COURT FILE NUMBER	1101-16110	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., OILSANDS QUEST TECHNOLOGY INC., 1291329 ALBERTA LIMITED, STRIPPER ENERGY SERVICES INC., TOWNSHIP PETROLEUM CORPORATION, WESTERN PETROCHEMICALS CORP. and 1259882 ALBERTA LTD.	
DOCUMENT	**SEVENTEENTH REPORT OF THE MONITOR** **February 13, 2013**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** 1000, 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attention: Neil Narfason Telephone: 403-206-5067 Fax: 403-206-5075 Email: Neil.Narfason@ca.ey.com **COUNSEL** Borden Ladner Gervais LLP Centennial Place, East Tower 1900, 520 – 3rd Avenue SW Calgary, Alberta T2P 0R3 Attention: Josef G. A. Krüger, Q.C. Phone: 403-232-9500 Fax: 403-266-1395 Email: jkruger@blg.com	

TABLE OF CONTENTS OF THE SEVENTEENTH REPORT

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") by this Honourable Court.

4. The purpose of this seventeenth report (the "Seventeenth Report") of the Monitor is to provide this Honourable Court with the Monitor's comments in respect of the following:

    a) An application for an order authorizing and directing the Monitor to distribute the remaining balance of the OQI Fund pursuant to Section 7.5 of the Plan of Compromise and Arrangement of OQI dated January 22, 2013 (the "Plan") to OQI's Trust Company for distribution to the OQI Shareholders; and

    b) The Monitor's recommendation.

5. Capitalized terms not defined in this Seventeenth Report are as defined in the Initial Order, the Plan and the Creditors' Meeting Order granted January 30, 2013 (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 Seventeenth 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.

RESOLUTION OF DISPUTED CLAIMS

9. On October 21, 2013, this Honourable Court ordered that shareholders who requested exclusion 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 in the class action by Marshall W. Collin et. al. against OQI et al under Case No. 11 CV 1288 (JSR) (the "NY Action") were declared to be forever compromised or discharged or barred or released (the "Excluded Shareholders Order").

10. The Excluded Shareholders Order was not appealed and the appeal period has expired.

11. On December 26, 2013, the presiding judge in the NY Action, Judge Rakoff, granted recognition of the Excluded Shareholders Order (the "NY Order"). The NY Order was not appealed and the appeal period has expired.

12. An application related to Disputed Claims of former directors and officers of OQI has been discontinued.

13. As a result of the foregoing, there remains one outstanding issue with an Affected Claim, which is discussed below.

FINAL DISTRIBUTION APPLICATION AND OUTSTANDING ISSUE WITH AFFECTED CLAIM

14. The OQI Plan was sanctioned by this Court on February 25, 2013 and the Plan was implemented on May 3, 2013.

15. The Monitor has complied with all the requirements under the Claims Procedure Order and Subsequent Claims Procedure Order.

16. Payments to Affected Creditors with Proven Claims totalling $4,681,537.28 have been made by the Monitor.

17. As discussed above, all Disputed Claims have been resolved.

18. There remains one outstanding issue with an Affected Claim, Court of Queen's Bench of Alberta Action No. 1303-02116 filed February 8, 2103, as against, *inter alia*, OQI and Sask (the "1303-02116 Action") which was filed after the Order setting the OQI Creditors' Meeting and after the Claims Bar Dates in the Claims Procedure Order and Subsequent Claims Procedure Order (the "Claims Bar Dates"). The Monitor is seeking an application to partially dismiss or strike the 1303-02116 Action, only as against OQI and Sask, based on the fact the 1303-02116 Action is an Affected Claim under the Plan and is beyond the Claims Bar Dates effectively making the 1303-02116 Action forever barred and discharged as against OQI and Sask.

19. Furthermore, as it relates to OQI and Sask, the 1303-02116 Action is a collateral attack on the Claims Procedure Order, Subsequent Claims Procedure Order and the Sanction Order.

20. As a result, the Monitor believes there is no merit to the claims alleged in the 1303-02116 Action as against OQI and Sask.

21. The Monitor estimates that, in the event the Court partially dismisses or strikes the 1303-02116 Action as against OQI and Sask, there will be approximately $9,400,000 available for final distribution to the OQI Shareholders (the "Final Distribution"), less professional fees of the Monitor and its counsel. Accordingly, the Monitor has made

an application for an order authorizing the Monitor to make the Final Distribution pursuant to Sections 7.5 and 8.3 of the Plan.

MONITOR'S RECOMMENDATIONS

22. The Monitor recommends that this Honourable Court:

    a) partially dismiss or strike the 1303-02116 Action in respect of OQI and Sask; and

    b) authorize the Monitor to make the Final Distribution.

Dated at Calgary, this 13th day of February, 2014.

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

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