



SOLIMAR ENERGY LIMITED

ABN 42 112 256 649

**Financial Report
For the Year Ended
30 June 2008**

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The Directors of the Company present their report together with the financial report of Solimar Energy Limited (the Company) and of the Group, being the Company and its subsidiaries and the auditors report thereon for the financial year ended 30 June 2008.

1. DIRECTORS AND COMPANY SECRETARY

The Directors and the Company Secretary of the Company at any time during or since the end of the financial period are detailed below. All were in office for the entire period.

Mr Frank Petruzzelli BBus (Acc), FNTA, PNA

Non-Executive Chairman (Age 44; Appointed 29/06/07)

Frank joined the Board of Solimar Energy on 29 June 2007 in the role of Non-Executive Chairman. Frank is a principle of MDB, an Australian accounting firm. He is an accounting and management services specialist and advises many ASX listed companies and large private organisations. Frank is a Fellow of the National Tax and Accountants Association and a Member of the NIA and a registered Tax Agent. Frank was also a founding director of Orchard Petroleum Limited, a company whose primary involvement was oil & gas exploration in California, USA. He is also a director of Golden Gate Resources Limited, which also specialises in oil and gas exploration, concentrating on oil and gas lease tenements in Padre Island, Texas, USA. Frank was previously the Non-Executive Chairman of Golden Gate Resources Limited.

Mr Mark Elliott

Non-Executive Director (Age 49; Appointed 29/06/07)

Mark has over 27 years experience in owning and running private companies in Australia and in the USA. He has extensive experience in the resources sector through investments in companies involved in that sector. He is a director of several private companies which predominantly relate to his private family business that cover building and construction, stone restoration, manufacturing of stone products and property developments. Mark has not held any other directorships in listed companies.

Mr Craig Burton BJuris, LLB, MAICD

Executive Director (Age 45; Appointed 17/12/04)

Craig is an experienced and active investor in start-up projects and businesses, both publicly listed and private, with a focus on the resources, oil and gas, mining services and agribusiness sectors. He often takes an executive or non-executive director role to assist the early development of such companies. Craig is currently an executive director of Mirabela Nickel Ltd and a non-executive director of Wildhorse Energy Limited, Matra Petroleum plc, Exco Resources Ltd, Rewards Group Limited and Capital Drilling Limited. He is a co-founder of three ASX 300 companies – Mirabela Nickel Limited, Albidon Limited and Panoramic Resources Limited. He has a Bachelor of Laws degree from the University of Western Australia and is a member of the Australian Institute of Company Directors.

Mr Michael Fry B.Com, FFin

Non-Executive Director (Age 50; Appointed 17/12/04; Resigned 25/09/2007)

Michael has extensive experience in capital markets and corporate treasury management specialising in the identification of commodity, currency and interest rate risk and the implementation of risk management strategies. Michael holds a Bachelor of Commerce degree from the University of Western Australia and is a Fellow of the Financial Services Institute of Australasia and is a past member of the Australian Stock Exchange. Michael is currently the Non Executive Chairman of Red Fork Energy Limited and a Director of Liberty Resources NL. He was previously a director of Precious Metals Australia Limited (appointed 3 March 2004, resigned 21 June 2007) and Preston Resources Limited (appointed 3 March 2004, resigned 18 May 2005).

Mr Chris Bowyer BCA BA CA (NZ)

Company Secretary (Age 39; Appointed 29/06/07)

Chris is a chartered accountant with 15 years experience in public practice as well as the private sector. Chris was the Company Secretary of Orchard Petroleum Limited which was listed on the ASX before its takeover by Eskdale Petroleum Pty Ltd in March 2007. He is an employee of MDB, an Australian accounting firm.

1.1 Directors' Meetings

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the financial period were:

Director	Board of Directors	
	Present	Held
Craig Burton	5	6
Michael Fry*	1	1
Frank Petruzzelli	6	6
Mark Elliott	6	6

* Michael Fry resigned on 25 September 2007.

1.2 Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Solimar Energy Limited support the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that the Company is in compliance with those guidelines which are of importance to the commercial operation of a junior-listed resource Company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. A Corporate Governance Statement is included as part of this report.

