U.S. dollar is the functional and reporting currency for OQI (the parent company). The Canadian dollar (CDN) is the functional currency for OQI's Canadian subsidiaries. The assets and liabilities of OQI's Canadian subsidiaries are translated into U.S. dollars based on the current exchange rate in effect at the balance sheet dates. Canadian income and expenses are translated at weighted average rates for the periods in which those elements are recognized. Translation adjustments have no effect on net income and are included in accumulated other comprehensive income (loss) in stockholders' equity. Gains and losses arising from transactions denominated in currencies other than the functional currency are included in the results of operations of the period in which they occur. Deferred taxes are not provided on translation gains and losses where OQI expects undistributed earnings of a foreign operation to be indefinitely reinvested.

d) Cash and cash equivalents

Cash and cash equivalents include cash and term deposits that carry terms less than three months at the date of investment. As at April 30, 2010, cash and cash equivalents was comprised of $8.0 million (2009 - $3.1 million) in cash and $10.6 million in money market funds (2009 - $3.9 million in term deposits).

e) Short-term investments

Short-term investments consist of Guaranteed Investment Certificates with a term to maturity of greater than three months at the date of investment. These investments were at fair value at April 30, 2009. There were no short term investments at April 30, 2010.

f) Property and equipment

Property represents the capitalized costs of acquisition of natural resource properties, principally the rights to explore for in-situ oil sands deposits in the provinces of Alberta and Saskatchewan, Canada and oil shale deposits in the province of Saskatchewan, Canada. At April 30, 2010 the rights to the oil shale deposits in the province of Saskatchewan, Canada are included in assets held for sale.

The Company follows the successful efforts method of accounting for its in-situ oil sands and oil shale exploration activities. Under the successful efforts method, acquisition costs of proved and unproved properties are capitalized. Costs of unproved properties are transferred to proved properties when proved reserves are confirmed. Exploration costs, including geological and geophysical costs, are expensed as incurred. Exploratory drilling costs are initially capitalized. If it is determined that a specific well does not contain proved reserves, the related capitalized exploratory drilling costs are charged to expense. To date all exploration costs have been expensed.

Development costs, which include the costs of wellhead equipment, development drilling costs and handling facilities, applicable geological and geophysical costs and the costs of acquiring or constructing support facilities and equipment, are capitalized. Costs incurred to operate and maintain wells and equipment and to lift oil and gas to the surface will be expensed as operating expenses.

If and when the Company achieves production, acquisition costs of proved properties will be depleted using the unit-of-production method based on proved reserves. Capitalized exploratory drilling and development costs will be depleted on the basis of proved developed reserves by area. Support facilities and equipment will be depreciated on a straight-line basis over their useful lives.

Significant undeveloped properties are assessed periodically for impairment individually, based on the Company's current exploration plans. If an impairment is indicated, a valuation allowance is provided.

The Company has not yet converted any of its exploration permits or licenses in Saskatchewan and Alberta to development leases. In the event that the Company does not meet the regulated requirement or development conditions to convert its permits to leases or obtain an extension of such development requirements, its right to explore for bitumen, as applicable, may be lost resulting in an impairment being recorded. The Company is satisfied that it has good and proper right, title and interest in and to the permits and licenses.

Equipment is recorded at cost less accumulated depreciation and include corporate assets, camp facilities and field equipment. Depreciation of these assets is provided using the straight-line method based on estimated useful lives ranging from two to five years.

g) Income Taxes

The Company files United States federal and state, and Canadian federal and provincial tax returns. Deferred federal and provincial income taxes are provided on temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. The Company recognizes a tax benefit from an uncertain position when it is more likely than not that the position will be sustained upon examination, based on the technical merits of the position and will record the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement with a taxing authority.

h) Stock-based compensation

The Company estimates the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense in the Company's financial statements over the requisite service period. The Company estimates the fair value of stock options using the Black-Scholes valuation model. The Black-Scholes valuation model requires the input of highly subjective assumptions, including the option's expected life, the expected price volatility of the Company's common stock and forfeitures. For the Company's performance options containing market conditions, fair value is estimated using the Hull-White Trinomial model. This model also contains highly subjective assumptions, including expected price volatility of the Company's common stock, forfeitures, employee exit rate and suboptimal exercise factor. The expected stock price volatility assumption was determined using historical volatility of the Company's common stock. The Company's share-based payments take the form of stock options granted to employees and non-employees all of which are equity classified.

i) Financial Instruments

(i) Fair value

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard characterizes inputs used in determining fair value according to a hierarchy that prioritizes those inputs based upon the degree to which they are observable. The three levels of the fair-value-measurement hierarchy are as follows:

Level 1 - inputs represent quoted prices in active markets for identical assets or liabilities (for example, exchange-traded commodity derivatives).

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (for example, quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in markets not considered to be active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs).

Level 3 - inputs that are not observable from objective sources, such as the Company's internally developed assumptions used in pricing an asset or liability (for example, an estimate of future cash flows used in the Company's internally developed present value of future cash flows model that underlies the fair-value measurement).

In determining fair value, the Company utilizes observable market data when available, or models that incorporate observable market data. In addition to market information, the Company incorporates transaction-specific details that, in management's judgment, market participants would take into account in measuring fair value.

In arriving at fair-value estimates, the Company utilizes the most observable inputs available for the valuation technique employed. If a fair-value measurement reflects inputs at multiple levels within the hierarchy, the fair-value measurement is characterized based upon the lowest level of input that is significant to the fair-value measurement.

The carrying amount of cash and cash equivalents, accounts receivable, short term investments, available for sale equity securities and accounts payable and accrued liabilities reported on the balance sheet approximates fair value.

Nonfinancial assets and liabilities initially measured at fair value include certain assets and liabilities acquired in a business combination, impaired long-lived assets (asset groups), intangible assets and goodwill, and initial recognition of asset retirement obligations and exit or disposal costs.

(ii) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

(iii) Market risk

The Company is exposed to equity security market risk because of investments held and classified on the balance sheet as available for sale securities.

(iv) Credit risk

The Company has no significant concentrations of credit risk.

(v) Foreign currency exchange rate

Foreign currency risk is the risk that we will incur economic losses due to adverse fluctuations in foreign currency exchange rates. This risk arises to the extent that monetary assets and liabilities held or expenditures incurred by the Company and its subsidiaries are not denominated in their respective currencies.

j) Loss per share

Loss per share calculations are based on the weighted average number of shares (including Exchangeable Shares) outstanding during the period. Diluted loss per share has not been presented separately as the outstanding warrants and options are anti-dilutive for each of the periods presented.

k) Asset retirement obligations

An asset retirement obligation associated with the retirement of a tangible long-lived asset is recognized as a liability in the period incurred, with an associated increase in the carrying amount of the related long-lived asset. The cost of the tangible asset, including the asset retirement cost, is depreciated over the useful life of the asset. The asset retirement obligation is recorded at its estimated fair value, measured by reference to the expected future cash outflows required to satisfy the retirement obligation discounted at the Company's credit-adjusted risk-free interest rate. Accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. If the estimated future cost of the asset retirement obligation changes, an adjustment is recorded to both the asset retirement obligation and the long-lived asset. Revisions to estimated asset retirement obligations can result from changes in retirement cost estimates and changes in the estimated timing of abandonment. The initial measurement of an asset retirement obligation is recorded as a liability at its fair value, with an offsetting asset retirement cost recorded as an increase to property and equipment or exploration expense. The capitalized asset retirement cost is amortized on the same basis as the remaining property and equipment, while the liability is increased as an accretion expense until it is settled or sold.

The Company records the fair value of a liability for an asset retirement obligation when there is a legal obligation associated with the retirement of a tangible long-lived asset and the liability can be reasonably estimated. The legal obligation to perform the asset retirement activity is unconditional even though uncertainty may exist about the timing and/or method of settlement that may be beyond the Company's control. This uncertainty about the timing and/or method of settlement is factored into the measurement of the liability when sufficient information exists to reasonably estimate the fair value. The amount of asset retirement obligation recorded reflects the expected costs, taking into account the probability of particular scenarios. The difference between the upper end of the range of these assumptions and the lower end of the range can be significant, and consequently changes in these assumptions could have a material effect on the fair value of asset retirement obligations and future losses in a period of change.

l) Environmental contingencies

The Company accrues for losses associated with environmental remediation obligations when such losses are probable and can be reasonably estimated. Accruals for estimated losses from environmental remediation obligations are recognized no later than the time of the completion of the remediation feasibility study. These accruals are adjusted as additional information becomes available or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. At April 30, 2010 and 2009 there were no environmental obligations to be accrued.

m) Immaterial corrections

Subsequent to the issuance of the consolidated financial statements for the year ended April 30, 2009, the Company determined that two immaterial errors occurred in its previously issued consolidated financial statements for the year ended April 30, 2009.

The first immaterial error related to an overstated accrual on a short-term discretionary incentive plan for employees of the Company for the year ended April 30, 2009. The Company concluded that the adjustment was not material to the financial statements for the year ended April 30, 2009 and has reflected the adjustment as an immaterial correction of prior period comparative financial information in these financial statements.

The Company determined that the cumulative impact of the immaterial error, was a decrease to corporate general and administrative expense, net loss and comprehensive loss of $1.5 million (net of deferred income tax benefit of nil) for the three months and the year ended April 30, 2009 and for the period from inception on April 8, 1998 to April 30, 2009 and recorded corresponding decreases to accrued liabilities and deficit accumulated during the development stage at April 30, 2009. Basic and diluted net loss attributable to common stockholders decreased by $0.01 per share for the three months and the year ended April 30, 2009.

