COURT FILE NUMBER	1101-16110	Clerk's Stamp
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	CLERK OF THE COURT FILED JAN 23 2013 JUDICIAL CENTRE OF CALGARY
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	**FIRST REPORT OF THE RECEIVER** **JANUARY 22, 2013**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**RECEIVER** 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: Josef G. A. Krüger, Q.C. Phone: 403-232-9500 Fax: 403-266-1395 Email: 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. On November 29, 2012, Sask, 129 and TPC were placed into receivership pursuant to an order by this Honourable Court (the "Receivership Order"), and Ernst & Young Inc. was appointed as receiver and manager (the "Receiver").

5. The purpose of this first report (the "First Report") of the Receiver is to provide the Honourable Court with the Receiver's comments in respect of the following:

    a) The activities of the Receiver since appointment;

    b) The proposed distributions (the "Proposed Distributions");

    c) The Receiver's discharge; and

    d) The Receiver's recommendations.

6. Capitalized terms not defined in this First Report are as defined in the Initial Order and the Receivership Order.

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

BACKGROUND

8. Further background for the Company and its operations, together with other information regarding the CCAA and Receivership proceedings, have been posted by the Monitor and Receiver on its website at: www.ey.com/ca/oilsandsquest.

TERMS OF REFERENCE

9. In preparing this First Report, the Receiver has relied upon unaudited financial information, company records and discussions with former management of the Company. The Receiver has not performed an audit, review or other verification of such information.

ACTIVITIES OF THE RECEIVER

Custody and Control

10. The Monitor, as authorized by the expanded powers granted by this Honourable Court on June 28, 2012, had custody and control of Sask, 129 and TPC's assets as at November 29, 2012. The assets of Sask, 129 and TPC consist of cash and inter-company claims.

Statutory Mailing

11. The Receiver has sent out the required Notices under sections 245 and 246 of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3 on December 7, 2012.

PROPOSED DISTRIBUTIONS

18. Pursuant to the proceedings under the CCAA, the Monitor has completed a claims process ("Claims Process") and a subsequent claims process ("Subsequent Claims Process") to determine all of the claims against Sask, 129 and TPC arising before and after November 29, 2011. The Claims Process was conducted in accordance with the Orders granted by this Honourable Court on June 28, 2012 and July 20, 2012, and the Subsequent Claims process was conducted in accordance with the

Order granted by this Honourable Court on November 29, 2012. Pursuant to the provisions of the Receivership Order all steps taken in the Claims Process and the Subsequent Claims Process are valid and binding in the receivership.

19. The claims of creditors against Sask, 129 and TPC consist of unsecured pre-filing claims and post-filing or Subsequent Claims.

20. The Receiver intends on distributing on a pro rata basis the remaining cash in Sask, 129 and TPC to their respective creditors which have proved claims in the Claims Process and Subsequent Claims Process. Only one claim is being disputed. The Receiver will establish a disputed claim reserve fund from which to satisfy the pro rata share of such disputed claim in the event that claim should be properly proved. Schedules of the Proposed Distributions for Sask, 129 and TPC are attached to this First Report as Appendix A, B and C, respectively.

FINAL STATEMENT OF RECEIPTS AND DISBURSEMENTS

12. A final statement of receipts and disbursements, including the Proposed Distributions, relating to Sask, 129 and TPC from November 29, 2012 to January 22, 2013 (the "Reporting Period") are presented below.

13. Sask had net cash receipts during the Reporting Period of approximately $5,500 resulting from GST and utility refunds, offset partially by Receiver's fees and minor expenses.

Sask Receipts & Disbursements		
November 29, 2012 - January 22, 2013		
GST Refund	*$*	*10,174.42*
Miscellaneous Refunds		*395.58*
Receivership fees		*(5,000.00)*
Net Increase in Cash		*5,570.00*
Opening Cash		*8,137,136.67*
Increase in Cash		*5,570.00*
Ending Cash		*8,142,706.67*
Proposed Distributions		*8,142,706.67*
Ending Cash	*$*	*-*

14. 129 had net cash receipts during the Reporting Period of approximately $350,000 resulting from the Proposed Distribution from Sask, partially offset by GST remittances and Receiver's fees.

129 Receipts & Disbursements		
November 29, 2012 - January 22, 2013		
Proposed Disbursement from Sask	*$*	*454,809.76*
GST Remitted		*(100,000.00)*
Receivership fees		*(5,000.00)*
Net Increase in Cash		*349,809.76*
Opening Cash		*2,100,000.00*
Increase in Cash		*349,809.76*
Ending Cash		*2,449,809.76*
Proposed Distribution		*2,449,809.76*
Ending Cash	*$*	*-*

15. TPC had net cash receipts during the Reporting Period of approximately $238,000 resulting from the Proposed Distribution from Sask, partially offset by Receiver's fees.

TPC Receipts & Disbursements		
November 29, 2012 - January 22, 2013		
Proposed Disbursement from Sask	*$*	*242,746.23*
Receivership fees		*(5,000.00)*
Net Increase in Cash		*237,746.23*
Opening Cash		*-*
Increase in Cash		*237,746.23*
Ending Cash		*237,746.23*
Proposed Distribution		*237,746.23*
Ending Cash	*$*	*-*

APPROVAL OF THE FEES AND EXPENDITURES OF THE RECEIVER

33. The Receiver has allocated costs of $5,000 for each of Sask, 129 and TPC for professional fees incurred in relation to the receivership proceedings. These fees will be reimbursed to OQI, as OQI has paid directly for these costs on behalf of Sask, 129 and TPC.

