

**NEWS RELEASE**

DATE: March 12, 2009

**Oilsands Quest files 10-Q Quarterly Report and provides an update on its independent evaluation of resource estimates.**

Calgary, Alberta -- (March 12, 2009) – Oilsands Quest Inc. (AMEX:BQI) announces that its Form 10-Q Quarterly Report for the period ended January 31, 2009, was filed March 12, 2009 and is available online at [www.sec.gov](http://www.sec.gov) and [www.sedar.com](http://www.sedar.com). The company also provides an update on its independent evaluation of resource estimates.

The following discussion addresses material changes in our results of operations and capital resources and uses for the three and nine months ended January 31, 2009, compared to the three and nine months ended January 31, 2008, and our financial condition and liquidity since April 30, 2008. It is presumed that readers have read or have access to our 2008 Annual Report on Form 10-K, as amended, which includes disclosure regarding critical accounting policies and estimates as part of Management's Discussion and Analysis of Financial Condition and Results of Operations. Unless otherwise stated, all dollar amounts are expressed in U.S. dollars. All future payments in Canadian dollars have been converted to U.S. dollars using an exchange rate of \$1.00 U.S. = \$1.2364 CDN, which was the January 30, 2009 exchange rate.

***Management's Discussion and Analysis of Financial Condition and Results of Operations***

As a consequence of current capital and commodity market conditions, we have undertaken an aggressive program of expenditure prioritization and control. Our activities are focused on the primary goals of determining the quality of our resources, adding to the Company's resource quantities and maintaining our asset base and core management and technical team. We have undertaken decisions to curtail and or defer some of our expenditure plans for the remainder of the fiscal year. The impact of these decisions is further detailed in the Outlook section below.

**Overview*****Three Months Ended January 31, 2009***

- We continued our in-house computer simulation studies, which are co-ordinated with advanced laboratory measurements by selected industry experts specializing in reservoir structural analysis, petro-physical characteristics and laboratory scale reservoir production testing. The simulation studies are being conducted to provide guidance to our technical team in carrying out the planned on site reservoir test programs and to generate predictions of reservoir responses for comparison to the results monitored during the reservoir test programs. This work will also support sensitivity studies for the commercial development plan alternatives.
- Delineation drilling resumed with 3 drilling and coring rigs starting up in the last week of January at our Raven Ridge property. As at January 31, we had drilled 7 exploration and delineation oil sands test. We completed the 20 well program in late February.
- We completed the field work on an approximate 40 kilometre (25 mile) 2D Seismic

program on our Saskatchewan permit and license lands.

- At Test Site 1, we released our construction contractors as construction is nearly complete and we are now preparing the facilities for commissioning.
- At Test Site 3, the heating test program is ongoing and we continue to gather data on reservoir characteristics.
- At Test Site 2, we have completed the design for a solvent recycle facility. Test Site 2 remains at the planning stage.
- In February we announced the appointment of Garth Wong, as Chief Financial Officer.

#### *Nine Months Ended January 31, 2009*

- In aggregate, we completed three private placements by issuing 23.78 million shares of common stock for total gross proceeds of \$91.2 million.
- We drilled 55 exploration and delineation oil sands test holes in the Axe Lake and Raven Ridge areas along with 11 exploration test holes on the Pasquia Hills oil shale prospect. Evaluation of the drilling results is underway.
- The reservoir test program at Test Site 1 commenced, including the drilling and completion of several test holes for the reservoir test program and the completion of three 750-metre horizontal holes (300 metres length within the reservoir). Two test holes were drilled and completed at Test Site 3 and a heating test program also commenced during the period.
- We entered into an Exploration Agreement establishing a formal relationship with the Northern Village of La Loche and certain other local communities in northwest Saskatchewan through which the environmental, social and economic aspects of our exploration activities in northwest Saskatchewan will be managed.
- We announced the appointment of Jamey Fitzgibbon, President & Chief Operating Officer and other executives.

