

NEWS RELEASE

DATE: August 13, 2010

Oilsands Quest announces cancellation of sale of oil shale assets to Canshale

Calgary, Alberta -- (August 13, 2010) – Oilsands Quest Inc. (NYSE AMEX:BQI) (“OQI”) announced today the cancellation of the previously disclosed sale of its oil shale assets located near Pasquia Hills, Saskatchewan to Canshale Corp. (“Canshale”). The sale of these assets was conditional upon Canshale raising a minimum of CDN \$12.5 million by July 30. As Canshale was unable to secure that financing, the transaction has been cancelled and the oil shale assets continue to be owned by Oilsands Quest Inc.

OQI has recently had additional expressions of interest in the oil shale assets and will investigate these options to determine if a sale or joint venture of the oil shale assets is in the best interests of the company. This will allow continued focus of our financial and management resources on developing OQI’s portfolio of oil sands projects.

About Oilsands Quest

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

Cautionary Statement about Forward-Looking Statements

This news release includes certain statements that may be deemed to be “forward-looking statements” within the meaning of the U.S. federal securities laws. All statements, other than statements of historical facts, included in this news release that address activities, events or developments that our management expects, believes or anticipates will or may occur in the future are forward-looking statements. The Company undertakes no obligation to update forward-looking statements 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.

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