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	**SEVENTH REPORT OF THE MONITOR** **JUNE 26, 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: Patrick T. McCarthy, Q.C. / Josef G. A. Krüger, Q.C. Phone: 403-232-9500 Fax: 403-266-1395 Email: pmccarthy@blg.com 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 seventh report (the "Seventh 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 June 15, 2012 (the "Reporting Period");

    c) The revised cash flow projections (the "Revised Cash Flow Projections") from June 16, 2012 to September 30, 2012 (the "Forecast Period");

    d) The proposed claims process;

    e) The expansion of the Monitor's powers;

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

g) The Monitor's recommendations.

5. Capitalized terms not defined in this Seventh 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 Seventh 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) 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;

    b) By April 27, 2012 various bids were received from potential investors, however, none of these bids were in a form that Oilsands Quest or the Monitor believed would result in a sale or investment that would be in the best interests of Oilsands Quest and its stakeholders;

    c) Oilsands Quest and TD Securities believed that certain bids, if the subject of further negotiation, may be capable of being brought before the Court for approval. As such an extension of the CCAA stay of proceedings to June 29, 2012 was sought and obtained;

    d) With the assistance of TD Securities negotiations ensued from the end of April until late June among Oilsands Quest, the Monitor and the potential bidders;

    e) These recent negotiations with the bidders remain ongoing and Oilsands Quest, TD Securities and the Monitor have reason to believe that it is possible that in the very near future a letter of intent followed by a definitive agreement ("Definitive Agreement") could be entered into by Oilsands Quest and one of the bidders; and

f) Under the circumstances Oilsands Quest and the Monitor believe that continuing to negotiate with the bidders with a view to getting to a Definitive Agreement may maximize value to Oilsands Quest's stakeholders.

MONITOR'S EXPANDED POWERS

13. Based on the negotiations with the bidders, any Definitive Agreement will result in the sale of substantially all of the assets of the Companies. Consequently the Oilsands Quest board of directors (the "BOD"), with input from the Monitor, determined that it is in the best interests of the Company and its stakeholders to focus the activities of the Company on completion of a transaction with one of the potential bidders.

14. The Monitor advised BOD that, based on the total consideration being discussed with potential bidders (the "Consideration") and the quantum of known claims against the Companies, a distribution to shareholders, if any, will likely be nominal.

15. The Monitor analyzed the ongoing administrative costs of the Oilsands Quest and concluded that a significant amount of these costs relate to financial reporting functions which are no longer required given the result of the Solicitation Process and the fact that the Consideration is expected to provide for a nominal distribution, if any, to shareholders.

16. In order to maximize cash for distribution to the Oilsands Quest's stakeholders, the Monitor recommended to the BOD that all financial reporting functions cease at the end of June and that staff and costs be reduced to a level necessary to conclude a transaction with one of the potential bidders.

17. Based on the Monitor's recommendation the Company considered that the most appropriate way to effect the reduced costs would be to expand the powers of the Monitor in order to allow the Monitor to pursue the completion of a transaction with one of the potential bidders. As such, the Company is making an application to expand the Monitor's powers under the CCAA (the "Expanded Powers"). If that

application is granted, the Monitor understands that the BOD intends to resign and leave completion of a transaction in the hands of the Monitor (provided the Court approves of such extension of the Monitor's powers).

18. The expansion of the Monitor's powers will allow the Monitor to take the required steps to complete a transaction and to ultimately distribute the sale proceeds to the Companies' stakeholders pursuant to a plan or scheme of distribution under the CCAA.

