

NEWS RELEASE

DATE: July 15, 2009

Oilsands Quest and Birch Narrows Dene Nation reach formal agreement

Calgary, Alberta -- Oilsands Quest Inc. (NYSE Amex: BQI) and the Birch Narrows Dene Nation, announce the signing of a Memorandum of Understanding ("MOU") regarding the establishment of an economic relationship between the two parties. The Birch Narrows Dene Nation is one of the leading First Nation communities with a tradition of land use in the vicinity of Oilsands Quest's permit lands in northwestern Saskatchewan.

The MOU confirms the agreement between the parties to work together to identify and address the economic benefits, as well as environmental, social and other potential impacts of Oilsands Quest's activities on its permit lands. Oilsands Quest has followed a policy of creating local business and employment opportunities in northwestern Saskatchewan to support its exploration and development activities. The MOU formalizes Oilsands Quest's commitment to the Birch Narrows Dene Nation to provide better access to business and employment opportunities with Oilsands Quest and provide a mechanism for building a strong relationship.

"We are very optimistic about our relationship with Oilsands Quest," said Chief Robert Sylvester, of the Birch Narrows Dene Nation. "The MOU is the beginning of a relationship of mutual respect and understanding. This agreement recognizes our focus on creating environmentally sustainable development opportunities for our community, offers new business and employment opportunities for our local residents and also recognizes that social, economic and environmental impacts need to be addressed."

Christopher H. Hopkins, President & Chief Executive Officer of Oilsands Quest Inc., is positive about this MOU. "Virtually all of the communities near our operations in northwest Saskatchewan are working with us through formal agreements. This confirms our commitment to establishing meaningful opportunities for the benefit of the people of these communities," he said. "We will work with the Birch Narrows Dene Nation to continue to build our relationship and create business and employment opportunities. We value our northern employees and contractors and take pride in the impact our opportunities bring to their families and communities."

In July 2008, Oilsands Quest signed an agreement with the Northern Village of La Loche and surrounding settlements. Since Oilsands Quest began exploration activities on its permit lands in Saskatchewan in 2005, it has been a significant employer of local residents and has injected millions of dollars through the purchase of local goods and services into the local economy.

About Oilsands Quest

Oilsands Quest Inc. (www.oilsandsquest.com) is exploring Canada's largest holding of contiguous oil sands permits and licences, located in Saskatchewan and Alberta, and developing Saskatchewan's first global-scale oil sands discovery. It is leading the establishment of the province of Saskatchewan's emerging oil sands industry.

About The Birch Narrows Dene Nation

The Birch Narrows Dene Nation works to sustain its services and to promote healthy lifestyles among its people. The community is situated adjacent to Northern Hamlet of Turnor Lake in Northwest Saskatchewan with strong ties to the land. Maintaining a healthy natural environment is an important component of the community's health, economic development and traditional practices. The Birch Narrows Dene Nation is a strong proponent of the Harvard Project model of best practices in governance and development.

For more information:**Oilsands Quest Inc.**

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