CLERK OF THE COURT
FILED
SEP 21 2012
JUDICIAL CENTRE
OF CALGARY

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	**TENTH REPORT OF THE MONITOR** **SEPTEMBER 21, 2012**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>**MONITOR**</u> 1000, 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attention: Neil Narfason / Cassie Riglin Telephone: 403-206-5067 / 403-206-5139 Fax: 403-206-5075 Email: Neil.Narfason@ca.ey.com Cassie.Riglin@ca.ey.com <u>**COUNSEL**</u> 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

TABLE OF CONTENTS OF THE TENTH REPORT

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 tenth report (the "Tenth 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 Monitor's comments regarding the Company's request for an extension of the Stay Period; and

    c) The Monitor's recommendations.

5. Capitalized terms not defined in this Tenth 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 Tenth 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) On August 2, 2012 the Monitor entered into an Asset Purchase and Sale Agreement (the "APSA"), with a purchaser (the "Prior Offeror"). Subsequently the Prior Offeror advised the Monitor that certain terms of the APSA needed to be amended. The APSA was terminated by the Monitor, and the Monitor pursued a new bid for the assets; and

b) The Monitor has accepted an offer (the "New Offer") from a new purchaser and will make application on October 2, 2012 for approval of the New Offer. The Monitor will file a further report during the week of September 24, 2012 describing the New Offer.

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

13. Pursuant to an Order of this Honourable Court dated August 23, 2012, the Stay Period expires on September 29, 2012. The Company is seeking an extension of the Stay Period up to and including, October 5, 2012 (the "Stay Extension").

14. 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. No further expenditures will be made in the Stay Period.

15. The Stay Extension is necessary to allow for the time to seek the necessary Court approval of the New Offer.

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

RECOMMENDATIONS

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

Dated at Calgary, this 21st day of September, 2012.

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

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

Cassie Riglin, CA
Manager