2 REVIEW OF OPERATIONS

2.1 Operational Activities

2.1.1 The Southeast Lost Hills Project (50% interest and Operator), San Joaquin Basin

In December 2007, Solimar Energy commenced work on testing multiple potential gas-bearing intervals in the first of the four Jack Hamar wells already drilled at the Southeast Lost Hills ("SELH") Project.

The first well tested in December 2007, Jack Hamar 3-13, flowed gas at 633,000 cubic feet per day over a 48 hour testing period at a tubing pressure of 1,185 psi on a 6/64 inch choke. Subsequently, an independent reservoir engineering company, Resources Services, estimated that the recoverable gas based on flow tests and reservoir performance for only this well is between 0.20 to 0.70 BCF of gas.

The three other wells on the SELH gas accumulation, Jack Hamar 1-13, 2-13 and 1-12, were tested in the first quarter of calendar 2008. To date, no commercial production rates have been achieved by these wells due to formation problems. Solimar Energy is planning to conduct a Clay Stay/Acidizing procedure on certain wells in an attempt to stabilize the clay production problem which could possibly lead to the production of commercial quantities of gas from these damaged well bores and importantly assist in the productive capacities of these sands for future wells.

Solimar Energy is evaluating seismic data over the Lost Hills area with a view to delineating other drilling prospects and is expecting to commence a new exploration program at Southeast Lost Hills at the beginning of 2009.

On 6 June 2008, Solimar Energy announced that the SELH Joint Venture had 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 Project.

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.

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 during the fourth quarter of calendar 2008.

2.1.2 The Maricopa Project (50% interest and Operator), San Joaquin Basin

Wellington Maricopa #6 was spudded on 16 March 2008 and reached a total depth of 3,550 feet on 25 March 2008. Logging indicated a 130 feet net pay of oil-bearing sands in the interval called Contract Sands. The well was completed and tested with initial production averaging 35 barrels per day of 21 degree API gravity oil

After four months of production the Wellington Maricopa #6 well is currently producing oil at an average daily rate of 30 barrels of oil per day. As at 30 June 2008, approximately 1,525 barrels of oil had been produced of which Solimar Energy's share is 50%. The small amount of gas production is currently being depressed within the formation until a gas pipeline can be established or the gas pressure impacts oil production.

The oil discovery at the Maricopa Project resulted in the first of several follow-up wells. The Maricopa #7 well was successfully drilled and completed in the fourth quarter of calendar 2008. Refer to Section 7 on "Events Subsequent to Reporting Period".

Additional follow-up locations in the Project have also been identified, including a further three vertical well locations and possibly two horizontal locations. The company has also increased their acreage from 40 to 120 acres providing an additional 80 acres that may have further potential for subsequent follow-up drilling. Solimar Energy is presently conducting an expanded geological study to assist in identifying possible drilling opportunities and enhance their understanding of the area.

Permanent production facilities are being designed for eventual installation by mid 2009.

Solimar Energy's wholly-owned US subsidiary, Solimar Energy LLC, has a 50% interest and is operator of the Maricopa Project. Sunset Energy Limited ("Sunset Energy") (ASX Code: SEY) also has 50% interest in the project.

2.1.3 The Silverthread Project (18.5 – 20.0% interest), Ventura Basin

The first well, Nesbit #5, at the Silverthread Project was spudded on 5 May 2008 (Pacific Coast Time, USA) and reached a total depth of 7,134 feet on 31 May 2008. The primary zones of interest were the deeper Upper and Lower Mohnian Sand (Monterey Formation) and the shallower Saugus sand reservoirs.

