Action No. 0901-01613

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, C. C 36, AS AMENDED;

AND IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, R.S.A 2000, C. B 9, AS AMENDED;

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF OILEXCO INCORPORATED AND OILEXCO TECHNICAL SERVICES INC.

NINTH REPORT OF THE MONITOR

ERNST & YOUNG INC.

AUGUST 25, 2009

ERNST & YOUNG

NINTH REPORT OF THE MONITOR

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LISTING OF APPENDICES TO THE NINTH REPORT OF THE MONITOR:

INTRODUCTION

1. On February 5, 2009, Oilexco Incorporated ("Oilexco") and Oilexco Technical Services Inc. ("OTSI") (each an "Applicant" or collectively, "the Applicants") filed for 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 dated February 5, 2009 (the "Initial Order").

2. Pursuant to an Order of this Honourable Court dated May 21, 2009, a Claims Process Order was granted approving the claims process and setting a Claims Bar date of July 31, 2009.

3. Pursuant to an Order of this Honourable Court dated July 16, 2009, the Applicants were authorized and directed to finalize the liquidation of their respective remaining property, assets and undertaking with a view to presenting a Plan of Compromise and Arrangement to their unsecured creditors (the "Liquidation Plan"). The Stay Period was also extended to September 30, 2009 in order to allow for sufficient time to allow the Applicants to disseminate the Liquidation Plan under the CCAA (such plan to be approved by the Monitor) and to call and hold a meeting of unsecured creditors for the purpose of considering and passing resolution to approve the Liquidation Plan.

PURPOSE

4. The purpose of this ninth report of the Monitor (the "Ninth Report") is to report to this Honourable Court with respect to the following:

   (a) An operational update;

   (b) A summary of the current financial position of the Applicants;

   (c) Financial performance since the date of the Initial Order;

(d) Cash flow forecast for the period August 24 to November 30, 2009;

(e) An update of the Claims Process;

(f) The Applicants' Liquidation Plan (the "Plan");

(g) The Monitor's analysis of the Plan; and

(h) Recommendations.

TERMS OF REFERENCE

5. In preparing this Ninth Report, the Monitor has relied upon unaudited financial information, company records and discussions with management of the Applicants. The Monitor has not performed an audit, review or other verification of such information.

6. Capitalized terms not defined in this Ninth Report are as defined in the Initial or subsequent Orders. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

7. Information regarding the CCAA proceeding, including the Initial Order and subsequent Orders, supporting affidavits and the Reports of the Monitor have been posted by the Monitor on its website at http://www.ey.com/ca/oilexco .

OPERATIONAL UPDATE

8. The Applicants ceased active business operations and terminated their employees as of close of business July 31, 2009, with the exception of rent for its Calgary office premises for month of August, 2009 and such other expenses that have been incurred in furtherance of the Liquidation Plan and as otherwise specifically approved by the Monitor.

9. The powers of the Monitor have been enhanced so as to permit the Monitor to control distribution of cash including approving all expenses and control over the Applicants' bank accounts by requiring that the Monitor be a signatory to cheques and instruments in relation to withdrawals.

10. The Applicants have engaged on a contract basis, and on terms approved by the Monitor, North Sea Oil Limited to assist in the implementation of the proposed liquidation plan. Consulting fees in the amount of $70,000 for the months of August and September and $40,000 for each of the months of October and November have been or will be paid to North Sea Oil Limited.

11. The Applicants have advised they will repudiate the office lease in respect of its Calgary premises on or before August 31, 2009 or otherwise make arrangements satisfactory to the Monitor that lease payments for such premises on a go-forward basis from and after September 1, 2009 will be made through funds other than the Distribution Pool.

FINANCIAL POSITION

12. The remaining assets of the Applicants include:

(a) Estimated cash of $15,024,301 as at August 24, 2009;

(b) The apartment in London, England is currently listed for sale. The estimated sale price is £2,029.999 ($3.5 million net of commissions) based on the current offer to purchase the flat. We refer to the Monitor's Eighth Report with respect to the Applicants' request for Court approval of the sale of the apartment.

(c) Certain other office furniture and equipment expected to be of nominal value ($75,000).

13. As of the date of the Initial Order, the Applicants had known primary liabilities of approximately $800,000.

14. The Applicants had also provided guarantees of certain debts of Oilexco North Sea Limited ("ONSL"). This included the unsecured guarantee of the Applicants in favour of the Royal Bank of Scotland ("RBS"), as well as guarantees given in favour of certain trade creditors of ONSL.

