

ASX & Media Release

Solimar Energy Limited

Quarterly Activities Report and Appendix 5B

For the 3 months ended 31 December 2009



COMPANY OVERVIEW*

ASX Code	SGY
Share Price	A\$0.085 per share
Shares on Issue	213,145,468
Unlisted Options	10,100,000
Market Capitalization	A\$18.1m
Average Stock Turnover**	4.09m shares/month

* Figures as at 28 January 2010

** Based on the past 12months

DIRECTORS

Mr Frank Petruzzelli	Chairman
Mr John Begg	Executive Director
Mr Mark Elliott	Non-Executive Director

Natural Gas Price*	US\$/MMBtu (SoCal Border Spot) \$5.42
Oil Price*	US\$/bbl (Midway Sunset Spot) \$66.70

OPERATIONAL HIGHLIGHTS

SELH gas project advances

- Almond Grove 4-13 discovers gas on previously untested, west side of SELH gas project area
- Successful gas production tested from two shallow zones after re entry of old wells 2-13 and 3-13 at SELH
- Newly proved, shallow gas zones and Almond Grove gas zone matched to amplitude anomalies on seismic greatly improving prediction of gas reservoirs over an extensive trap area

Maricopa oil production steady

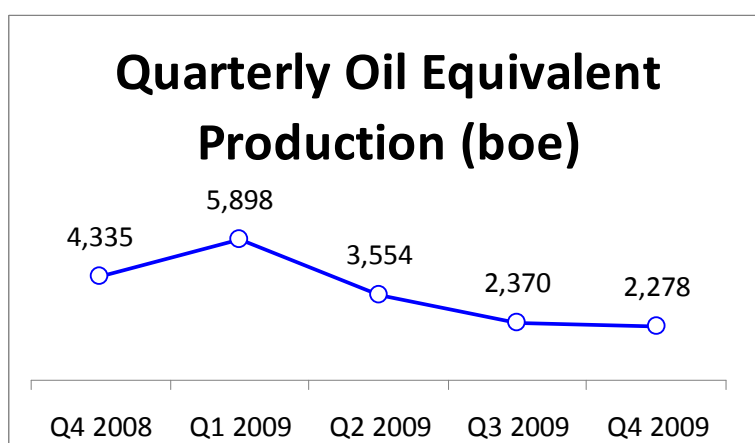
- The Maricopa #6 well produced a daily average of 25 barrels over the December quarter. The Company was also close to finalising a geological review of the area to assist in its further development of the project.

Exciting new acquisition

- Over 35 million barrels in place (OIP) light oil resource picked up at low cost at Giujarral Hills field. Drilling planned by mid 2010. Solimar is operator with large 50% to 70% interests.

Sales Production and Revenue

- During the December quarter, a total of 2,014 barrels of oil were sold from the Maricopa Project and 4.007 million cubic feet of gas from Southeast Lots Hills.
- Solimar's share of revenue received in the December quarter (before royalties) was A\$93,000.



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OPERATIONAL UPDATE

Southeast Lost Hills (SELH) Project: 100% Working Interest and Operator (San Joaquin Basin)

The Company made significant progress with the SELH gas project during the quarter.

Following a review of old wells and matching zones of interest to the crossing seismic data, the Company successfully re entered two old wells (the Jack Hamar 2-13 and 3-13) production testing gas at up to 400mcf/d from a new shallow gas reservoir zone. This result showed that the presence and distribution of gas reservoirs is predictable on seismic which will be highly advantageous for the future placement of wells and exploitation of the gas resource.

In addition in January the Almond Grove 4-13 encountered gas in the target section, also visible on the seismic but importantly proving the presence of gas within the previously untested western area of the SELH gas accumulation. The Company has therefore gained in confidence that the gas accumulation extends over a significant proportion of its 100% held, 5,120 acre position and that the target of 40bcf of gas is an important step closer to realisation.

The 2-13 well was perforated at around 2,050 feet and stabilised at a rate of approximately 250 mcf/d before being shut in for mechanical reasons. The 3-13 well was perforated between 2,215 and 2,225 feet which was an extension of the zone discovered in the 2-13 well.

The zone at 2-13 was shut-in after the production system became blocked with what was believed to be migrating fines from the formation, causing at least a temporary loss of production.

