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	**TWELFTH REPORT OF THE MONITOR** **NOVEMBER 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 Riglin Telephone: 403-206-5067 / 403-206-5139 Fax: 403-206-5075 Email: Neil.Narfason@ca.ey.com Cassie.Riglin@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 eleventh report (the "Twelfth Report") of the Monitor is to provide the Honourable Court with the Monitor's comments in respect of the following:

    a) An amendment to the general conveyance (as defined below) with Cenovus Energy Inc. ("Cenovus");

    b) An application for the appointment of a receiver for Sask, 129 and TPC;

    c) An application for the appointment of a litigation agent;

    d) An application for a subsequent claims process;

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

f) The cash flow forecasts (the "Forecasts") from December 1, 2012 to February 28, 2013 (the "Forecast Period");

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

h) The Monitor's recommendations.

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

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

BACKGROUND

7. 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

8. In preparing the Twelfth Report, the Monitor has relied upon unaudited financial information, company records and discussions with former 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 assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

CENOVUS ASSET PURCHASE AGREEMENT

9. On October 2, 2012 an Order was granted approving an asset purchase agreement for the sale of the remaining oil & gas properties of Oilsands Quest to Cenovus. The General Conveyance between the Applicants and Cenovus Energy Inc. dated October 12, 2012 (the "General Conveyance") inadvertently excluded certain

miscellaneous oil and gas tangible assets that were stored at third party locations (the "Excluded Assets"). These assets relate to the Axe Lake operations and should have been included on the General Conveyance. A list of the Excluded Assets is attached at Appendix A.

10. The Monitor is seeking an Order authorizing and directing the Monitor to execute an addendum to the General Conveyance to include the Excluded Assets (the "Excluded Assets Order").

RECEIVERSHIP APPLICATIONS

11. The Monitor advises that based on the quantum of claims against Sask, 129 and TPC these entities have insufficient assets to justify any attempt to prepare and propose any plans of arrangement ("Plan" or "Plans"). Set out below is a summary of the known claims against each entity:

	OQI	SASK	129	TPC
Intercompany Claims	-	141,312,605	10,253,375	8,558,038
Unsecured Claims	3,166,095	683,697	-	-
Indemnity Claims	Unknown	-	-	-
Post-filing Claims	Unknown	Unknown	Unknown	Unknown
Total Claims	3,166,095	141,996,302	10,253,375	8,558,038

12. Based on the inability of Sask, 129 and TPC to be in a position to file respective plans, the Monitor seeks to place Sask, 129 and TPC into receivership to enable a receiver to liquidate their assets and make distributions to their creditors (the Sask, 129 and TPC Receivership Order"). Pursuant to previous orders by the Court, the Monitor is managing the affairs of Sask, 129 and TPC because their directors and officers have all resigned. The Monitor believes it is just and convenient for the Monitor to also be appointed as receiver of Sask, 129 and TPC.

LITIGATION AGENT

13. Pursuant to an Order dated January 11, 2012 (the "January 11 Order") Oilsands Quest was authorized to enter into an engagement letter ("Engagement Letter") to engage TD Securities Inc. as a financial advisor ("Financial Advisor") to assist

Oilsands Quest in its solicitation process. The January 11 Order also provided for a $1.0 million Financial Advisor Charge ranking *pari passu* with the Administration Charge.

14. The Monitor and the Financial Advisor have been unable to reach an agreement as to the quantum of the success fee earned by the Financial Advisor pursuant to the terms of the Engagement Letter and, as such, the Financial Advisor may commence a claim against the Applicants.

15. The Monitor is conflicted and cannot act adverse to the Financial Advisor. As a result, the Applicants are seeking the appointment of Hardie & Kelly Inc. ("H&K") as the litigation agent ("Litigation Agent") of the Applicants in the event that the Financial Advisor and the Applicants become involved in a disputed claim and litigation.

16. The Monitor believes that H&K is suitably qualified to act as the Litigation Agent, and it has consented to do so.

17. The Monitor proposes an order (the "Litigation Agent Order") to appoint H&K and have their fees covered by the Administration Charge under these CCAA proceedings.