FINANCIAL PERFORMANCE SINCE JULY 13, 2009

15. Attached as Appendix 1 is a summary of the Applicants' actual receipts and disbursements from the date of the Initial Order to August 24, 2009 (the "Reporting Period"). Detailed explanations of the variances are described in the notes to Appendix 1 and in the Monitor's previous reports.

16. The cash balance at August 24, 2009 is $15.0 million, versus a cash balance of $8.9 million as at July 13, 2009 (see the Monitor's Seventh Report), or an increase of approximately $6.1 million.

17. This increased cash balance was primarily due to the cash receipt of $8.7 million from the sale of interest in Flexjet. The payment with respect to the sale of the Flexjet interest was less than initially forecast ($9.7 million) primarily due to Flexjet's final, lower appraisal of the fair market value of the aircraft and to a lesser extent an unfavourable foreign exchange fluctuation.

18. The cash flow forecast variance analysis has re-valued the existing foreign currency cash balances to Canadian dollars as at the current date. The increase in the value of the Canadian dollar vis-à-vis the US dollar in particular since the filing date ($0.81 to $0.95) has resulted in an unfavourable variance of $2.1 million as against previous forecasts.

CASH FLOW FORECAST – AUGUST 24 TO NOVEMBER 30, 2009

19. Attached as Appendix 2 is a copy of the consolidated cash flow forecast (the "Forecast") of the Applicants for the period of August 24 to November 30, 2009 (the "Forecast Period"). Management has prepared the Forecast based on

the most current information available and incorporation of proposed liquidation plan as discussed below.

20. As summarized in the Forecast, the Applicants are projecting total cash receipts of approximately $3.6 million and cash disbursements of approximately $1.1 million, resulting in a net increase in cash of approximately $2.5 million during the Forecast Period.

21. The average monthly general and administrative and Monitor costs for the four months ended April 30, 2009 (prepared on an accrual not a cash basis) have been estimated at $1.8 million per month. The August 24 to November 30, 2009 forecast with respect to Total Cash Outflow projects an outlay of $1.1 million or $0.4 million per month. The variance is primarily due to the Applicants implementation of the proposed liquidation plan.

22. Significant assumptions made by management with respect to the Forecast are:

(a) Receipt in October of $3.5 million with respect to the sale of the London flat; and,

(b) Consulting fees in the amount of $70,000 for the month of September and $40,000 for each of the months of October and November will be paid to North Sea Oil Limited to assist in the implementation of the proposed liquidation plan.

23. The Monitor has reviewed the assumptions supporting the Forecast with the Applicants' management and believes the assumptions to be reasonable, subject to closing of the sale of the London apartment and receipt of funds in the amount of $3.5 million.

UPDATE ON THE PROOF OF CLAIMS PROCESS

24. The Claims Process is proceeding in accordance with the Order of this Honourable Court dated May 21, 2009, with a Claims Bar Date of July 31, 2009.

25. Claims totalling $1,193,739,660, including both primary and guarantee claims, have been received by the Monitor. The Monitor is in the process of reviewing the claims and reconciling the amounts to the accounting records.

PROPOSAL FOR LIQUIDATION PLAN

26. The Applicants have either liquidated all of their assets or are in the process of doing so, and are in the process of resolving the outstanding claims pursuant to the Claims Process Order. Accordingly, the Applicants are now in a position to file a Plan to their creditors.

27. A copy of the Plan will be circulated by the Monitor with the meeting materials and will be posted on the Monitor's website.

28. The Plan contemplates that the Affected Creditors will participate on a pro-rata basis from the net remaining cash on hand (the "Distribution Pool"), which comprises the current cash on hand, expected realization from remaining tangible assets less costs to complete the Plan and other holdback amounts.

29. The Distribution Pool is estimated at $17.5 million and is forecast to provide a dividend to the creditors of $0.015 on the dollar, based on claims as filed. The Monitor will update the Distribution Pool as at the date of voting of the Plan. The table below provides a summary of the estimated Distribution Pool:

Estimated Distribution Pool	Note	
Cash on hand (August 24, 2009)	a	$ 15,024,301
Estimated cash receipt from sale of London flat	b	3,463,686
Other receipts	c	90,000
Professional costs to complete Plan	d	(720,000)
Estimated operating costs	e	(380,000)
Estimated ending cash available for distribution		$ 17,477,987
Claims as filed	f	$ 1,193,739,660
% on recovery of claim		1.5%

