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19 January, 2010

Manager Announcements
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Via electronic lodgement

Acquisition of Highly Prospective Acreage over extension of existing oil fields

- Solimar Energy has acquired a package of leases covering the extension of two oil fields in the San Joaquin Basin, California
- Solimar Energy will be the Operator holding interests of between 50% and 70%
- The most advanced project covers extensions of the Gujarral Hills light oil and gas field
- Solimar Energy estimates an "in place" oil resource of over 35 million barrels in the Gujarral Hills extension and aims to prove via application of modern drilling and well completion technologies that a significant percentage of this oil can be commercially recovered
- A well is planned by mid 2010 following completion of technical and permitting work
- The consideration for the acquisition was a modest cash outlay, paid from cash reserves, and assumption of certain non cash obligations relating to the Leases

Solimar Energy Limited ("Solimar") (ASX Code: SGY) is pleased to announce that it has acquired a package of leases consisting of approximately 4,500 acres that cover extensions of two produced oil fields in the San Joaquin Basin, California. Solimar will operate the acreage with interests of between 50% and 70%.

Solimar estimates oil in place of over 35 million barrels in the most advanced project that covers extensions of the Gujarral Hills oil field. The Gujarral Hills field is largely abandoned having produced over 50 million barrels of light oil with gas since discovery in 1948. The field has at least four sandstone oil reservoirs at depths between 7,500 feet and 11,000 feet and production wells commonly achieved initial production rates (IP's) of over 500 bopd.

Solimar does not expect to achieve production rates as high as the early wells on the field when the reservoir and pressure conditions were pristine. The Company is therefore focussing the next stage of technical work on identifying those parts of the field extension likely to have been less efficiently swept by the original development and where commercial flow rates and good recovery of the remaining in place oil can be re-established.

Following selection of the first test wellsite the company plans to introduce a farm in partner(s) to part fund the well on a promoted basis. Solimar will still retain the largest equity in the project post farmout but with reduced cost exposure. The Company plans a well by calendar mid year 2010.

Consideration for the acquisition has been initial payments of less than US\$150,000 and assumption of royalty obligations over the leases. Total royalties will not however exceed 24% meaning that the commercial terms for development of any light oil proved up by the drilling will be very attractive. Additionally Solimar will carry Quest Petroleum (ASX Code: QPN) through administrative costs including lease rentals and various technical studies leading up to but not including the drilling phase in the two lease areas.

Existing partners in the project are Quest Petroleum as mentioned above, who will have between 20% and 30% in the entire acreage position and Neon Energy (ASX Code: NEN) (formerly Salinas Energy) who will have a 30% holding in two sections covering 1,280 acres.

Commenting on the new project, Solimar Executive Director John Begg said:

