

**NEWS RELEASE**

DATE: July 9, 2008

**Oilsands Quest reports new findings to support reservoir testing at Axe Lake**

Calgary, Alberta -- Oilsands Quest Inc. (Amex: BQI) reports that positive results of advanced laboratory testing and computer simulation studies support the company's reservoir field test program using steam-based production methods that have been scheduled for late summer 2008 at Test Site 1. These results are another step toward full commercial project development, including assessment of a "fast-track" approach to a first prospective project.

The results of the studies by industry-leading experts, which have been on-going for the past two years, are being used to finalize details of the reservoir field test program. The reports also support the views of Oilsands Quest's technical and management teams regarding the in-situ production potential of the Axe Lake Discovery located in northwest Saskatchewan near the Alberta border. "These new results combined with earlier reports confirm McDaniel & Associates assessment that this is a remarkable reservoir, with permeabilities as high as any other in the industry," said Christopher Hopkins, President and CEO.

Oilsands Quest has selected industry-leading experts who specialize in reservoir structural analyses, petro-physical characteristics and production simulation testing including companies such as Hycal, Gushor and Schlumberger.

Hycal Energy Research Laboratories Ltd. provided its report to the company on the results of its advanced laboratory testing. Based on examination and testing of Oilsands Quest's cores from drilling at Axe Lake in 2007, the analysis concludes that linear coreflood recovery factors as high as approximately 90 percent are indicative of the potential to achieve relatively high recovery factors in the field. Hycal also reports that there is good potential for production of bitumen utilizing low to moderate pressure steam, steam with solvent injection and hot-water-flood. Formed in Calgary in 1976, Hycal Energy Research Laboratories Ltd. is a specialized research and consulting laboratory focused on reservoir optimization (reservoir engineering).

Gushor Inc. also reported results from computer modeling and simulations of reservoir performance at the Axe Lake test sites related to how fast steam rises in the reservoir under different steam injection pressures. The work demonstrates that there are potential operating strategies in which energy loss to the overburden can be delayed or avoided by controlling the steam injection pressure. In addition, hot-water-flood strategies can improve control of energy distribution within the reservoir. Gushor Inc. is a geochemical engineering analysis company that provides geochemical and reservoir engineering solutions by integrating geology, fluid geochemistry and reservoir simulation.

Schlumberger Canada Limited added its views with a report reporting its results from its computer modeling and simulation testing of the Axe Lake reservoir on the ability to monitor and control vertical and horizontal steam growth within the reservoir, demonstrating that fluid communication can be established between the injector well and

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an observation well without steam rising vertically to the top of the pay zone. Schlumberger is the world's largest oilfield services provider, helping customers improve exploration and production performance.

Oilsands Quest believes that the advanced laboratory test results and simulation studies, along with the recent McDaniel & Associates independent resource estimate report indicating that significant portions of the discovered and undiscovered bitumen resources at Axe Lake and Raven Ridge are potentially recoverable using existing demonstrated technologies, provide a reasonable representation of the expected behavior of the reservoir during the field test program.

At the present time, construction and other preparations at Test Site 1 are proceeding on schedule, including the delivery of equipment for steam generation and water treatment.

Oilsands Quest notes that the U.S. Securities and Exchange Commission ("SEC") does not permit the inclusion of reserves other than proved reserves in documents filed with the SEC.

### **About Oilsands Quest**

Oilsands Quest Inc. is applying its technical expertise to develop multiple global-scale discoveries while aggressively exploring Canada's largest contiguous oil sands land holding. The company ([www.oilsandsquest.com](http://www.oilsandsquest.com)) is the originator of Saskatchewan's emerging oil sands industry.

### **Forward-looking statements**

Except for statements of historical fact relating to Oilsands Quest, 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" 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 reservoir field test program and recovery factors in the field are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties that could cause actual events or results to differ materially from those anticipated in the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, technical risks inherent in construction projects 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 Oilsands Quest's ability to implement its business plan. There are uncertainties inherent in forward-looking information, including factors beyond Oilsands Quest's control, and no assurance can be given that the construction of the facilities and the execution of the test program will be completed on time, on budget or at all. Oilsands Quest undertakes no obligation to update forward-looking information if circumstances

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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.

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