19. The Expanded Powers which the Company seeks for the Monitor include, *inter alia*:

a) to meet and communicate with bidders who have advanced, or may advance, bids to acquire, restructure or recapitalize the Company's business, which bids have been advanced, or may be advanced, pursuant to the Solicitation Process;

b) to select the successful bid (the "Successful Bid") from amongst the bids submitted pursuant to the Solicitation Order;

c) to oversee and direct the completion of the transaction (the "Transaction") contemplated by the Successful Bid on behalf of the Company, to take all steps on behalf of the Company and to execute all documents as may be reasonably necessary to conclude the Transaction, subject to Court approval, including the right to amend or extend the Successful Bid and the Transaction;

d) to apply for any vesting order or other orders necessary to conclude the Transaction;

e) to take possession and control of the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

f) to receive, preserve, protect and maintain control of the Property, or any part or parts thereof;

g) to operate and carry on the business of the Company, including powers to enter into agreements, incur and obligations in the ordinary course of business, retain or terminate employees and officers, cease to carry on all or any part of the business or cease to perform any contracts of the Company. (The Monitor will have some comments on this below);

h) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the Expanded Powers;

i) to oversee and direct the preparation of the Company's cash flow statements and to assist in the dissemination of financial and other information in these proceedings, but only to the extent necessary in the Monitor's judgment to inform this Court and the parties to this proceeding and to facilitate the Transaction;

j) to receive, collect and take possession of all monies and accounts now owed or hereafter owing to the Company; and

k) to exercise any other rights which the Company may have.

20. The Monitor suggests the following change to subparagraph 4 g) of the proposed Expansion of the Monitor's Powers Order by adding the underlined words as set out below:

"4 g) to operate and carry on the business of the Applicants <u>for the purpose of implementing the Transaction,</u> including the powers..."

21. The Monitor considers that the granting of the Expanded Powers, with the modification suggested by the Monitor, will result in the most cost effective and efficient process to conclude a Transaction and, accordingly, considers the Expanded Powers, with the modification to subparagraph 4 g), to be appropriate in the circumstances.

22. The Monitor hereby consents to the Expanded Powers if the modification to subparagraph 4 g) is made and if so ordered by this Honourable Court.

BUDGET TO ACTUAL RESULTS

23. 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 November 29, 2011 to Jun 15, 2012 (000's) - CAD	Notes	ACTUAL	FORECAST	VARIANCE
RECEIPTS				
DIP Financing	a	-	2,750,000	(2,750,000)
Interest Income / (expense)	a	27,582	(85,333)	112,916
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	298,415	309,404	(10,989)
GST collected	e	430,461	436,812	(6,351)
Total receipts		11,679,987	11,801,182	(121,195)
DISBURSEMENTS				
Corporate recurring G&A	f	1,440,357	1,631,228	(190,871)
Corporate payroll and benefits	g	1,141,224	1,260,886	(119,663)
Corporate Insurance		917,294	922,000	(4,706)
Operating Expenses	h	3,852,978	3,939,926	(86,947)
Land tenure	i	370,185	402,921	(32,736)
Litigation	j	-	200,000	(200,000)
Solicitation process	k	663,375	169,000	494,375
CCAA professional fees	l	611,587	653,601	(42,014)
GST Paid	m	339,347	324,695	14,653
Foreign exchange loss		2,894	-	2,894
Total disbursements (before interest payments)		**$ 9,339,241**	**$ 9,504,256**	**$ (165,015)**
NET CASH FLOWS		**$ 2,340,746**	**$ 2,296,925**	**$ 43,820**
OPENING CASH		$ 3,282,913	$ 3,282,913	-
NET CHANGE IN CASH FLOWS		2,340,746	2,296,925	43,820
ENDING CASH		$ 5,623,658	$ 5,579,838	$ 43,820

24. Receipts for the Reporting Period totalled approximately $11.7 million representing a negative variance of approximately $121,000 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 $11,000 in lower fuel and maintenance costs due to less use during the Reporting Period; and

e) A negative variance of approximately $6,000 in lower GST collections as a result of the lower billings.

