



Alberta Oilsands Inc. announces second quarter results

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CALGARY – August 31, 2010 - Alberta Oilsands Inc. ("Alberta Oilsands", "AOS" or "The Company", TSX-V: AOS) has filed with Canadian securities authorities its interim unaudited consolidated financial statements and management's discussion and analysis for the interim period ended June 30, 2010. Copies of the filed documents may be obtained through www.sedar.com.

Q2 2010 highlights:

- Continued discussions with potential joint-venture partners and provided detailed information about Alberta Oilsands to these groups.
- Achieved a milestone when Ryder Scott Company - Canada, Petroleum Consultants (Ryder Scott) assigned the Company with its first probable and possible oil sands reserves. Such third party evaluation with an effective date of March 31, 2010, assigned 67.6 million barrels of probable and possible (3P) bitumen gross lease reserves on approximately one section of the Company's 28 sections of 100% working interest lands at Clearwater West. 16.3 million barrels have been classified as probable bitumen reserves and 51.3 million barrels have been classified as possible bitumen reserves. Probable reserves are those additional gross reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of proved plus probable reserves. Possible reserves are those additional gross reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves. Lease reserves are volumes before deductions for capital costs, operating costs, royalties, and encumbrances. For more information on the Ryder Scott report, please refer to the Company's news release dated May 20, 2010 on Alberta Oilsands' website at www.aboilsands.ca and through SEDAR at www.sedar.com". Please also refer to "Disclosure of Reserves and Resources" below in this news release.
- Increased net capital expenditures to \$913,715 in the second quarter of 2010 compared with \$587,301 in the second quarter of 2009.
- Completed mini-fracture testing and analysis on the 5-22-88-08W4M observation well in the McMurray bitumen and the Clearwater cap rock at Clearwater West.
- Completed drilling, data gathering and analysis of the AB/1-21-88- 08W4M observation well at Clearwater West.

- Open house held on June 9, 2010 in Fort McMurray as part of Alberta Oilsands' commitment to communicate with communities near the proposed Clearwater West project.
- Enhanced the Company's Board of Directors by the appointment of Mr. John (Jack) R. Crawford, Mr. Bill Matheson and Mr. Leonard Sokolow.
- Produced an average of 161 barrels of oil equivalent per day (boe/d) of conventional production during the three-month period ended June 30, 2010, resulting in oil and gas revenue of \$622,100. The Company used \$750,452 of cash flow in operations in the second quarter, resulting in net working capital of \$2.95 million on June 30, 2010.

Review of Oilsands Operations

Fort McMurray Clearwater West

Alberta Oilsands continues to take steps on the path to production at its first oil sands project at Clearwater West.

On January 15, 2010, Alberta Oilsands filed the project application with the Energy Resources Conservation Board (ERCB) and Alberta Environment. The project at Clearwater West has a design production capacity of up to 4,500 bpd of bitumen in Phase 1 through six horizontal SAGD well pairs. Subject to regulatory approval, Alberta Oilsands expects to begin construction of the well pad and pairs in 2011. Production capacity is expected to increase to 15,000 bpd of bitumen in the next phase.

The Clearwater West project is located one mile southeast of the Fort McMurray Regional Airport and is accessible via Highway 69. Alberta Oilsands has a 100% working interest in 28 contiguous sections of oil sands rights in the area which are subject to a 2% gross overriding royalty to the Fort McMurray Airport Authority on two of the sections 21 and 22 where the Phase 1 project is located.

The Company continues to move forward while awaiting approval of the Clearwater West project, including gathering technical data through observation wells and consulting with the local community and planning for delineation wells in the Company's other Clearwater lands.

Alberta Oilsands completed work on two observations wells at Clearwater West during the quarter, including mini-fracture testing and analysis on the 5-22-88-08W4M observation well in the McMurray bitumen and the Clearwater cap rock and the drilling, completion, data gathering and analysis of the AB/1-21-88-08W4M observation well. Preliminary results are encouraging.

The Company is committed to providing people who live or work in the area with the opportunity to learn about the Clearwater West project. As part of Alberta Oilsands' community engagement activities, the Company held an open house in Fort McMurray on June 9, 2010. The event provided the Alberta Oilsands' team with an opportunity to introduce the Clearwater West project to area residents and to answer questions related to air quality, sound, traffic, construction and community investment. The Company is committed to forging business and community relationships built on trust and to conduct business in a safe, healthy and environmentally responsible manner.

