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Manager Announcements  
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Via electronic lodgement

## **Solimar expands portfolio and control positions in key projects**

- Acquisition of up to five new projects in the oil prolific San Joaquin Basin via mainly scrip based transaction
- Control positions in existing Gujarral Hills and Jacalitos oil field extension projects increased
- New projects include a 10% interest in the plus 200 million barrels oil in place (OIP) Kreyenhagen heavy oil field where testing operations are expected to be carried out later this year from existing wells.

Solimar Energy Limited (ASX: SGY) (Solimar) is pleased to announce execution of this important agreement that sets the stage for substantial growth in the Company's California oil and gas business.

### Purchase of California oil and gas assets of Quest Petroleum

Solimar is acquiring a portfolio of assets from Quest Petroleum NL (ASX: QPN) (Quest) all located in the San Joaquin Basin, California. The portfolio is complementary to the Company's existing projects in the basin at SELH, Gujarral Hills, Jacalitos and the Company's oil producing Maricopa project. The more advanced projects being added are:

1. A minimum 20% additional interest in the Gujarral Hills project covering 2,560 acres which is the mapped extension of the mature, Gujarral Hills light oil field in which Solimar is targeting recovery of oil left undrained by the historic production of the field. The interest complements the Company's existing 50% interest in that project and discussions are advanced for a farmout of the Company's planned appraisal drilling program.
2. A 50% additional interest in the Jacalitos project covering approximately 1,900 acres. Solimar also maps an extension of a previously produced but incompletely drained light oil field into this acreage and is advanced in selecting drillsites. The interest being acquired means that Solimar will have a minimum of 90% in the project with the capacity to farmout for a carry through drilling which is planned for later in 2010.

3. A 10% interest in a very large acreage position covering most of the extent of the Kreyenhagen heavy oil field on the western edge of the San Joaquin Basin. This project is estimated to contain over 200 mmbbls OIP of heavy oil, with some 38 mmbbls OIP in a central administrative area for which a production permit already exists. Testing operations are expected to be carried out later in the calendar year from existing wells. The interests in this project are mainly held beneficially and may not be transferred directly to Solimar.
4. A minimum 10% interest in a 640 acre section of land covering an extension of the Kettleman Middle Dome (KMD) oil field. The KMD anticline structure extends into the land being acquired and has several light oil and gas reservoirs proven productive in adjacent acreage. Due to various historical factors only a limited amount of the OIP in KMD has been produced. This project is subject to other arrangements with third parties that may result in Solimar being carried for its 10% interest through the cost of drilling of an appraisal well on the acreage.
5. A free carried 1.67% interest in an exploration project (Bayswater) with a large land position covered by 3D seismic in which two wells are expected to be drilled within 2010 and 2011.
6. Additional non operated projects, one oil field appraisal and one exploration, are also part of the portfolio being acquired. The Company expects to be able to release Information about these two projects in the near future once there is more certainty about the respective forward plans.

The consideration for the portfolio of assets is 6.5 million Solimar shares that will be issued to Quest after all necessary approvals and assignments for the assets are achieved. The shares will be subject to escrow for a minimum period of six months. The shares will be issued under the Company's 15% capacity.

Quest will also receive two, staged cash payments of A\$250,000. The first payment is due to be paid in mid June 2010 and the second at the achievement of certain necessary approvals and assignments. The cash consideration will be paid by Solimar from working capital. The Company recently raised approximately A\$1.0 million via a private placement.

Commenting on the transaction, Solimar Executive Director John Begg said:

