COURT FILE NUMBER	1101-16110	Clerk's Stamp CLERK OF THE COURT FILED JAN 11 2012 JUDICIAL CENTRE OF CALGARY
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., TOWNSHIP PETROLEUM CORPORATION, STRIPPER ENERGY SERVICES INC., 1291329 ALBERTA LTD., OILSANDS QUEST TECHNOLOGY INC., WESTERN PETROCHEMICALS CORP. and 1259882 ALBERTA LTD.**	
DOCUMENT	**ORDER** **(Engage TD Securities Inc. and conduct Solicitation Process)**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	NORTON ROSE 3700 Devon Tower 400 Third Avenue SW Calgary, Alberta T2P 4H2 Telephone: 403-267-8222 Fax: 403-264-5973 Attention: Howard A. Gorman File No. 196023	I hereby certify this to be a true copy of the original Order Dated this 11 day of January 2012 for Clerk of the Court
DATE ON WHICH ORDER WAS PRONOUNCED	January 11, 2012	
NAME OF JUSTICE WHO MADE THIS ORDER	Madam Justice B. E. C. Romaine	

UPON the application of Oilsands Quest Inc. ("**BQI**"), 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. (collectively the "**Applicants**"); AND UPON hearing read the Affidavit of Garth Wong dated January 5, 2012, and the Confidential Affidavit of Garth Wong also dated January 5, 2012) the filed Second Report of the Monitor dated January 5, 2012 and the pleadings and proceedings filed herein, including the November 29, 2011 Order of this Court in the within Action (the "**Initial Order**"); AND UPON hearing counsel for the Applicants and counsel for the Monitor;

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.

Approval of Engagement of TD Securities Inc.

2. The engagement of TD Securities Inc. (the "**Financial Advisor**") as financial advisor to the Applicants pursuant to an engagement letter dated August 13, 2010 between the Financial Advisor and BQI, the term of which was extended and amended by letters dated February 8, 2011 and January 4, 2012 (collectively the "**Engagement Letter**") attached as Exhibits "A", "B", and "C" to the Confidential January Affidavit of Garth Wong, is hereby approved. The Applicants are authorized, *nunc pro tunc*, to enter into the Engagement Letter and are directed to carry out and perform their obligations thereunder (including payment of amounts due to be paid pursuant to the terms of the Engagement Letter) and the Engagement Letter shall be binding upon BQI.

3. All claims of the Financial Advisor pursuant to the Engagement Letter are not claims that may be compromised pursuant to the Plan or any proposal under the Bankruptcy and Insolvency Act and no such plan or proposal shall be approved that does not provide for the payment of all amounts due to the Financial Advisor pursuant to the terms of the Engagement Letter.

4. The Financial Advisor is hereby granted a charge (the "**Financial Advisor Charge**") in the maximum amount of $1 million over the Property (as that term is defined in the Initial Order), which charge shall be security for all amounts due to be paid to the Financial Advisor pursuant to the terms of the Engagement Letter, but shall not secure any indemnity or any fees or expenses incurred by the Financial Advisor in connection with any right of indemnity included in the Engagement Letter.

5. Notwithstanding any other provision in the Initial Order, the Financial Advisor Charge shall rank *pari passu* with the Administration Charge.

6. The Financial Advisor, its affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of either its engagement by BQI as Financial Advisor or any matter referred to in the Engagement Letter except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Financial Advisor in performing its obligations under the Engagement Letter.

Sealing of Confidential Affidavit

7. The January Confidential Wong Affidavit and the Engagement Letter exhibited to it is hereby ordered to be sealed, kept confidential and not form part of the public record, but rather shall be placed,

separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of the Court.

Approval of Solicitation Process

8. The solicitation process (the "**Solicitation Process**") in the form attached as Schedule "A" to this Order be and is hereby approved and BQI is hereby authorized and directed to implement the Solicitation Process and do all things as are reasonably necessary to conduct and give full effect to the Solicitation Process and carry out its obligations thereunder, including seeking approval of this Court as soon as reasonably practicable following the selection of a winning bid under the Solicitation Process.