SUBSEQUENT CLAIMS PROCESS

18. The Applicants with the assistance of the Monitor have completed a pre-filing Claims Process pursuant to the Claims Procedure Order dated June 28, 2012.

19. OQI intends preparing a plan of arrangement, and it is necessary to identify all post-filing claims. As such, the Monitor proposes a subsequent claims process order (the "Subsequent Claims Process Order") substantially in accordance with process as set out in Appendix B.

BUDGET TO ACTUAL RESULTS

20. 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 November 30, 2012
(000's) - CAD

	Notes	ACTUAL	FORECAST	VARIANCE
RECEIPTS				
DIP Financing	a	-	2,750,000	(2,750,000)
Interest Income / (expense)	a	34,215	(85,333)	119,548
Sale of Eagles Nest	a	7,075,800	4,380,000	2,695,800
	b	10,100,000	-	10,100,000
Camp Service		2,350,000	2,350,000	-
Alberta Road Maintenance	c	869,010	1,148,368	(279,358)
Main Road Maintenance	d	628,719	511,931	116,788
Other Road, Fuel, misc	e	350,898	342,404	8,495
GST collected	f	488,264	747,547	(259,283)
Total receipts		21,896,907	12,144,917	9,751,990
DISBURSEMENTS				
Corporate recurring G&A	g	2,275,899	2,950,426	(674,527)
Corporate payroll and benefits	h	1,347,273	1,445,277	(98,004)
Corporate Insurance		917,294	922,000	(4,706)
Operating Expenses	i	4,207,984	4,323,325	(115,341)
Land tenure	j	370,185	406,921	(36,736)
Litigation	k	371,348	705,000	(333,652)
Solicitation process	l	750,135	1,213,000	(462,865)
CCAA professional fees	m	1,520,619	1,221,601	299,018
GST Paid	n	434,558	533,160	(98,602)
Foreign exchange loss	o	19,213	-	19,213
Total disbursements		**$ 12,214,508**	**$ 13,720,709**	**$ (1,506,202)**
NET CASH FLOWS		**$ 9,682,399**	**$ (1,575,792)**	**$ 11,258,192**
OPENING CASH		$ 3,282,913	$ 3,282,913	
NET CHANGE IN CASH FLOWS		9,682,399	(1,575,792)	
ENDING CASH		$ 12,965,312	$ 1,707,120	

21. Receipts for the Reporting Period totalled approximately $21.9 million representing a positive variance of approximately $9.7 million to the anticipated amounts. This variance relates primarily to:

a) A positive variance of approximately $2,750,000 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 positive variance of $10.1 million related to the Cenovus Sale;

c) 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;

d) 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;

e) A positive variance of approximately $8,000 in lower fuel and maintenance costs due to less use during the Reporting Period; and

f) A negative variance of approximately $259,000 in lower GST collections as a result of slower GST refunds from the CRA and lower expenditures during the Reporting Period.

22. Operating disbursements for the Reporting Period totalled approximately $12.2 million representing a positive variance of approximately $2 million to the anticipated amounts. This variance relates primarily to:

g) A positive variance of approximately $675,000 relating to lower than anticipated corporate cost, some of which is a timing difference that will be settled in December 2012;

h) A positive variance of approximately $98,000 relating to lower than expected executive travel and salaries;

i) A positive variance of approximately $115,000 relating to less overall activity in camp during the Reporting Period;

j) A positive variance of approximately $37,000 relating to cost saving on the renewal of letter of guarantee for collateral of unfunded liabilities under the Licensee Liability Rating Program;

k) A positive variance of approximately $333,000 relating to the timing of payment of litigation costs;

l) A positive variance of approximately $463,000 relating to the timing of the success fee payment to be paid to TD Securities in December 2012;

m) A negative variance of approximately $299,000 relating to higher CCAA professional fees than expected due to the length of the CCAA proceeding;

n) A positive variance of approximately $98,000 relating to lower than expected GST payments during the Reporting Period; and

o) A negative variance of approximately $19,000 relating to foreign exchange loss.