25. Operating disbursements for the Reporting Period totalled approximately $9.3 million representing a positive variance of approximately $165,000 to the anticipated amounts. This variance relates primarily to:

f) A positive variance of approximately $191,000 relating to:

i. approximately $85,000 due to a timing difference for consulting, legal, audit and tax fees yet to be paid;

ii. approximately $45,000 relating to lower Directors fees due to fewer meetings than forecasted; and

iii. $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 $120,000 relating to the timing of the CEO's success fee for the sale of the Eagles Nest Assets that will be paid in June and employee resignations resulting in lower payroll expenditures;

h) A positive variance of approximately $87,000 relating to timing of settlements on camp costs and lower than anticipated costs while the camp is idle;

i) 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;

j) A positive variance of approximately $200,000 relating to the timing of litigation costs that will likely be settled in August 2012, but is now expected to cost approximately $505,000;

k) A negative variance of approximately $494,000 relating to timing of TD Securities' success fee for the sale of the Eagles Nest Assets not originally forecast to be paid until August 2012;

l) A positive variance of approximately $42,000 relating to the timing of CCAA professional fees that will be paid in June and July 2012; and

m) A negative variance of approximately $15,000 relating to timing of GST payments not originally forecast during the Reporting Period.

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

CASH FLOW FORECAST THROUGH SEPTEMBER 30, 2012

27. 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.

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

Oilsands Quest Inc. Consolidated Cash flow Forecast June 16, 2012 - September 30, 2012 (000's) - CAD						
	Notes	**Jun 16-30/12**	**Jul-12**	**Aug-12**	**Sep-12**	**Total**
RECEIPTS						
Other	a	-	33,000	-	-	**33,000**
GST collected	b	-	49,097	135,924	125,715	**310,735**
Total receipts		-	**82,097**	**135,924**	**125,715**	**343,735**
DISBURSEMENTS						
Corporate recurring G&A	c	235,369	558,919	231,873	193,037	**1,219,198**
Corporate payroll and benefits	d	183,890	500	-	-	**184,390**
Operating Expenses	e	83,399	75,000	75,000	75,000	**308,399**
Land tenure		1,000	1,000	1,000	1,000	**4,000**
Litigation	f	-	-	505,000	-	**505,000**
CCAA professional fees	g	168,000	80,000	80,000	140,000	**468,000**
Solicitation process	h	94,000	950,000	-	-	**1,044,000**
GST Paid		47,348	96,121	44,594	20,402	**208,465**
Total disbursements (before interest payments)		**$ 813,007**	**$ 1,761,540**	**$ 937,467**	**$ 429,439**	**3,941,453**
NET CASH FLOWS		**$ (813,007)**	**$(1,679,443)**	**$ (801,543)**	**$ (303,724)**	**$ (3,597,718)**
OPENING CASH		$ 5,623,658	$ 4,810,651	$3,131,208	$2,329,665	**$ 5,623,658**
NET CHANGE IN CASH FLOWS		(813,007)	(1,679,443)	(801,543)	(303,724)	**(3,597,718)**
ENDING CASH		**$ 4,810,651**	**$ 3,131,208**	**$2,329,665**	**$2,025,941**	**$ 2,025,941**

29. As summarized above, the Company is projecting total cash receipts of approximately $344,000 against cash disbursements of approximately $3.9 million, resulting in a net decrease in cash of approximately $3.6 million during the Forecast Period.

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

a) A receipt of approximately $33,000 is expected in July resulting from the sale of an investment held by OQI;

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

c) Corporate recurring G&A costs are based on recent historical results and includes professional fees, corporate fees, consulting, office supplies and rent;

d) Payroll amount is based on historical amounts and includes a success fee on the sale of Eagles Nest to be paid in June. Significant staffing reductions are planned effective June 30, 2012;

e) Operating expenses relate to the ongoing cost of maintaining the camp;

f) Litigation costs of approximately $505,000 relate to the payment of McDaniel's & Associates' legal fees upon settlement of the class action lawsuit;

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

h) Solicitation process fees relate to the success fee earned by TD Securities through the Solicitation Process and additional professional fees associated with closing the transaction. The success fee will be earned upon the closing of a sale to the Purchaser. For confidentiality purposes the cash consideration from the sale was not included in the cash flow projections.

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

32. 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.