#### **Operations Summary:**

##### *Exploration Programs – Oil Sands*

During the nine months ended January 31, 2009, we drilled 55 exploration and delineation test holes in the Axe Lake and Raven Ridge areas, and completed an approximate 40 kilometre (25 mile) 2D seismic program. Evaluation of the drilling data is underway. We are also continuing with the interpretation of the 1,847 kilometres (1,149 miles) of 2D and 3D seismic data collected and processed in the 2007-2008 winter program, which is aiding in the characterization of the reservoir and adjacent formations specific to our three test sites at Axe Lake and the reservoirs at Raven Ridge and in assessing the geological structures on our lands. In addition, we advanced our 2008-2009 oil sands exploration plans for the Raven Ridge, Wallace Creek and Eagles Nest areas. These planning activities included scouting seismic and exploration drilling targets, preparing regulatory applications and initiating consultation processes required for the approval of the planned activities.

We continue to collect baseline environmental data for the Axe Lake, Raven Ridge, Wallace Creek and Eagles Nest areas in preparation for future exploration and development programs and a comprehensive Environmental Impact Assessment report, which will be required as part of an application for regulatory approval for development of the Axe Lake area. In addition to our passive (periodic) air monitoring activities, which have been ongoing since 2005, our active

(continuous) air quality monitoring station at Axe Lake, the first of its kind in northwest Saskatchewan, began operating in July 2008.

#### *Axe Lake – Reservoir Development Activities*

At Axe Lake, the Company has planned a testing program to take place at three test sites over a number of phases.

Test Site 1 will focus on determining the extent and quality of our resources using thermal recovery processes based on steam and hot water. Test Site 2 is planned to use processes based on mobilization agents other than steam such as hot propane and other gases. Test Site 3 is based on utilizing electrical heating methods to evaluate quality characteristics of the reservoir.

At Test Site 1, we have drilled and completed six vertical test holes and drilled three 750-metre horizontal holes (300 metres length within the reservoir). We have procured the horizontal well instrumentation strings necessary to measure the temperature and pressure in the reservoir. In addition, we have drilled two water source wells which showed excellent fluid mobility and sufficient water withdrawal capacity to meet the current needs of the reservoir test program. We are near completion of the construction of water treatment, steam generation and extraction collection facilities, which includes three steam generators totaling 38 million BTU/hour steam generation capacity, two diesel power generators each with 750 kilowatt power output capacity, water/oil treatment and oil handling equipment, control systems and eight 1,000-barrel heated liquid storage tanks to support related Test Site 1 activities, which are near completion.

At Test Site 2, the front-end engineering and design work on a facility for tests using hot propane vapor, initiated earlier in the year, is now complete. Construction has been deferred until funding is in place for these tests. We continue to investigate the possibility of using mobilization agents other than steam, such as hot propane or other gases, as an alternate or complementary process to steam and hot water for determining the extent and quality of our resources. Information we obtain on the extent and quality of our resources will enable us to optimize recoverability of our bitumen resource.

At Test Site 3, we are conducting initial low energy tests using an electrical heater. This represents the first step towards determining critical reservoir properties at a field scale level. This information will be used for preliminary calibration of our reservoir simulator. Information from the simulator will help maximize the efficiency of the steaming tests on the vertical well program at Test Site 1. To date, two vertical holes have been drilled and the supporting infrastructure has been constructed at Test Site 3. One vertical test hole is equipped with an electric heater to provide heat to the reservoir and both test holes are equipped with sensors to allow for determination of the effective reservoir heat transfer and mobilization of the bitumen at lower temperatures. The program at Test Site 3 is designed as a short-term heating program intended to determine critical reservoir properties (such as thermal conductivity and relative permeability of the reservoir). Heating of the reservoir was initiated in late October 2008 and recommenced in mid-January of 2009. The data gathered from these tests will provide the Company with preliminary in-situ reservoir performance data to be used for simulation modeling in preparation for initial water and steam injection at Test Site 1 and in the continued planning for Test Sites 2 and 3.

Laboratory testing on the porosity, saturation, permeability and mobility characteristics of the reservoir bitumen and overburden at various temperatures in the Axe Lake area was completed. These results are being included in ongoing reservoir simulation activities to further refine the details of our reservoir test program as described above.

We continue to conduct economic feasibility, financial planning and market studies for full commercial development. We are undertaking a wide range of studies to examine infrastructure additions (roads, power, natural gas, and product pipelines), market alternatives, and the economic evaluation of a wide range of development scenarios. The advancement of the engineering work associated with a commercial development has been deferred as part of our prioritization of capital expenditures.