Those in attendance at the open house were advised that emissions from the project are anticipated to be well below Alberta's strict regulatory guidelines. Water required for the project is expected to be purchased from the Regional Municipality of Wood Buffalo, providing a source of revenue for the local community. The water would eventually be injected into approved disposal wells. The footprint of the Clearwater West project is expected to be limited to 10.2 hectares thanks to existing infrastructure in the

area. The average sound level for project operations is expected to be five decibels (dBA) below the ERCB's night-time permissible sound level of 40 dBA. Finally, the total number of truck shipments is expected to be less than 22 loads per day with less than 150 metres of travel on gravel roads before reaching the paved Highway 69. A second open house is set for late October 2010.

Hangingsstone East

Alberta Oilsands' joint-venture partner at Hangingsstone East in Alberta's Athabasca oil sands engaged GLJ Petroleum Consultants Ltd. to conduct a third-party resource analysis on the property in the second quarter of 2010. Results were released in August 2010. Alberta Oilsands has a 50% interest in 38.5 contiguous sections (9,856 hectares or 24,640 acres of oilsands rights) at Hangingsstone. Contingent resources of 79.9 million (net) barrels of bitumen were assigned to the property. An additional 13 core holes were drilled in the first quarter of 2010 for a total of 32 core holes since inception.

In an independent report dated June 30, 2010, GLJ Petroleum Consultants Ltd. (GLJ) assigned contingent resources of 79.9 million (net) barrels of bitumen to the Company's Hangingsstone East property. See "Disclosure of Reserves and Resources" below in this news release.

Review of Conventional Operations

Alberta Oilsands produced an average of 161 boe/d in the second quarter of 2010, including 607 thousand cubic feet per day (mcf/d) of natural gas from northeastern British Columbia's Ladyfern field and 41 boe/d from Leduc, Alberta. This compares to 196 boe/d in the first quarter of 2010 and 325 boe/d in the second quarter of 2009 as the Company experienced natural declines. The Company has not added any additional conventional production since the Ladyfern well in April 2009. Alberta Oilsands has rights to 97,283 acres of undeveloped land in Alberta, Saskatchewan and Manitoba to pursue conventional exploration.

Alberta Oilsands' natural gas discovery at Ladyfern North (Hamburg) has now been producing since April 1, 2009. Gross revenue, before royalties and operating expenses generated for this property was \$813,564 in the six months ended June 30, 2010, including \$312,287 in the second quarter of 2010.

Given the success at Ladyfern North, Alberta Oilsands plans to drill a follow-up well at Ladyfern South during the 2010/2011 winter drilling season.

Financial and Operating Summary

Financial

	Three months ended June 30, 2010		
	2010	2009	2008
Statement of Operations and Deficit			
Petroleum and natural gas sales (\$)	622,100	997,514	555,333
Petroleum & natural gas sales per boe (\$)	42.93	33.76	112.62
Daily sales volumes (boe 6:1)	161	325	54
Net loss for the period (\$)	(939,128)	(921,812)	(1,169,247)
Net loss per share - basic and diluted (\$)	(0.01)	(0.01)	(0.02)

Statement of Cash Flows			
Funds used in operations (\$)(1)	(750,452)	(34,242)	(631,341)
Cash flow used in operations (\$)	(700,101)	(811,087)	(1,043,057)
Capital expenditures (\$)	913,715	607,301	1,805,135

Weighted average number of shares - basic and diluted	105,296,330	79,651,375	62,777,154
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	Six months ended June 30		
	2010	2009	2008

Statement of Operations and Deficit

Petroleum and natural gas sales (\$)	1,437,643	1,259,541	999,669
Petroleum & natural gas sales per boe (\$)	45.05	35.97	98.84
Daily sales volumes (boe 6:1)	179	193	56
Net loss (\$)	(2,125,668)	(2,138,382)	(1,949,681)
Net loss per share - basic and diluted (\$)	(0.02)	(0.03)	(0.03)

Statement of Cash Flows

Funds used in operations (\$)(1)	(1,127,572)	(1,144,558)	(898,589)
Cash flow used in operations (\$)	(1,244,152)	(1,447,915)	(589,908)
Capital expenditures (\$)	5,331,685	7,871,089	7,698,146

Total assets (\$)	57,611,323	51,100,787	45,524,918
Total liabilities (\$)	8,336,025	7,577,791	10,454,492
Shareholders' equity (\$)	49,275,298	43,522,996	35,070,426

Weighted average number of shares - basic and diluted	105,277,780	79,651,375	61,128,625
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(1) Alberta Oilsands' method of calculating funds from operations may differ from that of other corporations and, accordingly, may not be comparable to measures used by other corporations. Alberta Oilsands calculates funds from operations by taking cash flow from operating activities as determined under GAAP before the change in non-cash working capital related to operating activities and abandonment expenditures incurred.