(a) Cash on hand – represents all cash currently held by the Applicants;

(b) Estimated remaining cash receipts - represents forecasted net proceeds from the sale of the London apartment (estimated gross proceeds of £2,029,999, less commissions of £50,000);

(c) Collection of accounts receivables – GST recovery and sale of office furniture and equipment;

(d) Professional costs to complete Plan – represents estimated costs to be incurred to complete the Plan including that of the Monitor, the Monitor's counsel and the Applicants' counsel;

(e) Estimated operating costs – represents the operating costs estimated to be incurred up to November 30, 2009 which consists primarily of the consulting fees and the final Flexjet monthly fee; and

(f) The amount of the estimated distribution based on the claims as received by the Monitor (but which claims are subject to review by the Applicants and the Monitor).

30. A pro-rata distribution of the Distribution Pool is scheduled to be made by the Monitor upon the approval of the Plan by the Creditors and the granting of the Sanctioning Order. At the Effective Time each Affected Claim will be

compromised, and thereafter each Affected Creditor will receive, in full satisfaction of its Distribution Claim against the Applicants:

(a) The lesser of (i) the amount of its Distribution Claim in respect of such Applicant, and (ii) $2,500 (the "Small Claims Exemption"); and

(b) The amount of its Pro Rata Share.

31. The Pro Rata Share of an Affected Creditor means the amount determined by the following formula:

Pro Rata Share = (A/B) x C

where:

A = the Distribution Claim of the Affected Creditor, if any, greater than the Small Claims Exemption;

B = the sum of all Distribution Claims of all Affected Creditors, excluding Distribution Claims that are subject to the Small Claims Exemption; and

C = the Distribution Pool less the aggregate amount to be paid in respect of Distribution Claims that are subject to the Small Claims Exemption.

32. The Applicants seek to hold a meeting regarding the Plan on September 15, 2009 at 9:00 a.m. at the office of McCarthy Tétrault LLP, Suite 3300, 421 7th Avenue SW, Calgary, Alberta, (the "Meeting").

33. In the event an Affected Creditor's claim has not been finally determined prior to the date of the Meeting, the Affected Creditor shall be entitled to vote at the Meeting the amount of its claim as lodged, and such claim shall be deemed to constitute the Affected Creditor's proven claim for voting purposes.

34. The Plan contemplates that Affected Creditors will vote at the Meeting in a single class. For the purposes of calculating the majority component of the required majority, each Affected Creditor who actually votes (in person or by proxy) is entitled to one vote. For the purposes of calculating the value component of the required majority, each creditor with an Affected Claim is entitled to one vote at the Meeting for each $1.00 of their Affected Claim.

35. The Applicants shall report to Court no later than September 16, 2009 with respect to the results of the vote.

36. The only conditions precedent to implementation of the Plan are:

(a) The Plan is approved by the Applicants' Affected Creditors;

(b) The granting of the Sanction Order;

(c) All applicable appeal periods in respect of the Sanction Order have expired and any appeals therefrom have been finally disposed of by the applicable appellate tribunal; and

(d) All relevant persons have executed, delivered and filed all documents and other instruments and the Applicants have obtained all consents and approvals that, in the opinion of the Applicants, acting reasonably, are necessary to implement the provisions of the Plan and the Sanction Order.

37. At the Effective Time, the treatment of Affected Claims will be final and binding on the Applicants and the Affected Creditors and the Plan will constitute:

(a) full, final and absolute settlement of all rights of the Affected Creditors against the Applicants in respect of Affected Claims;

(b) an absolute release and discharge of all indebtedness, liabilities and obligations of or in respect of the Affected Claims against the Applicants, including any interest and costs accruing thereon (whether before or after the Filing Date); and

(c) a reorganization of the capital of Oilexco in accordance with the provisions of the Articles of Reorganization.

38. The Applicants have advised that the objective of the foregoing is to proceed with the orderly liquidation and ultimate payment to creditors utilizing the CCAA framework so that creditors will benefit for the work that has been done thus far in respect of claims with the attendant benefit of the distribution occurring as soon as practically possible and to avoid the administration and other costs associated with a bankruptcy.

MONITOR'S ASSESSMENT OF THE PLAN

39. The Applicants' management has indicated that there are no other viable options available to restructure other than that proposed in the Plan and that the only other alternative would be a formal liquidation under the Bankruptcy and Insolvency Act. In management's estimate a liquidation scenario would not provide the best recovery to the creditors.

