

NEWS RELEASE

DATE: October 2, 2012

Oilsands Quest Obtains Court Approval for Asset Purchase Agreement with Cenovus Energy Inc.; Extends Creditor Protection

CALGARY, ALBERTA – Today Oilsands Quest Inc. ("OQI") has requested and obtained an Order from the Alberta Court of Queen's Bench (the "Court") approving an Asset Purchase and Sale Agreement (the "Purchase Agreement") that provides for the sale of substantially all of the assets of OQI to Cenovus Energy Inc. ("Cenovus"). The Purchase Agreement was entered into by OQI's court-appointed monitor, Ernst and Young Inc., on behalf of OQI and its subsidiaries as vendors with Cenovus as purchaser. OQI also obtained an Order from the Court extending creditor protection under the Companies' Creditors Arrangement Act (Canada) ("CCAA") until November 30, 2012, unless further extended as required and approved by the Court. The Purchase Agreement provides for a cash purchase price of \$10,000,000, payable at closing, plus the assumption of reclamation and other environmental liabilities, and is subject to certain post-closing adjustments. Closing is expected to occur on or about October 12, 2012.

In the filings made in connection with the Order approving the Purchase Agreement and extending the stay to facilitate closing of the transaction, it was noted by Monitor's counsel that, although the total of the purchase price contemplated by the Purchase Agreement and the proceeds received from the Eagles Nest properties earlier this year is substantially less than the approximately \$167 million value estimated by OQI for its assets at the time the CCAA proceedings were commenced in November 2011, both the Monitor and TD Securities Inc., OQI's financial advisor, are satisfied that the transaction contemplated by the Purchase Agreement represents the best available recovery for OQI's remaining assets. It is expected that shareholders of OQI will receive only a nominal distribution on their common shares following completion of the transaction and settlement of all creditor claims. Copies of the Court filings and related materials are available on the website of the Monitor at www.ey.com/ca/oilsandsquest.

TD Securities Inc. acted as the court approved financial advisor to assist OQI and the Monitor in conducting the solicitation and sale process.

For more information: Neil Narfason, Ernst & Young Inc., (403) 206-5067.

Forward-looking statements

This news release includes certain statements that may be deemed to be "forward-looking statements." All statements, other than statements of historical facts, included in this news release that address activities, events or developments that management expects, believes or anticipates will or may occur in the future are forward-looking statements.

Forward-looking statements are statements other than relating to historical fact and are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "potential", "prospective" and other similar words or statements that certain events or conditions "may" "will" or "could" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking statements, which include but are not limited to the ability to raise additional capital, risks associated with the Company's ability to implement its business plan, its ability to successfully complete the transaction contemplated by the Purchase Agreement or to otherwise submit a timely plan to its creditors and the court under the CCAA and to resolve its operational, legal and financial difficulties risks inherent in the oil sands industry, regulatory and economic risks, land tenure risks and those factors

listed under the caption “Risk Factors” in the Company’s Form 10-Q filed with the Securities and Exchange Commission on December 9, 2011. The Company undertakes no obligation to update forward-looking information if circumstances or management’s estimates or opinions should change, except as required by law. The reader is cautioned not to place undue reliance on forward-looking statements.