Ernst & Young Inc.
1000, 440 – 2nd Avenue SW
Calgary, Alberta T2P 5E9

Tel: 403 206 5153
Fax: 403 206 5075
ey.com/ca

March 14, 2013 - Oilsands Quest Inc. Shareholder Update

As you are likely aware, Ernst and Young Inc. was appointed monitor ("Monitor") of Oilsands Quest Inc. ("OQI") under the Companies Creditors' Arrangement Act ("CCAA") pursuant to an Order of the Court of Queen's Bench of Alberta (the "Alberta Court") dated November 29, 2011. On June 28, 2012 the Alberta Court granted a further Order which expanded the powers of the Monitor to include, *inter alia*, to operate and carry on the business of OQI. Copies of these court orders can be found on the Monitor's website at www.ey.com/ca/oilsandsquest.

On January 29, 2013, the Alberta Court granted an order authorizing OQI to convene a creditors' meeting on February 21, 2013 (the "Creditors' Meeting") to consider and vote on the plan of compromise and arrangement (the "Plan"). The Creditors' Meeting was held on February 21, 2013 and at that meeting the creditors voted overwhelmingly in favour of the Plan.

The structure of the Plan is as follows:

a) All Unaffected Creditors of OQI will be paid in full pursuant to their existing arrangements with OQI or otherwise as may be agreed with them;
b) As soon as reasonably practicable after Plan Implementation, all Proven Claims of Affected Creditors will be paid in full, together with simple interest calculated in accordance with the Judgment Interest Act (Alberta), from November 29, 2011 to the date of Plan Implementation;
c) Disputed Claims, if they become Proven Claims, will be paid in full, together with simple interest calculated in accordance with the Judgment Interest Act (Alberta), from November 29, 2011 to the date they become Proven Claims;
d) The Plan contemplates that the Unaffected Creditors will be paid out of the OQI Fund (as defined in the Plan); and
e) The funds remaining in the OQI Fund after the payment of the Proven Claims (including Disputed Claims that become Proven Claims) and Unaffected Claims will be distributed to the OQI Shareholders pro rata to their shareholding as of the Plan Implementation Date.

Conditions precedent required to implement the Plan are as follows:

a) The Plan shall have been approved by the Required Majority of Creditors *(Update: this was achieved at the February 21, 2013 Creditors' Meeting)*;
b) The Distribution Order shall have been granted *(Update: this Order was granted by the Alberta Court on January 29, 2013. A further Order in this regard was granted on February 25, 2013)*;
c) The Plan shall have been sanctioned by the Court pursuant to the Final Sanction Order (*Update: this Order was granted by the Alberta Court on February 25, 2013*);
d) All applicable governmental, regulatory and judicial consents, orders and any and all filings with all governmental authorities and other regulatory authorities having jurisdiction, in each case to the effect deemed necessary or desirable by OQI for the completion of the transactions contemplated by the Plan or any aspect thereof shall have been obtained; and
e) The Final Sanction Order shall have been recognized and enforced by the US Court. (*Update: The Monitor has been informed by its counsel in the USA that the Notice of Motion by the Monitor for an Order enforcing the Plan Sanction Order in the USA, will be heard by the United States District Court, Southern District of New York (the "US Court"), on April 12, 2013 at 4 pm EST. The US Court may not necessarily grant such Order, and may not necessarily grant an Order on the same day the application is heard. It is the intention of Oilsands Quest Inc. to*

Ernst & Young Inc.
1000, 440 – 2nd Avenue SW
Calgary, Alberta T2P 5E9

Tel: 403 206 5153
Fax: 403 206 5075
ey.com/ca

implement the Plan as soon as the US Court grants an Order enforcing the Plan Sanction Order.)

After the Final Sanction Order is recognized in the US, the Monitor will move to Plan Implementation. Plan Implementation will likely take place within one business day after the US Court grants an Order enforcing the Plan Sanction Order. On Plan Implementation Date the Monitor will pay the Proven Claims and establish the Disputed Claims Reserve within the OQI Fund.

After the remaining Disputed Claims are resolved and paid, if applicable, the Monitor will put in motion the final distribution to the shareholders on record at the Plan Implementation Date . The Monitor expects the distribution to shareholders at the Plan Implementation Date to be made in the early Fall of 2013.

Capitalized terms not defined in this update are as defined in the Initial Order, the Plan and the Creditors' Meeting Order.

-Ernst & Young Inc., Monitor of Oilsands Quest Inc.