

NEWS RELEASE

DATE: May 31, 2011

Oilsands Quest Receives One-Year Extension of Axe Lake Permits

Calgary, Alberta -- Oilsands Quest Inc. (NYSE AMEX:BQI) (“OQI” or “the Company”) has received approval to extend the two Saskatchewan Oil Shale Permits that include the Axe Lake Discovery, PS00208 and PS00210, until May 31, 2012.

As part of its development plans, Oilsands Quest is seeking to have the Axe Lake permits converted to a 15-year lease. The permits are currently held under the *Oil Shale Regulations, 1964*. Oilsands Quest has requested that the Saskatchewan Minister of Energy and Resources convert permits PS00208 and PS00210 to licenses under the terms of the *Petroleum and Natural Gas Regulations, 1969*. Following the conversion of the permits to licenses, the Company would request that the area comprising the Axe Lake Discovery then be converted to a lease. The outcome of these discussions is not certain.

Consistent with the Company’s previously disclosed plans, OQI has also relinquished the balance of its permits in Saskatchewan to the Crown. The Company does not view the lands to the south of the Axe Lake area as prospective, either due to the presence of interbedded water in the reservoirs that would not allow for commercial development or lack of bitumen in the southern portion of the Saskatchewan lands. Relinquishing these lands has no impact on the Company's current resource estimates or development plans.

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. It is leading the establishment of the province of Saskatchewan's emerging oil sands industry.

For more information:

Investor Relations

Email: ir@oilsandsquest.com

Investor Line: 1-877-718-8941