In June 2008, we committed to contributing CDN \$1 million to the Saskatchewan Research Council towards the construction costs of a new oil sands research laboratory. The new laboratory and its 3D scaled physical model will facilitate the development of new thermal and solvent extraction configurations utilizing existing technologies for recovery of bitumen from oil sands. Large-scale laboratory testing of bitumen recovery processes under reservoir conditions will provide data to evaluate solvent assisted thermal recovery and production methods for our bitumen resources. As of January 31, 2009, \$750,000 CDN has been paid and \$250,000 CDN is due on commissioning of this model. Construction of the physical modeling apparatus is underway and will be complete by the end of October 2009. Bulk samples of the Company's core have been delivered to the laboratory and analysis is expected to begin during the year.

#### *Exploration Programs - Pasquia Hills Oil Shale Prospect*

In September 2008, we drilled 11 exploration test holes on our oil shale prospect in southeastern Saskatchewan with all the holes drilled experiencing meaningful intercepts of oil shale of up to 21.5 metres in thickness. Detailed evaluation and interpretation of the drilling results is underway. We are continuing to evaluate alternative potential methods for kerogen recovery from oil shales.

#### **Outlook**

As a consequence of current capital and commodity market conditions, we have undertaken an aggressive program of expenditure prioritization. Our activities are focused on the primary goals of determining the quality of our resources, adding to the Company's resource quantities, and maintaining our asset base and core team. We have undertaken decisions to curtail and/or defer some of our expenditure plans for the remainder of the fiscal year.

The five year initial term of the Company's Saskatchewan Oil Sands Permits will expire on May 31, 2009. The Oil Shale Regulations, 1964 as amended provide for three one year extensions of the permits. We plan to apply for an extension of the permits and we expect that the extension will be granted in the normal course prior to the expiry of the initial term.

At Test Site 1, we are preparing for the commissioning and start-up of this test during 2009. Detailed planning of the test is on-going, including incorporating the results generated from Test Site 3. We plan to drill an observation well which may be utilized as a disposal well, subject to testing and regulatory approval.

Steam injection at Test Site 1 may begin in 2009, subject to completion of the facilities, regulatory and other approvals. Water and steam will be injected into the reservoir in order to mobilize the bitumen at the bottom of the McMurray formation using the vertical test holes. Water and steam injection into the horizontal wells may begin following the completion of the surface facilities associated with the horizontal test holes and will incorporate results from the vertical well program.

We plan to continue the activities necessary to determine the characteristics and properties of the Axe Lake area, as well as conducting exploration programs to further define the location, extent and quality of the potential bitumen resource in the Axe Lake and Raven Ridge areas, Wallace Creek and Eagles Nest prospects. Activities may need to be partially curtailed or temporarily put on hold in light of our view to maintaining maximum liquidity and matching the pace of our activities with available funding under current market conditions. Results from our planned activities are expected to enable us to establish a commercial development plan for the Axe Lake area, including identifying and evaluating an optimal in-situ oil sands recovery process. We also currently intend to maintain our asset base and core technical team in order to advance the commercial development plan for our resource.

At Test Site 3, we are applying heat to the reservoir utilizing a down-hole electric heater and are planning to continue this test. We are considering options to expand the scope of the test, including perforating one or more of the holes and attempting to mobilize and produce small amounts of bitumen.

The overburden characterization program, originally planned for this winter, has been deferred until later in 2009. The program, in combination with our extensive 3D seismic data, is expected to enhance our understanding of the formation overlaying our bitumen deposit.

We have determined that in light of current capital markets, it is prudent to delay our exploration programs in the Eagles Nest and Wallace Creek areas. In addition, we will not begin any field activities related to Test Site 2, where tests on the use of recovery processes based on mobilization agents other than steam, such as hot propane were planned and we have deferred the Design Basis Memorandum (DBM) engineering for a 30,000 BOPD facility, initiated in a prior quarter. Further, development of a commercial project will remain subject to regulatory and other contingencies such as successful reservoir tests, board of directors' approvals, financing and other risks inherent in the oil sands industry. These risks are described in detail in our Annual Report on Form 10-K, as amended. We will also only conduct those baseline environmental studies necessary to support current activities.

### **Liquidity and Capital Resources**

At January 31, 2009, the Company held cash and short term investments totaling \$51.5 million (April 30, 2008 - \$46.3 million), consisting of CDN \$50.3 million plus US \$10.8 million.

