



Audit Committee Charter

Organization, Membership, and Qualification

There shall be a committee of the Board of Directors of Oilsands Quest Inc. ("OQI") to be known as the Audit Committee, comprised of the directors of the Board who are independent, as defined below, and who have been specifically designated by the Board to serve on the Audit Committee.

To be considered "independent", a Board member must:

- be independent of the management of OQI and be free of any relationship that, in the opinion of the Board of Directors, would interfere with his/her exercise of independent judgment as a committee member;
- satisfy the independence standards specified in Section 121A of the American Stock Exchange Company Guide, as such rule may be amended from time-to-time unless an exemption from the requirement is available;
- satisfy the independence standards defined in Rule 10A-3 under the Securities Exchange Act of 1934; and
- be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement.

Additionally, one member of the Audit Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities.

The members of the Audit Committee shall be elected by the Board of Directors at its annual meeting and shall serve thereafter until their successors shall be duly elected. Unless a Chair is elected by the full Board of Directors, the members of the Audit Committee may designate a Chair by majority of the full committee membership. The Audit Committee may, in its discretion, designate one or more Audit Committee financial experts.

Purpose

The Audit Committee shall provide assistance to the corporate directors in fulfilling their responsibility to the shareholders, potential shareholders, and investment community relating to corporate accounting, reporting practices of OQI, and the quality and integrity of the financial reports of OQI. The Audit Committee will oversee the accounting and financial reporting processes of OQI and the audits of the OQI's financial statements.

In doing so, it is the responsibility of the Audit Committee to maintain free and open means of communication between the directors, the independent auditors, and the financial management of OQI.

The independent auditors shall be accountable to the Audit Committee and to the Board of Directors as a representative of the shareholders. The Audit Committee shall also prepare the report required by Item 306 of Regulation S-B as required by the SEC's rules.

Authorities and Responsibilities

In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible in order to best react to changing conditions; and to ensure to the directors and shareholders the corporate accounting and reporting practices of OQI are in accordance with all requirements and are of the highest quality.

The following sets forth the actions that the Audit Committee determines to be appropriate in meeting its responsibilities:

1. Appoint, approve the compensation for, and oversee the work of the independent auditors selected for the purpose of preparing or issuing an audit report or related work for OQI and its divisions and subsidiaries and to cause OQI to pay the independent auditors selected by the Audit Committee in accordance with the engagement letter with the independent auditors in the form approved by the Audit Committee.
2. Resolve any disagreements between management and the auditors regarding financial reporting.
3. Determine the independence of the auditor and receive from the outside auditors a formal written statement delineating all relationships between the auditor and the company (consistent with Independence Standards Board Standard 1), and thereafter actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full board take, appropriate action to oversee the independence of the outside auditor.
4. Preapprove:
 - a. all audit services that the auditor may provide to OQI or any subsidiary (including, without limitation, providing comfort letters in connection with securities underwritings or statutory audits); and
 - b. (or the chair of the Audit Committee may pre-approve) all non-audit services (other than certain de minimis services) that the auditors propose to provide to OQI or any of its subsidiaries with the understanding that such pre-approval must be detailed as to the particular services to be provided and cannot simply set forth broad, categorical services for pre-approval. Notwithstanding anything to the contrary herein, neither the Audit Committee nor any person with authority delegated from the Audit Committee may approve an auditor providing the services that are described in §10A(g) as "prohibited activities." Where the chair preapproves any non-audit services, his or her decisions will be presented to the full Audit Committee at its next meeting.



In all cases, the Audit Committee understands that its pre-approval of any audit or non-audit services cannot result in a delegation of the Audit Committee's responsibility to management, and its pre-approval policies must be designed to ensure that the Audit Committee knows precisely what services it is being asked to pre-approve so that it can make a well-reasoned assessment of the impact of the service on the auditor's independence.

5. Meet with the independent auditors and financial management of OQI at a minimum of once a year; 1) to review any comments or recommendations of the independent auditors including, without limitation, the reports required by §10A(k) of the 1934 Act; 2) to review the adequacy and effectiveness of the accounting and financial controls of OQI and to review management's reports with respect to such controls and procedures prior to their disclosure in OQI annual and quarterly reports; 3) to assess the quality of earnings; and 4) to review the annual report to shareholders to ensure the independent auditors are satisfied with the disclosure and content of the financial statements and other financial information presented to the shareholders.
6. Meet quarterly in person or via telephone with management and the independent auditor to review current financial results and interim financial statements.
7. Review and approve any financial earnings releases and public release of other financial information prior to the release of such information to the public;
8. Review any use by OQI of financial disclosure that is not strictly in accordance with generally accepted accounting principles, and review such disclosures for compliance with the requirements of SEC Regulation G;
9. Inquire of management and the independent auditor about significant risks or exposures and assess the steps management has taken to minimize such risk to OQI.
10. Conduct an appropriate review of and approve all related party transactions on an ongoing basis and the Audit Committee shall review potential conflict of interest situations where appropriate.
11. Investigate any matter brought to its attention within the scope of its duties, and the audit committee specifically has the power to retain counsel and other advisors for this purpose if, in its judgment, that is appropriate and to ensure (without further action of the board of directors) payment of the expenses that may be incurred in retaining counsel and other advisors. Such counsel and other advisors may be the counsel or advisors regularly retained by OQI.
12. Review, reassess, and update the Audit Committee's charter at least annually.
13. Consider, as appropriate establish, and thereafter from time-to-time amend a Code of Conduct for as or before required by the Commission's and the marketplace rules.
14. Establish and from time-to-time amend procedures for the receipt, retention, and treatment of complaints received by the issuer regarding accounting, internal accounting controls or auditing matters; and for the confidential, anonymous submission by employees of OQI and its subsidiaries of concerns regarding questionable accounting or auditing matters. These procedures shall be set forth in OQI's employee manual or other appropriate document.
15. In addition to the above-mentioned meetings and as part of the Audit Committee's job to foster open communication, the committee should meet at least annually with management and the independent auditors in separate executive sessions to discuss



any matters the committee or each of these groups believe should be discussed privately.

Without limiting the foregoing, the independent auditor will report directly to the Audit Committee, and the Audit Committee shall be directly responsible for oversight of the work of the auditor, including resolution of disagreements between management and the auditors.

Procedures and Administration

1. The Audit Committee will meet on at least a quarterly basis, but as often as it deems necessary to perform its responsibilities. The Audit Committee shall periodically meet separately with: (i) the independent auditor; (ii) OQI management and (iii) OQI's internal auditors, if any. The Audit Committee shall keep such records of its meetings as it shall deem appropriate. The Audit Committees meetings may be in person or by telephone.
2. The Audit Committee may form and delegate authority to one or more subcommittees (including a subcommittee consisting of a single member), as it deems appropriate from time to time under the circumstances. Any decision of a subcommittee to pre-approve audit or non-audit services shall be presented to the full Audit Committee at its next scheduled meeting.
3. The Audit Committee shall report regularly to the Board of Directors.
4. At least annually, the Audit Committee shall evaluate its own performance and the performance of the auditors and OQI's internal financial accounting staff.

