COURT FILE NUMBER	1101-~~17318~~ 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	**SIXTH REPORT OF THE MONITOR** **MAY 9, 2012**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**MONITOR** 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. Ernst & Young Inc. was appointed monitor of the Company (the "Monitor").

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

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

    b) The budget to actual cash flow results for the period for November 29, 2011 to April 30, 2012 (the "Reporting Period");

    c) The revised cash flow projections (the "Revised Cash Flow Projections") from May 1, 2012 to June 30, 2012 (the "Forecast Period");

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

    e) The Monitor's recommendation.

5. Capitalized terms not defined in this Sixth 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. 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.

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 Sixth 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.

SOLICITATION PROCESS UPDATE

10. 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").

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

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

    a) Advertisements were placed in the *Globe & Mail*, *National Post, Vancouver Sun, Calgary Herald,* and *Edmonton Journal* on January 25, 2012, the *Daily Oil Bulletin* on February 6, 2012, and on the TD Energy Advisors website on or around January 20, 2012;

    b) TD Securities has sent out teasers to 96 targeted investors. Additionally, teasers were sent out to a mailing list of several hundred small corporate and investors;

    c) Confidentiality agreements were signed by eleven companies; and

    d) Management presentations were made to multiple companies.

13. The deadline which was established by the Solicitation Order for bids was, with the approval of the Monitor, extended by Oilsands Quest to April 27, 2012.

14. By April 27, 2012 various bids were received from potential investors, however, none of these bids are presently in the form that Oilsands Quest believes would result in a sale or investment that would be in the best interests of Oilsands Quest and its stakeholders.

15. Oilsands Quest believes that certain bids may, if the subject of further negotiation, be capable of being brought before the Court for approval. Such negotiations will

require the extension of the Stay Period. The Monitor shares this belief. The Monitor understands that such negotiations are underway.

BUDGET TO ACTUAL RESULTS

16. The cash flow budget to actual presented below for the Reporting Period contains the actual cash receipts and disbursements as forecast for the Reporting Period.

Oilsands Quest Inc.
Budget to actual cash flow results
for the period of Novemeber 29, 2011 to April 30, 2012
(000's) - CAD

	Notes	ACTUAL	FORECAST	VARIANCE
RECEIPTS				
DIP Financing	a	-	2,750,000	(2,750,000)
Interest Income/ (Expense)	a	-	(85,333)	85,333
Sale of Eagles Nest	a	7,075,800	4,380,000	2,695,800
Camp Service		2,350,000	2,350,000	-
Alberta Road Maintenance	b	869,010	1,148,368	(279,358)
Main Road Maintenance	c	628,719	511,931	116,788
Other Road, Fuel, misc	d	296,505	309,404	(12,898)
GST collected	e	345,013	353,812	(8,799)
Total receipts		11,565,048	11,718,182	(153,134)
DISBURSEMENTS				
Corporate recurring G&A	f	960,773	1,499,693	(538,920)
Corporate payroll and benefits	k	1,008,018	1,054,416	(46,397)
Corporate Insurance		917,294	922,000	(4,706)
Operating Expenses	h	3,574,563	3,770,910	(196,347)
Land tenure	l	370,185	401,921	(31,736)
Litigation	g	-	200,000	(200,000)
Strategic alternatives process	m	75,000	99,551	(24,551)
CCAA professional fees	i	372,161	465,244	(93,083)
GST Paid	j	280,959	193,865	87,094
Total disbursements (before interest payments)		**$ 7,558,953**	**$ 8,607,600**	**$ (1,048,647)**
NET CASH FLOWS		**$ 4,006,094**	**$ 3,110,581**	**$ 895,513**
OPENING CASH		$ 3,282,913	$ 3,282,913	-
NET CHANGE IN CASH FLOWS		4,006,094	3,110,581	895,513
ENDING CASH		$ 7,289,007	$ 6,393,494	$ 895,513

17. Receipts for the Reporting Period totalled approximately $11.6 million representing a negative variance of approximately $150,000 to the anticipated amounts. This variance relates primarily to:

a) A positive variance of approximately $2,700,000 relating to the higher than expected sales price of the Eagles Nest Assets, almost completely offset by the interest savings as due to the corresponding decrease in DIP financing needs;

b) A negative variance of approximately $279,000 due to lower than expected billings to Cenovus as a direct result of lower costs incurred for building roads due to favorable weather conditions and efficient operations resulting from shared services on multiple projects;

c) A positive variance of approximately $117,000 due to the main road remaining open approximately two weeks longer than originally planned, which increased costs and the corresponding recovery;

d) A negative variance of approximately $13,000 in lower fuel and maintenance costs due to less use during the Reporting Period; and

e) A negative variance of approximately $9,000 in lower GST collections as a result of the lower billings.

