

NEWS RELEASE

DATE: June 26, 2008

**Oilsands Quest announces independent resource estimates, announces
initialization of engineering for a commercial project and provides update on
reservoir testing program**

Calgary, Alberta -- Oilsands Quest Inc. (Amex: BQI) announces its independent resource estimates for its Axe Lake Discovery and its Raven Ridge Discovery. Raven Ridge has been reclassified to a Discovery from an "area of interest". Oilsands Quest announces the initialization of engineering plans for the first 30,000 barrels per day commercial project planned to develop a portion of the Axe Lake Discovery and provides an update on its reservoir test program.

Independent resource estimate

**Summary of Discovered and Undiscovered Bitumen Resources
McDaniel & Associates – October 2007 and June 2008
(Billions of barrels)**

	Axe Lake		Raven Ridge		Total	
	2007	2008	2007	2008	2007	2008
Estimated Discovered Bitumen Resources (Discovered Bitumen Initially in-Place)						
Low Estimate (P90)	1.117	1.241	n/a	0.337	1.117	1.578
Best Estimate (P50)	1.344	1.723	n/a	0.566	1.344	2.289
High Estimate (P10)	1.547	2.334	n/a	0.727	1.547	3.061
Estimated Undiscovered Bitumen Resources (Undiscovered Bitumen Initially in-Place)						
Low Estimate (P90)	n/a	n/a	n/a	0.493	n/a	0.493
Best Estimate (P50)	n/a	n/a	n/a	1.949	n/a	1.949
High Estimate (P10)	n/a	n/a	n/a	3.523	n/a	3.523
Estimated Discovered plus Undiscovered Bitumen Resources (Discovered and Undiscovered Bitumen Initially in-Place)						
Low Estimate (P90)	1.117	1.241	n/a	0.830	1.117	2.071
Best Estimate (P50)	1.344	1.723	n/a	2.515	1.344	4.238
High Estimate (P10)	1.547	2.334	n/a	4.250	1.547	6.584

McDaniel & Associates Consultants Ltd. has conducted an independent resource estimate of a portion of Oilsands Quest's permit lands, based on data obtained from the results of drilling up to March 26, 2008 (the end of the winter 2007/08 drilling program) and other sources and including the physical examination of cores and geophysical logs. McDaniel & Associates has reported the estimates of discovered and undiscovered resources (see Definitions section below) for a portion of the Axe Lake Discovery and a portion of the Raven Ridge Discovery. The estimates are effective as of April 30, 2008 and were prepared as of June 23, 2008. The table above includes a comparison to the independent resource estimate of the Axe Lake Discovery prepared by

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McDaniel & Associates in October 2007 based on the results of the winter 2006/2007 drilling program.

The estimates reflect Oilsands Quest's 100% interest in the Axe Lake and Raven Ridge Discoveries and represent only those resources that have been independently evaluated. Independent estimates of the resource potential of Oilsands Quest's other lands will follow when complete.

The area of the discovered resource estimate within the Axe Lake Discovery covers approximately 41 sections of Permits PS00208 and PS00210 located within Townships 94 and 95, Ranges 24 and 25W3 in Saskatchewan, approximately 115 kilometres (69 miles) northeast of Fort McMurray. The area of the discovered resource estimate within the Raven Ridge Discovery covers approximately 10 sections located within Townships 93 and 94, Range 1W4 in Alberta, directly to the east of the Axe Lake Discovery area (plus 38 sections for the undiscovered resource estimate). For a map of the Axe Lake Discovery and Raven Ridge Discovery areas, please see the company's website.

The total area covered by these discovered resource estimates represents approximately 4.6% of Oilsands Quest's total contiguous permit and license lands (discovered plus undiscovered represents approximately 8%). Other permit, license and lease lands, including areas that Oilsands Quest considers highly prospective based on extensive seismic and other data, have not been evaluated at this time.

Bitumen resources within the portion of the Axe Lake Discovery area reviewed by McDaniel & Associates have been classified as discovered resources due to the density of delineation drilling on this property. Bitumen resources within the portion of the Raven Ridge Discovery area have been classified as both discovered resources and undiscovered resources, as much of the Raven Ridge area remains undrilled at this time (see definitions of "discovered resources" and "undiscovered resources", and related definitions, below). With respect to the discovered resources, there is no certainty that it will be commercially viable to produce any portion of the resources. With respect to the undiscovered resources, there is no certainty that any portion of the resources will be discovered and, if discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