Production

	Three months ended		Six months ended	
	June 30		June 30	
	2010	2009	2010	2009
Oil and NGL (bbls/day)	55	87	55	71
Natural gas (mcf/day)	638	1,429	743	737
boe/day (6:1)	161	325	179	193

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009

Commodity Prices				
Oil and NGL (\$/bbl)	74.72	63.22	76.22	57.91
Natural gas (\$/mcf)	4.42	3.84	5.20	3.89
boe (\$/boe)	42.93	33.76	45.05	35.97
Revenues (\$)				
Oil and NGL	384,964	497,774	738,181	740,436
Natural gas	237,136	499,740	699,462	519,105

Total	622,100	997,514	1,437,643	1,259,541

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009

Royalties and Operating Expenses				
Royalties (\$)	88,662	71,057	283,799	108,547
% of revenues	14	8	20	9
\$/boe	6.04	2.40	8.78	3.10
Operating and transportation expenses (\$)	369,240	425,318	860,205	884,597
\$/boe	25.15	14.39	26.60	25.26

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009

Netbacks (\$/boe)				
Revenue	42.37	33.76	44.46	35.97
Royalties	6.04	2.40	8.78	3.10
Operating expenses	25.15	14.39	26.60	25.26

Field netbacks	11.18	16.97	9.08	7.61
General and administrative	54.46	16.78	39.75	34.82

Netbacks	(43.28)	0.19	(30.67)	(27.21)

Outlook

Alberta Oilsands' growth strategy is to develop large-scale oil sands assets supported by conventional oil and gas asset development, joint-venture opportunities and financial partners. This will allow the Company to move quickly to convert contingent resources to proved reserves resulting in the generation of material production and cash flow.

At Clearwater, our improved understanding of the reservoir based on the technical work performed over the last few months will lead to an update to the current Clearwater West LP-SAGD Pilot Project application in the fourth quarter 2010. The Company expects to receive regulatory approval in 2011.

Development efforts for Clearwater Phase 1 over the next few months are expected to progress to detailed engineering which will lead to procurement of some necessary long lead surface and subsurface facility items to ensure timely bitumen production in 2012. Construction of the project is expected to begin as soon as practical upon approval. To complete Clearwater Phase 1 construction and commissioning, the Company will have to raise an incremental \$100 million capital. Alberta Oilsands anticipates financing the capital requirement through a combination of debt, equity and joint venture arrangements.

AOS expects to perform additional field measurements during the 2010-2011 winter season to confirm and define the safe maximum operating pressure of future bitumen production operations. The Clearwater West LP-SAGD Pilot Project constitutes Phase 1 in the development of the Clearwater area. Phase 2 will comprise Phase 1 operational learnings and form an optimized continued development for the Clearwater area with a possible plant size of 15,000 to 25,000 barrels of bitumen per day. The Phase 2 reservoir scoping stage is expected to conclude early 2011 and will include a significant delineation effort during the 2010-2011 drilling season, subject to an appropriate level of capital funding.

AOS expects to be in a position to add experienced personnel to its on-going oil sands exploration and development efforts, subject to an appropriate level of capital funding. Plans have been generated to explore AOS' Algar Lake and Grand Rapids oil sands leases. Algar Lake comprises 51 sections and the three vertical wells drilled in the late 1950's indicate significant in-situ bitumen volumes (potential for conventional heavy oil cold flow also exists). The objective of the Algar Lake exploration plan is to confirm available resource volumes and evaluate further AOS bitumen development potential. The current Algar Lake exploration plan calls for approximately 20 bitumen core holes and 30 contingent locations. Two historical core holes in the Grand Rapids area indicate significant potential for significant in-situ bitumen volumes. The Grand Rapids area has been more active and recent core holes on neighboring properties have been used to generate the Grand Rapids exploration plan. The 2010-2011 exploration season in Grand Rapids is intended to provide a first estimate of oil sands development potential on the 18 sections of oil sands properties and comprises approximately 10 core holes and 15 contingent locations. Execution of the Algar Lake and Grand Rapids are subject to obtaining appropriate levels of capital funding.

AOS expects to continue prudent management of funds and guide oil sands exploration and development subject to availability of capital. Current ranking of oil sands opportunities considers maintaining focus on bringing Clearwater Phase 1 to production, continued scoping and delineation for Clearwater Phase 2, confirm resource volumes and evaluate development potential at Algar Lake and provide a first estimate of resource volumes at Grand Rapids.