RECEIVER'S DISCHARGE

34. In the event that this Honourable Court approves the Proposed Distributions, the Receiver's administration of the estate, upon making the distributions, will essentially be complete. The Receiver may have some miscellaneous administrative items to attend to post-discharge, but these items are immaterial and, in the Receiver's opinion, should not prevent this Honourable Court from granting an unconditional discharge effective upon completion of the Proposed Distributions.

35. The Receiver respectfully requests that this Honourable Court approve an Order discharging the Receiver from any and all obligations as Receiver of Sask, 129 and TPC effective upon completion of the Proposed Distributions.

RECOMMENDATIONS

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

a) Proposed Distributions;

b) Accounts of the fees and disbursements of the Receiver; and

c) Discharge of Ernst & Young Inc. as Receiver of Sask, 129 and TPC.

Dated at Calgary, this 22nd day of January, 2013.

ERNST & YOUNG INC.
in its capacity as
Receiver of Sask, 129 and TPC

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

Cassie Riglin, CA
Manager

APPENDIX A

Oilsands Quest Sask. Inc.
Proposed Distributions

Cash at November 29, 2011	2,269,151.24
Net cash used during CCAA	(2,132,014.57)
Procceds from CVE	8,000,000.00
Net cash received durring Recievership	5,570.00
CASH FOR PROPOSED DISTRIBUTION	**8,142,706.67**

Pre-filing Claims

Vendor	Note	Proven Claims	Distribution	Curr	% Recovery
BLACK PEARL RESOURCES INC.		1,125.00	64.20	CAD	5.7%
CONOCOPHILLIPS		1,449.00	82.69	CAD	5.7%
GRIZZLY OIL SANDS ULC		381,047.00	21,745.74	CAD	5.7%
HURRICANE INDUSTRIES LTD.		5,796.00	330.77	CAD	5.7%
JETPRO CONSULTANTS INC.		3,150.00	179.77	CAD	5.7%
MAXXAM ANALYTICS		795.90	45.42	CAD	5.7%
NEC CONTRACTORS LTD.		2,168.25	123.74	CAD	5.7%
SANDY's OILFIELD HAULING LTD.		525.00	29.96	CAD	5.7%
SDC CONSTRUCTION LTD.		28,891.67	1,648.80	CAD	5.7%
SILVERBIRCH ENERGY CORPORATION		133,970.53	7,645.48	CAD	5.7%
SOLARA EXPLORATION LTD.		28.00	1.60	CAD	5.7%
THE NORTHERN VILLAGE OF LA LOCHE		288.75	16.48	CAD	5.7%
TRAVERS FOOD SERVICE LTD.		124,042.01	7,078.88	CAD	5.7%
WESTFAB INDUSTRIES LTD.		420.00	23.97	CAD	5.7%
OILSANDS QUEST INC.		129,048,580.88	7,364,595.62	CAD	5.7%
OILSANDS QUEST TECHNOLOGY INC.		40,867.15	2,332.22	CAD	5.7%
TOWNSHIP PETROLEUM CORPORATION		4,253,601.66	242,746.23	CAD	5.7%
1291329 ALBERTA LIMITED		7,969,555.51	454,809.76	CAD	5.7%
		141,996,302.31	8,103,501.32		

Post-filing Claims

Vendor	Note	Proven Claims	Distribution	Curr	% Recovery
CIT Financial Ltd.		11,166.30	637.24	CAD	5.7%
IVG - Dundee Beltline Centre Holdings Inc.	1	662,150.79	37,787.88	CAD	5.7%
Ministry of Finance		13,671.73	780.22	CAD	5.7%
		686,988.82	39,205.35		
TOTAL PROPOSED DISTRIBUTION		142,683,291.13	**8,142,706.67**		
		Ending Cash	-		

Note 1 - Claim as filed is disputed by the Receivèr.

APPENDIX B

1291329 Alberta Ltd.
Proposed Distributions

Cash at November 29, 2011	-
Procceds from CVE	2,100,000.00
Net used during Receivership	(105,000.00)
Current cash on hand	1,995,000.00
Claim paid from Sask	454,809.76
CASH FOR PROPOSED DISTRIBUTION	**2,449,809.76**

Pre-filing Claims

Vendor	**Proven Claims**	**Distribution**	**Curr**	**% Recovery**
OILSANDS QUEST INC.	10,253,374.87	2,449,809.76	CAD	24%
TOTAL PROPOSED DISTRIBUTION	10,253,374.87	**2,449,809.76**		
	Ending Cash	-		

APPENDIX C

Township Petroleum Corporation
Proposed Distributions

Cash at November 29, 2011	-
Proceeds from Eagles Nest	7,075,800.00
Less: Interim distribution to OQI	(7,075,800.00)
Net used during Receivership	(5,000.00)
Current cash on hand	(5,000.00)
Claim from Sask	242,746.23
CASH FOR PROPOSED DISTRIBUTION	**237,746.23**

Pre-filing Claims

Vendor	**Proven Claims**	**Distribution**	**Curr**	**% Recovery**	**Note**
OILSANDS QUEST INC.	8,558,037.60	237,746.23	CAD	85%	1
TOTAL PROPOSED DISTRIBUTION	8,558,037.60	**237,746.23**			
	Ending Cash	-			

Note 1 - Recovery to OQI includes the interim distribution.