The second immaterial correction related to an error in the accounting for stock-based compensation for the years ended April 30, 2007, 2008 and 2009. The Company incorrectly calculated stock-based compensation expense by reversing the expense associated with the portion of forfeited stock option awards that had already vested, resulting in an understatement of stock-based compensation expense for the respective periods. The Company also corrected the grant date fair value (a decrease) of one option award which partially offset the understatement of stock-based compensation expense associated with the forfeited options.

- The Company determined that the net impact of the immaterial error for the year ended April 30, 2007 was a decrease to stock-based compensation expense, net loss and comprehensive loss of $0.1 million with a corresponding decrease to additional paid-in-capital and deficit accumulated during the development stage at April 30, 2007. The basic and diluted net loss attributable to common stockholders remained unchanged for the year ended April 30, 2007.
- The Company determined that the net impact of the immaterial error for the year ended April 30, 2008 was an increase to stock-based compensation expense, net loss and comprehensive loss of $1.6 million with a decrease to the basic and diluted net loss attributable to common stockholders of $0.01 per share for the year ended April 30, 2008. The cumulative impact of the immaterial error as of April 30, 2008 was an increase of $1.6 million to additional paid-in-capital and deficit accumulated during the development stage at April 30, 2008.
- The Company determined that the net impact of the immaterial error for the year ended April 30, 2009 was an increase to stock-based compensation expense, net loss and comprehensive loss of $0.2 million which did not result in any change to the basic and diluted net loss attributable to common stockholders for the year ended April 30, 2009. The cumulative impact of the immaterial error as of April 30, 2009 was an increase of $1.8 million to additional paid-in-capital and deficit accumulated during the development stage at April 30, 2009.

The Company concluded that these adjustments were not material to the financial statements for the years ended April 30, 2007, 2008 and 2009.

n) Recent accounting pronouncements

The following new accounting standards were adopted by the Company during the year ended April 30, 2010.

Effective May 1, 2009, the Company adopted the authoritative guidance issued by the FASB on consolidation as it relates to non-controlling interests. The guidance establishes accounting and reporting standards for the non-controlling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance clarifies that a non-controlling interest in a subsidiary is an ownership interest in a consolidated entity that should be reported as equity in the consolidated financial statements. This statement also changes the way the consolidated statements of income (loss) and comprehensive income (loss) are presented by requiring consolidated net income (loss) and comprehensive income (loss) to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. In addition, the guidance establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. The guidance required retrospective adoption of the presentation and disclosure requirements for non-controlling interests for the period from inception on April 3, 1998 through April 30, 2009. All other requirements of the guidance have been applied prospectively. Upon the reorganization on August 14, 2006, the Company acquired the remaining non-controlling interest in OQI Sask, accordingly, no adjustment was required to reclassify the non-controlling interest to be reported within equity in the consolidated balance sheets.

OILSANDS QUEST INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements

The Company adopted a new fair-value-measurement standard as of May 1, 2008. The standard defines fair value, establishes a framework for measuring fair value under existing accounting pronouncements that require fair-value measurements and expands fair-value-measurement disclosures. The Company elected to implement the standard with the one-year deferral permitted for nonfinancial assets and nonfinancial liabilities, except those nonfinancial items recognized or disclosed at fair value on a recurring basis (at least annually). The deferral period ended on January 1, 2009. Accordingly, the Company applies the fair-value framework to nonfinancial assets and nonfinancial liabilities initially measured at fair value, such as assets and liabilities acquired in a business combination, impaired long-lived assets (asset groups), intangible assets and goodwill, and initial recognition of asset retirement obligations and exit or disposal costs.

Effective May 1, 2009, the Company adopted the authoritative guidance issued by FASB on the disclosures about derivative instruments and hedging activities. This guidance amends and expands the disclosure requirements for derivative instruments and hedging activities. The new guidance requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements.

The guidance encourages, but does not require, comparative disclosure for earlier periods at initial adoption. The adoption of the guidance did not have any impact on the Company's consolidated financial statements.

Effective May 1, 2009, the Company adopted the authoritative guidance issued by FASB on subsequent events. The guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The statement sets forth:

1. The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements.
2. The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements.
3. The disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

The adoption of the guidance did not have a significant impact on the Company's consolidated financial statements.

Effective May 1, 2009, the Company adopted the authoritative guidance issued by FASB on business combinations. The guidance retains the fundamental requirements that the acquisition method of accounting be used for all business combinations and that an acquirer be identified for each business combination. This guidance also establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling (minority) interests in an acquiree and any goodwill acquired in a business combination or gain recognized from a bargain purchase. Effective May 1, 2009, the Company also adopted the authoritative guidance on the accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies which establishes a model to account for certain pre-acquisition contingencies. Under this guidance, an acquirer is required to recognize at fair value an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If it cannot be determined, the recognition criteria prescribed by the guidance on accounting for contingencies should be followed. The adoption of this guidance did not have any impact on the Company's consolidated financial statements.

In August 2009, the FASB issued an update to the Fair Value Topic of the Codification. The FASB issued the update because some entities have expressed concern that there may be a lack of observable market information to measure the fair value of a liability. The guidance is effective for the first reporting period beginning after August 28, 2009, with earlier application permitted. The guidance provides clarification on measuring liabilities at fair value when a quoted price in an active market is not available. In such circumstances, the topic specifies that a valuation technique should be applied that uses either the quote of the liability when traded as an asset, the quoted prices for similar liabilities or similar liabilities when traded as assets, or another valuation technique consistent with existing fair value measurement guidance.

Examples of the alternative valuation methods include using a present value technique or a market approach, which is based on the amount at the measurement date that the reporting entity would pay to transfer the identical liability or would receive to enter into the identical liability. The guidance also states that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustments to other inputs relating to the existence of a restriction that prevents the transfer of the liability. We adopted the guidance effective October 31, 2009, and the adoption did not have a significant impact on our consolidated financial statements.

The following new accounting standards have issued, but have not yet been adopted by the Company as of April 30, 2010.

In January 2010, the FASB issued an update to the Fair Value Topic, which enhances the usefulness of fair value measurements. The amended guidance requires both the disaggregation of information in certain existing disclosures, as well as the inclusion of more robust disclosures about valuation techniques and inputs to recurring and nonrecurring fair value measurements.

The topic amends the disclosures about fair value measurements in the Fair Value Topic as follows:

- Entities must disclose the amounts of, and reasons for, significant transfers between Level 1 and Level 2, as well as those into and out of Level 3, of the fair value hierarchy. Transfers into a level must be disclosed separately from transfers out of the level. Entities are required to judge the significance of transfers based on earnings and total assets or liabilities or, when changes in fair value are recognized in other comprehensive income, on total equity;
- Entities must also disclose and consistently follow their policy for when to recognize transfers into and out of the levels, which might be, for example, on the date of the event resulting in the transfer or at the beginning or end of the reporting period;
- Entities must separately present gross information about purchases, sales, issuances, and settlements in the reconciliation disclosure of Level 3 measurements, which are measurements requiring the use of significant unobservable inputs;
- For Level 2 and Level 3 measurements, an entity must disclose information about inputs and valuation techniques used in both recurring and nonrecurring fair value measurements. If a valuation technique changes, for example, from a market approach to an income approach, an entity must disclose the change and the reason for it. The amendments include implementation guidance on disclosures of valuation techniques and inputs; and
- Fair value measurement disclosures must be presented by class of assets and liabilities. Identifying appropriate classes requires judgment, and will often require the disaggregation of assets or liabilities included within a line item on the financial statements. An entity must determine the appropriate classes requiring disclosure based on the nature and risks of the assets and liabilities, their classification in the fair value hierarchy, and the level of disaggregated information required by other U.S. GAAP for specific assets and liabilities, such as derivatives.

The amended guidance does not include the sensitivity disclosures, as had been proposed.

The amended guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disaggregation requirement for the reconciliation disclosure of Level 3 measurements, which is effective for fiscal years beginning after December 15, 2010 and for interim periods within those years.

3. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On January 15, 2010 the Company reached an agreement through due process to sell its Pasquia Hills oil shale properties to Canshale Corp., a private company formed by the former President and Chief Executive Officer of the Company (the "Purchaser") for consideration of CDN $1 million (US $ 0.9 million) in cash and 8,000,000 shares of the private company. The sale is conditional on the Purchaser raising a minimum financing amount as defined in the terms of the agreement by June 30, 2010. The transaction will have an effective date of November 1, 2009 when the condition is met and the Purchaser will be responsible for all costs incurred related to the properties from the effective date to the date of close. As part of this transaction, the Company has agreed to loan to the Purchaser $250,000 and funds to cover certain advisory costs, which will be repaid when the financing is obtained or if the financing is not obtained, all amounts will be forgiven.On July 6, 2010, for an extension incentive of an additional 2,000,000 common shares of Canshale Corp., the Company agreed to an extension of the transaction to July 30, 2010.

The Company has estimated the fair value of the oil shale assets based on the purchase and sale agreement and has included the lower of their carrying amounts and fair value less cost to sell of these assets within assets held for sale for the current period.

Included in assets held for sale at April 30, 2010 are deposits of $0.4 million related to the oil shale permits, the cost of the Pasquia Hills assets of $4.7 million (net of an impairment of the properties of $6.4 million). The liabilities related to assets held for sale consist of the deferred taxes of $1.1 million on the assets held for sale.