On 3 June 2008, Solimar Energy announced that wireline logs and cores taken across the Saugus Sandstone reservoir at between 3,200 to 4,000 feet (measured depth) and logs run over the Upper and Lower Mohnian Sandstone (Monterey Formation) reservoir at around 7,000 feet. Initial results indicated that the Saugus Formation was hydrocarbon-bearing and the Upper and Lower Mohnian Sandstones were non-hydrocarbon bearing. The Saugus Formation logs identified approximately 800 feet of potentially oil-bearing section. Approximately 500 feet of this potentially oil-bearing section was perforated and tested. Initial analysis indicates this area contains several productive oil intervals as well as several unproductive layers. Production testing has yielded mixed results. The well has

retrieved significantly differing qualities of oil over the testing period, which ranged from an estimated 13 to 30 deg API, potentially indicating several different oil formations. More detailed petrophysical evaluation is being conducted to determine further completion programs. In the meantime, the well remains on production at approximately 5 barrels of oil per day.

Solimar Energy has secured an 18.5% interest in a further 200 acres in addition to the Company's 20.0% interest in the original 400 acres.

2.1.4 The Ventura South Flank Prospect (16.50%, Paying 22% interest), Ventura Basin

The Ventura South Flank well commenced drilling in early May 2007 and reached a depth of 11,000 feet. Electric logs were run and it was determined that the well had not intersected the primary fault trap. A decision was made to sidetrack the well.

The Ventura South Flank sidetrack well reached a target depth of 9,910 feet and electric logs were run. No commercial hydrocarbons were discovered in the sidetrack well. As a consequence, the South Flank Joint Venture decided to suspend the well and allow for a full technical review before proceeding with additional drilling at this location.

The technical review included analysing the data from the drilling performed by Solimar Energy and its partners in mid 2007 as well as the more recent data obtained from re-entering the old Walter Sexton well (WS#1) drilled in 1935. The recent evaluation included generating a 3-D geological model which demonstrated the two Ventura South Flank (SF#1) boreholes drilled in 2007 were apparently separated from the oil and gas reservoir described in the WS#1 well in the 1930's by a combination of the faulting seen in the SF#1 well and the fault system identified in the seismic interpretation.

The re-entry of the 1935 WS#1 well was challenging but it provided extremely valuable data in determining the anticipated bottom hole location of the original 1935 well which had strong oil and gas indications that has now helped to identify the new drilling target. It is interesting to note that while the recent work was being undertaken in the old WS#1 well bore, evidence of oil and gas was observed which provides further encouragement for the re-drill.

On 22 April 2008, Solimar Energy announced that its wholly-owned subsidiary, Solimar Energy LLC, together with its Joint Venture partner, South Flank Energy, Inc. had signed a rig contract with Kenai Drilling to redrill the Ventura South Flank # 1 well (SF#1). This rig was on location in August 2008. Refer to Section 7 on "Events Subsequent to Reporting Period". The original prognosis of the Ventura South Flank prospect was that it had a potential recoverable resource of 10-20 million barrels of oil and several billion cubic feet of gas.

2.1.5 The Deer Creek Project (50% interest and Operator), San Joaquin Basin

During the financial year, ending 30 June 2008, leasing continued at the Deer Creek Prospect with approximately 200 net acres already leased. At this stage, plans are to drill one well by the first half of calendar 2009, subject to rig availability. Solimar Energy and Sunset Energy each hold a 50% working interest in the project with Solimar as the operator.

2.1.6 The Forbes Joint Venture Gas Project (50% interest and Operator), Sacramento Basin

The South Buckeye 1-18 well (Solimar Energy: 50%) was drilled in October and November 2006 and encountered gas in one of the objectives between and 9,315 feet and 9,345 feet. Based on the electric logging of the well, there appeared to be approximately 10 to 15 feet of net pay in this Forbes formation interval, and as a consequence, the 1-18 well was completed. However, numerous delays meant that the well was not tested until November 2007. The primary objectives in the Forbes interval were perforated. After swabbing, the well flowed high quality gas but not at commercial flow rates due most likely to a tight reservoir section. A decision has been made to plug and abandon the South Buckeye 1-18 well.

Solimar Energy also had interests in leases comprising the Arbuckle and Buckeye projects. The company made the decision not to renew these leases.

2.1.7 The Aquaduct Fan Prospect (10% interest), San Joaquin Basin

During the financial year ended 30 June 2008 no exploration activity occurred at the Aquaduct Fan Project. Subsequently, Solimar Energy has made the decision to not renew these leases.

