

ASX & Media Release

Solimar Energy Limited

Quarterly Activities Report and Appendix 5B

For the 3 months ended 31 March 2010



COMPANY OVERVIEW*

ASX Code	SGY
Share Price	A\$0.069 per share
Shares on Issue	215,145,468
Unlisted Options	10,100,000
Market Capitalization	\$A14.8m
Average Stock Turnover**	8.59m shares/month

* Figures as at 29 April 2010

** Based on past 12 months

DIRECTORS

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

Natural Gas Price*	US\$/MMBtu (SoCal Border Spot) \$4.16
Oil Price*	US\$/bbl (Midway Sunset Spot) \$77.15

OPERATIONAL HIGHLIGHTS

Further Funds Raised

- Company raises \$1.01m in Private placement in April.

SELH gas project

- Gas discovered in target zone at Almond Grove 4-13 proving gas is present on new fault block.
- Company evaluating best approach to take project forward with drilling/testing planned this year.

Maricopa oil production steady

- The Maricopa #6 well produced a daily average of 26 barrels over the March quarter. The Company also finalised a geological review of the area to assist in its further development of the project.

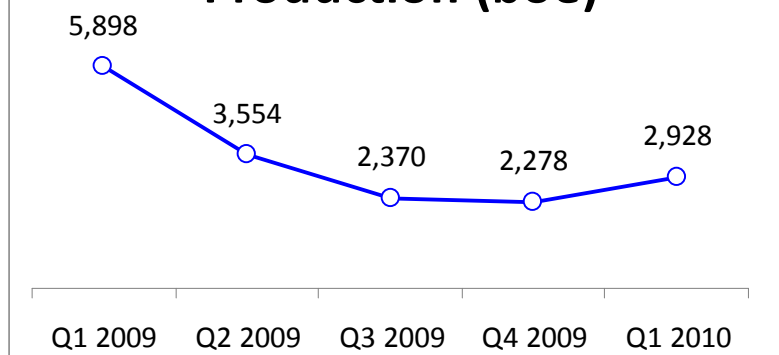
Guijarral Hills / Jacalitos

- New Projects acquired in quarter with an estimate "in place" resource of over 35 million barrels of oil potential where the Company has identified drill locations and will be introducing partners to fund drilling.

Sales Production and Revenue

- During the March quarter, a total of 2,597 barrels of oil were sold from the Maricopa Project and 4.202 million cubic feet of gas from Southeast Lost Hills.
- Solimar's share of revenue received in the March quarter (before royalties) was approximately A\$136,000.

Quarterly Oil Equivalent Production (boe)



For further information please contact:

SOLIMAR ENERGY LIMITED

ABN 42 112 256 649

Registered Office:

566 Elizabeth Street, Melbourne, Victoria 3000

Telephone: +61 3 9347 2409; Facsimile: +61 3 9349 1186

Email: info@solimarenergy.com.au

Website: www.solimarenergy.com.au

OPERATIONAL UPDATE

Overview

The focus of activity during the quarter was three fold:

- Evaluating the results of the Almond Grove 4-13 well and developing a plan that would support expanding activity at SELH.
- Compiling large amounts of historical well data for the Gujarral Hills and Jacalitos projects and evaluating this data to select drill sites.
- Business developments designed to increase the scale of the Company's California oil and gas asset base and set up for an active drilling program in the coming quarters, mostly funded by third parties.

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

In January the Almond Grove 4-13 well encountered gas in the target section importantly proving the presence of gas within the previously untested western area of the SELH gas accumulation. The Company 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 Almond Grove well spudded on 16 January and 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 were 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. A subsequent operation was successful in recovering the drill string and the well then suspended pending a decision as to whether to re-enter 4-13 or alternatively drill a new well.

Re-entry could involve 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 Company's added confidence about the distribution of gas over an extensive area of the acreage a new well could be drilled in the current location or at a new prospective location identified from analysis of the seismic information the company has on the acreage.

At 3-13 production was briefly maintained that had resulted from a workover of the well in December. Initial production rates were around 100 mcf per day. However in February there was a steady reduction in pressure followed by a declining flow of gas. At the end of February a decision was made to shut in the well.

The Company is also currently negotiating access to the 1-24 well which was drilled in the southern part of the prospect. The well originally drilled for a deeper zone, encountered very high gas shows in a zone equivalent to those tested by Solimar further north and was

suspended without testing. Solimar would like to re enter this well to establish the presence of producible gas which would significantly extend the area of gas accumulation at SELH.

Solimar has also agreed with the landholder at SELH to an extension to its drilling commitments allowing time to interpret the data from the Almond Grove 4-13 well and deciding the next course of action.

Under the extension arrangement Solimar will release back to the landholder 1,116 acres at SELH it considers of less interest and which will still leave the company with approximately 4,000 acres in the project.

The challenge remains to further advance the Company's development drilling and completion techniques to better handle the mineralogically sensitive and over pressured, shallow 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 26 bopd during the quarter. The oil price received in the quarter averaged US\$74.

Following a detailed geological and reservoir engineering review a horizontal well location has been chosen for drilling from an existing, prepared site. Solimar is considering drilling this well to increase oil production in the next few months.

Solimar is also looking at increasing its acreage position over the same oil reservoir it is currently producing from at Maricopa #6. Preliminary discussions in this regard have been initiated.