On May 23, 2008, the Company issued 12,976,761 shares of common stock at a price of \$4.20 per share for gross proceeds of \$54,502,397 pursuant to a private placement. The Company paid

an aggregate of \$1,225,120 in fees to a syndicate of agents under the terms of the agency agreement.

On October 3, 2008, the Company issued 6,008,156 shares of common stock on a flow-through basis at a price of \$3.675 CDN per share for gross proceeds of \$22,079,973 CDN (\$20,421,727 US) pursuant to a non-brokered private placement. In addition, on October 3, 2008, the Company issued a further 4,800,000 shares of common stock on a flow-through basis at a price of \$3.675 CDN per share for gross proceeds of \$17,640,000 CDN (\$16,315,204 US) pursuant to a private placement. The proceeds of these private placements must be used for exploration activities in Canada and the tax benefits from such expenditures will flow through to the subscribers.

During the nine months ended January 31, 2009, the Company expended \$62.3 million on exploration activities, \$15.2 million on corporate and general administrative matters and \$11.2 million on capital expenditures, which included the acquisition of the interests of the remaining external joint venture partners in the Eagles Nest Prospect. The joint venture partners' interests were acquired for aggregate consideration of \$1,600,626 (\$1,632,000 CDN) and 640,000 shares of the Company's common stock valued at \$3,718,400. The Company received \$1.7 million from the exercise of stock options including proceeds from the exercise of subsidiary options to purchase OQI Sask Exchangeable shares.

At the present time, the Company expects its near term liquidity needs will be met by working capital on hand at January 31, 2009. As at January 31, 2009, the Company had working capital of \$39 million. The Company believes that it has sufficient funds to maintain its interest in the existing properties, to continue the testing activities at its Axe Lake Property described herein, and to maintain other core activities, which include internal operations and general corporate expenditures, through April 2010. The Company monitors its expenditure budgets and adjusts its expenditure plans to conform to available funding. However, additional funding will be required for changes in the nature or costs of the activities currently planned.

The Company plans to fund future exploration and development activities by way of financings such as a public offering or private placement of debt or equity securities. Current conditions in the global and financial markets have currently limited the availability of these resources. The Company cannot provide any assurance that debt or equity financing or joint venture partner arrangements will be available on acceptable terms, if at all, to meet future requirements.

If the Company is unable to fully fund all of its planned activities this may result in delays of our business objectives, and in some cases, the objectives may not be met.

## **Results of Operations**

### Net Loss

*Three Months ended January 31, 2009 as compared to three months ended January 31, 2008.* The Company experienced a net loss of \$18,011,129 or \$0.07 per share for the three months ended January 31, 2009 (2008 - net loss of \$37,413,583 or \$0.16 per share). The decline in the net loss reported is mainly due to a reduction in exploration activity and costs in the current quarter as compared to the same quarter in the prior year.

*Nine Months ended January 31, 2008 as compared to nine months ended January 31, 2008.* The Company experienced a net loss of \$73,616,845 or \$0.28 per share for the nine months ended January 31, 2009 (2008 - net loss of \$64,042,737 or \$0.29 per share). As discussed further below, the increase in the net loss from 2008 to 2009 results from increases in expenses in all categories related to increased activity largely in the second quarter of the current year as compared to the same quarter in the prior year.

The Company expects to continue to incur operating losses and will continue to be dependent on additional equity or debt issuances and/or property joint ventures to fund its activities in the future.

#### Exploration costs

*Three and nine months ended January 31, 2009 as compared to three and nine months ended January 31, 2008.* Exploration costs for the three months ended January 31, 2009 were \$14,531,437 (2008 - \$35,549,282). Exploration costs for the nine months ended January 31, 2009 were \$62,278,711 (2008 - \$58,099,970). The Operations Summary above provides a summary of the exploration activities conducted in the three and nine months ended January 31, 2009. Exploration expenditures in the three and nine months ended January 31, 2008 related mainly to the 2008 winter Axe Lake Drilling program which commenced in September 2007 and to extensive seismic and magnetic survey activities and baseline environmental studies.