2.2 Corporate Development Activities

2.2.1 Farmout Agreement signed with Sunset Energy Limited

On 21 August 2007, Solimar Energy announced to the ASX that its wholly-owned subsidiary, Solimar Energy LLC ("Solimar Energy"), had signed a Farmout Agreement with Sunset Energy Limited ("Sunset Energy") (ASX Code: SEY) involving Solimar Energy's Maricopa and Deer Creek Projects which are located in the San Joaquin Basin in the southern part of California, USA.

Under the agreement, Solimar Energy agreed to offer Sunset Energy a 50% working interest in the Maricopa and Deer Creek Prospect Areas in exchange for Sunset Energy agreeing to fund 100% of the cost to drill and complete two wells, one on each Prospect Area.

On 13 February 2008 a variation to this agreement was made, whereby Sunset Energy would pay 100% of the first US\$750,000 in costs to drill and complete the two wells at the Maricopa project. Any additional costs beyond the initial US\$750,000 to drill and complete the two wells will be shared equally by Solimar Energy and Sunset Energy.

2.2.2 Acquisition of a New Project at Silverthread

Solimar Energy announced to the ASX on 5 May 2008 that it had acquired a 40% working interest in the Silverthread Project, in the Ventura Basin, after entering in to an agreement with the project's operator, Mirada Petroleum Inc. ("Mirada Petroleum"), a California corporation which has an active position in the general Silverthread Area. The agreement with Mirada Petroleum involved Solimar Energy paying 50% of the initial well costs for a 40% working interest in the Silverthread Project. Solimar Energy would earn a working interest in approximately 400 acres.

Subsequent to this agreement with Mirada Petroleum, Solimar Energy entered into an agreement with Sunset Energy covering the Silverthread Project. The new agreement has Sunset Energy taking a 20% working interest in the project and paying 25% of the initial well costs, which leaves Solimar Energy with a 20% working interest in the Project.

As a result of the potential oil discovery at the Nesbit #5 well, which was announced to the ASX on 3 June 2008, Solimar Energy and Sunset Energy agreed with the Operator, Mirada Petroleum, to expand the acreage position into the adjoining lease, with a depth limitation down through the Saugus Formation. In exchange for an interest in a further 200 acres, Solimar Energy slightly reduced its equity position from 20% to 18.5% over the new acreage position.

2.2.3 Other Work

Solimar Energy continues to have a very active review process of new potential projects in the San Joaquin and Ventura Basins in California (USA) to enhance the value of the company's exploration portfolio.

2.2.4 Retirement of Director

Solimar Energy announced to the ASX on 25 September 2007 the resignation of a Non-Executive Director, Mr Michael John Fry.

3 REMUNERATION REPORT - AUDITED

3.1 Remuneration Policy

This Remuneration Report outlines the remuneration arrangements which were in place during the period, and remain in place as at the date of this report, for the Directors of Solimar Energy Limited.

3.2 Principles of Compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including directors of the Company and other executives. Key management personnel include the most highly remunerated directors and executives for the Company and the Group.

Compensation levels for key management personnel and secretaries of the Company, and relevant key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- The capability and experience of the key management personnel;
- The key management personnel's ability to control the relevant segment/s' performance;
- The Group's performance including:
 - The Group's earnings
 - The growth in share price and delivering constant returns on shareholder wealth; and
- The amount of incentives within each key management person's compensation.

Compensation packages include fixed compensation and short and long-term performance-based incentives.

In addition to their salaries, the Group also provides non-cash benefits to its key management personnel.

3.2.1 Fixed compensation

Fixed compensation consists of base compensation, which is calculated on a total cost basis as well as employer contributions to superannuation funds.

3.2.2 Performance-linked compensation

The Company currently has no performance based remuneration built into director or executive remuneration packages.

3.2.3 Short-term and Long-term incentives

Incentive options have been issued to non-executive directors and certain key executives of the Company. The ability to exercise the options is conditional upon the future performance of the company and its reflection in the share price.

