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	**AMENDED FOURTH REPORT OF THE MONITOR** **MARCH 2, 2012**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR**

CLERK OF THE COURT
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ERNST & YOUNG

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
Barristers & Solicitors
Centennial Place, East Tower
1900, 520 – 3rd Avenue SW
Calgary, Alberta T2P 0R3
Attention: Patrick T. McCarthy, Q.C. /
Josef G. A. Krüger, Q.C.
Phone: (403) 232-9500 / (403) 232-9563
Fax: 403-266-1395
Email: pmccarthy@blg.com
jkruger@blg.com

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INTRODUCTION

1. On November 29, 2011, Oilsands Quest Inc., 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 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. Pursuant to the Initial Order, Ernst & Young Inc. was appointed monitor of the Company (the "Monitor").

4. The purpose of this amended fourth report (the "Amended Fourth Report") of the Monitor is to provide this Honourable Court with the Monitor's comments in respect of an update on the Eagles Nest Properties (as defined below) sales process and the Monitor's recommendations.

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

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

7. The Amended Fourth Report relates to the correction of the closing date in the Refreshed Eagles Nest Sales Process from March 16, 2012 to March 23, 2012. Paragraph 27(f) has been amended to reflect this correction.

BACKGROUND

8. 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 projected 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, if reserves are proven, to develop the infrastructure necessary to facilitate production from its natural resource properties.

9. The Company's oil sand permits and leases in Alberta and Saskatchewan (collectively the "Oilsands Assets") are located at:

   a) Axe Lake, SK;

   b) Wallace Creek, AB;

   c) Raven Ridge, AB; and

   d) Eagles Nest, AB.

10. Further background for the Company and its operations is contained in the materials filed in support of the application for the Initial Order including the November 28, 2011 affidavit of Mr. Garth Wong (the "November 28 Wong Affidavit"), the First Report of the Monitor dated December 15, 2011 (filed December 16, 2011) (the "First Report"), the Second Report of the Monitor dated January 5, 2012 (the "Second Report") and the Third Report of the Monitor dated February 8, 2012 (the "Third Report"). These documents, 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

11. In preparing this Amended Fourth 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.

EAGLES NEST PROPERTIES SALE PROCESS

Background

12. As outlined in the Third Report, Oilsands Quest, through Township Petroleum Corporation ("TPC") holds certain non-core assets and interests in the Eagles Nest area in the Province of Saskatchewan (the "Eagles Nest Properties").

13. Also as indicated in the Third Report, Oilsands Quest, with the support of its management and directors, Financial Advisor and the Monitor, entered into an Assets Purchase and Sale Agreement between TPC and FAMA Capital Ltd. ("FAMA") for the Eagles Nest Properties dated January 30, 2012 (the "FAMA PSA"). The FAMA PSA was for $4.4 million, and was subject to Court approval.

14. An Application for the approval of the FAMA PSA by the Court was scheduled for February 16, 2012.

15. Prior to the February 16, 2012 hearing another interested bidder, Petrospec Engineering Ltd. ("Petrospec"), came forward with an offer for the Eagles Nest Properties on essentially the same terms and conditions as the FAMA PSA but with a purchase price of $6 million (the "Petrospec PSA").

16. Petrospec's entry to the Eagles Nest Properties sale process was late due to Petrospec believing they had additional time to come forward with an offer based on the March 8, 2012 bid deadline set out in the Court Ordered SISP (as defined in the Second Report). As noted in previous Monitor reports the SISP excludes the Eagles Nest Properties.

17. On February 16, 2012 the Court ordered that a short period be given to both FAMA and Petrospec to provide their best and final offers for the Eagles Nest Properties (the "Bake Off"). The Court ordered that revised bids, if any, from Petrospec and FAMA were due at 2:00 pm MST February 21, 2012, and a Court hearing was scheduled for 8:30 am MST February 22, 2012.