#### General and administrative

#### Cash consideration

*Three and nine months ended January 31, 2009 as compared to three and nine months ended January 31, 2008.* General and administrative expenses settled with cash for the three months ended January 31, 2009 were \$3,472,399 (2008 - \$2,496,529), for the nine months ended January 31, 2009, these were \$15,246,927 (2008 - \$5,567,078). Expenditures in the three month period ended January 31, 2009 consist of salaries (\$1.5 million), legal and other professional fees (\$0.8 million), general office costs (\$0.6 million), communications and investor relations (\$0.4 million) and foreign exchange loss (\$0.2 million). Expenditures in the nine month period ended January 31, 2009 consisted of foreign exchange loss (\$5.6 million), salaries (\$4 million), legal and other professional fees (\$2.5 million), general office costs (\$1.8 million), and communications and investor relations (\$1.4 million). General and administrative expenses in the three months ended January 31, 2008 consisted of legal and other professional fees (\$0.9 million), salaries (\$0.9 million), communications and investor relations (\$0.7 million), general office costs (\$0.3 million) and foreign exchange gain (\$0.3 million). General and administrative expenses in the nine months ended January 31, 2008 consisted of salaries (\$2.1 million), legal and other professional fees (\$1.8 million), communications and investor relations (\$1.4 million), general office costs (\$0.7 million) and foreign exchange gain (\$0.5 million). Increases in costs in the current fiscal year as compared to the prior year are mainly associated with the cost of assembling the executive, professional and technical team required to execute the Company's plans. The foreign exchange loss in the current year resulted from holding Canadian dollar cash in the parent company when the value of the Canadian dollar declined as compared to the US dollar.

At January 31, 2008 we had 22 employees including 3 seasonal field employees. At January 31, 2009 we had 76 employees including 26 seasonal field employees. The increase this period as compared to the same period in the prior year is consistent with the increased activities discussed above.

#### Stock-based consideration

*Three and nine months ended January 31, 2009 as compared to three and nine months ended January 31, 2008.* Stock-based consideration expense for the three months ended January 31, 2009 was \$3,534,374 (2008 – \$3,716,058), and for the nine months ended January 31, 2009 it was \$14,959,497 (2008 – \$12,565,716). Stock-based consideration expense for the three and nine months ended January 31, 2009 consists of stock-based compensation related to the issuance of options to directors, officers, employees and consultants. Stock-based consideration expense for the three and nine months ended January 31, 2008 consisted of stock-based compensation related to the issuance of options to directors, officers, employees and consultants and to bonus shares issued to employees. The fair value of the stock options was estimated using the Black-Scholes valuation model consistent with the provisions of SFAS No. 123R. The Black-Scholes valuation model requires the input of highly subjective assumptions, including the option's expected life and the expected stock price volatility determined using the historical volatility of the price of shares of the Company's common stock. The increase this period as compared to the same period in the prior year is consistent with the increased number of employees as noted above. Stock-based compensation is a non-cash expense. The average value of the stock options using the Black-Scholes valuation model issued during the quarter ended January 31, 2009 was \$0.73 (2008 - \$3.85) and during the nine months ended January 31, 2009 was \$2.00 (2008 - \$3.76). The year over year decline in the average value of stock options is due to the decline in the market value of the Company's stock.

#### Depreciation and accretion

*Three and nine months ended January 31, 2009 as compared to three and nine months ended January 31, 2008.* Depreciation and accretion expense for the three months ended January 31, 2009 was \$417,857 (2008 - \$284,020) and for the nine months ended January 31, 2009 was \$1,189,019 (2008 - \$786,094). Depreciation expense relates to camp facilities, equipment and corporate assets which are being depreciated over their useful lives of three to five years. Accretion expense relates to the asset retirement obligation recognized on the airstrip, camp site, access road, and the reservoir test sites which is being brought into income over a period of 10 to 30 years. The increase from the period ended January 31, 2008 to the period ended January 31, 2009 relates to the increase in assets held during the period and the recognition of accretion expense. Additions to the equipment in the nine months ended January 31, 2009 totaled \$5.3 million.

#### Interest income

*Three and nine months ended January 31, 2009 as compared to three and nine months ended January 31, 2008.* Interest income for the three months ended January 31, 2009 was \$318,710 (2008 - \$669,670). Interest income for the nine months ended January 31, 2009 was \$1,113,790 (2008 - \$1,779,541). Interest income is earned because the Company pre-funds its activities resulting in cash on hand, which is invested in short-term deposits. The decrease in interest

income this period as compared to the same period in the prior year reflects the decrease in market interest rates over the intervening year.