23. Oilsands Quest has kept current all of its obligations to all its employees during the Reporting Period and has no current employees or contractors.

CASH FLOW FORECAST THROUGH FEBRUAY 28, 2013

24. The Monitor has prepared the Forecast for the Forecast Period which is attached as Appendix C to this report. The Forecast is based on the most current information available.

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

Oilsands Quest Inc.
Consolidated Cash flow Forecast
December 1, 2012 - February 28, 2013
(000's) - CAD

	Dec-12	Jan-13	Feb-13	Total
RECEIPTS				
Sales proceeds	-	-	-	-
Total receipts	-	-	-	-
DISBURSEMENTS				
Corporate recurring G&A	25,000	25,000	-	**50,000**
Soliciation Process	TBD	-	-	**TBD**
CCAA professional fees	50,000	50,000	50,000	**150,000**
Total disbursements	**$ 75,000**	**$ 75,000**	**$ 50,000**	**200,000**
NET CASH FLOWS	**$ (75,000)**	**$ (75,000)**	**$ (50,000)**	**$ (200,000)**
OPENING CASH	$ 12,965,312	$ 12,890,312	$ 12,815,312	**$ 12,965,312**
NET CHANGE IN CASH FLOWS	(75,000)	(75,000)	(50,000)	**(200,000)**
ENDING CASH	**$ 12,890,312**	**$ 12,815,312**	**$ 12,765,312**	**$ 12,765,312**

26. As summarized above, the Company is projecting no cash receipts against cash disbursements of approximately $200,000 during the Forecast Period.

27. Significant assumptions made by the Monitor with respect to the Forecast are:

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

b) Success fee payable to TD Securities, as discussed above, the amount has yet to be agreed upon; and

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

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

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

REQUEST FOR AN EXTENSION OF THE STAY PERIOD

30. Pursuant to an Order of this Honourable Court dated October 2, 2012, the Stay Period expires on November 30, 2012. The Company is seeking an extension of the Stay Period up to and including, February 28, 2013 (the "Stay Extension").

31. The Stay Extension is necessary to allow for the time required to enable the Applicants to prepare a Plan of Arrangement, and to take appropriate steps regarding those Applicants in respect of which a Plan of Arrangement may not be viable.

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

RECOMMENDATIONS

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

a) Excluded Assets Order;

b) Sask, 129 and TPC Receivership Order;

c) Litigation Agent Order;

d) Subsequent Claims Process Order; and

e) Stay Extension.

Dated at Calgary, this 26th day of November, 2012.

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

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

Cassie Riglin, CA
Manager

Appendix A

Excluded Assets

Equipment	**Status**	**Company**	**Location**
Free Water Knock Out (FWKO)	Purchased, in storage	Westfab Industries	4840 - 90 ave S.E. Calgary, AB
Well Instrumentation	Purchased, in storage	Petrospec	Edmonton
Well Heads (for 2 HZ wells)	Purchased, in storage	Stream-Flow	Edmonton
51 Joints VAM casing	Purchased, in storage	Sandy's Oilfield	2306B 8TH STREET, NISKU AB T9E 7Z2
71 Joints BOSS casing	Purchased, in storage	Sandy's Oilfield	2306B 8TH STREET, NISKU AB T9E 7Z2
32 Joints of drill pip	Purchased, in storage	Miller Oilfield, Nisku	2201, 9th Street Nisku, AB
8 X 400 bbl storage tanks	Purchased, 90% complete	AGI Envirotank	401 Hwy #4 South, Biggar Sk.S0K 0M0

