

NEWS RELEASE

DATE: September 2, 2008

Oilsands Quest Inc. Contributes \$1 Million to Saskatchewan Research Council for a Scaled Physical Model
Model applications will lead to advancements in oil sands recovery technology

Calgary, Alberta -- (September 2, 2008) – Oilsands Quest Inc. (AMEX:BQI) announces a \$1 million contribution to the Saskatchewan Research Council (SRC) which will be applied towards the construction of a critical piece of equipment that will be used to develop recovery methods suitable for Canada's oil sands deposits.

“For many years we have played a key role in enabling Saskatchewan operators to develop the province's conventional light, medium and heavy oil resources,” said SRC President and CEO, Laurier Schramm. “This significant contribution by Oilsands Quest towards research equipment demonstrates their commitment to the advancement of technology in this key area, and will allow us to continue to provide dedicated research and development to respond to the specific needs of Saskatchewan's oil sands industry.”

SRC has been working with the Canadian oil sands industry since the 1970s to provide technical solutions to enable access to the heavy and extra-heavy oil resources located deep underground, and more recently for *in-situ* extra-heavy oil located in Saskatchewan's oil sands deposits. Over the last decade, SRC has been involved in developing and assessing recovery processes in order to produce the extra-heavy oil, also known as bitumen, to the surface.

Oilsands Quest will benefit from SRC's work for the Axe Lake Discovery located in northwest Saskatchewan near the Alberta border, where *in-situ* production potential has been reported. “Access to SRC's research in thermal-solvent extraction processes is important to us, as we advance our recovery optimization testing and assessment.” said Dr. Erdal YILDIRIM, President of Oilsands Quest Technology Inc. a wholly owned subsidiary of Oilsands Quest. “We are very pleased to help support SRC in their innovative heavy oil and bitumen recovery research.”

SRC has found that a combination of thermal and solvent extraction processes (TSX) are significantly less energy intensive, use less water and are much more suitable for the oil sands deposits found in Saskatchewan and parts of Alberta. The contribution by Oilsands Quest will be used towards the design, construction, and commissioning of a large scale, variable-pressure/temperature 3D lab-based physical model that will allow rapid development, technology deployment and commercial application of the TSX process. The model will be located at SRC's research facilities in Regina.

About Oilsands Quest Inc.

Oilsands Quest Inc. (AMEX:BQI) is applying its technical expertise to develop multiple global-scale discoveries while aggressively exploring Canada's largest contiguous oil sands land holding. The company (www.oilsandsquest.com) is the originator of Saskatchewan's emerging oil sands industry.

About Saskatchewan Research Council

SRC is Saskatchewan's lead provider of applied research, development, demonstration, and commercialization. SRC takes leading-edge knowledge developed in Saskatchewan and sells it

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to the world, and SRC brings the best knowledge the world has to offer and applies it to Saskatchewan industry's problems.

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Forward-looking information

Except for statements of historical fact relating to Oilsands Quest Inc., this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "potential", "prospective", "develop" and other similar words, or statements that certain events or conditions "may", "will", or "could" occur. Forward-looking statements such as references to Oilsands Quest's exploration, technical and development programs are based on the opinions and estimates of management and Oilsands Quest's independent evaluators 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 or implied by the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, exploration and technical risks inherent in the oil sands industry, regulatory and economic risks, lack of infrastructure in the region in which the company's resources are located and risks associated with Oilsands Quest's ability to implement its business plan. There are uncertainties inherent in forward-looking information, including factors beyond Oilsands Quest's control, and no assurance can be given that the programs will be completed on time, on budget or at all. There is no certainty that it will be commercially viable to produce any portion of Oilsands Quest's resources. Oilsands Quest 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. The risks and uncertainties set forth above are not exhaustive. Readers should refer to Oilsands Quest's current annual report on Form 10-K and other document filings, which are available at www.sedar.com and at www.sec.gov for a detailed discussion of these risks and uncertainties and details regarding the location and extent of Oilsands Quest's land holdings.