

21 December 2009

Market Release (via electronic lodgement)

QUEST PETROLEUM NL NON-RENOUNCEABLE RIGHTS ISSUE

Quest Petroleum NL (ASX:QPN) (**Company** or **Quest**) is pleased to announce a non-renounceable rights issue (Rights Issue) to be offered on the basis of one (1) New Share for every two (2) Ordinary Shares held at the Record Date (Entitlement) at 0.6 cents per share. This will provide an opportunity for all Quest shareholders who are registered as at 5:00pm WST on 31 December 2009 (Record Date) and have a registered address in Australia or New Zealand (Eligible Shareholders) to participate in this raising at 0.6 cents.

Pursuant to the Rights Issue, Quest will issue up to 240.73 million New Shares to raise up to approximately \$1.44 million. The Company intends to primarily use the funds raised under this Offer for:

1. financing its share of future exploration and development expenditure on the Company's existing onshore United States oil and gas assets;
2. funding of the evaluation, and potential investment, in any new oil and gas assets being reviewed by the Company; and
3. general working capital.

The Company currently has eight active projects in the United States. These projects include Bullseye in Louisiana, which provides existing production revenue, and additional exploration projects in California that offer advanced, exploration development opportunities. Over the last 6 months the Company has restructured its onshore Californian oil and gas assets to provide a more manageable and balanced exploration portfolio, which are set out below:

PROJECT - CALIFORNIA	Quest Working Interest	Potential Oil Resource (mmbbl)	Depth	Target Sands
Guijarral Hills	20%	1.4 – 5	11,500 ft	Leda, Gatchell
North Kettleman	20%	2 - 10	13,000 ft	Leda, Gatchell
Jacalitos Nose South	50%	1.6 – 7.2	4,000 ft	Temblor
South flank of North Kettleman Dome *	10%*	7 - 16	15,000 ft	Temblor
Ossobucco	12.5%	5 - 27	11,500ft	Lower Stevens
Merlot	12.5%	23 – 46	5 – 13,000ft	JV, Vedder Sands
North East flank of North Kettleman Dome **	1.13%	TBA	10 – 15,000ft	Temblor

* QPN has the right to backin for 10% WI paying 10% of well costs 3 months following the completion of the first well

** QPN has a 1.13% free carry through 2 wells and all lease costs.

Quest has entered into an Underwriting Agreement with two of its Directors, being Mr Mark Freeman and Mr Brett Mitchell (together, the Underwriters, each, an Underwriter) pursuant to which they have agreed to partially underwrite the Offer in the total of \$75,000, being a total of 12,500,000 New Shares (Underwriting Agreements).

The Rights Issue will be offered to all eligible shareholders at the record date on the basis of one (1) New Share for every two (2) Shares held. Any New Shares which are not taken up by Eligible Shareholders under the Entitlement Issue may be applied for by other Eligible Shareholders, following the placement of Shortfall to the Underwriters in accordance with the provisions of the Underwriting Agreements, in addition to their Entitlement. The Directors reserve the right to separately place any New Shares which are not taken up under the Entitlement Issue within 3 months after the Closing Date.

Option holders can only participate in the proposed Rights Issue to the extent that they have exercised their options prior to the Record Date. In order to achieve this, option holders will need to ensure their notice of exercise of option, and the required funds, are received by Quest no later than 5:00 pm WST on 30 December 2009. Notices received after this time will result in the applicable shares not being allotted prior to the Record Date. If Option holders do not wish to participate in the Rights Issue (in respect of their options) then they need not take any action.

Full details of the Rights Issue are contained in the Offer Document which is to be lodged with the ASX and will be available for viewing on the ASX website www.asx.com.au. Each Eligible Shareholder will be sent an Offer Document, together with an Entitlement and Acceptance Form, on 7 January 2010.

A summary of the key information and an indicative timetable are contained on the following page.

On behalf of the Board of Directors

For further information contact:

Mark Freeman
Executive Director

Brett Mitchell
Director / Company Secretary

Competent Persons Statement

The geological information included in this announcement is the technical assessment of the available information by Mr Jack West, a qualified geologist employed as a technical consultant to Quest. Jack has practiced as a geologist in the petroleum industry for 45 years.

Forward Looking Statements

This announcement may contain forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause the actual results to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserves and resources estimates, loss of market, industry competition, environmental risks, physical risks, legislative changes, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Summary of Information

Type of Offer	Non-renounceable Pro-Rata Entitlement Offer to Quest Petroleum Shareholders
Offer Ratio	One (1) new share for every two(2) shares held at the Record Date
Number of Shares Currently of Issue	481,468,980
Number of Unlisted Securities Currently on Issue	72,500,000 Options 675,785 Partly Paid Shares
Number of New Shares to be Issued Under the Offer	Up to 240,734,490
Offer Price	0.6 cents per share
Amount to be raised	Up to approximately \$1.44M

Indicative Timetable

Event	Date
Announcement of Offer and issue of Appendix 3B and Entitlement Issue cleansing notice (section 708AA Corporations Act)	21 December 2009
Notice sent to security holders	22 December 2009
Ex date (date from which securities commence trading without the entitlement to participate in the Offer)	23 December 2009
Record Date (date for determining entitlements of Eligible Shareholders to participate in the Offer)	31 December 2009
Offer Document dispatched to Eligible Shareholders and lodged with ASX (date of despatch of Offer Document, Entitlement and Acceptance Form)	7 January 2010
Offer opens	8 January 2010
Closing Date* 5pm (WST)	21 January 2010
Company to notify ASX of under subscriptions (if any) **	27 January 2010
Despatch holding statements **	1 February 2010