40. The Plan treats the creditors of Oilexco Inc. and OTSI on a consolidated basis. Under this approach, all creditors of Oilexco Inc. and OTSI participate in the Distribution Fund on a prorated basis. All or substantially all of the assets in the Distribution Fund are the property of Oilexco Inc.

41. Claims (primarily employees claims) received by the Monitor with respect to OTSI comprise \$3.9 million or 0.3% of total claims of \$1.2 billion against the Applicants.

42. The Monitor makes no comment from a legal point of view on the application of a consolidated approach to the Plan.

43. It is the Monitor's understanding that the three largest creditors (comprising over 96% of the value of the claims as filed) are not willing to accept a distribution in anything other than cash.

44. A condition of the Plan is that that the creditors provide the requisite number of votes in favour of the Plan (i.e. a majority in number and two-thirds in value of the creditors present either by proxy or by person) to have the Plan accepted and approved by the Court. If the Plan is not accepted by the creditors, the likely result would be that the Applicants would be placed in bankruptcy proceedings.

45. The Plan provides a distribution process that is identical to the process that would be afforded unsecured creditors in a bankruptcy, except the Plan provides the following advantages:

(a) In a bankruptcy scenario, the distributions to creditors would be subject to a statutory levy pursuant to the Bankruptcy and Insolvency Act which is deducted from the distributions and payable to the Superintendent of Bankruptcy. No levy is payable in distributions under CCAA proceedings;

(b) A bankruptcy scenario may result in increased professional fees and costs as a result of the potential requirement for another claims process and associated administrative costs;

(c) The Applicants' general and administrative costs expected to be incurred to complete the Plan and CCAA proceedings would likely be incurred in any liquidation proceedings;

(d) A bankruptcy could cause a further delay in the timing of the distribution to the creditors.

46. One additional benefit of a liquidating CCAA application, as opposed to a bankruptcy, will be that the capital losses in the estimated amount of $423

million and estimated non-capital in the amount of $49 million may be preserved for the benefit of Oilexco Inc. on a go forward basis.

47. Lastly, the Plan has the added benefit of potentially providing a benefit to the existing shareholders of Oilexco Inc. to participate going forward in the event the company resumes operations.

RECOMMENDATIONS

48. The Monitor is of the opinion that the Plan is fair and reasonable and provides the best return to the creditors under the circumstances.

All of which is respectfully submitted this 25th day of August, 2009.

ERNST & YOUNG INC.
In its capacity as Court Appointed
Monitor of the Applicants

Greg Pollard, CA, CIRP
Senior Vice-President

APPENDIX 1

Forecast to Actual Cash Flow Analysis

February 5 to August 24, 2009

Oilexco Incorporated and Oilexco Technical Services
(Including London)

