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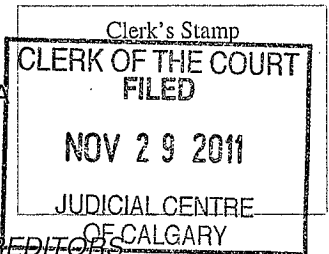
COURT OF QUEEN'S BENCH OF ALBERTA

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.

DOCUMENT

**PROPOSED MONITOR'S REPORT ON DEBTOR'S
CASH FLOW STATEMENT**

NOVEMBER 29, 2011

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

PROPOSED MONITOR



1000, 440 - 2nd Avenue SW
Calgary, Alberta T2P 5E9
Attention: Neil Narfason / Cassie Hern
Telephone: 403-206-5067 / 403-206-5139
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cassie.hern@ca.ey.com

Introduction

1. In accordance with section 10(2) of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the "CCAA"), the Applicants (or collectively the "Company") have prepared a one month consolidated cash flow forecast for their receipts and disbursements for the period of November 29, 2011 to December 31, 2011 (the "Cash-Flow Statement"). In preparing the Cash-Flow Statement, management of the Company has used the probable and hypothetical assumptions set out in notes 1 to 8 (the "Notes") to the Cash-Flow Statement.
2. A copy of the Cash-Flow Statement and Notes are appended as Exhibit "D" to the Affidavit of Garth Wong sworn November 28, 2011 (the "Wong Affidavit"). A copy of the signed Cash-Flow Statement, Notes and a report containing the prescribed representations of the Company regarding the preparation of the Cash Flow Statement are attached hereto as Appendix "A".
3. As indicated in the Cash-Flow Statement, the Company estimates that it will have total receipts of approximately \$130,327 and total disbursements of approximately \$768,772 for the period of November 29, 2011 to December 31, 2011 (the "Forecast Period"). As reflected in the Cash-Flow Statement and as set out in the Wong Affidavit, the Company has sufficient funds to satisfy its projected uses of cash for the Forecast Period.

Proposed Monitor's review of the Cash-Flow Statement

4. We have reviewed the Cash-Flow Statement in our capacity as proposed monitor (the "Proposed Monitor") of the Company. The sole purpose of the Proposed Monitor's report is to provide the Court with our findings with respect to our review of the Company's Cash-Flow Statement as to its reasonableness in accordance with section 23(1)(b) of the CCAA.
5. Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by certain of the management and employees of the Company. Since hypothetical assumptions need not be supported, our procedures

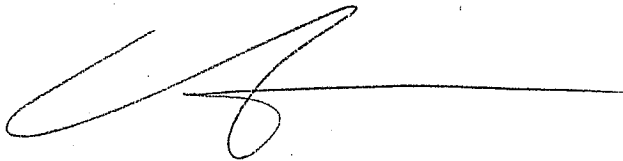
with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash-Flow Statement. We have also reviewed the support provided by management of the Company for the probable assumptions and the preparation and presentation of the Cash-Flow Statement.

Proposed Monitor's opinion on Cash-Flow Statement

6. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:
 - a) the hypothetical assumptions are not consistent with the purpose of the Cash-Flow Statement;
 - b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash-Flow Statement, given the hypothetical assumptions; or
 - c) the Cash-Flow Statement does not reflect the probable and hypothetical assumptions.
7. Since the Cash-Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash-Flow Statement will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report.
8. The Cash-Flow Statement has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Calgary, this 29th day of November, 2011.

ERNST & YOUNG INC.
in its capacity as the proposed
Monitor of the Applicants

A handwritten signature in black ink, consisting of a large, stylized 'N' followed by a horizontal line and a small loop at the end.

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

APPENDIX A



OILSANDS QUEST INC.

Phone 403 263 1023
Fax 403 263 9812

Suite 100, 1330 2nd Street S.W.
Calgary, Alberta T2P 1B6

www.oilsandsquest.com

November 28, 2011

Ernst & Young Inc.
1000, 440 – 2nd Avenue SW
Calgary, Alberta
T2P 5E9

Attention: Neil Narfason

Dear Sirs:

**Re: Proceedings under the Companies' Creditors Arrangement Act ("CCAA")
Responsibilities/Obligations and Disclosure with Respect to Cash Flow
Projections**

In connection with the application by Oilsands Quest Inc. and certain of its affiliates (collectively "Oilsands Quest") for the commencement of proceedings under the CCAA in respect of Oilsands Quest, the management of Oilsands Quest ("Management") has prepared the attached Cash-Flow Statement and the assumptions on which the Cash-Flow Statement is based.

Oilsands Quest confirms that:

1. The Cash-Flow Statement and the underlying assumptions are the responsibility of Oilsands Quest;
2. All material information relevant to the Cash-Flow Statement and to the underlying assumptions has been made available to Ernst & Young Inc., in its capacity as proposed Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
 - a. That the individual assumptions underlying the Cash-Flow Statement are appropriate in the circumstances; and
 - b. That the individual assumptions underlying the Cash-Flow Statement, taken as a whole, are appropriate in the circumstances.

Yours truly,

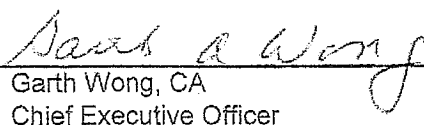
Garth Wong
President & CEO
Oilsands Quest Inc.

Oilsands Quest Inc.**Consolidated Cash flow Forecast****\$C (000's)****Notes****Nov. 29/11 -****Dec. 31/11**

	1	
RECEIPTS	2	
GST collected	3	\$ 130,327
Total receipts		<u>130,327</u>
DISBURSEMENTS		
Corporate recurring G&A	4	56,687
Corporate payroll and benefits	5	144,257
Insurance	6	10,000
Operating Expenses	7	357,829
Land tenure		-
Litigation		-
Strategic alternatives process		-
CCAA professional fees	8	200,000
Total disbursements (before interest payments)		<u>\$ 768,772</u>
Net financing payment		-
Foreign exchange gains / (losses)	1	<u>-</u>
NET CASH FLOWS		<u>\$ (638,445)</u>
OPENING CASH		\$ 3,282,913
NET CHANGE IN CASH FLOWS		<u>(638,445)</u>
ENDING CASH		<u><u>\$ 2,644,467</u></u>

Notes and Assumptions

- 1 US\$ converted to \$C at 1:1
- 2 Oilsands Quest has no operating revenues
- 3 GST collections based on prior three months' expenditures
- 4 Corporate recurring G&A is based on recent historical actual results
- 5 Payroll - based on average pay period balance. Excluded in forecast is the 2011 employee retention program as this amount has been funded in trust with Company counsel
- 6 Monthly insurance expense
- 7 Operating expenses are based on historical results as well as costs related to the camp usage agreement with Cenovus. Costs incurred in December will be offset by a \$150,000 advance to be received from Cenovus with the balance to be received in Jan. 2012
- 8 Estimated CCAA professional fees


Garth Wong, CA
Chief Executive Officer

Nov 28, 2011
Date