

COURT FILE NUMBER

1101-16110

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., OILSANDS QUEST
TECHNOLOGY INC., 1291329 ALBERTA LIMITED,
STRIPPER ENERGY SERVICES INC., TOWNSHIP
PETROLEUM CORPORATION, WESTERN
PETROCHEMICALS CORP. and 1259882 ALBERTA
LTD.

DOCUMENT

SIXTEENTH REPORT OF THE MONITOR

October 4, 2013

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CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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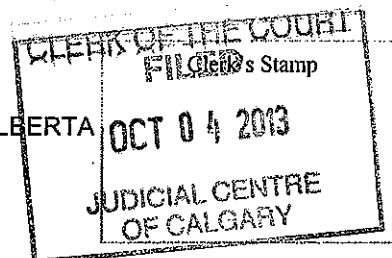


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INTRODUCTION

1. On November 29, 2011, Oilsands Quest Inc. ("OQI"), Oilsands Quest Sask Inc. ("Sask"), Oilsands Quest Technology Inc., 1291329 Alberta Limited ("129"), Stripper Energy Services Inc., and Township Petroleum Corporation ("TPC") (collectively the "Initial Applicants") sought and obtained protection from their creditors under the Companies' Creditors Arrangement Act, R.S.C. 1985 c. C-36, as amended, (the "CCAA") pursuant to an order of this Honourable Court (the "Initial Order").
2. On December 20, 2011 two largely inactive wholly owned subsidiaries of Oilsands Quest Inc., Western Petrochemicals Corp. and 1259882 Alberta Ltd. were added to these CCAA proceedings. These two corporations together with the Initial Applicants above are collectively referred to herein as "Oilsands Quest" or the "Company".
3. Ernst & Young Inc. was appointed monitor of the Company (the "Monitor").
4. The purpose of this sixteenth report (the "Sixteenth Report") of the Monitor is to provide the Honourable Court with the Monitor's comments in respect of the following:
 - a) An application for an order declaring that any and all claims of any nature whatsoever by shareholders of OQI who have requested exclusion (the "Excluded Shareholders") from the settlement approved by Order Approving Class Action Settlement dated August 2, 2013 by the United States District Court, Southern District of New York (the "New York Court") in the class action by Marshall W. Collins et al against OQI et al under Case No. 11 CV 1288 (JSR) (the "New York Action") are forever compromised or discharged or barred or released pursuant to the Claims Procedure Order dated June 29, 2012, the Claims Bar Date Extension Order dated July 18, 2012, the Subsequent Claims Procedure Order dated November 29, 2012, the Sanction Order dated February 25, 2013, the Plan and the Limitations Act, c. L-12, R.S.A. 2000 (the "Excluded Shareholder Application"); and

b) The Monitor's recommendation.

5. Capitalized terms not defined in this Sixteenth Report are as defined in the Initial Order, the Plan and the Creditors' Meeting Order.
6. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

7. Further background for the Company and its operations, together with other information regarding these CCAA proceedings, have been posted by the Monitor on its website at: www.ey.com/ca/oilsandsquest.

TERMS OF REFERENCE

8. In preparing this Sixteenth Report, the Monitor has relied upon unaudited financial information, company records and discussions with former management of the Company. The Monitor has not performed an audit, review or other verification of such information.

EXCLUDED SHAREHOLDER APPLICATION

9. The OQI Plan was implemented on May 3, 2013.
10. Payments to Affected Creditors with Proven Claims totalling \$4,681,537.28 have been made by the Monitor. The Monitor estimates that after the remaining Disputed Claims have been resolved, there will be approximately \$9,400,000 available for distribution to the OQI Shareholders.
11. There are presently 17 Disputed Claims which have not yet been resolved by the Monitor. All of the Disputed Claims are indemnity claims by ex-directors and ex-officers of OQI.
12. The New York Action is a securities class action proceeding that was commenced in the New York Court on February 24, 2011, alleging claims of securities fraud under the United States Securities Exchange Act against OQI and certain former directors, officers, and consultants thereof. The New York Action was temporarily stayed in