PROPOSED CLAIMS PROCESS

Claims Process

33. The Companies' counsel has prepared a draft claims process orders seeking approval for a Claims Process by this Honourable Court (the "Claims Process Orders").

34. The Claims Process as set out in the Claims Process Orders will establish the amount of claims against OQI, Sask, 129 and TPC as at the respective filing date of November 29, 2011 (the "Claims").

Notice to File Proof of Claims

35. It is proposed that the Claims Process will follow the timeline identified below:

Milestone	**Date**
Post forms on the Monitor's website	July 3, 2012
Mail to all known creditors a Notice to Creditor	July 6, 2012
Place advertisement in the Calgary Herald	July 6, 2012
Deadline for creditors to file a Proof of Claim	August 2, 2012
Deadline for creditor to object to the Notice of Dispute	Within 15 days of receipt of the Notice of Dispute
File Notice of Motion and Support with the Court	Returnable within 10 days of written objection

36. The Monitor intends to mail the Notice to Creditor to all known creditors in the format attached to the Claims Process Orders by July 6, 2012.

37. The advertisement to be placed in the *Calgary Herald* will also serve as notice of the Claims Process, in the format attached to the Claims Process Orders on or before July 6, 2012.

38. The Monitor believes that advertising for claims in the *Calgary Herald* is sufficient in this circumstance as all operations were carried out in Canada and the only U.S activity is litigation and these parties are well aware of these proceedings.

39. The Monitor will post a copy of the Claims Process Order, the Notice to Creditor and the Proof of Claim on its website no later than July 3, 2012.

Claims Bar Date

40. It is proposed that any creditor asserting a Claim is required to file a Proof of Claim with the Monitor, with a copy to the Company, prior on or before August 2, 2012, 2012 (the "Claims Bar Date").

Disputed Claims

41. In the event that a creditor submits a Proof of Claim, the Monitor will review the Proof of Claim and provide to the creditor a notice in writing by registered mail, by courier service or by facsimile as to whether the claim set out in the Proof of Claim is accepted, disputed in whole, or disputed in part. Where the claim is disputed in whole or in part, the Monitor will issue a notice of dispute ("Notice of Dispute") indicating the reasons for the dispute.

42. The Claims Process Orders further provides that where a creditor objects to a Notice of Dispute, the creditor must notify the Monitor of the objection in writing by registered mail, courier service or facsimile within fifteen days of receipt of the Notice of Dispute. The creditor shall thereafter serve on the Monitor a filed Notice of Motion and supporting affidavit in these CCAA proceedings returnable within ten (10) days after it gave its notice of objection, for the determination by the Court of the claim in dispute.

43. If no objection to the Notice of Dispute is received by the Monitor within the required time period, the Claim will be deemed accepted at the amount per the Notice of Dispute.

Comments on the Proposed Claims Process

44. The Monitor is of the view that an expedited time frame for the Claims Process is necessary to:

a) Determine the valid claims against OQI, Sask, 129 and TPC to allow for either the preparation of a plan or a scheme of distribution as soon as possible after the closing of the sale; and

b) Minimize the costs of these proceedings.

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

45. Pursuant to an Order of this Honourable Court dated May 11, 2012, the Stay Period expires on June 29, 2012. The Company is seeking an extension of the Stay Period up to and including, August 31, 2012 (the "Stay Extension").

46. The Monitor recommends that the Stay Extension should continue to apply to former Oilsands Quest directors and officers ("D&O's") as some of these persons will be required as consultants to the Monitor, should the Court grant the Expanded Powers Order, to assist in concluding a Transaction. The Monitor believes it is important for these former D&O's to have their attention focused on assisting the Monitor. In addition, the Monitor believes that the Stay Extension is not for an onerous period of time.

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

a) negotiate a Definitive Agreement with the potential purchaser;

b) seek Court approval of the Definitive Agreement;

c) close the Definitive Agreement;

d) complete the claims process; and

e) prepare a plan or scheme of distribution.