The Company has accounted for the oil shale properties as discontinued operations and has reclassified prior period financial statements to exclude these properties from continuing operations. A summary of financial information related to the Company's discontinued operations for each of the periods presented is as follows:

	For the Years Ended April 30, 2010 (in thousands)	2009 (in thousands)	2008 (in thousands)	From Inception on April 3, 1998 through to April 30, 2010 (in thousands)
Exploration costs	$ 1,487	$ 1,144	$ 58	$ 2,704
Impairment on unproved properties	6,403	-	-	6,403
Loss before income taxes	7,890	1,144	58	9,107
Provision for income taxes	(2,130)	(309)	(16)	(2,459)
Net loss from discontinued operations	$ 5,760	$ 835	$ 42	$ 6,648

4. ACQUISITIONS

As detailed below, OQI acquired certain businesses for cash, shares and liabilities assumed. These acquisitions were accounted for as asset acquisitions and accordingly, results of operations have been included in the financial statements from their respective dates of acquisition.

a) Reorganization of Oilsands Quest Sask Inc. and Acquisition of Non-controlling Interest

On August 14, 2006, pursuant to the terms of a reorganization agreement, OQI acquired the non-controlling interest (35.92%) in OQI Sask, going from a 64.08% ownership interest to a 100% voting interest (note 10(b)) (the "Reorganization").

In connection with the Reorganization, OQI also entered into a Voting and Exchange Trust Agreement with OQI Sask and Computershare Trust Company of Canada ("CTC"), and a Support Agreement with OQI Sask. Collectively, these agreements are referred to as the "Acquisition Agreements". According to the Acquisition Agreements, all common shares of OQI Sask, other than those held by OQI, were exchanged for a new class of OQI Sask shares called Exchangeable Shares on the basis of 8.23 Exchangeable Shares for each one OQI Sask common share. The Acquisition Agreements also allowed for all OQI Sask options and warrants providing the right to acquire common shares of OQI Sask to have Exchangeable Shares issued on the same basis when such OQI Sask options and warrants were exercised. The Exchangeable Shares are exchangeable at any time on a one-for-one basis, at the option of the holder, for shares of OQI common stock. OQI Sask can redeem the outstanding Exchangeable Shares on the same terms at any time after August 14, 2013 and only under certain limited circumstances prior to August 14, 2013 in accordance with the Acquisition Agreements. An Exchangeable Share provides the holder with economic terms and voting rights which are, as nearly as practicable, equivalent to those of a share of OQI common stock. The Exchangeable Shares are entitled to a preference over the OQI Sask common shares in the event of a liquidation, dissolution or wind-up of OQI Sask, whether voluntary or involuntary, or any other distribution of the assets of OQI Sask among its shareholders for the purpose of winding-up its affairs. The Exchangeable Shares are represented for voting purposes in the aggregate by one share of OQI's Series B Preferred Stock (note 10(b)).

In connection with the closing of the Acquisition Agreements, OQI's financial advisor was paid a success fee of $1,590,528. In addition, OQI Sask issued 288,050 OQI Sask Exchangeable Shares with a fair value of $1,204,383 and paid $353,450 as success fees to its financial advisors. These amounts have been included in General and Administration expense.

The Company has consolidated the operating results of OQI Sask from its commencement of operations on September 24, 2004. The total purchase price of acquiring the non-controlling interest in OQI Sask on August 14, 2006 was $223,579,501, calculated at 57,349,391 Exchangeable Shares to be issued for OQI Sask Common Shares multiplied by $3.73 per share and 2,859,514 OQI Sask Warrants at a fair value of $9,666,273. The total purchase price of $223,579,501 has been allocated as follows:

Consideration comprised of:		(in thousands)
Fair value of Exchangeable Shares issued for OQI Sask Common Shares	$	213,913
Fair value of OQI Sask Warrants		9,666
	$	223,579
Purchase price allocation:		
Property	$	322,271
Deferred income taxes		(98,692)
Net assets acquired	$	223,579

This purchase price allocation was based on the fair value of the underlying assets and recognizes that all other assets and liabilities of OQI Sask were carried at fair value.

As a part of the Reorganization, OQI may issue up to an aggregate of 76,504,304 shares of OQI common stock of which 43,429,373 have been issued, 21,409,935 may be issued on the exchange of Exchangeable Shares and the balance to be issued on the exercise of OQI Sask options into Exchangeable Shares and their subsequent exchange. Options representing 768,131 OQI Sask Exchangeable Shares expired in the year ended April 30, 2009. This reduces the number of shares that may be issued. The fair value of the outstanding OQI Sask stock options were excluded in the purchase price of the acquisition. Any future proceeds received from the exercise of OQI Sask options or warrants will be credited to Additional Paid-in Capital (note 9).

b) Acquisition of Stripper Energy Services Inc.

On August 15, 2006, the Company acquired all of the issued and outstanding shares of Stripper for cash consideration of $17,948,722. Stripper is a private inactive Alberta company, whose sole asset is a 2.5% GORR on certain Saskatchewan permit lands held by OQI Sask. The total purchase price of $17,948,722 has been allocated as follows:

Consideration comprised of:		(in thousands)
Cash Paid	$	17,949
Purchase Price allocation		
Property	$	25,407
Deferred income taxes		(7,458)
Net assets acquired	$	17,949

5. PROPERTY AND EQUIPMENT

		April 30, 2010 (in thousands)		April 30, 2009 (in thousands)
Saskatchewan Oil Sands Rights				
Permits	$	403,152	$	341,921
Licenses		2,301		1,950
Alberta Oil Sands Rights				
Permits		35,478		30,045
Leases		7,849		6,622
Saskatchewan Oil Shale Rights (Permits) (note 3)		-		9,440
Equipment		14,894		11,636
		463,674		401,614
Less: Accumulated Depreciation		(5,506)		(2,639)
Net Book Value	$	458,168	$	398,975

a) Saskatchewan Oil Sands Permits

As at April 30, 2007, the Saskatchewan permits comprised an area of approximately 846,680 acres. On July 9, 2007, in accordance with the terms of the Saskatchewan permits, the Company completed the second and final relinquishment of its Saskatchewan permit lands. Following all relinquishments the Saskatchewan permit lands comprised an area totaling 508,080 acres. The permits were granted by the Province of Saskatchewan in 2004 under *The Oil Shale Regulations, 1964* as amended, revised or substituted from time to time. The permits provide for the right to explore and work the permit lands but not to remove, produce or recover, except for test purposes, oil products until a lease, pursuant to these regulations has been granted. The initial five-year term of the permits expired on May 31, 2009 and the Company applied for and received on June 21, 2010, the second of three one-year extensions of the permits as allowed under the regulation to May 31, 2011. The Company is currently working with the regulators to assess an issue relating to the re-abandonment of early exploration coreholes. As indicated by the Ministry of Energy and Resources it is possible that the outcome of such assessment could result in cancellation of the Axe Lake permits if the Company does not comply with the governing regulations (See note 6).

The permits were subject to a 2.5% gross overriding royalty (the "2.5% GORR"), a $0.07 CDN per barrel royalty which may be bought at any time by paying $7,000,000 CDN and a $0.04 CDN per barrel royalty. During the year ended April 30, 2007, the Company purchased the 2.5% GORR for $25,406,544 through the acquisition of Stripper (note 4(b)). On September 21, 2007, in conjunction with the acquisition of the interests of an external joint venture partner to the Triple 7 Joint Venture (note 5(d)), the Company acquired the $0.07 per barrel royalty obligation for consideration of $99,980 ($100,000 CDN) cash plus the issuance of 500,000 shares of its common stock valued at $2,195,000 based on the September 20, 2007 closing market price of the shares. The Saskatchewan permits are now only subject to a $0.04 per barrel royalty.

The permits, when granted, were subject to annual rental payments and certain levels of expenditures annually pursuant to the terms of the permits and government regulations. The annual rentals were payable in advance as to $0.02 ($0.02 CDN) per acre for the first year and escalating to $0.10 ($0.10 CDN) per acre in the fifth year. On May 7, 2007, the province updated the *Oil Shale Regulations, 1964* requiring an increase to annual rentals of $0.10 ($0.10 CDN) per acre for the remaining term of the permits. The required exploration expenditures to hold the permits were also increased to $0.80 ($0.81 CDN) per acre for each of the remaining years of the permits and $1.20 ($1.21 CDN) per acre for each year that the permits are extended.

b) Saskatchewan Oil Sands Licenses

On August 13, 2007, the Company acquired five oil sands licenses totaling 109,920 acres granted under *The Petroleum and Natural Gas Regulations, 1969*, as amended revised or substituted from time to time, for a term of five years which expires on April 12, 2012 for an aggregate cost of $2,140,233 ($2,249,089 CDN). The licenses provide for the exclusive right to search for oil sands on the lands granted and to win, recover, extract, carry off, dispose of and sell the oils sands products found on the license lands. The oil sands licenses provide the opportunity to convert up to 100% of the licenses to a production lease following the completion of specified work requirements. Licenses require annual rental payments of $0.70 ($0.71 CDN) per acre.

c) Alberta Oil Sands Permits

As at April 30, 2007, the Alberta oil sands permits comprised an area totaling 67,053 acres ("Raven Ridge Prospect"). The permits were granted by the Province of Alberta under the terms of the *Mines and Minerals Act, Alberta*. The permits provide the opportunity to convert up to 100% of the permits to a production lease following the completion of specified work requirements. Permits are granted for a five year primary term which expires on March 22, 2012 – 55,667 acres and August 10, 2011 – 11,386 acres, and require annual rental payments of $1.40 ($1.42 CDN) per acre.

On January 23, 2008, the Company acquired two oil sands permits totaling 45,546 acres ("Wallace Creek Prospect") in a public offering of Crown Oil Sands Rights. The total consideration paid for these permits was $9,732,500 ($10,010,880 CDN). The permits were granted by the Province of Alberta under the terms of the *Mines and Minerals Act, Alberta*. The permits provide the opportunity to convert up to 100% of the permits to a production lease following the completion of specified work requirements. Permits are granted for a five year primary term which expires January 24, 2013 and require annual rental payments of $1.40 ($1.42 CDN) per acre. Following the acquisition, the Alberta permit lands comprised an area totaling 112,598 acres.

d) Alberta Oil Sands Lease

On June 1, 2005, a subsidiary, Township Petroleum Corporation ("township"), entered into an agreement with three third parties (collectively the Triple 7 Joint Venture) to post, acquire, develop and produce oil sands deposits located in the Athabasca Region of Alberta, Canada (the "Triple 7 Joint Venture Agreement"). As a result of this agreement, Township acquired one lease consisting of approximately 22,773 acres (the "Eagles Nest Prospect").