Production rates at 3-13 have been maintained at around 100 mcf/d and the well at this time is continuing to produce gas while being closely monitored. The company plans to determine whether any information gained from 3-13 can be applied to 2-13 in an effort to re-establish production at that well.

The Almond Grove 4-13 well spudded on 16 January and was programmed to drill to a total depth of 4,000 feet and expected to take around 6 days to complete.

The well reached a depth of 3,092 feet encountering the target zone at approximately 2,710 feet when very high gas readings (over 1,800 units of gas) were recorded. The zone, as with the earlier gas zones tested in the 2-13 and 3-13 wells can be matched to an amplitude anomaly on the seismic data. While running a wiper trip to maintain good hole conditions, with the bit at 2,708 feet, there was influx into the borehole (a kick) and gas readings of 6,000 units were recorded. The well was shut-in and mud weights raised to over 14 pounds per gallon (ppg) to bring the well under control.

Following this response to over pressured conditions the drill string became stuck and could not be recovered. The well was then plugged back to the 7 inch casing shoe at 2,252 feet and suspended.

Solimar is now evaluating a re-entry of the well bore and drilling a sidetrack well to test the gas zone intersected below 2,710 feet. Consideration may also be given to drilling on to evaluate deeper objectives indicated by the post well, revised interpretation of the seismic data.

With the added confidence about the distribution of gas over an extensive area the Company will also now consider a number of other prospective appraisal /development well locations.

The main challenge for the project at this stage is to further advance the Company's development drilling and completion techniques to better handle the mineralogically sensitive and over pressured gas reservoirs. It is likely that the economics of the project will revolve around completing multiple gas reservoirs per well to ensure that each well accesses economically producible volumes of gas. The now confirmed seismic signature of the gas reservoirs will greatly enhance well targeting for this purpose.

Maricopa Project: 50% Working Interest and Operator (San Joaquin Basin)

The Maricopa #6 well averaged a rate of 25 bopd during the quarter. The oil price received in the quarter averaged US\$71.

Planning for an expanded water disposal system continued. The company recently approached nearby operators that are expected to participate in building the system with minimal costs to Solimar as the coordinator of the project. The aim is to support bringing back the Maricopa #7 well into production (unlike the Maricopa #6, this well produces oil with high water cut) and to increase the economics of the Maricopa project generally.

The Company has identified at least 3 other well locations that could be drilled to increase production.

Solimar has a 50% interest and is operator of the Maricopa Project.

Silverthread Project: 18.5% - 20% Working Interest (Ventura Basin)

The Company is continuing to negotiate with Mirada Petroleum Inc and is hopeful that a settlement can be reached shortly which would provide the opportunity to re enter, stimulate and re test the oil zone penetrated in the Nesbitt #5 well.

Deer Creek Project: 50% Working Interest and Operator (San Joaquin Basin)

Leasing activities remained curtailed during the quarter as the Company focussed on its efforts to mature the SELH gas project in particular.

CORPORATE

PRODUCTION AND SALES

- During the December quarter 2009, a total of 2,014 barrels of oil were sold from the Maricopa Project. The average price of oil received from Kern Oil Refinery in the December quarter 2009 was about US\$71/bbl.
- Gas production at Southeast Lost Hills sold during the December quarter 2009 was 4.007 million cubic feet. The average price received for gas sold in the quarter was US\$4.56 per mcf.
- Solimar Energy's share of revenue received in the December quarter (before royalties) was approximately A\$93,000.

ACQUISITION

- The Company announced on 19 January an exciting addition to its San Joaquin Basin asset portfolio that was secured using the expert knowledge and networks cultivated by the Company. Solimar will operate, holding between 50% and 70% interests in over 4,500 prospective acres that contain substantial light oil resources at target depths between depths of 3,500 feet and 11,000 feet.

Consideration for the leases were initial payments of less than US\$150,000 and the assumption of royalty obligations. The company would also carry one of the other partners (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 leases areas.

The company plans to drill a well by calendar mid year 2010 after selecting a test well site on the most advanced project at Gujarral Hills and most likely introducing a farmin partner(s) to part fund the well on a promoted basis. The Gujarral Hills field has historically produced over 50 million barrels of light oil with gas from four main oil reservoirs with many wells producing at initial rates of over 500 bopd. Over 35 million barrels of oil in place (OIP) is estimated remaining within the Gujarral Hills acreage controlled by the Company. Reservoir studies are being undertaken to select drillsites that have the best chance of enhancing oil recovery at commercial flow rates.