Miscellaneous

9. The Applicants shall serve, by courier, fax transmission, e-mail transmission, or ordinary post, a copy of this Order on all parties present at this application and on all parties who received notice of this application or who are presently on the service list established in this proceedings, and such service shall be deemed good and sufficient for all purposes.

J.C.Q.B.A.

Schedule "A"

SOLICITATION PROCESS

Background

Oilsands Quest Inc. (the "**Company**") initiated a review of strategic alternatives on August 17, 2010 and retained TD Securities Inc. ("TD Securities") to assist it with that review. In the course of that review, the Company and TD Securities conducted a broad process during which a large number of potentially interested parties were contacted and solicited to determine their interest in pursuing a transaction with the Company. Pursuant to that process, there are ongoing discussions with certain parties that have expressed an interest in all or parts of the Company.

The Company has now initiated a Court-supervised restructuring of its finances and operations. On November 29, 2011, it obtained an Order of the Court of Queen's Bench of Alberta (the "**Court**") for protection under the *Companies' Creditors Arrangement Act* ("**CCAA**"). On December 20, 2011, the Company obtained a further Order adding two of Oilsands Quest's largely inactive wholly owned subsidiaries, 1259882 Alberta Ltd. and Western Petrochemicals Corp. to the CCAA proceedings.

Scope of the Process

As part of its restructuring under the CCAA, the Company will conduct a process (the "**Solicitation Process**") to solicit offers to acquire, restructure or recapitalize the Company's business.

The Company retains the right to discontinue the Solicitation Process at any time if other alternatives arise.

Supervision and Reporting

- The Solicitation Process will be undertaken by the Company, with the assistance of TD Securities and the Monitor.
- The Company will seek Court approval of the Solicitation Process.
- The Monitor will provide periodic updates to the Court and its recommendations to the Court, as appropriate, during the Solicitation Process.
- The Company will seek Court approval of any final agreement or agreements.

Outline of the Procedure

- The Company will advertise the opportunity in the Globe & Mail (National Edition), Calgary Herald and the Daily Oil Bulletin in order to maximize interest in the Solicitation Process.

- Potential purchasers or bidders ("**Potential Bidders**") interested in pursuing the opportunity will be required to execute confidentiality agreements in a form satisfactory to the Company.

- Upon execution of a confidentiality agreement, the Company will distribute a confidential information memorandum to the Potential Bidder.

- The Company, with the assistance of TD Securities, will identify proposals which are in the best interest of the Company and other stakeholders to pursue, and one or more of the Potential Bidders will be invited to participate in the submission and negotiation of a binding offer (the "**Bidders**").

- Bidders will be provided with access to both an online and a physical dataroom for due diligence purposes, and the Company will make presentations to the Bidders regarding the opportunity.

- The Company reserves the right to pursue any pre-emptive offers received, reject any or all of the offers received or extend any of the timelines set out below, unless the Monitor objects, in which case advice and directions will be sought from the Court.

- Court approval will be required in respect of any proposed agreement or agreements.

Solicitation Process Outline and Timelines

Phase I – Non-Binding Proposals	
Activity	**Timing**
▪ Advertise opportunity ▪ Contact Potential Bidders ▪ Negotiate confidentiality agreements ▪ Distribute confidential information memorandum ▪ Management presentations to Bidders	On granting of approval of Solicitation Process
▪ Potential Bidders to submit non-binding proposals	On or before March 8, 2012
▪ Company to short list Potential Bidders for participation in Phase II	On or before March 12, 2012
Phase II – Binding Offers	
Activity	**Timing**
▪ Very limited confirmatory due diligence to be permitted after submission of bids	

▪ Bidders to submit binding offers	Target of March 22, 2012
▪ Winning Bidder(s) selected	To be determined in consultation with Monitor
▪ Negotiate and execute definitive agreements conditional upon Court approval ▪ Seek Court approval	Target of April 16, 2012