

NEWS RELEASE

DATE: September 12, 2008

Oilsands Quest clarifies 2008/2009 spending plan and funding alternatives

Calgary, Alberta -- (September 12, 2008) Oilsands Quest Inc. (AMEX:BQI) announces, in light of recent volatility in the trading of the company's shares, that it is not aware of any corporate developments that would impact the trading of its stock that were not disclosed in its recent quarterly filing or the quarterly update news release it issued previously.

Oilsands Quest further clarifies that the expenditure plans disclosed in its recent Form 10-Q Quarterly Filing, and previously released in its 10-K Annual Report, include a combination of expenditures associated with its reservoir test program at its Axe Lake Discovery, planned exploration expenditures on its remaining prospects and activities necessary to establish a commercial development plan for the Axe Lake Discovery. As discussed in the Form 10-Q, the Company has approximately \$70 million of cash on hand which is sufficient to complete the currently planned testing program at Axe Lake and fund its core operations over the next 12 months. Additional capital requirements for its exploration and commercialization plans are expected to be met by one or more funding alternatives, including a public offering or private placement of equity or debt securities, as well as considering joint venture partners on our specific projects. Oilsands Quest will continue to monitor the capital markets and other potential sources of funding, and has the ability to modify the methods and timing of its planned exploration and development programs, and its other capital expenditure plans, if necessary, to optimize the execution of its business plan in a prudent manner that is in the best interests of the company and its shareholders.

About Oilsands Quest Inc.

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

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Forward-looking information

Except for statements of historical fact relating to Oilsands Quest Inc., this news release contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently

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characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "potential", "prospective", "develop" 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 drilling programs, exploration programs, geophysical programs, reservoir testing and analysis program, 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 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 is no certainty that it will be commercially viable to produce any portion of the company's oil sands resources. 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-K 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.