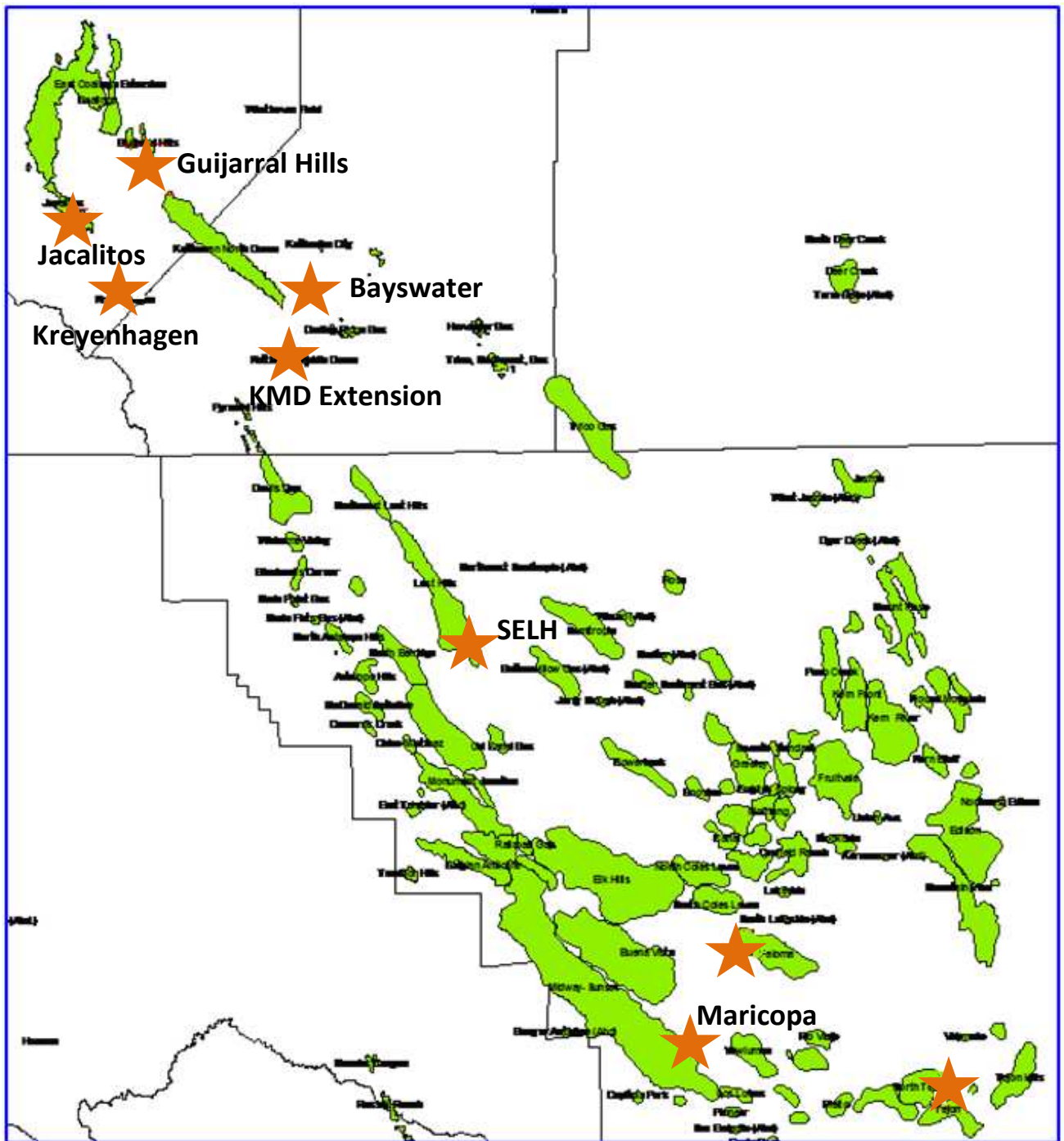
"This deal is the fruit of several months of preparatory work and once complete will provide the basis for an aggressive expansion of the Company's business. This expansion is to be driven by our taking control where we can of key projects and drilling in very oily areas where success can be quickly commercialised. We have now built strategic, high equity positions in a number of the projects and have pre invested in data and technical interpretation. This approach will support new farmouts to third parties that combined with the existing program carry arrangements, will deliver an active 2010 drilling program mostly funded by third parties".

Yours sincerely



John Begg  
Executive Director  
Solimar Energy Limited

Post Acquisition Projects in the San Joaquin Basin



Schematic Locality Map

OIL FIELDS



SOLIMAR PROJECTS



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