

**NEWS RELEASE**

Date: December 20, 2007

**Oilsands Quest announces close of exercise of over-allotment option by Underwriters**

Calgary, Alberta -- Oilsands Quest Inc. (Amex: BQI) (the "Company") announces the closing today of the previously-announced exercise of the Underwriters' over-allotment option pursuant to the Company's recent public offering (the "Offering"), which closed on December 5, 2007.

The over-allotment option is for the purchase of 1,650,000 units (each comprised of one common share and one-half of a common share purchase warrant of the Company, or a total of 1,650,000 shares and 825,000 warrants) which results in an additional US\$7.8 million in net proceeds to the Company. Total net proceeds to the Company from the Offering are approximately US\$75.5 million. In total the Offering was comprised of 12,650,000 common shares, 6,325,000 common share warrants and 2,600,000 common shares on a flow-through basis.

The Offering was made through a syndicate of underwriters (the "Underwriters") bookrun by TD Securities Inc. and including Genuity Capital Markets, CIBC World Markets Inc., Desjardins Securities Inc., Blackmont Capital Inc., Canaccord Capital Corporation and Lehman Brothers Canada Inc. in Canada and their respective U.S. registered broker dealer affiliates.

The Company intends to use the proceeds of the Offering for reservoir testing and other costs associated with the Axe Lake Discovery and for general corporate purposes. The Company's shares and warrants are listed for trading on the American Stock Exchange (Amex) under the symbols BQI and BQI.WS.

**About Oilsands Quest Inc.**

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

**Forward-looking information**

Except for statements of historical fact relating to the company, this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking statements such as references to Oilsands Quest's exploration, technical and development programs and future discoveries 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 and other factors 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,

exploration and technical risks inherent in the oil sands industry, regulatory and economic risks, and risks associated with the company'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 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-KSB 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.

**For more information:**

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