3.2.4 Service contracts

Craig Burton, Executive Director, entered into a contract for executive services on 1 July 2005 that was subsequently amended on 11 July 2006 to reflect market rates for the role and the scope of the business. The contract is capable of being terminated upon one month's written notice by either party.

Steve McLean, Head of Operations in California has entered into a contract for his services effective from 1 April 2008 (signed 20 May 2008) and valid to 31 December 2008 with an automatic 90 day extension under the current terms or modified by mutual consent of both parties. The contract is capable of being terminated upon written notice by either party.

Andrew Gould has a consultancy contract with the Company to provide corporate development and investor relation services. The contract requires he work for the Company three days a week.

Chris Bowyer provides company secretarial services to the Company through an accounting firm. His services are provided at a fixed monthly fee.

Non-Executive Directors

Total compensation for all non-executive Directors is not to exceed \$180,000 per year as detailed in the Company's Constitution.

3.3 Directors and Executive Officers' Remuneration (Company and consolidated)

The following table sets out remuneration paid to Directors and key executive personnel of the Company and the consolidated entity during the reporting period:

<i>Directors' Remuneration – 2007/08</i>	Primary Directors Fees	Post-Employment Super Contributions	Equity Share based Payments	Total
Craig Burton	\$35,000	-	-	\$35,000
Frank Petruzzelli	\$25,000	-	-	\$25,000
Mark Elliott	\$15,000	-	-	\$15,000
Total Remuneration	\$75,000	-	-	\$75,000

<i>Directors' Remuneration – 2006/07</i>	Primary Directors Fees	Post-Employment Super Contributions	Equity Share based Payments	Total
Craig Burton	\$76,667	-	\$2,668	\$79,335
Frank Petruzzelli	-	-	-	-
Mark Elliott	-	-	-	-
Michael Fry (resigned 25/9/07)	\$22,936	\$2,064	\$2,146	\$27,146
Jim Malone (resigned 29/6/07)	\$24,250	\$682	\$2,146	\$27,078
Total Remuneration	\$123,853	\$2,746	\$6,960	\$133,559

<i>Executive's Remuneration – 2007/08 Consolidated Entity</i>	Primary Consulting services	Post-employment Super contributions	Equity Share based payments	Total
Chris Bowyer – Company Secretary	\$60,000	-	\$18,450	\$78,450
Steve McLean – Operations Manager	\$200,074	-	\$130,200	\$330,274
Andrew Gould – Corporate Development	\$149,039	-	\$36,900	\$185,939
Total Remuneration	\$409,113	-	\$185,550	\$594,663

<i>Executive's Remuneration – 2006/07 Consolidated Entity</i>	Primary Consulting services	Post-Employment Super Contributions	Equity Share based Payments	Total
Brett Mitchell (Financial Controller) (resigned 29/6/07)	\$60,000	-	-	\$60,000
Total Remuneration	\$60,000	-	-	\$60,000

3.4 Equity Instruments

3.4.1 Options granted as compensation

During the period, options were granted as compensation to certain executives of the Company. No options were granted to directors during the period.

<i>2007/08 Directors and Executives</i>	No of Options granted during Year	Grant Date	No of Options vested during Year	% Remuneration consisting of Options	Fair value per Option at Grant Date (\$)	Exercise price per Option (\$)	Expiry Date
Chris Bowyer	500,000	17/12/07	500,000	23.5%	0.0369	0.25	18/12/09
Andrew Gould	1,000,000	17/12/07	1,000,000	19.8%	0.0369	0.25	18/12/09
Steve McLean	2,000,000	20/05/08	1,500,000	39.4%	0.0868	0.25	18/12/10

In the previous period (2006/2007) no options were granted as compensation.

No terms of equity-settled share-based payment transactions have been altered or modified during the reporting period.

During the reporting period no shares were issued on the exercise of options previously granted as compensation.

3.4.2 Value of options issued to Directors and executives

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the binominal option-pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binominal option-pricing model.