18. Operating disbursements for the Reporting Period totalled approximately $7.56 million representing a positive variance of approximately $1 million to the anticipated amounts. This variance relates primarily to:

f) A positive variance of approximately $539,000 relating to:

i. approximately $275,000 due to a timing difference for cash settlement of various payments relating to financial reporting consultant fees, XBRL annual fee, legal fees, audit compliance and tax fees;

ii. approximately $130,000 due to a timing difference on rent payments and rent income resulting from additional rent deposit received during the period and delaying the May rent that would have been paid in April and was actually paid on May 2;

iii. approximately $30,000 relating to fewer office supplies purchased in the Reporting Period;

iv. approximately $36,000 relating to lower Directors fees due to fewer meetings than forecasted and Q4 fees being waived; and

v. $60,000 of OTC registration fees that have not occurred as a result of the continuing halt of OQI stock on NYSE;

g) A positive variance of approximately $200,000 relating to the timing of litigation costs that will likely be settled in May and June 2012;

h) A positive variance of approximately $196,000 relating to the timing of certain settlements and less overall activity in camp during the Reporting Period;

i) A positive variance of approximately $93,000 relating to the timing of CCAA professional fees that will be paid in May and June 2012;

j) A negative variance of approximately $87,000 relating to timing of GST payments not originally forecast during the Reporting Period;

k) A positive variance of approximately $46,000 relating to lower than expected executive travel and salaries;

l) A positive variance of approximately $32,000 relating to cost saving on the renewal of letter of guarantee for collateral of unfunded liabilities under the Licensee Liability Rating Program; and

m) A positive variance of approximately $25,000 relating to the timing of the success fee payment to TD Securities in May or June 2012.

19. Oilsands Quest has kept current all of its obligations to all its employees during the Reporting Period.

CASH FLOW FORECAST THROUGH JUNE 30, 2012

20. The Company, with the assistance of the Monitor, has prepared a forecast for the Forecast Period which is attached as Appendix A to this report (the "Forecast"). Management has prepared the Forecast based on the most current information available.

21. The table below summarizes cash flow for the Forecast Period:

Oilsands Quest Inc.
Consolidated Cash flow Forecast
May 1, 2012 - June 30, 2012
(000's) - CAD

	Notes	May/12	Jun/12	Total
RECEIPTS				
GST collected	a	-	$ 133,264	$ 133,264
Total receipts		**-**	**$ 133,264**	**$ 133,264**
DISBURSEMENTS				
Corporate recurring G&A	b	$ 485,411	$ 293,769	$ 779,180
Corporate payroll and benefits	c	204,971	128,048	333,018
Operating Expenses	d	148,803	142,114	290,918
Land tenure		1,000	1,000	2,000
CCAA professional fees	e	160,000	240,000	400,000
DIP Financing cost	f	94,000	-	94,000
GST Paid		70,341	33,744	104,086
Total disbursements (before interest payments)		**$ 1,164,526**	**$ 838,676**	**$ 2,003,202**
NET CASH FLOWS		**$ (1,164,526)**	**$ (705,412)**	**$ (1,869,938)**
OPENING CASH		$ 7,289,007	$ 6,124,481	$ 7,289,007
NET CHANGE IN CASH FLOWS		(1,164,526)	(705,412)	(1,869,938)
ENDING CASH		**$ 6,124,481**	**$ 5,419,069**	**$ 5,419,069**

22. As summarized above, the Company is projecting total cash receipts of approximately $133,000 against cash disbursements of approximately $2 million, resulting in a net decrease in cash of approximately $1.87 million during the Forecast Period.