#### Income tax recovery

*Three and nine months ended January 31, 2009 as compared to three and nine months ended January 31, 2008.* The income tax recovery for the three months ended January 31, 2009 was \$3,626,228 (2008 - \$3,962,636). The income tax recovery for the nine months ended January 31, 2009 was \$18,943,519 (2008 - \$11,196,580). The income tax recovery for the three and nine months ended January 31, 2009 and January 31, 2008 relates mainly to the loss reported for the period. The tax recovery otherwise reported is reduced by the impact of flow through expenditures: the tax benefit of which flows through to subscribers. Drawdown of the flow through share premium liability increases the recovery. The net impact for the period was a reduction of tax recovery in the amount of \$2,477,024 (2008 - \$2,342,284) over three months and \$3,492,743 (2008 - \$2,515,240) over nine months. The deferred tax liability reported on the balance sheet is mainly related to the book value of property which will not be deductible for tax purposes and is related to the Company's 2006 acquisition of the non-controlling (minority) interest in OQI Sask. This liability is drawn down by the tax effect of expenses of the period which are expected to be deductible for tax purposes in future years.

#### Other information

Effective March 10, 2009, the Company entered into a Consulting Services Agreement (the "Agreement") with Karim Hirji, the former Chief Financial Officer of the Company. Pursuant to the Agreement, Mr. Hirji will provide consulting services to the Company, including assisting with the transition of the role and responsibilities of the Chief Financial Officer, for a period of one year. As compensation for Mr. Hirji's consulting services, Mr. Hirji is entitled to a daily fee of CDN \$1,200 for each day which he provides services (which shall be a minimum of eight hours in any one 24 hour period). For less than or greater than an eight-hour day, Mr. Hirji will receive an hourly rate of CDN \$150. In addition, Mr. Hirji is entitled to be reimbursed for any pre-authorized expenses incurred in connection with his provision of consulting services. Mr. Hirji has agreed to be available to provide consulting services to the Company for up to two days per week at the sole discretion of the Company; however, Mr. Hirji may choose to provide consulting services on additional days during the term of the Agreement in his sole discretion. Mr. Hirji has also agreed not to compete with the Company during the term of the Agreement and for a period of four months thereafter, unless the Agreement is terminated by the Company in which case the four month non-compete period will not apply.

Under the terms of the Agreement, Mr. Hirji is entitled to retain all stock options granted to him in his former role as an executive officer of the Company for the duration of the Agreement and Mr. Hirji remains eligible to participate in future stock option and other grants during the term of the Agreement at the sole discretion of the Company's Board of Directors.

#### Risk Factors

- 1. The impact of disruptions in the global financial and capital markets on our ability to obtain financing**

The global financial and capital markets have been experiencing extreme volatility and disruption, including the failures of financial services companies and the related liquidity crisis. Although we expect to meet our near term liquidity needs with our working capital on hand, we will continue to need further funding to achieve our business objectives. In the past, the issuance of equity securities has been the major source of capital and liquidity for us. The extraordinary conditions in the global financial and capital markets have currently limited the availability of this funding. If the disruptions in the global financial and capital markets continue, debt or equity financing may not be available to us on acceptable terms, if at all. If we are unable to fund future operations by way of financing, including public or private offerings of equity or debt securities, our business, financial condition and results of operations will be adversely impacted.

## **2. Emissions regulations**

On June 14, 2007 the Government of Saskatchewan announced the Saskatchewan Energy and Climate Change Plan. The Plan's main targets included a 32 percent reduction in GHG emissions from 2004 levels by 2020, and a reduction of 80 percent by 2050. Those targets have been adopted by the new Government which was elected in October 2007. The Saskatchewan Energy and Climate Change Plan, however, is no longer Government policy, and the Government is presently developing a new climate change plan, which may be completed in 2009. In the non renewable energy sector, the Government is working with industry to prepare a report and recommendations with respect to the reduction of flaring, venting and fugitive emissions, with a target completion date of 2009. The Government of Saskatchewan also supports and will work with industry on carbon capture and storage alternatives. As of January 2009, the Government has not adopted regulatory changes to implement GHG emission targets or reductions. It is, however, presently developing climate change legislation which it anticipates will be passed in the 2009. The legislation is expected to create a framework to deal with climate change, including creating the authority to pass regulations.