Cash Flow Forecast - Variance analysis
As at August 24, 2009

	FORECAST						ACTUAL	VARIANCE	
	Feb - April 09 Original Forecast as at February 4th Adjusted by Monitor costs CAD	**May 09** Forecast for Court as at April 19th CAD	**June 09** Forecast for Court as at May 22nd CAD	**July 09** Forecast for Court as at May 22nd CAD	**August 09** Forecast for Court as at July 13th CAD	**Feb - Aug 09** Total CAD	**Feb - Aug 09** Actual Cash Flow as at August 24th CAD	**Variance** as at August 24th CAD	
Opening Cash in Bank (February 4th)	**10,045,669**	**4,276,438**	**4,452,281**	**2,711,301**	**10,987,301**	**10,045,669**	**10,045,669**		
Expected Cash Inflows:									
Fixed Service Fee from ONSL in Administration	4,560,000	2,280,000	-	-	-	6,840,000	6,326,325	(513,675)	London payroll was deducted from Service fee
Retainer Bonus payment	2,400,000	-	-	-	-	2,400,000	2,220,326	(179,674)	Bonus payment was reduced by 2009 benefits re London
Sales of interest in Flex Jet	-	-	-	9,720,000	-	9,720,000	8,726,179	(993,821)	Final valuation was significantly lower than initial estimation
Refunds of some 2008 payments	-	-	-	-	-	-	314,932	314,932	Item not budgeted for
VAT recovery from HMRC in UK						-	573,670	573,670	Item not budgeted for
GST recovery	132,000	20,000	15,000	10,000	10,000	187,000	221,811	34,811	
Other inflow (mainly interest and other recharged costs)	-	-	-	-	-	-	67,216	67,216	Item not budgeted for
Total Cash Inflow	**7,092,000**	**2,300,000**	**15,000**	**9,730,000**	**10,000**	**19,147,000**	**18,450,459**	**(696,541)**	
Expected Cash Outflows:									
Salaries and related costs	3,064,871	827,362	425,000	625,000	-	4,942,233	4,183,307	(758,926)	London payroll was deducted from Service fee
Retainer bonus	4,200,000	-	-	-	-	4,200,000	2,309,652	(1,890,348)	Actual payment was calculated at USD 2 million at 1.15
Consulting Services	437,862	79,300	115,000	115,000	70,000	817,162	363,447	(453,715)	Paid 2m of Schlumberger maintenance (12m in the budget)
Office Rent, Supplies and related	483,546	148,966	272,600	120,000	120,000	1,145,112	1,183,815	38,703	
Insurance	-	-	335,000	-	-	335,000	344,750	9,750	
Professional Services	718,700	160,400	100,000	100,000	50,000	1,129,100	966,928	(162,172)	
Sales/Restructuring/Liquidation related costs	1,584,300	200,000	50,000	50,000	30,000	1,914,300	171,168	(1,743,132)	The costs did not occur as it was expected
Travel	515,400	224,000	200,000	200,000	-	1,139,400	1,057,050	(82,350)	There is still approx. $280k of Flex Jet fees to be paid
Other Head Office costs	87,349	121,074	70,000	70,000	-	348,423	254,434	(93,989)	Budget included cost re AGM
Contingency (10% or 5%)	1,109,203	88,055	78,380	64,000	-	1,339,638	-	(1,339,638)	
Monitor estimated costs (E&Y plus Fraser Milner)	660,000	275,000	110,000	110,000	150,000	1,305,000	574,185	(730,815)	Budgeted per initial Monitor estimation at 50k per week
Total Cash Outflow	**12,861,231**	**2,124,157**	**1,755,980**	**1,454,000**	**420,000**	**18,615,368**	**11,408,737**	**(7,206,631)**	
Foreign exchange loss							**(2,063,090)**	(2,063,090)	Mainly due to USD and GBP weakening against CAD
Closing Cash in Bank - end of the month/ July 13th	**4,276,438**	**4,452,281**	**2,711,301**	**10,987,301**	**10,577,301**	**10,577,301**	**15,024,301**	**4,447,000**	
								(340,000)	estimated remaining July & August costs
								4,107,000	**Net savings as compared to original forecast**

APPENDIX 2

Cash Flow Forecast

August 24 to November 30, 2009

Oilexco Incorporated and Oilexco Technical Services - **Orderly Liquidation**
(Including London)

Cash Flow Forecast
As at August 24, 2009

	Orderly Liquidation				Total	
	August CAD	**September** CAD	**October** CAD	**November** CAD	**Aug. - Nov.** CAD	
Opening Cash in Bank - August 24th	**15,024,301**	**14,684,301**	**14,369,301**	**17,692,987**	**15,024,301**	
Expected Cash Inflows:						
Sales of London Flat (GBP 1.98 million)	-		3,463,686	-	3,463,686	Expected cash receipt in October
Sales of office equipment	-	-	75,000	-	75,000	Based on Century Services valuation in Calgary and estimation in London
Other inflow (mainly estimated GST recovery)	-	5,000	5,000	5,000	15,000	
Total Cash Inflow	-	5,000	3,543,686	5,000	3,553,686	
Expected Cash Outflows:						
	-	-	-	-	-	
Management/Accounting - all consulting basis	-	70,000	40,000	40,000	150,000	Management consulting based on service agreement
Office Rent, Supplies and related	10,000	-	-	-	10,000	Last rent payment made for August
Professional services	50,000	50,000	10,000	10,000	120,000	Estimated costs for legal services only
Liquidation directly related costs	10,000	30,000	-	-	40,000	Estimated IT, valuation, transportation, telephone, postage, Creditors' meetings etc.
Travel	120,000	-	-	-	120,000	Last Flex Jet management fee - payable beginng of Sept
Contingency	-	20,000	20,000	20,000	60,000	
Monitor estimated costs (E&Y plus Fraser Milner)	150,000	150,000	150,000	150,000	600,000	
Total Cash Outflow	340,000	320,000	220,000	220,000	1,100,000	
Closing Cash in Bank - end of the month	14,684,301	14,369,301	17,692,987	17,477,987	17,477,987	

Notes:
FX rates used:
1.05 CAD/USD
1.75 CAD/GBP