

**NEWS RELEASE**

DATE: March 10, 2010

**Oilsands Quest provides highlights of third quarter operational update and announces Chief Reservoir Engineer appointment**

Calgary, Alberta -- (March 10, 2010) – Oilsands Quest Inc. (NYSE AMEX:BQI) (“OQI” or “the Company”) is evaluating the potential to develop its Axe Lake oil sands discovery in northwestern Saskatchewan using typical steam-assisted gravity drainage (SAGD) technology.

OQI recently drilled 16 core holes across Axe Lake reservoirs to improve the understanding of the overburden characteristics and to test the potential for the overburden to act as a cap rock to contain steam within the reservoir. The preliminary results from an independent reservoir research laboratory show that the core material is a dense clay-rich, low permeability cap rock which demonstrates steam containment characteristics in physical laboratory testing and reservoir computer simulations. The core samples are also being correlated with the Axe Lake 3-D seismic data to determine the extent and continuity of this cap across the various reservoirs.

The early results of the overburden testing indicate that the Company may be able to produce bitumen using either a typical SAGD configuration or the bottom up recovery process that OQI has been testing. OQI now believes that the majority of the Axe Lake reservoirs could be developed using proven SAGD bitumen recovery processes, while the remaining resources would likely be more efficiently produced by way of the bottom up recovery configuration.

Based on the encouraging results from the cap rock testing, OQI is developing plans to accelerate work on a new SAGD test pair of wells at Test Site 1 using low pressure steam injection. As SAGD technology matures in the oil sands industry, lower pressure SAGD approaches are proving to deliver technical, economic and environmental benefits, as less energy is required to mobilize the bitumen. The Axe Lake reservoir, with its high porosity, permeability and homogeneity relative to most projects in Alberta, is well suited to lower pressure thermal recovery.

“We are very pleased with these new developments pertaining to the overburden testing,” said T. Murray Wilson, Chairman, President and CEO of OQI. “Our understanding of the Axe Lake reservoir and the overburden characteristics has grown tremendously through our testing program. Using proven SAGD oil sands recovery technology could advance our progress toward commercial development, which is currently our top priority.”

**New senior operational expertise**

OQI has hired Allison Aherne as its new chief reservoir engineer. In Ms. Aherne’s most recent roles, she led reservoir engineering and field operations for Suncor’s Firebag SAGD project. In previous positions with Devon Canada, she also created a field reservoir

development plan for the Jackfish SAGD project, and worked on the Dover and Surmont fields as well. Ms. Aherne has a Master's degree in Chemical Engineering with a specialty in petroleum from the University of Calgary. She has over 10 years of directly relevant in situ oil sands reservoir and operations experience that she will apply to OQI's reservoirs at Axe Lake, Raven Ridge, Wallace Creek and Eagle Nest.

As well as Ms. Aherne, who joined the Company on March 8, 2010, OQI has also recently added additional technical staff in geophysics, geology and reservoir engineering. The recruiting process for a senior operating executive is ongoing, as the Company continues to build the technical and operating experience to move toward commercial development.

### **Wallace Creek drilling program**

On March 10, 2010 OQI completed a nine hole exploration drilling program on lands in the southwest corner of the Wallace Creek lease that are adjacent to Cenovus' Borealis project area. Four of the wells drilled encountered significant quantities of bitumen with two wells intercepting over 20 meters of oil sand in the McMurray formation.

The Company is in the process of analyzing the geophysical logs and core samples and expects to have an updated independent resource evaluation for its properties later in the year.

For a more detailed operational update and management discussion, please see our form 10-Q available at [www.sec.gov](http://www.sec.gov) and [www.sedar.com](http://www.sedar.com) and the accompanying news release of March 10, 2010 available on our website at [www.oilsandsquest.com](http://www.oilsandsquest.com).

### **About Oilsands Quest**

Oilsands Quest Inc. ([www.oilsandsquest.com](http://www.oilsandsquest.com)) is developing Saskatchewan's first global-scale oil sands discovery at Axe Lake, while exploring one of Canada's largest holdings of contiguous oil sands permits and licenses, located in Saskatchewan and Alberta. It is leading the establishment of the province of Saskatchewan's emerging oil sands industry.

### **Cautionary statement about forward-looking statements**

This news release includes certain statements that may be deemed to be "forward-looking statements" within the meaning of the U.S. federal securities laws. 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. Such forward-looking statements include discussion of such matters as:

- the eventual outcome of the on-going physical laboratory testing and reservoir computer simulations and correlation of the core samples with the Axe Lake 3-D seismic data;
- business strategies and development of our business plan and drilling programs;
- potential reservoir recovery optimization processes.

Forward-looking statements are statements other than relating to historical fact and are 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 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 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. Many of these risks and uncertainties are beyond the control of the Company. The Company undertakes no obligation to update forward-looking statements 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.

**For more information:**

Riyaz Mulji

Manager, Investor Relations

Email: [ir@oilsandsquest.com](mailto:ir@oilsandsquest.com)

Investor Line: 1-877-718-8941