Township agreed to pay the Triple 7 Joint Venture partners, as ongoing fees, $125,628 ($150,000 CDN) in cash or common shares of OQI (at the discretion of the Company) on the first and second anniversary dates of the agreements. On the third anniversary date and each subsequent anniversary date of the agreement, Township agreed to pay the Triple 7 Joint Venture $376,884 ($450,000 CDN) until such time as the lease was surrendered or a commercial project was identified. Also, if Township received a feasibility study, conducted by an independent third party that indicated that a commercial project was economic and wished to construct a commercial project, Township was required to notify the Triple 7 Joint Venture. Upon commencement of construction of such a commercial project Township was to pay the Triple 7 Joint Venture the sum of $5,025,126 ($6,000,000 CDN).

In addition of such payments Township had granted each of the Triple 7 Joint Venture partners a royalty in the acquired leases of $0.03 ($0.03 CDN) on each barrel of crude bitumen produced, saved and sold or $125,628 ($150,000 CDN) per Joint Venture Partner, per year, whichever was greater. Such royalty was governed by the royalty procedure, which stipulated, among other things, that the royalty would be secured by a lien, first charge or security interest on the royalty lands, and that the royalty was assignable or transferable subject to a right of first offer to Township.

On September 21, 2007, the Company acquired rights of one of the three external joint venture partners for consideration of $49,939 ($50,000 CDN) plus the issuance of 250,000 shares of the Company's common stock valued at $1,097,500 based on the September 20, 2007 closing market price of the shares. On June 17, 2008, the Company acquired the rights of the remaining external joint venture partners for aggregate consideration of $1,600,626 ($1,632,000 CDN) and 640,000 shares of the Company's common stock valued at $3,718,400 based on the June 17, 2008 closing market price. The Company's obligations under the Triple 7 Joint Venture Agreement have therefore been eliminated.

As part of the acquisition of the lease, Township granted royalties as to $0.0057 ($0.0058 CDN) (net after a buy back) on each barrel of crude bitumen produced, saved and sold from the Eagles Nest Prospect.

The annual lease rental payable to the Province of Alberta for the Eagles Nest Prospect is $31,886 ($32,256 CDN) per year.

e) Saskatchewan Oil Shale Permits (note 3)

As at April 30, 2010 and 2009, the Company held seven oil shale exploration permits near Hudson bay, Saskatchewan covering 405,961 acres granted under *The Oil Shale Regulations, 1964 (Saskatchewan)* as amended, revised or substituted from time to time for a term of five years which expire in September and October 2011. The Permits provide for the right to explore and work the permit lands but not to remove, produce or recover, except for test purposes, oil products until a lease, pursuant to these regulations has been granted. The term of the permits may be extended for up to three on-year extensions subject to regulatory approvals, as required.

Annual rentals are payable in advance as to $0.10 ($0.10 CDN) per acre during the term of the permit. Required exploration expenditures to hold the permits are $0.80 ($0.81 CDN) per acre for the remaining years of the permits and $1.20 ($1.21 CDN) per acre for each year that the permit is extended, as required.

As at April 30, 2010 and 2009, the Company held one oil shale exploration permit granted under *The Petroleum and Natural Gas Regulations, 1969 (Saskatchewan)* as amended, revised or substituted from time to time for a term of five years totaling 83,769 acres in the same area near Hudson Bay, Saskatchewan. The permit provides for the right, license, privilege and authority to explore for oil shale within the permit lands and expires on August 12, 2012.

The term of the permits may be extended for up to three one-year extensions subject to regulatory approvals, if required. This oil shale permit was acquired under a land sale work commitment bid for the first two years of the permit. The Company bid a total work commitment of $298,110 ($301,568 CDN) to be incurred during the first two years of the permit and the permit requires a further work commitment of $0.80 ($0.81 CDN) per acre for the last three years and $1.20 ($1.21 CDN) for each extension year plus annual rental payments of $0.10 ($0.10 CDN) per acre. Through the exploration program conducted during the year ended April 30, 2009, the Company has fulfilled its work commitment for the term of the permit.

6. ASSET RETIREMENT OBLIGATION

The Company's obligations with respect to asset retirement relate to reclamation of an airstrip, camp site, access roads and reservoir test holes. The obligation is recognized when incurred at the present value of the estimated future reclamation cost using a credit-adjusted risk-free rate of 7 to 13 percent and an inflation rate of 2.5 percent. During the year ended April 30, 2010, the Company conducted a review of their development plans and well licenses and determined that a number of wells were not abandoned to accommodate our thermal development plans. We are also evaluating the wells that are located outside the potential commercial development area and have included a portion of these costs in the re-abandonment liability based on a 50% probability of performing the obligation over a 15 year period. The Company has submitted a re-abandonment program to the Saskatchewan Ministry of Energy and Resources that included cost estimates and a timeline to complete the work. At April 30, 2010 the total undiscounted inflation-adjusted future obligation is approximately $35.0 million. The uncertainty related to the timing and/or method of settlement that may be beyond the Company's control is factored into the measurement of the liability.

At April 30, 2010, the total undiscounted inflation-adjusted future obligation was approximately $35.4 million.

	April 30, 2010 (in thousands)	April 30, 2009 (in thousands)
Obligation at beginning of year	$ 2,621	$ -
Liabilities incurred	14,321	3,873
Liabilities settled	(160)	-
Accretion expense	210	150
Revisions	-	(998)
Foreign currency translation adjustment	493	(404)
Obligation at end of year	$ 17,485	$ 2,621

Obligations related to property and equipment in the amount of $1.4 million has been capitalized and obligations related to exploration expense in the amount of $15.7 million have been expensed since inception.

7. DEFERRED INCOME TAX

a) Deferred tax liability

The following summarizes the temporary differences that give rise to the deferred income tax liability from continuing operations at April 30, 2010 and 2009:

	April 30, 2010 (in thousands)	April 30, 2009 (in thousands)
Book value of property and equipment in excess of tax values	$ (62,516)	$ (65,651)
Non-capital loss carry-forward benefit	15,640	11,696
Valuation allowance	(15,640)	(11,696)
	$ (62,516)	$ (65,651)

b) Deferred income tax benefit differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 27% (2009 - 27%, 2008 - 27%) to loss from continuing operations before income taxes. The difference results from the following:

	April 30, 2010	April 30, 2009	April 30, 2008
Expected current income tax benefit	$ (18,509)	$ (28,659)	$ (34,225)
Stock-based compensation	1,508	4,720	5,629
Flow-through expenditures	3,524	4,743	6,190
Change in valuation allowance	3,854	3,162	621
Impact of change in Canadian tax rate		-	(12,881)
Other	(207)	(1,813)	613
	$ (9,830)	$ (17,847)	$ (34,053)

At April 30, 2010, the Company had US federal and state and Canadian federal and provincial net operating loss carry-forwards of $62.7 million and $67.9 million respectively, which can be used to offset future tax liabilities and expire at various dates beginning in fiscal 2012. Utilization of these net operating loss carry-forwards may be limited pursuant to provisions of the respective local jurisdiction.

8. NON-CONTROLLING INTEREST IN OQI SASK

The non-controlling interest (representing 35.92% of total OQI Sask common shares outstanding) related to OQI Sask, as calculated to the date of acquisition by OQI.

	Common Shares	Amount (in thousands)
Balance, April 30, 2006	6,962,459	$ 4,736
Shares issued to non-controlling interests	5,875	10
Shares of net loss of OQI Sask to date of acquisition	-	(4,722)
Non-controlling interest in shares issued to OQI	-	16,728
Share of net loss of OQI Sask to date of acquisition	6,968,334	16,752
Transferred to the OQI Sask property account on acquisition of the non-controlling interest (see note 4(a) and 5)	(6,968,334)	(16,752)
Balance, April 30, 2007, 2008, 2009 and 2010	-	$ -

9. OQI SASK OPTIONS AND WARRANTS

Upon OQI acquiring the non-controlling interest in OQI Sask on August 14, 2006, certain options and warrants issued by OQI Sask remained outstanding. On exercise, each OQI Sask option and warrant is exchanged into 8.23 OQI Sask Exchangeable Shares which are exchangeable into shares of OQI common stock.

The following tables summarize information about OQI Sask stock options outstanding for each of the three years ended April 30, 2010:

	Number	Weighted Average Exercise Price (CDN)
Outstanding, April 30, 2006	700,000	$ 4.00
Granted	1,280,000	$ 21.40
Exercised and exchanged into shares of OQI common stock (note 11)	(205,000)	$ 3.32
Outstanding, April 30, 2007	1,775,000	$ 16.55
Exercised and exchanged into shares of OQI common stock (note 11)	(135,000)	$ 11.63
Outstanding, April 30, 2008	1,640,000	$ 16.96
Exercised and exchanged into shares of OQI common stock (note 11)	(125,000)	$ 12.50
Expired	(93,333)	$ 25.00
Outstanding, April 30, 2009	1,421,667	$ 16.82
Exercised and exchanged into shares of OQI common stock (note 11)	(102,500)	$ 1.18
Outstanding, April 30, 2010	1,319,167	$ 18.04

Exercise Price (CDN)	Number Outstanding at April 30, 2010	Number Exercisable at April 30, 2010	Weighted Average Remaining Contractual Life	Weighted Average Grant-Date Fair Value (CDN)	Aggregate Intinsic Value at April 30, 2010 (CDN)
$ 3.00	72,500	72,500	0.29	2.45	318,183
$ 6.00	465,000	465,000	0.76	5.02	645,758
$ 25.00	731,667	731,667	1.00	26.06	-
$ 50.00	50,000	50,000	1.25	34.60	-
	1,319,167	1,319,167	0.89		963,941

The 1,319,167 OQI Sask options outstanding at April 30, 2010 represent 10,856,744 OQI Sask Exchangeable Shares that would be issued on exercise of the OQI Sask options as a result of the completion of the acquisition of the non-controlling interest in OQI Sask.