	Executives' Options 17 December 2007	Consultant Options 20 May 2008
Fair value at measurement date (cents per option)	3.69	8.68
Share price at grant date (cents per share) (based on 5 day weighted average share price)	17.3	16.5
Exercise price (cents per option)	25	25
Expected volatility	80%	100%
Option life *	1 year	2.58 years
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	6.8%	6.62%

* The executives' options have been valued on assumption that they will be exercised at mid-point

The expected volatility is based on the historic volatility demonstrated over a similar duration to the options' life.

Share options are granted under a service condition and, for grants to key management personnel, market and non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

4 PRINCIPAL ACTIVITIES

The principal activity of the Company during the course of the financial period consisted of evaluation, development of onshore oil and gas prospects and production of gas in California.

5 RESULTS AND DIVIDENDS

The loss after tax attributable to members of the Consolidated Entity for the financial period ending 30 June 2008 was \$6,715,547 (2007: loss of \$907,010). The Company loss after tax was \$7,084,986 (2007: loss of \$4,745,069).

No dividends have been paid or declared by the Company during the period ended 30 June 2008 (2007: nil).

6 LOSS PER SHARE

The basic loss per share for the Group for the year was 4.13 cents per share (2007: 0.9 cents).

7 EVENTS SUBSEQUENT TO THE REPORTING PERIOD

7.1 Second Well Drilled at the Maricopa Project

The second well in the Maricopa Prospect, Wellington Maricopa #7, commenced drilling operations on 30 August 2008 (Pacific Coast Time, USA). This well is located approximately 200 feet north from the first well, Wellington Maricopa #6.

On 11 September 2008, Solimar Energy announced to the ASX that the Wellington Maricopa #7 appraisal well reached total depth of 3,588 feet. Electric logging has indicated a net oil pay of approximately 80 feet in the primary Contact Sand objective. Casing has been run and the well is being completed in preparation for production which is expected to commence in the coming weeks.

The oil discovery at the Wellington Maricopa #7 well is expected to add to the oil production from the Wellington Maricopa #6 well which is currently producing oil at an average daily rate of 30 barrels of oil per day.

7.2 Redrill of the Ventura South Flank #1 Well

On 2 September 2008, Solimar Energy announced to the ASX that the redrilling of the Ventura South Flank #1 (SF #1) well commenced operations on 29 August 2008 (Pacific Coast Time, USA). The existing well bore was side tracked at 3,400 feet and drilled ahead to the targeted depth of 10,610 feet. It was expected to take approximately 20 days to reach total depth using the Kenai Drilling Rig # 44.

The original prognosis of the Ventura South Flank prospect was that it had a potential recoverable resource of 10-20 million barrels of oil and several billion cubic feet of gas.

On 17 September 2008, Solimar Energy announced to the ASX that the Ventura South Flank #1 well had reached a total depth of 10,100 feet without encountering commercial hydrocarbons and a decision was made to plug and abandon the well. The Joint Venture will review the data obtained from this well over the coming months and make a decision on the future of the project.

Solimar Energy has a 16.5% working interest in the well and as such it represents a potential high impact event for the Company.

7.3 New Exploration Project – Aliso Canyon Prospect

On 26 September 2008, Solimar Energy announced to the ASX that it had secured a 12% working interest in a new prospect at Aliso Canyon.

The Aliso Canyon prospect is located in the oil and gas rich Ventura Basin in the Santa Susana Mountains just north of the San Fernando Valley in the Los Angeles County, California. An un-drilled fault block has been identified next to the Aliso Canyon Field which has produced 60 million barrels of oil and 18 billion cubic feet of gas before being converted to a gas storage unit.

The Project has estimated potential P50 recoverable resources of approximately 3 million barrels of oil on a 1,200 acre position. A discovery of this size, at Solimar Energy's equity position, would represent a material event for Solimar Energy.

The project involves re-entering an existing well bore and drilling a new 2,500 feet directional section down to approximately 9,500 feet to evaluate the primary objectives involving the hydrocarbon charged Sesnon and Frew Sands on an undrilled up thrown side of an adjacent fault block to the Aliso Canyon oil field.