18. On February 21, 2012 FAMA submitted an amended purchase and sale agreement (the "FAMA APSA") with the only changes being an increase of the purchase price to $7 million and an increase of the deposit to $400,000 (the first deposit of $50,000 was already received in trust by Oilsands Quest and the second deposit of $350,000 (the "Second Deposit") was due February 24, 2012).

19. Petrospec did not revise the Petrospec PSA.

20. At the February 22, 2012 Court hearing another interested bidder came forward for the Eagles Nest Properties with an offer of $8 million on essentially the same terms and conditions as the FAMA PSA. This new entrant was Cavalier Energy Inc. ("Cavalier") which believed it could enter the Bake Off based on a February 17, 2012 press release issued by Oilsands Quest, which did not clearly state that the only two parties able to bid in the Bake Off were Petrospec and FAMA.

21. On February 22, 2012 the Court rejected Cavalier's offer because it was not entitled to participate in the Bake Off.

22. Based on the FAMA APSA being superior to the Petrospec PSA, and with the support of the Monitor and the Company, the Court approved the FAMA APSA at the February 22, 2012 hearing.

23. At the close of business on February 24, 2012 FAMA did not make the Second Deposit. The Monitor understands that certain discussions occurred between FAMA and Oilsands Quest representatives on February 24 and February 27, 2012 whereby Oilsands Quest was advised that FAMA was either unwilling or unable to make the Second Deposit by the set date.

24. On February 27, 2012, counsel to Oilsands Quest, wrote to FAMA's counsel advising that FAMA was in breach of the FAMA APSA.

Refreshed Eagles Nest Properties Sales Process

25. Given the FAMA breach, the Company, its Financial Advisor and the Monitor have concluded that the FAMA APSA will not close and given the current poor liquidity of Oilsands Quest, the best approach for the Company is to obtain a Court ordered expedited sale process of the Eagles Nest Properties in an open and broad solicitation format.

26. Oilsands Quest will also seek an Order confirming that FAMA is in breach of the FAMA APSA and that it has been terminated. Oilsands Quest has reserved its rights to claim damages against FAMA.

27. Oilsands Quest and the Monitor propose a fresh sales process for the Eagles Nest Properties (the "Refreshed Eagles Nest Sales Process") as follows:

    a) Financial Advisor to re-contact all parties that were initially contacted during the previous sales process and all the parties which previously made bids for the Eagles Nest Properties;

    b) Interested bidders are required to submit unconditional executed Asset Purchase and Sale Agreements ("PSA") (in the form attached as Exhibit B to the March 2, 2012 affidavit of Garth Wong) to the Monitor by 4:00 MST on March 12, 2012 (the "Bid Deadline");

    c) All PSAs submitted shall be accompanied by a non-refundable deposit of 10% of the proposed purchase price;

    d) As soon as practicable following the Bid Deadline the Monitor shall open and review the bids received by the Bid Deadline for the purpose of presenting same to TPC and making its recommendation to the Court. TPC shall not consider for acceptance any PSA provided to the Monitor after the Bid Deadline or which is not accompanied by the required deposit;

e) TCP, in consultation with the Monitor, shall select a PSA (the "Successful Bid") for acceptance (provided that the Successful Bid shall have a proposed Purchase Price of at least $6 million) and shall apply to this Honourable Court for approval of the Successful Bid as soon as reasonably practicable after March 12, 2012;

f) TCP shall apply for approval of the Successful Bid at a time to be arranged with the Court, and closing of the Successful Bid shall occur as soon as reasonably practicable following the Court approval of the Successful Bid, but in any event no later than March 23, 2012.

28. The Monitor believes that given the previous sales efforts by the Financial Advisor, the Refreshed Eagles Nest Sales Process, meets the requirements set out in s36 of the CCAA.

RECOMMENDATIONS

29. The Monitor recommends that this Honourable Court approve:

    a) The termination of the FAMA ASPA; and

    b) Refreshed Eagles Nest Sales Process.

Dated at Calgary, this 2nd day of March, 2012.

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

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

Cassie Hern, CA
Manager