

**NEWS RELEASE**

DATE: May 12, 2009

**Oilsands Quest Inc. announces closing of previously-announced offering**

**Calgary, Alberta – May 12, 2009** – Oilsands Quest Inc. (Amex: BQI) (the “Company”) announced today the completion of its previously-announced marketed public offering (the “Offering”). A total of 35,075,000 units (“Units”) were issued to investors at a price of US\$0.85 per Unit for gross proceeds to Oilsands Quest of US\$29.8 million, including the over-allotment option.

Each Unit is comprised of one common share (“Share”) and one-half of a common share purchase warrant of the Company (“Warrant”) with each whole Warrant entitling the purchaser to purchase one Share of the Company for US\$1.10 until May 12, 2011.

The Warrants associated with these Units are listed for trading on the NYSE Amex under the symbol BQI.WS.A.

The Offering was made through a syndicate of agents led by Genuity Capital Markets and TD Securities Inc. and included Canaccord Capital Corporation, Dundee Securities Corporation and RBC Capital Markets (the “Agents”). The over-allotment option granted to the Agents was exercised to purchase 4,575,000 Shares and 2,287,500 Warrants.

The Company will use the funds to continue its testing activities at Test Sites 1 and 3, continue its exploration activities on its existing permits and licenses and for general corporate purposes. Specific allocations of the proceeds for such purposes have not been made at this time.

**About Oilsands Quest**

Oilsands Quest Inc. is 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:**

**Forward-Looking Statements:** This news release contains certain “forward-looking information” within the meaning of applicable securities law including statements regarding the Company's expected use of proceeds of the Offering. These statements are only predictions. Forward-looking information is based on the opinions and estimates of management at the date the information is provided, and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. For a description of the risks and uncertainties facing the Company and its business and affairs, readers should refer to the Company's Annual Report on Form 10K for the year ended April 30, 2008, as

amended and subsequent quarterly reports on Form 10Q available on [www.sedar.com](http://www.sedar.com) and [www.edgar.com](http://www.edgar.com). The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, unless required by law. The reader is cautioned not to place undue reliance on forward-looking statements.