The following tables summarize information about OQI Sask warrants outstanding for each of the three years ended at April 30, 2010:

	Number	Weighted Average Exercise Price (CDN)
Outstanding, April 30, 2007	16,000	$ 2.00
Exercised	(16,000)	$ 2.00
Outstanding, April 30, 2008, 2009 and 2010	-	

10. PREFERRED SHARES

a) Series A Preferred Shares

As at March 9, 2006, OQI adopted a shareholders right plan and reserved 250,000 of its preferred shares for issuance pursuant to the exercise of the rights. The rights are designed to have certain anti-takeover effects and as such they will cause substantial dilution to a person or group that attempts to acquire OQI in a manner or on terms not approved by the Board of Directors of OQI. The rights, however, should not deter any prospective offer or willingness to negotiate in good faith with the Board of Directors, nor should the rights interfere with any merger or other business combination approved by the Board of Directors. To effect the shareholders rights plan OQI declared a distribution of one right to each outstanding share of common stock, payable to shareholders of record on March 23, 2006. After the record date, one right is issued with each share of common stock issued until the earlier of the distribution date (as defined in the plan), the redemption of the right by the Company or termination of the right. This right will be attached to the underlying common share and remain with the common share should the common share be sold or transferred.

b) Series B Preferred Stock

As noted in note 4(a) in connection with the Reorganization, OQI also entered into a Voting and Exchange Trust Agreement with OQI Sask and Computershare Trust Company of Canada ("CTC") and a Support Agreement with OQI Sask. Collectively, these agreements are referred to as the "Acquisition Agreements."

According to the Acquisition Agreements, OQI Sask common shares not held by OQI were exchanged for a new class of OQI Sask shares called Exchangeable Shares on the basis of 8.23 Exchangeable Shares for each OQI Sask common share. The Exchangeable Shares are exchangeable at any time on a one-for-one basis, at the option of the holder, for shares of OQI common stock. An Exchangeable Share provides the holder with economic terms and voting rights which are, as nearly as practicable, effectively equivalent to those of a share of OQI common stock. Holders of Exchangeable Shares have registration rights with respect to the resale of OQI common stock to be received upon exchanging the Exchangeable Shares into OQI shares. The holders of the Exchangeable Shares may receive up to an aggregate of 76,504,304 shares of OQI common stock (on a diluted basis) at each holder's election. The Exchangeable Shares are represented for voting purposes in the aggregate by one share of OQI Series B Preferred Stock (the "Preferred Share"), which Preferred Share is held by CTC. In turn, CTC will vote the one Series B Preferred Share as indicated by the individual holders of Exchangeable Shares.

The one Preferred Share represents a number of votes equal to the total outstanding Exchangeable Shares on the applicable record date for the vote submitted to OQI shareholders.

Exchangeable shares issuable as a result of the Acquisition Agreements (note 4(a)):

	OQI Sask Exchangeable Shares	OQI Sask Exchangeable Shares issuable on exercise of OQI Sask options and warrants	Total Exchangeable Shares
Acquisition date, August 14, 2006	57,349,388	19,154,916	76,504,304
OQI Sask options and warrants exercised	4,414,986	(4,414,986)	-
Exchangeable Shares exchanged into OQI common shares	(28,237,015)	-	(28,237,015)
Balance, April 30, 2007	33,527,359	14,739,930	48,267,289
OQI Sask options and warrants exercised	1,242,730	(1,242,730)	-
Exchangeable shares exchanged into OQI common shares	(6,817,249)	-	(6,817,249)
Balance, April 30, 2008	27,952,840	13,497,200	41,450,040
OQI Sask options exercised	1,028,750	(1,028,750)	-
OQI Sask options expired	-	(768,131)	(768,131)
Exchangeable shares exchanged into OQI common shares	(3,237,674)	-	(3,237,674)
Balance, April 30, 2009	25,743,916	11,700,319	37,444,235
OQI Sask options exercised	843,575	(843,575)	-
Exchangeable Shares exchanged into OQI common shares	(5,177,556)	-	(5,177,556)
Balance, April 30, 2010	21,409,935	10,856,744	32,266,679

11. COMMON STOCK

a) Authorized shares of common stock

The Company's Articles of Incorporation, as amended, authorize the issuance of up to 750,000,000 shares of common stock.

b) Share-based compensation

On July 3, 2007 the Board of Directors granted 44,000 bonus shares of common stock to employees under the Company's 2006 Stock Option Plan (SOP 2006). These bonus shares were valued at the closing share price on the date of grant.

c) Settlement with Subsidiary Creditors

During the year ended April 30, 2004, in an attempt to settle outstanding liabilities of a subsidiary, OQI made an offer to creditors to settle outstanding debts for shares of OQI common stock with a fair value of $0.10 per share for every $0.15 CDN of debt held. The offer was based on the market trading price for the Company's shares of common stock at the time of the original proposal to creditors. In May 2003 when the proposal was made the price fluctuated in the range of $0.09 to $0.12 per share. OQI received acceptances from creditors that represented 2,203,227 OQI common shares. OQI has issued 814,660 shares of common stock pursuant to these agreements since May 2003 and has reserved 1,388,567 shares of common stock for further issuances. No shares of common stock were issued during the years ended April 30, 2010 and 2009 pursuant to these agreements. The subsidiary was sold to a third party on October 31, 2005.

d) Private Placements and Public Offerings of Shares of Common Stock

On July 6, 2006, OQI completed a private placement of 5,668,100 shares of common stock issued on a flow-through basis for gross proceeds of $33,684,009 ($37,409,460 CDN). Because these shares were issued on a flow-through basis, the proceeds must be used for exploration in Canada and the tax benefits from that exploration will flow through to the subscribers. In conjunction with this financing OQI paid investment banking fees of $1,852,659 and entered into a subscription agreement with OQI Sask whereby it purchased 703,054 OQI Sask flow-through shares of common stock for $33,684,048. Under the terms of the flow-through shares, the Company renounced the tax benefits of the related expenditures to the subscribers effective December 31, 2006.

In August 2006 OQI completed a private placement of 4,150,000 shares of common stock for gross proceeds of $15,770,000. No commissions were paid in connection with the Offering. According to the terms of the private placement, the gross proceeds were used for the purchase of the shares of Stripper (see note 4(b)).

On March 6, 2007, the Company entered into an underwriting agreement for a private placement with a syndicate of underwriters to issue up to 5,320,000 shares of the Company's common stock issued on a flow-through basis at a price of $4.82 ($5.64 CDN) per share for aggregate gross proceeds of $25,642,400 ($30,004,800 CDN). In consideration for the services of the underwriters, the Company agreed to pay a fee equal to $0.241 ($0.282 CDN) (or 5%) for each flow-through share issued by the Company.

On March 6, 2007 and March 9, 2007, under the terms and conditions of an underwriting agreement, the Company issued 3,155,834 shares of common stock on a flow-through basis for gross proceeds of $15,211,120 ($17,798,904 CDN). These shares of common stock were issued on a flow-through basis whereby the proceeds must be used for exploration in Canada and the tax benefits from that exploration will flow through to the subscribers. The Company fulfilled its obligation to file a resale registration statement under the terms of the private placement on May 4, 2007 and as such no reduction in price was required.

On May 3, 2007, the Company issued 13,900,000 shares of common stock at a price of $2.75 per share for gross proceeds of $38,225,000 pursuant to a private placement. In connection with the private placement, the Company paid an aggregate of $2,197,938 in fees to the agents pursuant to an agency agreement.

On May 3, 2007, the Company issued 2,164,166 shares of common stock on a flow-through basis at a price of $3.44 ($3.85 CDN) per share for gross proceeds of $7,444,731 ($8,332,039 CDN) in a private placement pursuant to an amended underwriting agreement originally entered into on March 6, 2007. These shares have been issued on a flow-through basis whereby the proceeds must be used for exploration in Canada and the tax benefits from that exploration will flow through to the subscribers. In connection with this private placement, the Company received an additional payment of $3,499,419 ($3,873,857 CDN) from the underwriters pursuant to their obligations under the underwriting agreement, as amended. The Company paid an aggregate of $551,305 ($610,295 CDN) in fees to the underwriters.

On September 21, 2007, the Company issued 750,000 shares of common stock as part of the consideration provided for the purchase of a royalty which encumbered the Saskatchewan permit lands and the interests of one of the joint venture partners to the Triple 7 Joint Venture Agreement in the Eagles Nest Prospect (notes 5 (a) and (d)).

On December 5, 2007, the Company issued 11,000,000 units at a price of $5.00 per unit for gross proceeds of $55,000,000 pursuant to a marketed public offering. Each unit was comprised of one share of common stock and one-half of a share of common stock purchase warrant with each whole warrant entitling the holder to purchase one share of common stock of the Company for $6.75 per share until December 5, 2009.

On December 5, 2007, as part of the marketed public offering, the Company issued 2,600,000 shares of common stock of a flow-through basis at a price of $6.11 ($6.17 CDN) per share for gross proceeds of $15,886,000 ($16,042,000 CDN).

On December 20, 2007, an over-allotment option granted to the underwriters as part of the agreement under the marketed public offering was exercised. As a result the Company issued an additional 1,650,000 units at a price of $5.00 per unit for gross proceeds of $8,250,000. Each unit is comprised of one share of common stock and one-half of a share of common stock purchase warrant with each whole warrant entitling the holder to purchase one share of common stock of the Company for $6.75 per share until December 5, 2009.