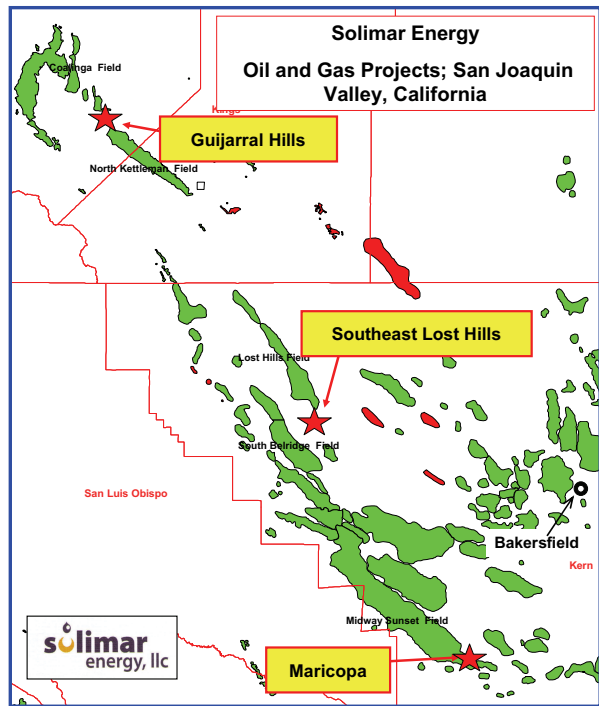
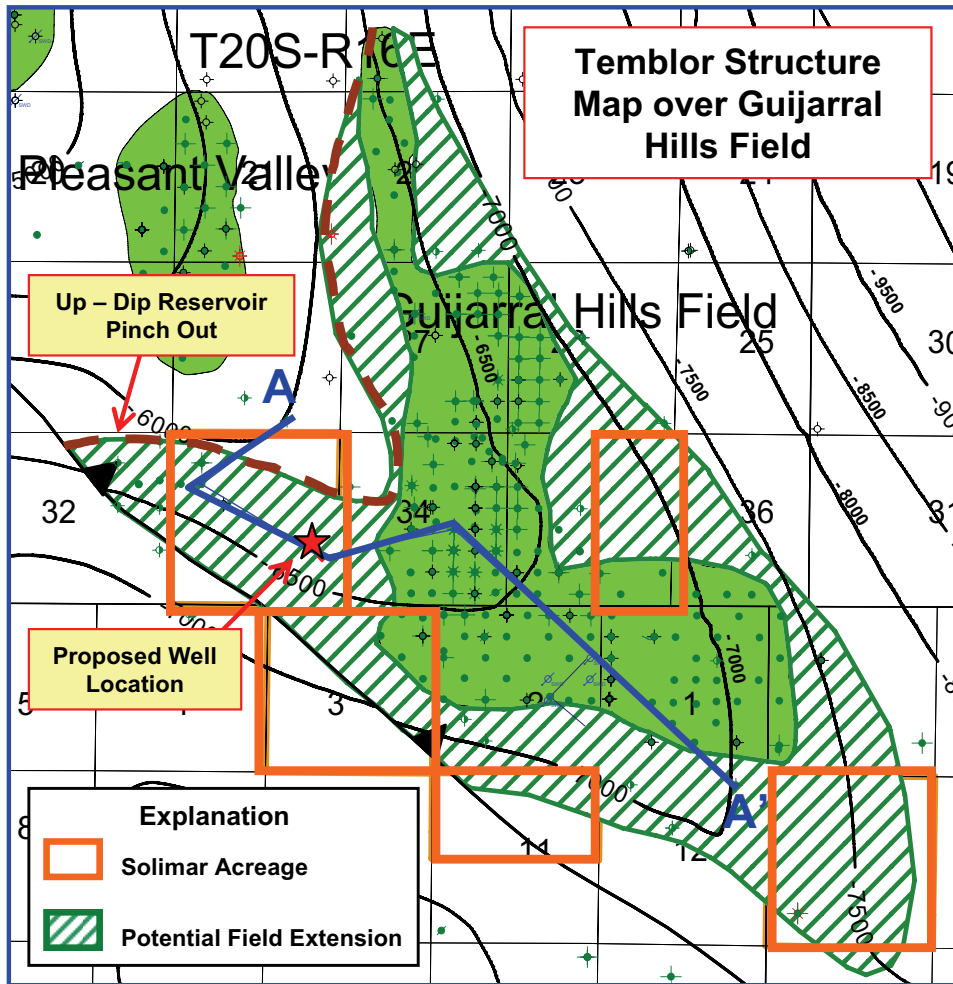
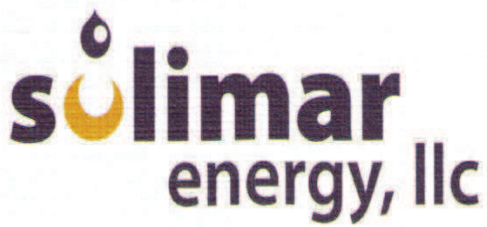
Our angle to exploit projects like this is to bring modern drilling and completion technologies to bear. The projects fit neatly into our evolving California strategy to focus on ground where oil or gas has already been discovered but not fully exploited. Generally speaking we would prefer shallower targets such as the production we currently have at Maricopa and Southeast Lost Hills but the Gujarral Hills project offers considerable upside for a company of our current size and we are confident of putting together a drilling partnership that will manage our cost exposure as we test the potential of the project. Solimar is currently evaluating other projects with similar attributes.

For more information please contact Solimar Energy on 61 3 9347 2409.

Yours sincerely,



Frank Petruzzelli
Chairman
Solimar Energy Limited



Gujarral Hills Field Extension Project

- Solimar 50% – 70%, (Operator)
- Over 35 Million Barrels Oil In Place (OOIP)
- Four proven target horizons from 7500' depth