### ***Interim independent contingent resource estimates***

Oilsands Quest also announces the release of interim independent contingent resource estimates for a portion of its Axe Lake and Raven Ridge properties. The estimates were prepared by McDaniel & Associates Consultants Ltd. ("McDaniel"), at the request of Oilsands Quest. The effective date of the contingent resource estimate is December 31, 2008.

In mid-2008 the Company released McDaniel's independent estimates of discovered and undiscovered bitumen resource volumes, which were prepared in accordance with the standards set out in the Canadian Oil and Gas Evaluation Handbook ("COGEH") and National Instrument 51-101 ("NI 51-101"). These estimates are presented in Table 1 below. McDaniel has now classified a portion of the discovered resources as contingent resources. These contingent resource estimates have been prepared for portions of the Axe Lake and Raven Ridge areas only. The Company has not completed estimates for the remainder of Axe Lake and Raven Ridge, or at Wallace Creek and Eagles Nest, all of which the Company believes are prospective. The lands over which the resource assessment was conducted comprise less than 5% of our land holdings.

Similar to some other bitumen accumulations within the eastern portion of Alberta, the Axe Lake and Raven Ridge areas lack a distinct overlying shale formation. The absence of this may

preclude the use of certain high-pressure in-situ recovery methods, but 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 recovery methods, re-configured for our reservoirs.

The Company is engaged in undertaking reservoir test programs and related laboratory and reservoir simulation studies to determine the optimum configuration of existing thermal, solvent-based and other, in-situ recovery methods for use in our reservoirs at Axe Lake, Raven Ridge and elsewhere. The recovery methods Oilsands Quest is testing are designed to be independent of the presence or absence of an overlying shale formation. Our recovery processes may offer higher efficiency and superior recovery than steam assisted gravity drainage (“SAGD”).

Oilsands Quest is continuing to advance its reservoir testing programs to further develop and verify its recovery methods. We have not yet completed our pilot tests of the recovery methods. Under the COGEH guidelines, any evaluation of our contingent resource volumes and economics is limited to the use of recovery methods that are developed and verified by testing in our reservoir. While at this time we do not intend to utilize SAGD as a recovery method, the Company engaged McDaniel to conduct its evaluation as an interim measure and this evaluation was completed assuming the use of SAGD. The results are summarized in Table 2 below. The report estimates the volumes of economically recoverable contingent resources at Axe Lake and Raven Ridge, while the remaining bitumen in place would be categorized under COGEH as unrecoverable at this time. The company anticipates that its reservoir test programs, if successful, will result in a significant re-categorization from unrecoverable to contingent resources.

The following tables set out our prior discovered resource estimate and our current contingent resource estimate, prepared by McDaniel as at April 30, 2008 and December 31, 2008, respectively. All of these resource volumes are attributable to the Axe Lake area and the Raven Ridge area. The Axe Lake area is located within Townships 94 and 95, Ranges 24 and 25W3 within the Province of Saskatchewan, approximately 115 kilometers northeast of the City of Fort McMurray. The Raven Ridge area is located immediately to the west of the Axe Lake area, within Townships 93 and 94, Range 1W4, within the Province of Alberta. The resource volumes herein were prepared using assumptions and methodology guidelines outlined in COGEH and in accordance with NI 51-101 (please refer to our website for a map of the evaluated areas).

**Table 1**  
**Summary of Discovered Resources**  
**Axe Lake and Raven Ridge Areas as at April 30, 2008**

	Discovered Resources <sup>(1)</sup> (millions of barrels)		
	low	best	high
Axe Lake	1,241	1,723	2,334
Raven Ridge	<u>337</u>	<u>566</u>	<u>727</u>
Total	1,578	2,289	3,061

(1) This is not an estimate of the recoverable volume of bitumen. A portion of the discovered resources tabulated herein have been further categorized as contingent resources in the McDaniel December 2008 evaluation, as tabulated below. The portion of the discovered resources that have not been classified as contingent resources would be categorized

under COGEH as unrecoverable at this time, pending further testing and recovery process development. There is no certainty that it will be commercially viable to produce any portion of the discovered resources.