Under the terms of the flow-through shares issued on March 6, 2007, March 9, 2007, May 3, 2007 and December 5, 2007, the Company renounced the tax benefits of the related expenditures to the subscribers effective December 31, 2007. As at April 30, 2008 all amounts have been expended on exploration in Canada. The flow-through shares were issued at a premium to the then market price in recognition of the tax benefits accruing to subscribers. The premium was originally recorded as a current liability and then it was drawn down as a reduction of deferred tax expense as the exploration expenditures were incurred.

On May 23, 2008, the Company issued 12,976,761 shares of common stock at a price of $4.20 per share for gross proceeds of $54,502,397 pursuant to a private placement. The Company paid an aggregate of $1,225,120 in fees to a syndicate of agents under the terms of an agency agreement.

On June 17, 2008, the Company issued 640,000 shares of the Company's common stock as part of the consideration provided for the purchase of the rights of the remaining external partners under the Triple 7 Joint Venture Agreement in the Eagles Nest Prospect (Note 5(d)).

On October 3, 2008, the Company issued 6,008,156 shares of common stock on a flow-through basis at a price of $3.675 CDN ($3.40 US) per share for gross proceeds of $22,079,973 CDN ($20,421,727 US) pursuant to a non-brokered private placement. These proceeds must be used for exploration in Canada and the tax benefits from that exploration will flow through to the subscribers.

On October 3, 2008, the Company issued a further 4,800,000 shares of common stock on a flow-through basis at a price of $3.675 CDN ($3.40 US) per share for gross proceeds of $17,640,000 CDN ($16,315,204 US) pursuant to a private placement. The Company paid an aggregate of $970,200 CDN ($898,369 US) in fees to the agents pursuant to an agency agreement. These proceeds must be used for exploration in Canada and the tax benefits from that exploration will flow through to the subscribers.

Under the terms of the flow-through shares issued on October 3, 2008, the Company renounced the tax benefits of the related expenditures to the subscribers effective December 31, 2008. As at December 31, 2009, all required expenditures under these flow-through shares had been incurred by the Company and there is no further spending obligation.

On May 12, 2009, the Company issued 35,075,000 units at a price of $0.85 per unit for gross proceeds of $29,813,750 pursuant to a marketed public offering. Each unit was comprised of one share of common stock and one-half of a share of common stock purchase warrant with each whole warrant entitling the holder to purchase one share of common stock of the Company for $1.10 per share until May 12, 2011. The Company paid an aggregate of $1.5 million in fees to a syndicate of agents under the terms of the agency agreement and $1.2 million of legal fees and other expenses in relation to the offering. Of these costs, $0.7 million were incurred prior to April 30, 2009.

On December 23, 2009, the Company issued 9,714,300 at $1.05 per share pursuant to a private placement offering for gross proceeds of $10,200,015.

e) Weighted average shares

Weighted average shares disclosed on the income statement include shares of common stock as well as OQI Sask Exchangeable shares.

12. STOCK OPTIONS

Stock based compensation generally takes the form of equity classified stock options granted to employees and non-employees. Options are granted under the Company's 2006 Stock Option Plan and vest over various terms – generally 18 months to three years. One set of option grants included a performance condition based upon achieving a defined bitumen in place barrel count. Another set of option grants included both a market condition based upon total shareholder return over a three year period and performance conditions based upon achieving a combination of defining a reservoir recovery configuration and achieving a defined bitumen in place barrel count. The fair value of the options containing the performance and market conditions were estimated at the date of grant and amortization of these amounts commences when satisfaction of the performance conditions becomes probable.

The following summarizes our stock option activity under the Company's 2006 Stock Plan (SOP 2006) for the three years ended April 30, 2010:

	Options	Weighted-Average Exercise Price	Weighted-Average Grant-Date Fair Value	Aggregate Intrinsic Value
Outstanding at April 30, 2007	10,125,000	5.33		
Granted	5,077,000	4.19	3.69	
Exercised	(1,456,250)	2.62		S 3,027,625
Forfeited	(718,750)	4.84	3.72	
Outstanding at April 30, 2008	13,027,000	5.22		
Granted	13,631,000	3.00	1.57	
Exercised	(35,000)	4.72		S 53,100
Forfeited	(2,040,038)	4.63	3.19	
Outstanding at April 30, 2009	24,582,962	S 4.14	S 2.95	
Granted	7,037,000	0.98	0.43	
Exercised	(964,769)	0.81	0.73	S 359,405
Forfeited	(6,921,633)	3.58	2.23	
Outstanding at April 30, 2010	23,733,560	S 3.25	S 2.49	
Exercisable at April 30, 2010	16,333,562	S 3.97	S 3.17	S 329,213

The weighted-average remaining contractual term of vested and exercisable options at April 30, 2010, was 1.25 years.

In addition to the above, OQI Sask has 1,319,167 outstanding options which may be exercised and exchanged into OQI Sask Exchangeable Shares whereby up to an additional 10,856,744 OQI common shares may be issued (note 10).

During the year ended April 30, 2010, 7,037,000 options were granted and were accounted for using either the Black-Scholes option-pricing model or the trinomial option-pricing model for the option grant subject to a market condition. The trinomial option-pricing model takes into account the same input assumptions as the Black-Scholes model; however, it also further incorporates into the fair-value determination, the possibility that the market condition may not be satisfied and the impact of the possible differing stock price paths. The following weighted average assumptions were used to determine the fair value of the options granted during the year ended April 30, 2010:

	Years Ended April 30, 2010	2009	2008
Expected life (years)	5.6	7.2	5
Risk free interest rate	2.71	3.40	4.41
Expected volatility	100	84	124
Dividend yield	-	-	-
Grant date fair value	S 0.43	S 1.93	S 3.69

As at April 30, 2010, the Company had unamortized stock-based compensation costs of S1,732,385 which will be recorded in future periods as options vest. The cost is expected to be recognized over a weighted-average period of 10 months. The intrinsic value of options exercised during the years ended April 30, 2010, 2009 and 2008 was S359,405, S53,100 and S3,027,625 respectively. As at April 30, 2010, there were 7,049,228 unvested options with a weighted average grant date fair value of S0.90 (2009 – 13,795,500 and S2.46). The weighted average grant date fair value of options that vested and expired during the year was S2.04 and 1.73 respectively

13. WARRANTS

A summary of OQI's share purchase warrant activity for the three years ended April 30, 2010:

	Number of warrants	Weighted Average Exercise Price
Balance, April 30, 2007	8,856,067	$ 1.98
Issued during the year	6,325,000	$ 6.75
Exercised	(8,856,067)	$ 1.98
Balance, April 30, 2008 and 2009	6,325,000	$ 6.75
Issued during the year	17,537,500	$ 1.10
Expired	(6,325,000)	$ 6.75
Balance, April 30, 2010	17,537,500	$ 1.10

14. FAIR VALUE MEASUREMENTS

Certain of the Company's assets and liabilities are reported at fair value in the accompanying balance sheet. The following tables provide fair value measurement information for such assets and liabilities as of April 30, 2010 and 2009.

As of April 30, 2010 (in thousands)

	Carrying Amount	Total Fair Value	Fair Value Measures Using: Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets (Liabilities):					
Securities Held for Sale	$ 65	$ 65	$ 65	$ -	$ -
Asset Retirement Obligation	$ 17,485	$ 17,485	$ -	$ -	$ 17,485

As of April 30, 2009 (in thousands)

	Carrying Amount	Total Fair Value	Fair Value Measures Using: Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Securities Held for Sale	$ 60	$ 60	$ 60	$ -	$ -
Short-term investment	$ 25,209	$ 25,209	$ 25,209	$ -	$ -

15. RELATED PARTY TRANSACTIONS

The son of a director of the Company is a 50% shareholder of a company that facilitates local on-site kitchen labour and catering functions to the Company for field operations. For the year ended April 30, 2010, $1,741,838 (2009 – $1,638,305) has been included in exploration expense. These transactions are in the normal course of operations. As at April 30, 2010, nil (April 30, 2009 - $52,010) was payable to the above mentioned company.

The step-mother of a former executive (resigned December 2008) of the Company is the sole shareholder of a company that facilitates local on-site labour and equipment rentals to the Company for field operations. For the year ended April 30, 2010, $559 (2009 - $2,247,385) has been included in exploration expense. These transactions are in the normal course of operations. As at April 30, 2010, nil (April 30, 2009 – $220,273) was payable to the above mentioned company. The contract with this company was terminated on March 13, 2009.

The brother of a director of the Company is a 50% shareholder of a company that provides geophysical and geological analysis to the Company. For the year ended April 30, 2010, $194,430 (2009 - $161,361) has been included in exploration expense. These transactions are in the normal course of operations. As at April 30, 2010, nil (April 30, 2009 – nil) was payable to the above mentioned company.

16. CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

On February 24, 2010, a derivative action entitled Make a Difference Foundation Inc. v. Hopkins, et al., Case No. 10-CV-00408, was filed in United States District Court for the District of Colorado by plaintiff Make a Difference Foundation, Inc. The derivative action names the following individual defendants: Christopher H. Hopkins, T. Murray Wilson, Ronald Blakely, Paul Ching, Brian MacNeill, Ronald Phillips, John Read, Gordon Tallman, Pamela Wallin, Thomas Milne and W. Scott Thompson. In addition, the Company is named as a nominal defendant. Plaintiff asserts, among other things, claims for waste and breaches of the fiduciary duty of loyalty and good faith by the defendants stemming from the Company's approval of the proposed sale of the Company's Pasquia Hills assets to Canshale Corp. The plaintiff seeks unspecified damages, restitution, and reasonable costs and expenses including counsel fees and experts' fees. A response to the Complaint is currently due on March 16, 2010. The Company believes the claims are wholly without merit and intends to file a motion to dismiss the Complaint.

