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Manager Announcements
Company Announcements Office
Australian Securities Exchange
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Via electronic lodgement

Gas Sales Agreement Signed for the Southeast Lost Hills Project

Highlights

- The Joint Venture has executed a Gas Sales Agreement with a major Californian oil and gas company to buy gas produced from the Southeast Lost Hills Project.
- Initial gas sales from the Jack Hamar 3-13 well are expected to be delivered during the 3rd quarter of calendar 2008.
- An independent reservoir assessment estimates that the recoverable gas for the Jack Hamar 3-13 well is between 0.20 to 0.70 BCF of gas.
- Other Jack Hamar wells are still being evaluated which have the potential to add to commercial production volumes.

Gas Sales Agreement

Solimar Energy Limited ("Solimar Energy" or the "Company") (ASX Code: SGY) is pleased to announce that the Southeast Lost Hills Joint Venture has executed a Gas Sales Agreement (the "Agreement") with a major Californian oil and gas company to buy all the gas produced from the Southeast Lost Hills in the San Joaquin Basin, California.

The Agreement involves the sale of gas from the Jack Hamar 3-13 well. Initial production from this well is expected to be between 300,000 to 400,000 cubic feet per day. An independent reservoir engineering company, Resources Services International Inc., estimates recoverable gas based on flow tests and reservoir performance for only this well is between 0.20 to 0.70 BCF of gas.

Following the signing of the Agreement, and having secured the necessary surface agreements and access permits, Solimar Energy will be completing a short section of pipe to the buyer's pipeline from the already completed pipeline which it acquired with its rights to the Southeast Lost Hills Project. The pipeline is expected to be completed and operating by the end of the 3rd quarter of calendar 2008.

The Chairman of Solimar Energy, Frank Petruzzelli, said that "the signing of the gas sales contract with a major industry energy player in California represents another milestone for

Solimar Energy. Although it will be several months before natural gas is delivered after the completion of the gas transportation pipeline, Solimar Energy, and its partner in the Southeast Lost Hills Project, Nuenco, are hopeful of capitalising on the high gas prices in California. We are also hopeful of adding reserves and production volumes through either the existing wells or through new drilling opportunities in the discovery area.”

Solimar Energy's wholly-owned US subsidiary, Livingstone Energy, Inc., is Operator in a 50/50 joint venture with Nuenco NL (ASX Code: NEO) in the Southeast Lost Hills Project.

About the Southeast Lost Hills Project

The Southeast Lost Hills Project is located in the San Joaquin Basin, California, 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 3-13 discovery.

The Southeast Lost Hills gas accumulation is a combination structural stratigraphic trap. 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. This is a shallow play, with target depths of not greater than 4,000 ft, hence the commercial development costs will be relatively low.

The aim of testing the Southeast Lost Hills operation is to confirm commercially viable production rates from the Jack Hamar wells and to better ascertain the reserves potential. Solimar Energy believes there is potential for a substantial gas accumulation in the shallow Pliocene reservoirs. The commercial development potential of the project is enhanced by strong gas demand in the area, local infrastructure and high gas prices.

Yours sincerely,



Frank Petruzzelli
Chairman
Solimar Energy Limited

Compliance Statement

Information in this report relating to the potential gas reservoir is based on data compiled by Resource Services International Inc. Resource Services International Inc. have sufficient experience which is relevant to the style and type of gas reservoir and consent to the inclusion of the data in the form and context in which it appear.

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.

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