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CALGARY, ALBERTA

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	**NINETEENTH REPORT OF THE MONITOR** **JUNE 17, 2014**
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: 403-232-9563 Fax: 403-266-1395 Email: jkruger@blg.com

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INTRODUCTION

1. On November 29, 2011, Oilsands Quest Inc. ("OQI"), Oilsands Quest Sask Inc., Oilsands Quest Technology Inc., 1291329 Alberta Limited, Stripper Energy Services Inc., and Township Petroleum Corporation (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 OQI Western Petrochemicals Corp. and 1259882 Alberta Ltd. were added to these CCAA proceedings (the "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. A Plan of Arrangement and Compromise of OQI dated January 22, 2013 (the "OQI Plan") was sanctioned by this Honorable Court on February 25, 2013 and the OQI Plan was implemented on May 3, 2013 (the "Plan Implementation Date").

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

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

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

    a) The issues which have arisen with respect to distributions to certain of the OQI Shareholders;

    b) The proposed distribution plan to those OQI Shareholders;

    c) The Monitor's analysis of the proposed distribution plan; and

    d) The Monitor's recommendation.

8. Capitalized terms not defined in this Nineteenth Report are as defined in the Initial Order, the OQI Plan and the Creditors' Meeting Order granted January 30, 2013.

9. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

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

TERMS OF REFERENCE

11. In preparing this Nineteenth Report, the Monitor has relied upon unaudited financial information and Company records. The Monitor has not performed an audit, review or other verification of such information.

ISSUES WITH THE DISTRIBUTION TO OQI SHAREHOLDERS

12. Section 7.5 of the OQI Plan reads as follows:

Upon final resolution and payment of all Disputed Claims, the Monitor will cause the net balance standing to the creditor of the OQI Fund, if any, to be paid to the Trust Company for distribution to the OQI Shareholders pro rata to their shareholding as of the Plan Implementation Date. An OQI Shareholder may transfer or assign all of its common shares, but the Monitor and the Trust Company shall not be obligated to make payment to any such transferee or assignee unless and until actual notice of the transfer or assignment, together with satisfactory evidence of such transfer or assignment, has been received by OQI, the Monitor and the Trust Company by 5:00 p.m. on the day that is at least 10 Business Days immediately prior to the date on which such payment is made. Thereafter, such transferee or assignee shall, for all purposes in accordance with this Plan constitute an OQI Shareholder and shall be bound by notices given and steps in respect of the QOI Shares.

13. On May 28, 2014, the Monitor caused $8,796,592.30 to be paid to the Trust Company for distribution to the OQI Shareholders and caused $477,443.26 to be paid to Norton Rose Fulbright Canada LLP (as agent of the Monitor) for distribution to registered holders of a class of exchangeable preferred shares issued by an Alberta subsidiary of OQI and exchangeable by

the holders on a one-for-one basis for shares of OQI common stock (the "Exchangeable Shares"), in accordance with Section 7.5 of the Plan.

14. The Trust Company informed the Monitor that the US Depository Trust Company ("DTC") is the registered shareholder of approximately 340 million OQI Shares representing approximately 93% of the OQI Shares.

15. The Trust Company caused payment to be made, on a pro-rata basis in accordance with the OQI Plan, to registered OQI Shareholders other than DTC in early June, 2014. The registered OQI Shareholders other than DTC hold 8,803,290 OQI Shares for a total distribution of $222,079.73. DTC's pro-rata share of the distribution which continues to be held by the Trust Company is $8,574,512.57. Norton Rose Fulbright Canada LLP caused payment to be made, on a pro-rata basis in accordance with the OQI Plan to registered holders of the Exchangeable Shares in mid-June, 2014.

16. The Monitor has become aware that since the Plan Implementation Date, over 120 million of the OQI Shares held by DTC, which represent approximately one third of the total OQI Shares, have traded over the counter in the United States.

17. Because DTC is the registered holder of these shares in the Trust Company's records, the Monitor, OQI and the Trust Company have no insight into such trading, and in the ordinary course, such trading does not change the identity of the registered holder.

18. The Monitor understands that the normal settlement process for uncertificated securities such as the OQI Shares for which the DTC is the registered holder (the "Uncertificated Shareholders"), would have the following distribution flow:

a) from the Trust Company to DTC;

b) from DTC to DTC participants;

c) from DTC participants to brokers; and

d) from brokers to Uncertificated Shareholders (as defined above), all based on the records of each entity in the chain.