COMMITMENTS

The following table sets out OQI's expected future payment commitments as at April 30, 2010 and the estimated timing of such payments relating to corporate office and operations facility leases:

	As at April 30, 2010 (in thousands)	
Year 1	$	1,951
Year 2		1,087
Year 3		994
Year 4		991
Year 5		688
>5 years		952
	$	6,663

The Company is subject to annual lease rentals, minimum exploration expenditures and work commitments related to its exploration permits, licenses and lease assets. These required expenditures have not been included in the above schedule. For details of these required expenditures refer to note 5.

17. SUBSEQUENT EVENTS

a) On May 10, 2010, the Company issued 10.5 million flow-through shares at $1.00 CDN ($0.995 USD) and 9.2 million common shares at $0.85 per share for gross proceeds of $18.6 million pursuant to a non-brokered private placement.

b) Subsequent to April 30, 2010, 4,411,000 options were issued with a weighted average exercise price of $ 0.81 per option. Included in these grants were 3,050,000 options that were comprised of a market condition based upon total shareholder return over a three year period and performance conditions based upon achieving a combination of defining a reservoir recover configuration and achieving a defined bitumen in place barrel count.

c) On May 31, 2010, the Company relinquished two of its northernmost land permits (PS00213 and PS00215) as it focuses its development opportunities to include those lands that recent exploration activity has demonstrated to be prospective. Relinquishing these permits will not impact the Company's resource estimates or development plans.

d) With respect to the purchase and sale agreement made with Canshale Corp., the Company agreed on July 6, 2010 to an extension of the transaction to July 30, 2010 for consideration of an incentive of an additional 2,000,000 common shares of Canshale Corp.

SUPPLEMENTARY QUARTERLY INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2010					
Net loss from continuing operations	$ 4,595	$ 12,679	$ 19,357	$ 22,090	$ 58,721
Net loss from discontinued operations	202	530	4,379	649	5,760
Net loss	$ 4,797	$ 13,209	$ 23,736	$ 22,739	$ 64,481
Net loss from continuing operations per share – basic and diluted	$ 0.02	$ 0.04	$ 0.06	$ 0.07	$ 0.19
Net loss from discontinued operations per share – basic and diluted	-	-	0.02	-	0.02
Net loss attributable to common stockholders per share - basic and diluted	$ 0.02	$ 0.04	$ 0.08	$ 0.07	$ 0.21
2009					
Net loss from continuing operations	$ 14,251	$ 42,359	$ 19,193	$ 12,496	$ 88,299
Loss from discontinued operations	73	514	103	145	835
Net loss	$ 14,324	$ 42,873	$ 19,296	$ 12,641	$ 89,134
Net loss from continuing operations per share – basic and diluted	$ 0.06	$ 0.17	$ 0.07	$ 0.04	$ 0.34
Net loss from discontinued operations per share – basic and diluted	-	-	-	-	-
Net loss per share attributable to common stockholders - basic and diluted	$ 0.06	$ 0.17	$ 0.07	$ 0.04	$ 0.34

OILSANDS QUEST INC.
(A Development Stage Company)
Notes to Consolidated Financial Statements

SUPPLEMENTAL INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCING ACTIVITIES (UNAUDITED)

The following supplemental unaudited information regarding the Company's oil and gas activities is presented in accordance with SASC 932-235, *"Extractive Activities – Oil and Gas – Notes to financial statements"*. The Company currently has no proved reserves. All of the Company's exploration and producing activities are carried out in Canada.

Unless otherwise noted, this supplemental information excludes amounts for all periods presented related to the Company's discontinued operations.

Capitalized Costs Related to Oil and Gas Activities

	Total At April 30, 2010 (in thousands)	Total At April 30, 2009 (in thousands)
Unproved oil and gas properties	$ 448,780	$ 389,978
Proved oil and gas		
	448,780	389,978
Accumulated depreciation, depletion, and amortization and valuation allowances		
Net capitalized costs	$ 448,780	$ 389,978

Costs Incurred in Oil and Gas Activities

	Total Year Ended April 30, 2010 (in thousands)	2009 (in thousands)	2008 (in thousands)
Property acquisition costs			
Proved properties	$ -	$ -	$ -
Unproved properties	140	5,867	15,999
Exploration costs	48,682	70,843	96,362
Development costs	-	-	-
Costs incurred	$ 48,822	$ 76,710	$ 112,361

NYSE Regulation

THIS IS EXHIBIT "C"
referred to in the Affidavit of
Garth Wong
Sworn before me this
Day of November A.D. 2011
A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA
HOWARD A. GORMAN
BARRISTER & SOLICITOR

Janice O'Neill
Senior Vice President
Corporate Compliance

11 Wall Street
New York, NY 10005
T +1 212 656 2407
F +1 212 656 5780
joneill@nyx.com

Via E-mail and Federal Express

September 12, 2011

Mr. Garth Wong
President and Chief Executive Officer
Oilsands Quest, Inc
800, 326 – 11th Avenue SW
Calgary, Alberta, Canada T2R 0C5

Dear Mr. Wong:

NYSE Amex LLC ("NYSE Amex" or the "Exchange"), as a self-regulatory organization, has the responsibility to provide a fair and orderly marketplace to issuers and to the investing public. Included in these responsibilities is the obligation to take appropriate steps to ensure that companies listed on the NYSE Amex market comply with applicable continued listing standards. Investors in companies listed on the Exchange have a reasonable expectation that those companies comply with such listing standards or, at a minimum, have a plan in place to return to compliance within a specified time.

A review of Oilsands Quest, Inc.'s (the "Company") Form 10-K for the fiscal year ended April 30, 2011 indicates that the Company is not in compliance with certain of the Exchange's continued listing standards as set forth in Part 10 of the Exchange's Company Guide (the "Company Guide"),[1] and has therefore become subject to the procedures and requirements of Section 1009 of the Company Guide.

Specifically, the Company is not in compliance with Section 1003(a)(iv) of the Company Guide in that it has sustained losses which are so substantial in relation to its overall operations or its existing financial resources, or its financial condition has become so impaired that it appears questionable, in the opinion of the Exchange, as to whether the Company will be able to continue operations and/or meet its obligations as they mature.

Our determination that the Company's financial condition has become impaired is based in part on the information you provided in our conversation on September 8, 2011, the fact that the current rights offering was unsuccessful in raising significant capital, the Company's draft Form 10-Q for the period ended July 31, 2011, in which the Company states that it will not be able to fund its activities past October 2011 with its cash and cash equivalents as of July 31, 2011, and the Company's history of significant operating losses.

[1] The Company Guide may be accessed at www.nyse.com/regulation.

Mr. Garth Wong
September 12, 2011
Page 2

In order to maintain its Exchange listing, the Company must submit a plan to the Exchange by October 12, 2011 addressing how it intends to regain compliance with Section 1003(a)(iv) by January 12, 2012 (the "Plan"). The Plan should include specific milestones, quarterly financial projections, and details related to any strategic initiatives the Company plans to complete.[2] The Corporate Compliance Department management will evaluate the Plan, including any supporting documentation, and make a determination as to whether the Company has made a reasonable demonstration of an ability to regain compliance with the continued listing standards within the specified timeframe, in which case the Plan will be accepted. If the Plan is accepted, the Company may be able to continue its listing during the plan period, during which time it will be subject to periodic reviews to determine whether it is making progress consistent with the Plan.[3]

Please be advised that, if the Company does not submit a Plan, or if the Plan is not accepted, it will be subject to delisting proceedings. Furthermore, if the Plan is accepted but the Company is not in compliance with the continued listing standards of the Company Guide within the appropriate time periods, or if the Company does not make progress consistent with the Plan during the Plan Period, the Exchange Staff will initiate delisting proceedings as appropriate. The Company may appeal a Staff determination to initiate delisting proceedings in accordance with Section 1010 and Part 12 of the Company Guide.

As a result of the foregoing, the Company has become subject to the procedures and requirements of Section 1009 of the Company Guide. Accordingly, the Company must contact Mary Ellen Marricco (212) 656-4089 by September 19, 2011, to confirm receipt of this letter, discuss any new developments of which the Exchange staff may be unaware, and indicate whether or not it intends to submit a plan of compliance as discussed below.

This letter constitutes notice of a failure to satisfy certain of the Exchange's continued listing standards. The Company is therefore required to file a current report on Form 8-K pursuant to Item 3.01 of that Form within the requisite time periods. The Company must also issue a press release, pursuant to Section 402 of

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[2] For your convenience, a suggested format for plan responses is attached. Please note that the information outlined in the suggested format is for information purposes only and is not intended to provide specific plan requirements. However, your plan must demonstrate an ongoing continuous effort to regain compliance through specific goals and initiatives, which can reasonably be expected to be completed within the plan period.

[3] Please be advised that if the Exchange accepts the Company's plan of compliance, the Company must issue a press release disclosing the fact that is has fallen below the continued listing standards of the Exchange and that its listing is being continued pursuant to an extension. The press release must be issued within five (5) business days from notification that the plan has been accepted.

[4] While the Exchange does not endorse any particular format or provide a sample press release related to this disclosure, you may wish to consider language that discloses that: on (DATE) the Company received notice from the Exchange Staff indicating that the Company is below certain of the Exchange's continued listing standards due to__________ as set forth in Section(s) __________ of the Company Guide. The Company was afforded the opportunity to submit a plan of compliance to the Exchange by (DATE) that demonstrates the Company's ability to regain compliance with Section(s)___________ of the Company Guide by _________. If the Company does not submit a plan or if the plan is not accepted by the Exchange, the Company will be subject to delisting procedures as set forth in Section 1010 and part 12 of the Company Guide. This notice should be e-mailed to the Market Watch Department at NYXalert@nyx.com and Mary Ellen Marricco at mmarricco@nyx.com

the Company Guide, disclosing the receipt of this letter and the fact that it is not in compliance with the specified provisions of the Exchange's continued listing standards.[4] Please note, however, that satisfying these disclosure requirements does not relieve the Company of its obligation to assess the materiality of this letter on an ongoing basis under the federal securities laws nor does it provide a safe harbor under the federal securities laws or otherwise. Accordingly, the Company should consult with securities counsel regarding disclosure and other obligations mandated by law.

