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Manager Announcements
Company Announcements Office
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10th Floor, 20 Bond Street
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Via electronic lodgement

Scheduled Testing of Southeast Lost Hills Wells

Solimar Energy Limited ("Solimar Energy") (ASX Code: SGY) is pleased to announce that commercial testing operations is scheduled to commence at its Southeast Lost Hills Project ("SELH") in the San Joaquin Basin in California where Solimar Energy's wholly-owned US subsidiary, Livingstone Energy, Inc. (Livingstone) is now Operator in joint venture with Nuenco NL. Southeast Lost Hills is a shallow gas accumulation where four wells have already been drilled.

The aim of testing the operation, which is set to commence at the end of this month, is to confirm commercially viable production rates from these wells and to better ascertain the reserves potential. Solimar Energy believes there is the potential for a substantial gas accumulation in the shallow Pliocene reservoirs. Strong gas demand in the area that contains abundant infrastructure, combined with high gas prices, enhances the possibility of commercial development in the event of commercially viable production rates.

Southeast Lost Hills Project To Date

Under an earlier property agreement with Orchard Petroleum, Livingstone acquired a 50% interest in the Block B lease at Southeast Lost Hills Project (San Joaquin Basin), including the Jack Hamar wells, 1-13, 2-13, 3-13 and 1-12 and the uncompleted pipeline. Livingstone is now the Operator of this project, with the other 50% held by Nuenco NL.

Four shallow gas wells have been drilled and completed to date on the northern end of the block. All wells encountered hydrocarbon shows in the Pliocene section but not all were tested. The Jack Hamar wells encountered gas over numerous intervals. An extensive testing operation is planned over the coming months, scheduled to commence initially with the Jack Hamar 3-13 well.

About the Southeast Lost Hills Project

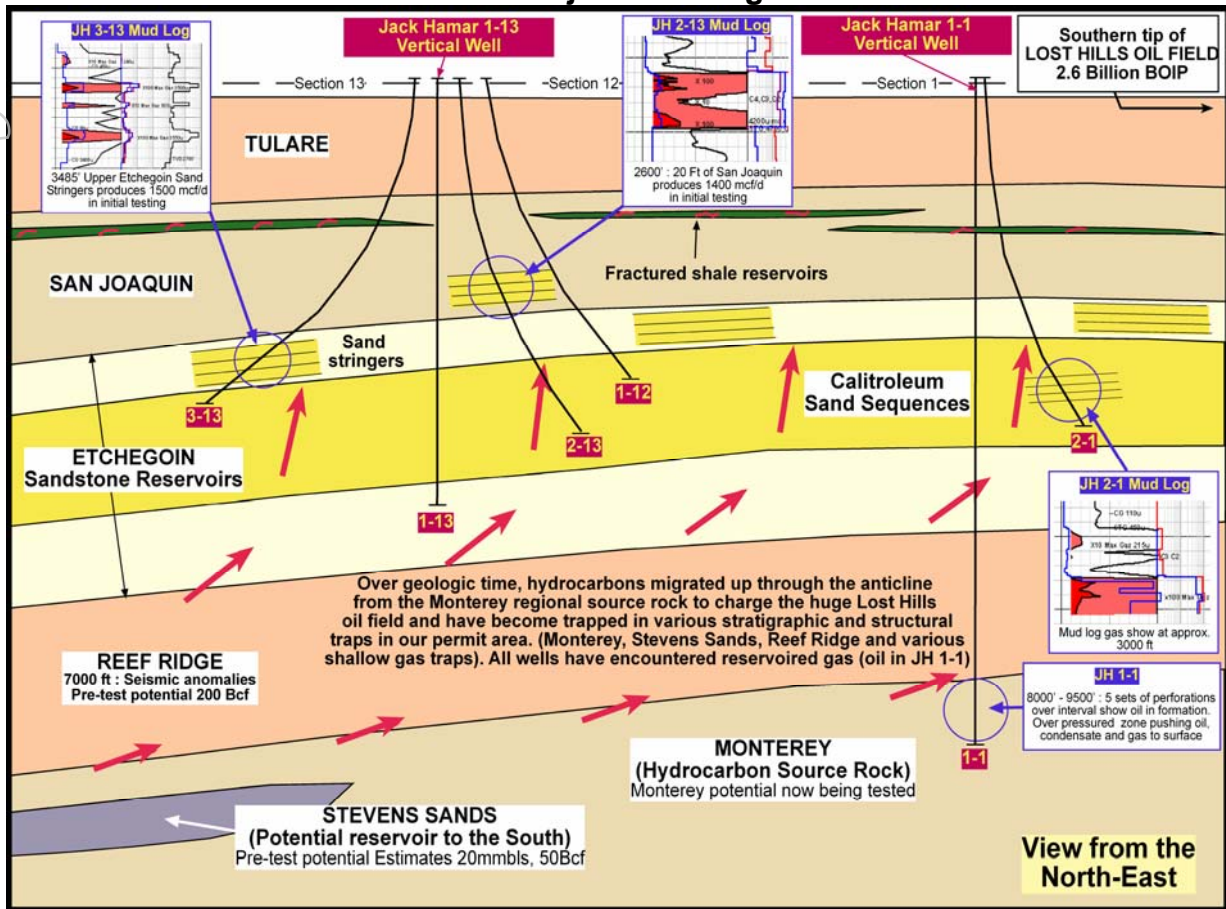
SELH is located in the San Joaquin Basin, along the southern flank of the large Lost Hills Anticline. The Lost Hills structure is a large feature that has already produced in excess of 400 million barrels of oil equivalent ("MMboe") to date to the north of the Jack Hamar discovery.

The SELH gas accumulation is a combination structural stratigraphic trap (see the diagram below). The reservoir targets are shallow Pliocene sands that pinch out around the flanks of the Lost Hills Anticline. Seismic amplitude anomalies are associated with the presence of these hydrocarbons.

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This is a shallow play, with target depths of not greater than 4,000 feet, hence the commercial development costs will be relatively low.

South East Lost Hills Project Showing Jack Hamar Gas Wells



Source: Nuenco NL

Gas Market Potential

The Californian market demand for gas is very strong and in the event that production testing proves commercial, gas production can commence in a rapid fashion. The joint venture has been in discussions with numerous parties to acquire this gas and has been planning its commercial development. SELH is a low cost project with shallow gas plays. Located close to infrastructure, the project has good gas market potential.

Yours sincerely

Frank Petruzzelli

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