Work on the existing well bore has already begun. Once complete, a drilling rig has been contracted to start new drilling operations in October 2008.

8 LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to pursue activities within its corporate objectives. Further information about likely developments in the operations of the Company and the expected results of those operations in the future financial years has not been included in this report because disclosure would be likely to result in unreasonable prejudice to the Company.

9 ENVIRONMENTAL REGULATION

Solimar Energy is subject to significant environmental exploration, development and production activities in the USA. The Company is committed to undertaking all of its exploration, development and production activities in an environmentally responsible manner.

10 DIRECTORS' AND EXECUTIVES' INTERESTS

As at the date of this report, the interests of the Directors in the shares and options of Solimar Energy Limited ("the Company") were:

2007/08 Directors and Executives	Number of Shares	Options, exercisable at 30 cents	Incentive Options, exercisable at 20 cents	Options, exercisable at 25 cents
Craig Burton	4,550,000	3,000,000	-	-
Frank Petruzzelli*	8,845,827	-	-	2,375,000
Mark Elliott*	8,325,000	-	-	500,000
Chris Bowyer	-	-	-	500,000
Steve McLean	-	-	-	2,000,000
Andrew Gould	-	-	-	1,000,000
Total	21,720,827	3,000,000	-	6,375,000

2006/07 Directors and Executives	Number of Shares	Options, exercisable at 30 cents	Incentive Options, exercisable at 20 cents	Options, exercisable at 25 cents
Craig Burton	4,550,000	3,000,000	-	-
Frank Petruzzelli*	8,845,827	-	-	2,375,000
Mark Elliott*	9,925,000	-	-	500,000
Jim Malone ^(A)	40,000	-	500,000	-
Brett Mitchell ^(B)	120,000	-	250,000	-
Michael Fry ^(C)	200,000	-	500,000	-
Total	23,680,827	3,000,000	1,250,000	2,875,000

* Frank Petruzzelli and Mark Elliott were appointed as Directors following the General Meeting which was held on 29 June 2007. The issue of options to these two new directors was approved by shareholders at this meeting and formed part of the purchase consideration for the combination of Livingstone and Solimar.

(A) Jim Malone resigned as Director on 29 June 2007

(B) Brett Mitchell resigned as company secretary and financial controller on 29 June 2007

(C) Michael Fry resigned as Director on 25 September 2007

11 SHARE OPTIONS

11.1 Options granted to officers of the Company

During or since the end of the financial year, the Company granted options to certain executives of the Company as part of their remuneration.

11.2 Unissued shares under options

As at the date of the report, there were 32,350,000 unlisted options on issue, detailed as follows:

Number of Options	Exercise Price	Expiry Date
17,500,000	\$0.30	18/12/2009
1,250,000	\$0.20	18/12/2009
11,500,000	\$0.25	18/12/2009
2,100,000	\$0.25	18/12/2010

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

11.3 Shares issued on exercise of options

During and since the end of the financial period no shares were issued as a result of the exercise of options.

12 INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

12.1 Indemnification

An indemnity agreement has been entered into with the Directors of the Company. Under the agreement, the Company has agreed to indemnify the directors against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

12.2 Insurance

During the financial year the Company has taken insurance in respect of directors' and officers' liability and legal expenses' for directors and officers.

13 CORPORATE STRUCTURE

Solimar Energy Limited is a Company limited by shares that is incorporated and domiciled in Australia.

14 NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed no other services (2007: \$3,100) in addition to their statutory duties.

<i>Services other than statutory audit</i>	2008 (\$)	2007 (\$)
Auditors of the Company		
<i>KPMG Australia:</i>		
Taxation compliance services	-	\$3,100
Advisory services in respect to capital raising	-	-
Total non-audit services	-	\$3,100

15 LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's Independence Declaration is set out on page 15 and forms part of the Directors' report for the financial year ended 30 June 2008.