These estimates of discovered and undiscovered bitumen resources have not yet been sub-classified based on recoverable volumes, as additional reservoir data is required to determine the optimal in-situ exploitation method for the Axe Lake and Raven Ridge Discoveries. The estimates have been prepared and presented in accordance with the Canadian standards set out in the Canadian Oil and Gas Evaluation Handbook ("COGEH") and National Instrument 51-101 ("NI 51-101"). In December 2007, NI 51-101 was amended to provide further guidance on standards of disclosure of this nature. A key element of the new amended standards prescribes that estimates of bitumen resources must relate to the most specific categorization of resources, as set out in the COGEH and must identify what portion of the estimate is attributable to each category. Under the COGEH classification system, "discovered resources" are sub-classified further as "contingent resources" and "discovered unrecoverable resources" (with respect to "undiscovered resources", the equivalent sub-classification is "prospective resources" and

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"undiscovered unrecoverable resources"). The determination of which portions of the discovered and undiscovered resources at Axe Lake and Raven Ridge can be deemed to be contingent and prospective, respectively, (i.e. "recoverable") and which portions of the estimates are deemed to be unrecoverable at this time requires that the evaluator prepare an estimate of this proportionate breakdown (see definitions of "discovered resources", "undiscovered resources", "contingent resources", "prospective resources" and related definitions below).

McDaniel & Associates is of the opinion that significant portions of the discovered and undiscovered bitumen resources at Axe Lake and Raven Ridge are potentially recoverable using existing demonstrated technologies. However, insufficient reservoir data exists at this time to allow McDaniel & Associates to estimate the quantities of recoverable and unrecoverable volumes underlying the current estimates of discovered resources and undiscovered resources at Axe Lake and Raven Ridge. Oilsands Quest and McDaniel & Associates expect that additional data will be derived from the reservoir test program Oilsands Quest intends to conduct during 2008/2009. The additional data to be gathered from this reservoir test program will include reservoir pressure, additional permeability and mobility data, flow data and bitumen/till interface behavior. McDaniel & Associates advises that this data is required in order to properly estimate the proportions of recoverable and unrecoverable volumes. It is expected that when this data is available, Oilsands Quest will engage an independent qualified reserves evaluator to provide the further sub-classification of the discovered and undiscovered resource estimates at Axe Lake and Raven Ridge as contingent resources and prospective resources.

Similar to other bitumen accumulations within the eastern portion of Alberta, the Axe Lake and Raven Ridge Discovery areas lack a distinct overlying shale zone. McDaniel & Associates is of the opinion that the absence of a distinct overlying shale zone may preclude the use of certain high-pressure in-situ recovery methods, but that the quality of the reservoirs and high bitumen saturations present at the Axe Lake and Raven Ridge areas provide the potential for extraction using a number of existing technologies as well as other low pressure in-situ extraction methods currently in pilot testing within other areas of the Athabasca Oil Sands region. At this time, Oilsands Quest is actively engaged in executing its reservoir test program and related laboratory simulation studies that will support the technical review and analysis of the suitability of each of these methods for extraction operations at Axe Lake and Raven Ridge. Potential extraction methods that may be applicable to Axe Lake and Raven Ridge include low-pressure SAGD operations, enhanced SAGD, SAGD combined with methane injection to manage steam-chamber growth, and electro-thermal heating. Oilsands Quest has received interim results from laboratory simulation and computer simulation studies that indicate there is good potential for bitumen recovery using hot water and/or steam and steam/solvents. Further, these studies indicate that it is reasonable to expect that steam pressures can be managed and controlled to ensure that penetration above the McMurray bitumen-containing formation is limited and that heat losses to the overburden would be minimal. These simulation studies are being conducted to assist in the specification of pressure and temperature conditions that will form part of the on-site reservoir test program later this year.

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Preliminary project engineering

Oilsands Quest and its engineering consultants have embarked upon preliminary engineering of the first 30,000 barrels per day commercial project planned for the development of Axe Lake in the specific area where the first series of reservoir tests are being conducted. Management also continues to conduct advanced economic feasibility and risk assessment studies for full commercial project development, including assessment of a "fast-track" approach to a first prospective project, which could result in completion during 2012 or 2013. Oilsands Quest has also commissioned a study of infrastructure and markets by Purvin & Gertz Inc. to assist in its planning process. Development of a commercial project remains subject to regulatory and other contingencies such as successful reservoir tests, board sanctioning and financing.

Current status of Axe Lake Discovery reservoir test program

Site preparation and construction of facilities for Oilsands Quest's reservoir test program at Axe Lake commenced in January 2008 and were halted through April and May for spring break-up. Activity recommenced in June 2008 and is ongoing at present. The large steam generator Final Acceptance Test was successfully concluded and the steam generator is being transported to site. Other major equipment will also arrive on site during facilities installation which commences first week of July. Steam and hot water injection into the reservoir on Test Site 1 is planned for late summer 2008.