As an additional consequence of falling below continued listing standards, please be advised that within five days of the date of this letter, the Company will be included in a list of issuers that are not in compliance with the Exchange's continued listing standards. This list is posted daily on www.nyse.com/regulation and includes the specific listing standard(s) with which a company does not comply. Furthermore, the Exchange is utilizing the financial status indicator fields in the ConsolidatTape Association's Consolidated Tape System ("CTS") and Consolidated Quote Systems ("CQS") High Speed Tapes to identity companies that are noncompliant with the Exchange's continued listing standards and/or are delinquent with respect to a required federal securities law periodic filing. Therefore, the Company will become subject to the indicator .BC to denote its noncompliance.[5] The indicator will not change the Company's trading symbol itself, but will be disseminated as an extension of the Company's symbol on the CTS and CQS whenever the Company's trading symbol is transmitted with a quotation or trade. Both the website posting and indicator will remain in effect until such time as the Company has regained compliance with all applicable continued listng standards.

This letter and any response may constitute non-public information in accordance with federal securities laws, and you may wish to consult with your legal counsel about the Company's obligations in this regard. The only designated representatives at the Exchange with which this matter should be discussed are staff members of the Corporate Compliance and StockWatch Departments. Further, as I am sure you are aware, pursuant to Section 910 of the Company Guide, Specialists must be treated as members of the public, and accordingly, no non-public information should be discussed with or otherwise disclosed to the Company's specialist

The Exchange remains hopeful that the Company will be able to maintain its listing. If you are in need of any assistance in this matter, please do not hesitate to contact Mary Ellen Marricco at (212) 656-4089.

Sincerely,

Janice O'Neill/Cfm

[5] Please note that companies that become delinquent with respect to a required federal securities law periodic filing will become subject to the website posting and indicator .LF.

Suggested Format for Plan Responses
(For Informational Purposes Only)

1. Corporate Background Information
2. Facts and circumstances that led to the Company falling out of compliance with the continued listing standards
3. Current condition of the Company
4. A strategic outline including goals an initiatives which the Company has a reasonable expectation of completing. Such goals and initiatives should be summarized by quarter, and should demonstrate the manner in which the Company anticipates returning to compliance with the standards. The Plan could include one or more of the following:
   - (i) New equity raising activities
   - (ii) Debt/capitalization restructuring
   - (iii) Merger/acquisition/disposition activity
   - (iv) Pre-tax, net income, EBITDA, etc goals
   - (v) Gross margin and/or operating
   - (vi) Quarterly income statement, cash flow and balance sheet projections assuming successful completion of the Company's intended goals and initiatives
5. Should certain critical accomplishments not be met in any one quarter, the Company may be subject to suspension and delisting. With that in mind, the plan could also include strategic alternatives or contingencies assuming that a critical goal was not met.
6. The Plan could also include documentation evidencing the feasibility of the Plan being completed. This documentation may include:
   - (i) Board of Director resolutions authorizing management to commence, move forward or complete a given action
   - (ii) Correspondence from the Company's investment advisors/bankers/potential investors/accountants/attorney's regarding a planned capital raising activities, merger/acquisition/disposition transaction, etc.
   - (iii) Pending SEC filings such as S-4's, Proxy vote, etc.

THIS IS EXHIBIT "D"
referred to in the Affidavit of
Garth Wong
Sworn before me this
day of November A.D. 20 11

A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

HOWARD A. GORMAN
BARRISTER & SOLICITOR

Oilsands Quest Inc.
Consolidated Cash flow Forecast
$C (000's)

	Notes	Nov. 29/11 - Dec. 31/11
	1	
RECEIPTS	2	
GST collected	3	$ 130,327
Total receipts		**130,327**
DISBURSEMENTS		
Corporate recurring G&A	4	56,687
Corporate payroll and benefits	5	144,257
Insurance	6	10,000
Operating Expenses	7	357,829
Land tenure		-
Litigation		-
Strategic alternatives process		-
CCAA professional fees	8	200,000
Total disbursements (before interest payments)		**$ 768,772**
Net financing payment		-
Foreign exchange gains / (losses)	1	-
NET CASH FLOWS		**$ (638,445)**
OPENING CASH		$ 3,269,664
NET CHANGE IN CASH FLOWS		(638,445)
ENDING CASH		$ 2,631,219

Notes and Assumptions

1 US$ converted to $C at 1:1
2 Oilsands Quest has no operating revenues
3 GST collections based on prior three months' expenditures
4 Corporate recurring G&A is based on recent historical actual results
5 Payroll - based on average pay period balance. Excluded in forecast is the 2011 employee retention program as this amount has been funded in trust with Company counsel
6 Monthly insurance expense
7 Operating expenses are based on historical results as well as costs related to the camp usage agreement with Cenovus. Costs incurred in December will be offset by a $150,000 advance to be received from Cenovus with the balance to be received in Jan. 2012
8 Estimated CCAA professional fees

Garth Wong, CA
Chief Executive Officer

Date

OILSANDS QUEST INC.
Phone 403 263 1623 | 800, 326 – 11th Avenue SW
Fax 403 263 2812 | Calgary, Alberta, Canada T2R 0C5 | www.oilsandsquest.com

January 27th, 2011

[redacted]
Calgary, Alberta
[redacted]

THIS IS EXHIBIT "E"
referred to in the Affidavit of
Garth Wong
Sworn before me this
Day of November A.D. 2011
A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

HOWARD A. GORMAN
BARRISTER & SOLICITOR

Dear [redacted]

Re: December 2011 Retention Program

As announced on August 17, 2010, Oilsands Quest Inc. ("OQI") entered into a strategic alternatives process. As such, OQI understands this presents a lot of uncertainty for you and your future with the Company. We also understand the competitiveness within the Calgary marketplace for strong oil and gas skill sets.

To encourage you to stay with OQI and remove some uncertainty surrounding your personal circumstances in this situation, as well as to help you focus on effectively accomplishing OQI's goals and objectives during the strategic process, OQI has approved a retention bonus for select employees. This letter outlines the specifics of that program as it applies to you.

During this period you will continue to receive your regular salary and benefits. As well, provided that you continue to work for OQI until the earlier of the successful completion of a strategic process, including as appropriate a transition period, or until December 31, 2011 (the "Target Date") and agree to the terms of payment as outlined below, OQI shall pay to you a bonus of $[redacted], less statutory deductions (the "Retention Bonus"). This amount will be paid within one month of the Target Date.

The terms of payment of the Retention Bonus are as follows:

1. This is not an agreement for term employment until the Target Date. If you resign before the Target Date, or are dismissed for cause, you will not be eligible to receive payment of the Retention Bonus.

2. If your employment is terminated without cause following the date of this letter but before the Target Date, then you will be paid a *pro rata* amount of the Retention Bonus based on the passage of time between the date of this letter and the Target Date. You will be paid the full amount of the pro rata Retention Bonus in within one month after the effective date of the termination of your employment.

3. As is the case of all employees, you will continue to be bound by those duties of fidelity and confidentiality and are reminded of the express terms of confidentiality as acknowledged by you at the start of your employment.

4. Finally, as is the case of all matters related to individual compensation, you are not to disclose the fact that you have received a Retention Bonus nor the amount of said bonus. If it is determined that you have disclosed this information to any other party (except your spouse and professional financial advisor if any, and in such case only on a further promise of confidentiality), you may be disciplined up to and including termination for cause, in which case you would forfeit your right to payment of the Retention Bonus.

If you are in agreement with these terms, please sign the duplicate copy of this letter (enclosed) and return it to Leigh Peters no later than February 1, 2011.

We thank you for your continued dedication and effort to OQI and look forward to a mutually rewarding relationship.

Sincerely,

Oilsands Quest Inc.

Garth Wong

Garth Wong
Chief Financial Officer

I accept the terms of agreement as set out above.

[redacted]
Signature

January 31/11
Date

1651451v1

THIS IS EXHIBIT "F"
referred to in the Affidavit of
Garth Wong
Sworn before me this ....
Day of November A.D. 2011

A COMMISSIONER FOR OATHS
IN AND FOR THE PROVINCE OF ALBERTA

HOWARD A. GORMAN
BARRISTER & SOLICITOR

COURT FILE NUMBER		Clerk's Stamp
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
APPLICANTS	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED** **AND IN THE MATTER OF OILSANDS QUEST INC., OILSANDS QUEST SASK INC., TOWNSHIP PETROLEUM CORPORATION, STRIPPER ENERGY SERVICES INC., 1291329 ALBERTA LTD., OILSANDS QUEST TECHNOLOGY INC.**	
DOCUMENT	**CONSENT OF THE MONITOR** **(Initial CCAA Order and Filing of Plan)**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Ernst & Young 1000 - 440, 2nd Ave SW Calgary, Alberta T2P 4H2 Phone: 403-206-5067 Fax: 403-206-5075 Attention: H. Neil Narfason	

Ernst & Young Inc. does hereby consent to being appointed as Monitor for the Applicants, Oilsands Quest Inc., Oilsands Quest Sask Inc., Township Petroleum Corporation, Stripper Energy Services Inc., 1291329 Alberta Ltd., and Oilsands Quest Technology Inc., in these proceedings if so appointed by this Honourable Court.

DATED at the City of Calgary, in the Province of Alberta, this 28th day of November, 2011.

Ernst & Young Inc.

Per: ____________________
H. Neil Narfason
Senior Vice-President

1828298v1