Interim Filings

The Company will file its MD&A and consolidated financial statements and notes thereto as at and for the three and six months ended June 30, 2010 in accordance with National Instrument 51-102 - Continuous Disclosure Obligations adopted by the Canadian securities regulatory authorities. Additional information about the Company, including the audited consolidated financial statements and notes thereto and MD&A as at and for the year ended December 31, 2009, are available on the Company's SEDAR profile at www.sedar.com

About Alberta Oilsands Inc.

Alberta Oilsands Inc. is a technically driven high growth energy company focused on the development and conversion of the Company's oil sands resources to reserves and the creation of long term sustainable value by increasing production and cash flow on relevant conventional oil and natural gas assets.

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Disclosure of Reserves and Resources

It should be noted that reserves, contingent resources and prospective resources involve different risks associated with achieving commerciality. There is no certainty that it will be commercially viable to produce any portion of the contingent resources described in this press releases. There is no certainty that any portion of the prospective resources described in this press release will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources. The prospective resource estimates set forth in this press release have been risked for the chance of discovery but not for the chance of development and hence are considered partially risked estimates. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing of such development.

"Contingent resources" means 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.

"Prospective resources" means 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.

"Undiscovered resources" are defined as that portion of undiscovered petroleum initially-in-place 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.

"Probable reserves" means those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved plus Probable reserves.

"Possible reserves" means those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated Proved plus Probable plus Possible reserves.

"Proved reserves" means those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved reserves.

Resources are not, and should not be confused with, reserves.

There is no certainty that it will be commercially viable for the Company to produce any portion of the bitumen resources or reserves detailed in this news release. The estimated future net revenues and values contained in this news release do not necessarily represent the market value of such reserves or resources. The high level of uncertainty associated with the Company's possible recovery of any of these reserves or resources is the result of various risks and uncertainties including: current uncertainties around the specific scope and timing of the development of the Company's oil sands properties; the ability of the Company to finance any potential oil sands projects; proposed reliance on technologies that have not yet been demonstrated to be commercially applicable in oil sands applications; lack of regulatory approvals; the uncertainty regarding marketing plans for production from the subject areas; and improved estimation of project costs. There are a number of inherent risks and contingencies associated with such development, including commodity price fluctuations, project costs and those other risks and contingencies discussed in more detail in the sections entitled "Forward-looking Statements and Information" in this news release.

Forward-Looking Statements and Information

This press release contains certain forward-looking statements and information ("forward-looking statements") within the meaning of such statements under applicable securities law including management's assessment of the Company's properties, production and prospects. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "schedule", "target", "may", "will", "potential", "design", "predict", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, this news release contains forward-looking statements and information with respect to: (i) the ability of the Company to receive the necessary regulatory approvals in respect of its oil sands projects in a timely manner, or at all; (ii) the ability of the Company to raise the necessary funds to proceed with the development of its oil sands projects; and (iii) the results and timing of development in respect of the Company's oil sands projects (including in respect of estimated design capacities and simulated production numbers). These statements are only predictions. Forward-looking statements are based on the opinions and estimates of management 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 projected in the forward-looking statements. These factors include the inherent risks involved in the exploration and development of oil sands and properties, the uncertainties involved in interpreting drilling results and other geological data, uncertainties relating to the ability of the Company to receive the necessary regulatory approvals in respect of its oil sands projects, uncertainties relating to the technologies associated with the Company's oil sands projects and whether the results of the Company's oil sands projects will meet designed capacities and simulated production numbers once operational, fluctuating oil and gas prices, the possibility of cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed to fund the Company's oil sands projects, the possibility that royalties and other government levies could be increased, and other factors including unforeseen delays. As an oil sands focused enterprise, the Company faces risks, including those associated with exploration, development, regulatory approvals, fluctuations in commodity demand and commodity prices and the ability to access sufficient capital from external sources. Anticipated exploration and development plans relating to the Company's properties are subject to change.

In addition, statements relating to "reserves" and "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the described reserves or resources exist in the quantities predicted or estimated, and can be profitably produced in the future. There is no certainty that it will be commercially viable to produce any portion of the reserves or resources described in this press release. Additional information regarding the disclosure of resources are discussed under "Disclosure of Reserves and Resources" above.

For a detailed description of the risks and uncertainties facing the Company and its business and affairs, readers should refer to the Company's annual financial statements and management discussion and

analysis for the year ended December 31, 2009, which are available at www.sedar.com. The Company undertakes no obligation to update such forward-looking statements or information if circumstances or management's estimates or opinions should change, unless required by law.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.