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

RECOMMENDATIONS

49. The Monitor recommends that this Honourable Court approve the:

a) Claims Process;

b) Expanded Powers if the modification to subparagraph 4 g) is made; and

c) Stay Extension.

Dated at Calgary, this 26th day of June, 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
June 16, 2012 - September 30, 2012
(000's) - CAD

	Notes	Jun 16-30/12	Jul-12	Aug-12	Sep-12	Total
	1					
RECEIPTS						
Other	2	-	33,000	-	-	**33,000**
GST collected	3	-	49,097	135,924	125,715	**310,735**
Total receipts		**-**	**82,097**	**135,924**	**125,715**	**343,735**
DISBURSEMENTS						
Corporate recurring G&A	4	235,369	558,919	231,873	193,037	**1,219,198**
Corporate payroll and benefits	5	183,890	500	-	-	**184,390**
Operating Expenses	6	83,399	75,000	75,000	75,000	**308,399**
Land tenure		1,000	1,000	1,000	1,000	**4,000**
Litigation	7	-	-	505,000	-	**505,000**
CCAA professional fees	8	168,000	80,000	80,000	140,000	**468,000**
Solicitation process	9	94,000	950,000	-	-	**1,044,000**
GST Paid	10	47,348	96,121	44,594	20,402	**208,465**
Total disbursements (before interest payments)		**$ 813,007**	**$ 1,761,540**	**$ 937,467**	**$ 429,439**	**3,941,453**
NET CASH FLOWS		**$ (813,007)**	**$ (1,679,443)**	**$ (801,543)**	**$ (303,724)**	**$ (3,597,718)**
OPENING CASH		$ 5,623,658	$ 4,810,651	$ 3,131,208	$ 2,329,665	**$ 5,623,658**
NET CHANGE IN CASH FLOWS		(813,007)	(1,679,443)	(801,543)	(303,724)	**(3,597,718)**
ENDING CASH		**$ 4,810,651**	**$ 3,131,208**	**$ 2,329,665**	**$ 2,025,941**	**$ 2,025,941**

Notes and Assumptions

1 USD converted to CAD at 1:1

2 Estimated proceeds from sale of available-for-sale investment.

3 GST receipt for July 2012 includes outstanding amount from GST returns as filed for the period from Feb 1 through April 30. Delay in payment is due to CRA finalizing GST audit. GST receipts for July 2012 through September 2012 include expected GST collections on invoices paid from May 2012 through August 2012.

4 Professional fees (legal,audit,tax) amount to $576k for the period from June 16 through September 30 of which $332k is expected to be paid in July for the work performed through June 30. Other fiscal and corporate fees amount to $32k for the the period from June 16 through September 30. For the same period, the forecasted run rates for consulting, office supplies & computer expense and rent are estimated at $60k/month, $30K/month and $45K/month respectively.

5 June includes payroll and employee related expenses for services rendered in June, including a $70k success fee earned by the CEO upon the sale of Eagles Nest. Significant staffing reductions are planned for June 30, 2012. Consultant agreements will be prepared when necessary for the period after July 1, 2012.

6 Camp maintenance adjusted run rate of $75K / month from July onward. June payments of $83K include fuel purchase of $18k to cover for the camp fuel usage until the end of August.

7 McDaniels & Associates' legal costs for class action lawsuit expected to be settled by August 2012. Expected payment to indemnify McDaniels & Associates' counsel estimated at $505k in August 2012.

8 Payments for CCAA monitor & counsel for the period from June 16-30 estimated at $168k. CCAA fees from June 1 through September 30 are estimated at $300k.

9 Solicitation process fees of $94k in July relate to financing costs incurred on the DIP facility that closed in March 2012. The July estimate of $950k includes $450k for a success fee to be earned by TD Securities upon the closing of a transaction in relation with the Solicitation process. The remainder of $500k is an estimate of additional professional charges to be incurred with the closing of the same transaction.

10 Estimate of 5% GST payments on expected cash settlements on GST applicable costs.