

**NEWS RELEASE**

DATE: January 7, 2009

**Oilsands Quest Provides Update and Announces Presentation at Insight Canadian Oil Sands Summit and TD Securities Oil Sands Forum**

**Calgary, Alberta -- January 7, 2009** --Oilsands Quest Inc. (Amex: BQI) today announced the resumption of its overburden characterization program and the reservoir test activities at Test Sites 1 and 3 at Axe Lake in northwest Saskatchewan. Also being resumed is Oilsands Quest's 2009 winter exploration drilling program on its Raven Ridge lands in Alberta. Additionally, the Company is pleased to announce its participation in two conferences being held in Calgary, Alberta and London, England during January 2009.

"We expect drilling at Raven Ridge will increase our resource estimates and capitalize on last winter's exploration success on these lands," said Jamey Fitzgibbon, President and Chief Operating Officer.

Oilsands Quest is resuming activity at Test Sites 1 and 3 following a short break for their workforce over the holidays. At Test Site 3 the Company is continuing the preliminary testing of low energy heat transfer and fluid mobility within the reservoir. Furthermore, at Test Site 1 the Company is completing construction and commissioning of their steam/injection facilities as they plan for first steam injection later this year.

"Given the uncertainty prevailing in the markets, it is imperative that we maintain the balance between preserving our liquidity and increasing our value through high impact investments," said Christopher H. Hopkins, Chief Executive Officer. "We will control our costs and sustain our team and assets through this globally challenging period."

**Raven Ridge Exploration Program**

As of today, approximately 50 workers and three core hole drilling rigs are being mobilized with the plan to drill and log 25 core holes in the Raven Ridge area in Alberta. Drilling is planned to commence on Township 94, Range 1, West 4, towards the end of the week and the field portion of the program is expected to be completed by late February. The exploration program will gather additional data to assist in confirming Oilsands Quest's geological models and bring further confidence to the Company's resource estimates.

**Axe Lake Overburden Characterization Program**

Oilsands Quest is undertaking a comprehensive drilling, coring and testing program to evaluate the physical properties of the complex layering of sand, lacustrine clay and till within the Quaternary age sediments overlying the McMurray formation in the Axe Lake area. The data gathered will be used to accurately calibrate laboratory, modeling and simulation work and help configure the instrumentation at Test Site 1.

## **Insight Canadian Oil Sands Summit and TD Newcrest Oil Sands Forum**

Christopher H. Hopkins, Chief Executive Officer of Oilsands Quest will be presenting a Corporate Update on the Company's current activities and plans at:

- Insight Canadian Oil Sands Summit on Wednesday, January 14, 2009 in Calgary, Alberta, Canada.
- TD Newcrest Oil Sands Forum on Monday, January 19, 2009 in London, England

The presentations will be posted the day of the conference and can be viewed at

[www.oilsandsquest.com](http://www.oilsandsquest.com)

### **About Oilsands Quest**

Oilsands Quest Inc. ([www.oilsandsquest.com](http://www.oilsandsquest.com)) is aggressively 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.

### **For more information:**

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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](http://www.sedar.com) and at [www.sec.gov](http://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.