Appendix B

COURT FILE NUMBER	1101-16110	Clerk's Stamp
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
APPLICANTS	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, c C-36, AS AMENDED** **AND IN THE MATTER OF OILSANDS QUEST INC., OILSANDS QUEST SASK INC., TOWNSHIP PETROLEUM CORPORATION, STRIPPER ENERGY SERVICES INC., 1291329 ALBERTA LTD., OILSANDS QUEST TECHNOLOGY INC., WESTERN PETROCHEMICALS CORP. and 1259882 ALBERTA LTD.**	
DOCUMENT	**ORDER** **(Subsequent Claims Procedure)**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Josef G.A Kruger Q.C. Borden Ladner Gervais LLP 1900, 520 3rd Ave. S.W. Calgary, AB T2P 0R3 Telephone: (403) 403 232-9563 Facsimile: (403) 266-1395 Email: jkruger@blg.com File No. 413255.000037	
DATE ON WHICH ORDER WAS PRONOUNCED	November 29, 2012	
NAME OF JUSTICE WHO MADE THIS ORDER	The Honourable Mr. Justice A. Macleod	

UPON THE APPLICATION of Oilsands Quest Inc. ("OQI"), Oilsands Quest Sask Inc. ("Sask"), Township Petroleum Corporation ("TPC"), Stripper Energy Services Inc., 1291329 Alberta Ltd. ("129"), Oilsands Quest Technology Inc., Western Petrochemicals Corp. and 1259882 Alberta Ltd. represented by Ernst & Young Inc. in its capacity as the Monitor (the "Monitor") in these proceedings with extended powers (collectively, the "Applicants" or "Oilsands Quest"); **AND UPON** having read the Twelfth Report of the Monitor dated November __, 2012 (the "Twelfth Report"), and the pleadings and proceedings filed herein; **AND UPON** hearing counsel for Oilsands Quest, the Monitor and from any other affected parties that may be present;

IT IS HEREBY ORDERED AND DECLARED THAT:

Service

1. The time for service of this notice of this Application for this Order is hereby abridged and deemed good and sufficient and this Application is properly returnable today.

Subsequent Claims Procedure

2. Capitalized terms not defined herein shall have the meanings ascribed to them in the Twelfth Report of the Monitor. This Order applies to claims arising subsequent to November 29, 2012 against the Affected Companies as defined below (the "Subsequent Claims").

3. The Monitor shall on or before December 6, 2012, in cooperation with Oilsands Quest, send a notice by registered mail, email, courier service or facsimile to each known creditor of each of OQI, Sask, TPC and 129 (the "Affected Companies" and each an "Affected Company"), as those creditors are identified to it by Oilsands Quest, indicating the amount of such creditor's Subsequent Claim against the Affected Companies (the "Notices to Subsequent Creditor" and each a "Notice to Subsequent Creditor"). In the circumstance of creditors whose claims are disputed, a Notice to Subsequent Creditor will be sent containing the amount which the Affected Company is prepared to allow as a claim by such creditor. The Notice to Subsequent Creditor shall state whether a creditor's claim is secured or unsecured. Notices to Subsequent Creditor substantially in the forms attached collectively as **Schedule "A"** to this Order is hereby approved with respect to each of the Affected Companies.

4. The Monitor shall also send, together with the Notice to Subsequent Creditor, a form of proof of claim (the "Proofs of Subsequent Claim" and each a "Proof of Subsequent Claim") to each creditor or possible creditor described above. If a creditor wishes to dispute the Affected Company's assessment of its claim in the Notice to Subsequent Creditor, it must complete and forward to the Monitor on or before January 11, 2013, a completed Proof of Subsequent Claim advancing a claim in a different amount, and/or claiming secured status if applicable, supported by appropriate documentation. In the event that a Proof of Subsequent Claim is not received by the Monitor as the case may be, by January 11, 2013, the amount of such creditor's claim and its status as secured or unsecured will, unless otherwise ordered by this Court, be conclusively deemed to be as shown in the Notice to Subsequent Creditor sent by the Monitor. Proofs of

Subsequent Claim substantially in the forms attached collectively as **Schedule "B"** to this order are hereby approved for each of the Affected Companies.

5. The Monitor shall also arrange to publish a Notice to Subsequent Creditor Advertisement in the Calgary Herald newspaper on or before December 6, 2012. An advertisement substantially in the form of Notice to Subsequent Creditor Advertisement attached as **Schedule "C"** to this Order is hereby approved.

6. Any party who does not receive a Notice to Subsequent Creditor and who wishes to advance a claim against the Affected Company must complete and forward to the Monitor, a completed Proof of Subsequent Claim supported by appropriate documentation advancing its claim and claiming secured status if applicable, on or before January 11, 2013.