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

The Company is continuing to work on receiving assignments on the lease at Silverthread and also hopes to be able to resolve the issues with the operator Mirada Petroleum Inc which have to this point stalled any progress on the project.

The Company remains confident that the matters that are in dispute with the operator will be resolved.

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

The Company is currently evaluating the future of the Deer Creek project and how its fits in with the Company's plans and objectives.

Guijarral Hills and Jacalitos Projects: 40%-70% Working Interest and Operator (San Joaquin Basin)

On 19 January 2010 Solimar announced that it had acquired a package of leases that covered the extension of two oil fields in the San Joaquin Basin. The leases cover approximately 4,500 acres and contain extensions of the Guijarral Hills and Jacalitos oil fields which have produced more than 50mmbbls and 20mmbbls respectively.

Solimar will operate the acreage with interests of between 40% and 70%.

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.

Guijarral Hills

Solimar estimates oil in place of over 35 million barrels in the most advanced project that covers extensions of the Guijarral Hills oil field. The Guijarral 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 permitting of the first test wellsites the company plans to introduce a farmin 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.

Jacalitos

The Jacalitos project comprises approximately 1,700 acres and Solimar will be operator holding a minimum interest of 60%.

The Company has so far identified two well locations and has begun permitting operations. The Company believes that each well could potentially produce 100 barrels of oil per day. If the first two wells are successful there are also numerous follow-up locations in controlled acreage.

The target productive sands are relatively shallow at just over 4,000 feet and so well costs are modest at approximately US\$500,000 per well.

The Company has also been in discussions with other parties regarding farming out a portion of their interest.

CORPORATE AND BUSINESS DEVELOPMENT

Solimar is confident, following a range of business development initiatives that it will have substantially increased the scale of its California asset base by the next quarter. Furthermore, as a result of these initiatives which are expected to result in increases in equity in some current key projects and introduce new projects, an expanded drilling program will be created in the

second half of calendar 2010. The Company expects to make announcements regarding these initiatives over the next few months.

PRODUCTION AND SALES

- During the March quarter 2010, a total of 2,597 barrels of oil were sold from the Maricopa Project. The average price of oil received from Kern Oil Refinery in the March quarter 2010 was about US\$74/bbl.
- Gas production at Southeast Lost Hills sold during the March quarter 2010 was 4.202 million cubic feet. The average price received for gas sold in the quarter was US\$5.81 per mcf.
- Solimar Energy's share of revenue received in the March quarter (before royalties) was approximately A\$136,000.

CAPITAL RAISING

On 27 April the Company announced that it has successfully raised approximately \$1 million through a private placement of 16,306,455 shares. The raising of these funds will enable the company to undertake further activities with its projects in California.

INCENTIVE OPTIONS

The company stated in its last quarterly report (Dec 2009) that it was looking to create a pool of 10,000,000 unlisted options. These unlisted options would be available to non-executive directors, founding shareholders, employees and key consultants.

The company has since sent offers of options totalling 9,000,000 to various individuals as listed above. Under the offer the exercise price has been set at 12.75 cents and the options will expire on 1 June 2012. The options also have vesting conditions attached.

The two non-executive directors have been included in the offer of options and their individual allocation will be subject to shareholder approval.

Solimar Energy Limited – Summary of Quarterly Sales Production

Quarterly Sales	Jun. Qtr 2009	Sep. Qtr 2009	Dec. Qtr 2009	Mar. Qtr 2010
Oil (Barrels)	3,044	2,370	2,014	2,597
Natural Gas (mm cubic feet)	7.499	-	4.007	4.202

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.

SOLIMAR ENERGY LIMITED

Registered Office:

566 Elizabeth Street, Melbourne, Victoria 3000

Telephone: +61 3 9347 2409; Facsimile: +61 3 9349 1186 www.solimarenergy.com.au

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 MAR 2010

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)	128	342
1.2 Payments for (a)**exploration and evaluation (see Note at bottom of statement)	(1,008)	(1,193)
(b) development	(44)	(288)
(c) production	(47)	(134)
(d) administration	(215)	(826)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	24
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Farmin Payments	67	137
Net Operating Cash Flows	(1,113)	(1,938)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	(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)
1.13 Total operating and investing cash flows (carried forward)	(1,113)	(1,940)

+ 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		(1,113)	(240)
1.20	Cash at beginning of quarter/year to date	1,569	759
1.21	Exchange rate adjustments to item 1.20	(21)	(84)
1.22	Cash at end of quarter	435	435

Note: * Receipts for the March quarter include Sunset Energy's net share of receipts that have not either been allocated against their share of joint venture expenses or as yet paid over to them.

** Note that Exploration includes the expenditure incurred at Almond Grove 4-13

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	49
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. Consulting Fees paid to Executive Director. 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 , evaluation and appraisal	300
4.2	Development	50
Total		350

Note: The above represents Solimar's estimate of its share of these costs. Most of the activity costs are expected to be funded by third parties through farmout agreements

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	435	1,569
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
Total: cash at end of quarter (item 1.22)	435	1,569

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	Guajarral Hills / Jacalitos	-	40-70%

+ 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	215,145,468	215,145,468		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,000,000	2,000,000		
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				
7.9 Exercised during quarter				
7.10 Expired during quarter				
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 April 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.