Phase One of the Axe Lake Discovery reservoir test program will consider up to three test sites (with varying overburden and pay thicknesses) with one vertical injection well and five vertical observation wells per test site. The purpose of Phase One of the Axe Lake test program is to measure resource-specific heat and fluid movement under specific operating conditions on a field scale to complement the company's ongoing simulation and laboratory analysis studies. Phase One has received regulatory approval. Current plans call for placement of horizontal wells in late summer 2008, with steam and hot water injection to begin following initial results from the Phase One program at Test Site 1 subject to the requisite approvals.

Phase Two of the test program will consider expanding the three test sites with horizontal wells and/or injecting mobilization agents other than steam. The purpose of Phase Two is to evaluate and analyze information gathered from Phase One regarding mobilization with steam and/or hot water and to measure field-scale response using horizontal wells. Phase Three of the Axe Lake Discovery test program is currently in the scoping phase; options being considered range from a continued reservoir test program to a technology feasibility pilot to a full commercial demonstration project.

Definitions

Discovered resources (equivalent to *discovered bitumen initially-in-place*) is defined within the COGEH as that quantity of bitumen that is estimated, as of a given date, to be contained within

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known accumulations prior to production. The recoverable portion of discovered resources is referred to as production, contingent resources and/or reserves; the remainder is classified as unrecoverable. Discovered resources are the summation of all bitumen present, without qualitative or quantitative assessment to determine the exploitable portion of that resource.

Undiscovered resources (equivalent to *undiscovered bitumen initially-in-place*) is defined within the COGEH as that quantity of bitumen that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered resources is referred to as prospective resources; the remainder is classified as unrecoverable. Undiscovered resources are the summation of all bitumen thought to be present on undelineated lands, without qualitative or quantitative assessment to determine the exploitable portion of that resource.

Contingent Resources is defined within the COGEH as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent resources are further classified in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

Prospective Resources is defined within the COGEH as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

Discovered unrecoverable resources (equivalent to *discovered unrecoverable petroleum initially-in-place*) is defined within the COGEH as that portion of discovered resources which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

The discovered and undiscovered resource estimates described in this news release were determined in accordance with the COGEH using the following mutually exclusive categories:

- Low Estimate: This is considered to be a conservative estimate of the quantity of bitumen that exists within the accumulation, which under probabilistic methodology reflects a P90 confidence level.
- Best Estimate: This is considered to be the best estimate of the quantity of bitumen that exists within the accumulation. Under probabilistic methodology, this term is a measure

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of the central tendency of the uncertainty distribution (most likely/mode, P50/median, or arithmetic average/mean).

- High Estimate: This is considered to be an optimistic estimate of the quantity of bitumen that exists within the accumulation, which under probabilistic methodology reflects a P10 confidence level.

Canadian disclosure standards

In reviewing this news release, it is necessary to recognize the differences between resources (which are reported as required under Canadian law) and reserves (which are not being reported). Investors are cautioned that the discussion of the report in this news release does not contain any information about deposits that would qualify as deposits of "reserves" under SEC Securities and Exchange Commission Industry Guide 7. Further, the terms "discovered resource" "undiscovered resource" and related definitions are Canadian terms defined in COGEH. COGEH standards differ from the terminology and standards set forth in Industry Guide 7 and, as a consequence, the information contained in this press release may not be comparable to information provided by other similar companies in the United States. Investors should not assume that any part of the deposits discussed in this news release that are categorized as "discovered resources" or "undiscovered resources" according to Canadian standards will ever be considered "reserves" under applicable Canadian or U.S. standards. The commercial viability of discovered and undiscovered resources is affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as the potential for further financing, environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues. The estimates of discovered and undiscovered resources for the lands described in this news release do not reflect the same confidence level for Oilsands Quest total lands.

About Oilsands Quest

Oilsands Quest Inc. is aggressively exploring Canada's largest contiguous oil sands land holding by applying its technical expertise to develop multiple global-scale discoveries. The company (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 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 the discovered resource estimates and undiscovered resource estimates, references to Oilsands Quest's drilling program, geophysical programs, reservoir field testing and analysis program, preliminary engineering and economic assessment program for a first commercial project, 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

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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 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. In addition, there are numerous uncertainties inherent in estimating discovered and undiscovered resources, including many factors beyond the company's control. In general, estimates of discovered and undiscovered resources are based upon a number of factors and assumptions made as of the date on which the estimates were determined, such as geological, technological and engineering estimates which have inherent uncertainties. 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, the annual report on Form 10-K to be filed by June 30, 2008 and other document filings, which are available at www.sedar.com and at 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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