

NEWS RELEASE

DATE: September 10, 2008

**Oilsands Quest files 10-Q Quarterly Report, updates reservoir test program
and independent resource evaluation process**
Axe Lake reservoir test program accelerates drilling of horizontal wells

Calgary, Alberta -- (September 10, 2008) – Oilsands Quest Inc. (AMEX:BQI) announces that its Form 10-Q Quarterly Report for the period ended July 31, 2008, was filed September 9, 2008, and is available online at www.sec.gov and www.sedar.com. The company also provides an update on its reservoir test program and announces the commencement of an advanced evaluation of resource estimates.

Axe Lake Discovery – Reservoir Test Program

Oilsands Quest's reservoir test program is proceeding at an aggressive pace at three sites within the Axe Lake Discovery in northwest Saskatchewan. Building facilities and key equipment are now in place for Phase One of the test program at Test Site 1, including power and steam generators, water treatment handling equipment and process control facilities. The steam, water and recovered fluid piping tie-ins at Test Site 1 are currently underway.

“We are making excellent progress on our reservoir test program with all the facilities and equipment coming smoothly into place,” said Christopher H. Hopkins, Chief Executive Officer of Oilsands Quest Inc. “We are accelerating our horizontal well program as a result of timely regulatory approvals and ongoing positive laboratory and simulation results. I am pleased with our team's ability to achieve these program accomplishments in an aggressive time frame.”

Test Site 1

Regulatory approval was received earlier than originally anticipated for drilling and casing the horizontal test wells and the related observation wells for Phase Two of the reservoir test program. As a result, we have accelerated drilling the horizontal test wells for Phase Two of the program and these wells will be drilled and cased prior to the injection of steam in the vertical well test program (Phase One) which is expected to occur in November 2008. This will accelerate the overall timing of Phase Two of the reservoir test program and result in comprehensive reservoir monitoring capabilities. Two successful water source wells have been drilled and are expected to meet all of the planned water requirements.

Test Sites 2 and 3

At Test Site 2, preliminary engineering contracts have been awarded and design work has commenced for surface test facility requirements. At Test Site 3, two vertical wells are being drilled to execute a short-term reservoir heating program designed to capture critical reservoir properties in the field.

2.

Independent evaluation to advance resource estimates

One of the purposes of the reservoir test program is to generate sufficient reservoir data to enable our independent reservoir evaluator to estimate the quantities of recoverable and unrecoverable volumes underlying our current estimates of discovered resources and undiscovered resources at the Axe Lake and Raven Ridge Discoveries. McDaniel & Associates has been engaged to conduct an independent evaluation which is intended to provide an interim sub-classification of our discovered and undiscovered resources as contingent and prospective resources on certain portions of the Axe Lake and Raven Ridge Discoveries. Assuming the reservoir test program proceeds as planned, the first interim sub-classification evaluation is expected to be prepared by the end of December 2008.

Clarification on NI 51-101 Filings included as part of Annual Form 10-K

As referenced in our news release of June 30, 2008, our statement of oil and gas information (and related annual filings under National Instrument 51-101) for the year ended April 30, 2008 was filed with the Securities and Exchange Commission (at www.sec.gov) and the Canadian Securities Administrators (at www.sedar.com) as part of our annual report on Form 10-K. In order to clarify the coordinates of this filing in Canada, we advise that persons wishing to review our Form 10-K online on SEDAR will find it under our profile in the category "Annual Financial Statements".

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 is the originator of Saskatchewan's emerging oil sands industry. More information is available at www.oilsandsquest.com.

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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 drilling programs, exploration programs, geophysical programs, reservoir testing and analysis program, and the timing of such programs are based on the opinions and estimates of management and the company'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 the forward-looking statements, which include, but are not limited to, 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 the company's ability to implement its business plan. There is no certainty that it will be commercially viable to produce any portion of the company's oil sands resources. 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. 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.