connection with the commencement of the Chapter 15 Proceedings, which stay was lifted with respect to all defendants other than OQI by order of the New York Court on October 23, 2012. The parties to the New York Action negotiated a settlement shortly thereafter, and the lead plaintiffs in the New York Action filed (i) a Motion for Preliminary Approval of Class Action Settlement on March 4, 2013, and (ii) a Motion For: (1) Final Approval of Settlement and Plan of Distribution of Net Settlement Fund; and (2) Award Of Attorneys' Fees And Reimbursement Of Litigation Expenses on May 24, 2013. On June 7, 2013, the lead plaintiffs' noticing agent filed a declaration stating that it had received twenty-three (23) requests for exclusion that confirmed with the requirements for a valid exclusion. Two (2) more requests became conforming subsequent to the declaration, resulting in 25 total conforming requests for exclusion. A list of such Excluded Shareholders attached hereto as **Appendix A**. The New York Court entered an order approving the settlement of the New York Action on August 2, 2013.

13. The remaining indemnity claims by ex-directors and ex-officers of OQI are contingent claims by the ex-directors and ex-officers against potential claims by the Excluded Shareholders in the New York Action. Until these indemnity claims have been finally dealt with, the Monitor is unable to make distributions under the Plan to the OQI Shareholders. These indemnity claims cannot be finalized as long as the possibility of claims by the Excluded Shareholders still exists.
14. The Monitor is of the view that the Excluded Shareholders are barred from making claims of any nature whatsoever because any and all claims by the Excluded Shareholders have forever been compromised, or discharged, or barred, or released pursuant to the Claims Procedure Order, the Extension of Claims Bar Date Order, the Subsequent Claims Procedure Order, the Sanction Order, the Plan, the Limitations Act, the orders taken in the Chapter 15 proceedings in the New York Court, and the applicable limitations statutes in the United States of America.
15. None of the Excluded Shareholders have indicated any intention to pursue claims against OQI, and this application will be served on them.

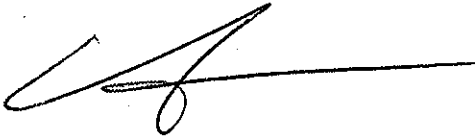
16. Finality regarding the possibility of claims by the Excluded Shareholders is in the interest of the OQI Shareholders as it will allow for a final distribution by the Monitor. The possibility of claims by the Excluded Shareholders is the only obstacle in the way of such distribution. Upon such distribution being made, these proceedings pursuant to the CCAA can be terminated.

MONITOR'S RECOMMENDATION

17. The Monitor recommends that this Honourable Court approve the Excluded Shareholder Application.

Dated at Calgary, this 4th day of October, 2013.

ERNST & YOUNG INC.
in its capacity as
Monitor of Oilsands Quest

A handwritten signature in black ink, appearing to be 'Narfason', with a long horizontal line extending to the right.

Neil Narfason, CA•CIRP, CBV
Senior Vice-President

APPENDIX A

APPENDIX A

Excluded Shareholder Name

ADAM WAYNE
CHRISTABELL DOOKHIE
CORE ENTERPRISES LTD
DALE E FINLEY
DAVID J KEENE
EUSEBIA KWONG & GUY KUNE KWONG
FEMALE FINANCIERS INVESTMENT CLUB
GISLENE H DALLAIRE
GORDON JAMES AIKMAN
LEONARD ZIOLA
MARIA AND GEORGE ZALASKY
MICHAEL J & REVA J. MASON
NORMAN FIX
OLGA EIDT
PAUL QUAM
PENNY FUNG & WINSON W CHAN
PHILIP & IRENE NG
QUOC-HOA TRAN
ROBERT A. ADAM
RYAN A LANGEMAN
SHAN-HAU CHANG
VERA AND GORDON WATLING
WALID SAOUMAA
WANDA ZIOLA
YVETTE CHIN