19. When the OQI Plan was approved and sanctioned by the Court, it was impossible to fix a date for payment to the OQI Shareholders because the Monitor first needed to resolve all the Disputed Claims before being able to make the distribution to OQI Shareholders. The date when such Disputed Claims would be finally resolved was unknown at the time when the Plan Sanction Order was granted.

20. The Monitor has been advised that implementation of Section 7.5 of the Plan for the Uncertificated Shareholders can most effectively be accomplished if an exact payment date be fixed and if the OQI Shares in the United States of America are cease traded.

21. The Monitor has been advised by its counsel that the appropriate course of action for proper implementation of Section 7.5 of the OQI Plan as far as the Uncertificated Shareholders are concerned, is to set an exact payment date for the distribution by DTC, and to have DTC provide notice to the Uncertificated Shareholders of a fixed payment date to them (the "Payment Date"). At the same time the Monitor has been advised that the trading of OQI shares in the United States of America should also be halted. Trading in Canada was halted pursuant to a Cease Trade Order of the Alberta Securities Commission dated August 2, 2012.

PROPOSED DISTRIBUTION PLAN

22. The Monitor, with the assistance of its Canadian and US legal counsel, and the Company's legal counsel, has developed a plan (the "Proposed Distribution Plan") to ensure the fair and equitable treatment of OQI Shareholders in accordance with Section 7.5 of the Plan. The Proposed Distribution Plan is as outlined in the following paragraphs.

23. The Monitor proposes to instruct the Trust Company to pay DTC's pro-rata share of the distribution to DTC.

24. The Trust Company and the Monitor, through DTC would then provide fifteen business days' notice of the Payment Date to the DTC participants. The Payment date will be determined following the approval of this Honourable Court of the Proposed Distribution Plan and recognition of the same by the US District Court with jurisdiction of the Chapter 15 case in the United States.

25. The Trust Company and the Monitor, through DTC, would also provide the participants in DTC with notice of the date on which share trades will be halted, which latter date will be ten business days in advance of the Payment Date.

26. On the Payment Date as determined, DTC will make a pro-rata distribution of all funds received to participants in DTC, who will further make payments to brokers who will further make a payment to customers who are the beneficial owners of the Uncertificated Shares, all in compliance with Section 7.5 of the Plan.

MONITOR'S ANALYSIS OF THE PROPOSED DISTRIBUTION PLAN

27. The Monitor believes that the Proposed Distribution Plan is in accordance with Section 7.5 of the OQI Plan for the following reasons:

a) The distribution to DTC will be made by the Trust Company in strict compliance with the OQI Plan;

b) The OQI Plan allows for the transfer or assignment of shares in advance of the distribution;

c) The Proposed Distribution Plan will fix an exact payment date with at least 10 business days' notice to the DTC participants which will create certainty for any assignees or transferees of OQI Shares after Plan Implementation Date seeking to give effect to the assignment and transfer provisions of the OQI Plan; and

d) Trading in OQI Shares in the USA will cease 10 days prior to the payment date, which will avoid persons acquiring OQI Shares prior to the Payment Date without being able to satisfy the notice requirements of Section 7.5 of the Plan.

28. The Monitor further believes that the Proposed Distribution Plan is fair and equitable to OQI Shareholders for the following reasons:

a) The Monitor has been contacted by some OQI Shareholders, and believes that there are parties which traded OQI Shares over the counter with the expectation of receipt of the final distribution; and

b) The Proposed Distribution Plan will fix the Payment Date, which will provide certainty to the assignees and transferees of OQI Shares under Section 7.5. The Monitor, with the assistance of the Trust Company and DTC, will provide notice of this Application to approve the Proposed Distribution Plan to participants in DTC. In addition those parties customarily receiving service of applications in these proceedings as well as OQI Shareholders who have been in contact with the Monitor about the distribution to OQI Shareholders will be served.

MONITOR'S RECOMMENDATION

29. The Monitor requests that this Honourable Court approve the Proposed Distribution Plan or to provide the Monitor with such alternative directions as the Honourable Court may deem appropriate.

Dated at Calgary, this 17th day of June, 2014.

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

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