**Table 2**  
**Summary of Contingent Resources**  
**Axe Lake and Raven Ridge Areas as at December 31, 2008**

	Contingent Resources <sup>(2)(3)(4)</sup> (millions of barrels)		
	low	best	high
Axe Lake	0	130	432
Raven Ridge	<u>0</u>	<u>0</u>	<u>94</u>
Total	0	130	526

- (2) The "best" and "high" estimates have been categorized by McDaniel as economic contingent resources. The low estimate of contingent resources is uneconomic under McDaniel's current price forecast and cost assumptions, therefore no low estimate contingent resources were assigned by McDaniel. There is no certainty that it will be commercially viable to produce any portion of the discovered resources.
- (3) The recoverable volumes estimated by McDaniel have been classified as contingent resources as opposed to reserves because not all of the conditions for commerciality have been met including corporate and regulatory approvals for development.
- (4) The estimates of contingent resources have been prepared assuming the use of SAGD as the recovery process.

The estimates in the above tables reflect Oilsands Quest's 100% interest in the Axe Lake and Raven Ridge areas and represent only those resources that have been independently evaluated. The results of our 53 well drilling program at Axe Lake in late 2008, and at Raven Ridge in early 2009 have not been incorporated into the evaluation. Updates to the Axe Lake and Raven Ridge evaluations and independent estimates of the resource potential of Oilsands Quest's other lands will follow when complete.

***Definitions of Technical Terms used in this release***

Discovered resources (equivalent to discovered bitumen initially in-place) are defined within COGEH as that quantity of bitumen that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered resources includes production, reserves, and contingent resources; 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.

Contingent resources are defined within 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.

Discovered unrecoverable resources (equivalent to discovered unrecoverable petroleum initially-in-place) are defined within 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.

A range of discovered and contingent resources estimates (low, best and high) was prepared to reflect a range of technical and economic uncertainties and was determined in accordance with COGEH. A low estimate is considered to be a conservative estimate of the quantity that will actually be recovered, which under probabilistic methodology reflects a P90 confidence level. It is likely that the actual remaining quantities recovered will exceed the low estimate. A best estimate is considered to be the best estimate of the quantity that will actually be recovered. Under probabilistic methodology, this term is a measure of the central tendency of the uncertainty distribution (most likely/mode, P50/median, or arithmetic average/mean). It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. A high estimate is considered to be an optimistic estimate of the quantity that will actually be recovered, which under probabilistic methodology reflects a P10 confidence level. It is unlikely that the actual remaining quantities recovered will exceed the high estimate.

### ***Cautionary Statement about Forward-Looking Statements***

This news release includes certain statements that may be deemed to be “forward-looking statements.” 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. Also, forward-looking statements are frequently indicated 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 and contingent resource estimates, and references to the Company’s reservoir field testing and analysis program, and the timing of such program 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, financing 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. In addition, there are numerous uncertainties inherent in estimating discovered and contingent resources, including many factors beyond the Company’s control. In general, estimates of discovered and contingent 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, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of resources are only attempts to define the degree of uncertainty involved. The estimates contained herein with respect to discovered resources and to contingent resources that may be developed in the future have been based upon volumetric calculations and upon analogy to similar types of

resources, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same resources based upon production history will result in variations, which may be material, in the estimated resources. Additional information relating to our Company, including our Annual Report on Form 10K, can be found at [www.sedar.com](http://www.sedar.com). 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.

**Cautionary Note to U.S. Investors**—The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. The Company uses certain terms in this press release at [sec.gov](http://sec.gov), such as discovered and contingent resources, that the SEC guidelines strictly prohibit us from including in filings with the SEC. U.S. Investors are urged to consider closely the disclosure in our Form 10-K, as amended, available from us on request at [ir@oilsandsquest.com](mailto:ir@oilsandsquest.com) or by calling 1-877-718-8941. You can also obtain this form from the SEC at [sec.gov](http://sec.gov). 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 resource estimates in this news release does not contain any information about deposits that would qualify as deposits of “reserves” under Industry Guide 7. Further, the terms “discovered resource” and “contingent resources” are Canadian terms defined in accordance with the standards set forth jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy and Petroleum (Petroleum Society) in the COGEH. The COGEH standards differ from the terminology and standards set forth in Industry Guide 7 and, as a consequence, the information contained in this news 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, undiscovered, contingent or prospective resources according to Canadian standards will ever be considered “reserves” under applicable U.S. standards. The commercial viability of these resources are 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. **Investors are cautioned not to assume that all or any part of a resource, whether discovered or contingent exists, or (if it exists) is economically or legally extractable.**

### 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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