

NEWS RELEASE

DATE: January 12, 2012

Oilsands Quest to Conduct Solicitation Process

CALGARY, ALBERTA – Oilsands Quest Inc. (NYSE Amex: BQI) (“Oilsands Quest,” “OQI” or “the Company”) has requested and obtained approval from the Alberta Court of Queen’s Bench (the “Court”) to conduct a process to solicit offers to acquire, restructure or recapitalize the Company (the “Solicitation Process”). The Company is also pursuing Debtor-in-Possession financing to provide liquidity as it conducts the Solicitation Process.

The Solicitation Process will be overseen by a Special Committee of the Oilsands Quest Board of Directors, chaired by Paul Ching and including Ronald Blakely and Brian MacNeill, all of whom are independent directors. The Special Committee will consider all offers, and will ultimately recommend a course of action to the Company’s full Board.

With the Court’s approval, the Company has retained TD Securities Inc. (“TD Securities”) as its financial advisor to assist it with this process. TD Securities is familiar with Oilsands Quest’s assets and business as a result of previous engagements and has assisted Oilsands Quest in prior discussions with potentially interested parties. TD Securities will begin soliciting indications of interest from prospective strategic or financial parties, with preliminary bids due in early March 2012. The Company expects to shortlist potential bidders and seek binding offers by late March 2012, with a target to conclude an agreement by mid-April 2012.

The Board of Directors and management continue to be responsible for determining whether a given plan for restructuring the Company’s affairs is feasible, with input from the Court-appointed Monitor under the Companies’ Creditors Arrangement Act (“CCAA”). Stakeholders whose rights would be affected by the plan will have an opportunity to vote on the plan. Before a plan is implemented it must be approved by the requisite number and value of affected stakeholders contemplated by law and approved by the Court.

There can be no assurance that the Solicitation Process will result in a financing or a sale of the Company or in any other transaction and the company does not intend to comment further regarding the evaluation of alternatives unless the Board agrees to a definitive transaction or the Solicitation Process is concluded.

About Oilsands Quest

Oilsands Quest Inc. (www.oilsandsquest.com) is exploring and developing oil sands permits and licences, located in Saskatchewan and Alberta, and developing Saskatchewan’s first commercial oil sands discovery.

For more information:

Investor Relations

Email: ir@oilsandsquest.com

Investor Line: 1-877-718-8941

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 submit a timely plan to its stakeholders and the court under the CCAA and to resolve its operational, legal and financial difficulties, the possible delisting of its securities from NYSE Amex, 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.