7. Where a Proof of Subsequent Claim is sent to the Monitor by a creditor prior to the deadline referred to herein, either as a result of disagreement with the Notice to Subsequent Creditor or otherwise, then the Affected Company, with the cooperation of the Monitor, shall review the Proof of Subsequent Claim and the Monitor shall provide to the creditor a notice in writing by registered mail, email, courier service or facsimile as to whether the claim set out in the Proof of Subsequent Claim is accepted, disputed in whole, or disputed in part. Where the claim is disputed in whole or in part, the Company shall prepare and the Monitor shall issue its written reasons for the dispute (the "**Notices of Dispute**" and each a "**Notice of Dispute**"). Notices of Dispute substantially in the form attached as **Schedule "D"** to this Order is hereby approved with respect each of the Affected Companies.

8. Where a creditor wishes to challenge the Affected Company's Notice of Dispute, the creditor must notify the Monitor of its objection in writing by registered mail, courier service or facsimile within 15 days of the date of the Notice of Dispute. The creditor shall thereafter serve on the Monitor, a filed Application together with a supporting Affidavit in these proceedings returnable within 10 days after it gave its notice of objection, for the determination by the Court of the claim in dispute. Creditors not filing an objection to a Notice of Dispute issued by the Monitor, or failing to file an Application with a supporting Affidavit in accordance within the time period set out above shall, unless otherwise ordered by this Court, be conclusively deemed to have accepted the assessment of their claims set out in such Notice of Dispute.

9. Claims not proven in accordance with the procedures set out above shall, unless otherwise ordered by this Court, be deemed to be forever barred and may not thereafter be advanced against

the Affected Company or any of the Applicants in the event that a plan of arrangement is approved by creditors, sanctioned by this Honourable Court, and implemented.

10. The Monitor shall serve a copy of this Order on all parties attending at the hearing of the within Application and the Monitor shall post a copy of this Order on its website and include the address of the website with the materials sent to creditors and claimants of the Affected Companies, which together shall be deemed good and sufficient service of this Order upon all interested parties.

11. The Subsequent Claims Process established by this Order will also apply and be effective in the Receivership applicable to Sask, 129 and TPC pursuant to the Receiver Order by this Court dated November 29, 2012.

12. Nothing in this Order will amend or affect the contents of the Claims Process Order by the Court dated June 28, 2012.

13. Oilsands Quest and the Monitor are at liberty and are hereby authorized and empowered to apply to any Court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for advice, assistance and direction as may be necessary to give full force and effect to, and in carrying out the terms of, this Order.

Justice of the Court of Queen's Bench of Alberta

Appendix C

Oilsands Quest Inc.
Consolidated Cash flow Forecast
December 1, 2012 - February 28, 2013
(000's) - CAD

	Notes	Dec-12	Jan-13	Feb-13	Total
RECEIPTS					
Sales proceeds		-	-	-	-
Total receipts		-	-	-	-
DISBURSEMENTS					
Corporate recurring G&A	1	25,000	25,000	-	**50,000**
Soliciation Process	2	TBD	-	-	**TBD**
CCAA professional fees	3	50,000	50,000	50,000	**150,000**
Total disbursements		**$ 75,000**	**$ 75,000**	**$ 50,000**	**200,000**
NET CASH FLOWS		**$ (75,000)**	**$ (75,000)**	**$ (50,000)**	**$ (200,000)**
OPENING CASH		$ 12,965,312	$ 12,890,312	$ 12,815,312	**$ 12,965,312**
NET CHANGE IN CASH FLOWS		(75,000)	(75,000)	(50,000)	**(200,000)**
ENDING CASH		**$ 12,890,312**	**$ 12,815,312**	**$ 12,765,312**	**$ 12,765,312**

Notes and Assumptions

1 The forecasted run rates for consulting, office supplies and computer expense estimated at $75k for October and $25k for November.
2 Sucess fee due to TD Securities, amount yet to be determined.
3 Estimated professional fees.