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	**NINTH REPORT OF THE MONITOR** **AUGUST 17, 2012**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** 1000, 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attention: Neil Narfason / Cassie Hern Telephone: 403-206-5067 / 403-206-5139 Fax: 403-206-5075 Email: Neil.Narfason@ca.ey.com Cassie.Hern@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. ("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 ninth report (the "Ninth Report") of the Monitor is to provide the Honourable Court with the Monitor's comments in respect of the following:

   a) An operational update;

   b) The disclaimer of leases;

   c) An update regarding the Solicitation Process (as defined below);

   d) The Monitor's comments regarding the Company's request for an extension of the Stay Period; and

   e) The Monitor's recommendations.

5. Capitalized terms not defined in this Ninth Report are as defined in the Initial Order.

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

BACKGROUND

7. The Company is a development stage company which 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 resources have been classified as proved reserves.

8. 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

9. In preparing the Ninth Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of the Company. The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future orientated financial information relied upon in this report is based on management's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

OPERATIONAL UPDATE

10. An update of the Company's operations since the Court granted expanded powers to the Monitor, pursuant to an Order dated June 28, 2012, are summarized below:

    a) As expected, the Oilsands Quest board of directors resigned effective June 29, 2012;

    b) The officers and employees of the company were terminated effective June 30, 2012;

c) The Monitor has retained some of the former employees to assist in the Solicitation Process, finalize outstanding accounting and tax items and to facilitate the office closure;

d) To maintain necessary onsite presence the Monitor has retained four consultants to operate the Axe Lake facility;

e) In order to provide sufficient notice to any creditors in the United States, the Monitor sought and obtained an Order to extend the Claims Bar Date to August 31, 2012; and

f) The Monitor is continuing to reduce the ongoing expenses of the Company by cancelling contracts and continuing to reduce staffing needs.

DISCLAIMER OF LEASES

11. On July 31, 2012 the Monitor sent notices of disclaimer (the "Notices") to the landlords ("Landlords") and subtenants ("Subtenants") of two premises leased by OQI and Sask. The termination of the leases and subleases is imperative because of the dire financial situation of the Company.

12. The Landlords and Subtenants had fifteen (15) days to object to the Notices. No objections were received from the Landlords within that time frame.

13. Pure North S'Energy Foundation ("Pure North"), one of the Subtenants, is objecting to the consequential termination of its sublease (the "Pure North Sublease"). The Monitor understands that the Landlord of this location (the "Vintage Landlord") is willing to negotiate a head lease directly with Pure North. Pure North has filed an application for an Order declaring that the Pure North Sublease has not been validly disclaimed, as well as related relief. Because the Vintage Landlord is not disputing the termination of the head lease, the head lease will terminate effective August 31, 2012. The continued existence of the Pure North Sublease beyond August 31, 2012 is therefore not possible.

SOLICITATION PROCESS UPDATE

14. On January 11, 2012 this Honourable Court granted an Order (the "Solicitation Order") approving a Court-supervised process to solicit offers to acquire, restructure or recapitalize Oilsands Quest (the "Solicitation Process").

15. The Company executed an engagement letter with TD Securities Inc. ("TD Securities") to run the Solicitation Process.

16. An update to the Solicitation Process is summarized below:

    a) After various negotiations, including input from TD Securities, the Monitor entered into an Asset Purchase and Sale Agreement with a purchaser (the "Purchaser") that includes material conditions (the "APS"), and

    b) The Monitor has been advised by the Purchaser that certain material terms to the APS will need to be amended (the "Amendments"). The Monitor expects to receive the proposed Amendments next week. If the Amendments are agreeable the Monitor will execute the amended APS (the "Amended APS") and seek the necessary Court approval in September 2012. Alternatively, if the Amendments are unacceptable the Monitor will seek an alternative buyer for the assets.

THE COMPANY'S REQUEST FOR AN EXTENSION OF THE STAY PERIOD

17. Pursuant to an Order of this Honourable Court dated June 28, 2012, the Stay Period expires on August 31, 2012. The Company is seeking an extension of the Stay Period up to and including, September 29, 2012 (the "Stay Extension").

18. Based on the current cash flows which are progressing as projected in the Cash Flow Forecast attached as Appendix A to the Seventh Report of the Monitor, the Company will continue to have sufficient funds to meet its current obligations through the Stay Extension.

19. Given the limited future ongoing operational needs of the Company and the expected conclusion to the Solicitation Process, the Monitor recommends that the Stay Extension should no longer continue to apply to former Oilsands Quest directors and officers who are involved in the US litigation.

20. The Stay Extension is necessary to allow for the time to:

a) Finalize the terms of the Amended APS;

b) Complete the claims process; and

c) Prepare a plan or scheme of distribution.

21. In the Monitor's view, the Company is acting in good faith and with due diligence.

RECOMMENDATIONS

22. The Monitor recommends that this Honourable Court approve the Stay Extension.

Dated at Calgary, this 17th day of August, 2012.

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

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

Cassie Hern, CA
Manager