INCENTIVE OPTIONS

- The company is looking to create a pool of unlisted options that will be available to the non-executive directors (i.e. excludes John Begg), founding shareholders, employees and key consultants. In respect of the directors any allocation will be subject to shareholder approval.

The total number of options available in the pool and to be apportioned among recipients is 10,000,000. The options on being issued would have a term of approximately 2.5 years and at the time of allocation have an appropriate exercise price set that reflects the current market conditions. There will also be vesting conditions attached.

The options would be provided as incentives to individuals working with the company as well as providing for future new hires.

OTHER

- John Begg was appointed a director in November following the resignation of Craig Burton.
- 10,000,000 unlisted options were granted to John Begg at exercise prices of 9.35 cents and 12.75 cents and expiring on 1 June 2012. The options were also subject to vesting conditions. The granting of the options was approved at the AGM.
- 30,250,000 unlisted options expired at the close of business on 18 December 2009. Exercise prices ranged from 20 cents to 30 cents. None of the options were exercised.

- The company held its AGM on 27 November 2009 and all resolutions put to shareholders were approved.

Solimar Energy Limited – Summary of Quarterly Sales Production

Quarterly Sales	Mar. Qtr 2009	Jun. Qtr 2009	Sep. Qtr 2009	Dec. Qtr 2009
Oil (Barrels)	2,713	3,044	2,370	2,014
Natural Gas (mm cubic feet)	30.323	7.499	-	4.007

Note that all dates for drilling activities discussed in this quarterly report are subject to rig availability, and may change.

Yours sincerely



Frank Petruzzelli
Chairman
 Solimar Energy Limited

Forward Looking Statements

This announcement contains 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.

For further information please contact:

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

SOLIMAR ENERGY LTD

ABN

42 112 256 649

Quarter ended ("current quarter")

31 DEC 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 *Receipts from product sales and related debtors (see Note at bottom of statement)	97	214
1.2 Payments for (a)**exploration and evaluation (see Note at bottom of statement)	(108)	(185)
(b) development	(192)	(244)
(c) production	(40)	(87)
(d) administration	(409)	(611)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	9	18
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Farmin Payments	28	70
Net Operating Cash Flows	(615)	(825)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(2)	(2)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Cash acquired from Solimar Acquisition	-	-
Net investing cash flows	(2)	(2)
1.13 Total operating and investing cash flows (carried forward)	(617)	(827)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	1,800
1.15	Costs of the issue	-	(100)
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		-	1,700
Net increase (decrease) in cash held		(617)	873
1.20	Cash at beginning of quarter/year to date	2,209	759
1.21	Exchange rate adjustments to item 1.20	(23)	(63)
1.22	Cash at end of quarter	1,569	1,569

Note: * Receipts for the December quarter incorporates Sunset Energy's share of receipts that have not been allocated against their share of joint venture expenses.

** Included in Payments for exploration is the receipt of approx AUD\$122,000 for SGY's share of proceeds from the sale of casing from the Ventura South Flank Project.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	50
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Director Fees paid. Office rent paid to a company associated with a director.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	100
4.2	Development	700
Total		800

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,569	2,209
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
Total: cash at end of quarter (item 1.22)	1,569	2,209

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Performance +securities <i>Convert to ordinary securities on development of a commercial mining project</i>	n/a			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs.				
7.3 +Ordinary securities	213,145,468	213,145,468		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)	n/a			
7.6 Changes during quarter (a) Increases (b) Decreases				
7.7 Options (description and conversion factor)			Exercise price	Expiry date
	100,000		25 cents	18 December 2010
	5,000,000		9.35 cents	1 June 2012
	5,000,000		12.75 cents	1 June 2012
	Options Convert on a 1:1 basis			
7.8 Issued during quarter	5,000,000 5,000,000		9.35 cents 12.75 cents	1 June 2012 1 June 2012
7.9 Exercised during quarter				
7.10 Expired during quarter	17,500,000 1,250,000 11,500,000		30 cents 20 cents 25 cents	18 December 2009 18 December 2009 18 December 2009
7.11 Debentures (totals only)	n/a			
7.12 Unsecured notes (totals only)	n/a			

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Chris Bowyer

Company Secretary

Date: 30 January 2010

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.