23. Significant assumptions made by the Company's management with respect to the Forecast are:

a) GST collected is based on 5% of Cenovus billings delayed based on the filing of returns;

b) Corporate recurring G&A costs are based on recent historical results and includes directors' fees and expenses, professional fees, stock exchange fees, AGM costs, investor relations, office supplies and rent;

c) Payroll amount is based on historical amounts and includes a success fee on the sale of Eagles Nest to be paid in May;

d) Operating expenses relate to the final work pertaining to flow through costs to Cenovus at the camp including May payments of approximately $37,000 and June payments of approximately $42,000 for the final reconciliation settlement on Cenovus contract;

e) CCAA professional fees relate to legal fees, the Monitor's fees and include professional fees related to the Chapter 15 Proceedings; and

f) DIP financing costs relate to the required DIP fees and associated legal fees.

24. The Monitor has reviewed the assumptions supporting the Forecast and believes the assumptions to be reasonable.

25. Based on the Company's assumptions, the Forecast indicates that the Company will continue to have sufficient available cash to meet its current obligations through the Forecast Period.

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

26. Pursuant to an Order of this Honourable Court dated February 16, 2012, the Stay Period expires on May 18, 2012. The Company is seeking an extension of the Stay Period up to and including, June 29, 2012 (the "Stay Extension").

27. The Stay Extension is necessary to allow the Company to further puruse interest generated by the Solicitation Process.

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

RECOMMENDATION

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

Dated at Calgary, this 9th day of May, 2012.

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

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

Cassie Hern, CA
Manager

APPENDIX A

Oilsands Quest Inc.
Consolidated Cash Flow Forecast
May 1, 2012 - June 30, 2012
(000's) - CAD

	Notes	May/12	Jun/12	Total
	1			
RECEIPTS				
GST collected	2	-	$ 133,264	$ 133,264
Total receipts		**-**	**$ 133,264**	**$ 133,264**
DISBURSEMENTS				
Corporate recurring G&A	3	$ 485,411	$ 293,769	$ 779,180
Corporate payroll and benefits	4	204,971	128,048	333,018
Operating Expenses	5	148,803	142,114	290,918
Land tenure		1,000	1,000	2,000
CCAA professional fees	6	160,000	240,000	400,000
DIP Financing cost	7	94,000	-	94,000
GST Paid	8	70,341	33,744	104,086
Total disbursements (before interest payments)		**$ 1,164,526**	**$ 838,676**	**$ 2,003,202**
NET CASH FLOWS		**$ (1,164,526)**	**$ (705,412)**	**$ (1,869,938)**
OPENING CASH		$ 7,289,007	$ 6,124,481	$ 7,289,007
NET CHANGE IN CASH FLOWS		(1,164,526)	(705,412)	(1,869,938)
ENDING CASH		**$ 6,124,481**	**$ 5,419,069**	**$ 5,419,069**

Notes and Assumptions

1 USD converted to CAD at 1:1
2 Receipt of outstanding GST returns as filed for Nov. 29, Jan. 31 and April 30. Delay in payment due to company finalizing GST audit.
3 General legal run rate of $60K/mnth. Consulting run rate of $37K for financial reporting manager and finance consultant. Office supplies & computer expense of $30K/mnth. Investor relations $15K/mnth. Net rent of $50K/mnth. Timing difference on legal and professional fees scheduled for April however were paid on May 2 cheque run. May to incur extra rent payment in May for April's Vintage rent $63K. OTC stock exchange fees of $60K in May. AGM mailings of $60K in May. XBRL fee of $30K in May. Partial billings for year end financial statement audit of $30K for May.
4 May includes success fee paid to CEO for sale of Eagle's Nest.
5 Camp maintenance run rate of $100K / month. May payments of $37K for April invoices on Cenovus project. June payments of $42K for final reconcilation settlement on Cenovus contract.
6 CCAA invoices paid May 2 of $160K. Accrual at April 30 of $400K, therefore assume balance of accrual will be settled in June.
7 Norton Rose legal fees of $44K and Century legal fees (FMC) of $50K due in May.
8 GST audit assement paid on May 2 plus 5% gst payments on expected cash settlements on GST applicable costs.