Frank Petruzzelli
Chairman
Solimar Energy Limited
Melbourne, 30 September 2008



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Solimar Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Paul McDonald

Paul McDonald
Partner

Melbourne

30th September 2008

SOLIMAR ENERGY LIMITED
DIRECTORS' DECLARATION

- 1 In the opinion of the directors of Solimar Energy Limited ("the Company"):
 - a. The financial statements and notes that are set out on pages 19 to 54 and the Remuneration report in the Directors report, set out on pages 8 to 10, are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2008 and of their performance for the financial year ended on that date; and
 - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the Executive Director for the financial year ended 30 June 2008.

Dated at Melbourne this 30th day of September 2008.

Signed in accordance with a resolution of the directors.



Frank Petruzzelli
Chairman
Solimar Energy Limited



Independent auditor's report to the members of Solimar Energy Limited

Report on the financial report

We have audited the accompanying financial report of Solimar Energy Limited ("the Company"), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 31 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion the financial report of Solimar Energy Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 10 of the Directors' report for the year ended 30 June 2008. The Directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Solimar Energy Limited for the year ended 30 June 2008, complies with Section 300A of the Corporations Act 2001.


KPMG


Paul McDonald
Partner

Melbourne

30th September 2008

SOLIMAR ENERGY LIMITED
INCOME STATEMENTS
For the year ended 30 June 2008

	Note	Consolidated		Company	
		2008 AUD	2007 AUD	2008 AUD	2007 AUD
Sales		97,885	-	-	-
Professional fees	8	(1,200,589)	(197,530)	(887,194)	(206,754)
Personnel expenses	9	(91,982)	-	(91,982)	(133,559)
Impairment charges	16	(5,818,908)	(551,231)	(5,974,763)	(4,318,920)
Exploration expenditure	16	(130,936)	-	-	-
Operating costs		(31,106)	(210,810)	-	-
Other expenses		(222,255)	(8,044)	(194,386)	(103,273)
Other income		515,791	-	-	-
Results from operating activities		(6,882,100)	(967,615)	(7,148,325)	(4,762,506)
Financial income	7	178,268	60,605	178,268	45,186
Financial expenses	7	(2,316)	-	(121,293)	(27,749)
Net financial income		175,952	60,605	56,975	17,437
Loss before income tax		(6,706,148)	(907,010)	(7,091,350)	(4,745,069)
Income tax benefit / (expense)	10	(9,399)	-	6,364	-
Loss for the year attributable to equity holders of Solimar Energy Ltd		(6,715,547)	(907,010)	(7,084,986)	(4,745,069)
Loss per share attributable to the ordinary equity holders of the Company:					
Basic loss per share for the period (cents per share)	11	<u>(4.13)</u>	<u>(0.90)</u>		
Diluted loss per share for the period (cents per share)	11	<u>(4.13)</u>	<u>(0.90)</u>		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 23 to 54.

SOLIMAR ENERGY LIMITED
STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2008

<i>Consolidated</i>		Issued capital	Accumulated	Reserves	Total
<i>For the year ended 30 June 2008</i>	<i>Note</i>	AUD	losses	AUD	equity
		AUD	AUD	AUD	AUD
Balance at 1 July 2007		17,103,294	(1,084,376)	(71,286)	15,947,632
Equity settled share based payment transactions		-	-	193,060	193,060
Share issues net of costs		-	-	-	-
Effect of translation of foreign operations to group presentation currency		-	-	(1,417,072)	(1,417,072)
Net loss for the period - total recognised expense		-	(6,715,547)	-	(6,715,547)
Balance at 30 June 2008		17,103,294	(7,799,923)	(1,295,298)	8,008,073

<i>Consolidated</i>					
<i>For the year ended 30 June 2007</i>					
Balance at 1 July 2006		-	(177,366)	-	(177,366)
Share issues net of cost		17,103,294	-	-	17,103,294
Effect of translation of foreign operations to group presentation currency		-	-	(71,286)	(71,286)
Net loss for the period - total recognised expense		-	(907,010)	-	(907,010)
Balance at 30 June 2007		17,103,294	(1,084,376)	(71,286)	15,947,632

<i>Company</i>		Issued capital	Accumulated	Reserves	Total
<i>For the year ended 30 June 2008</i>	<i>Note</i>	AUD	losses	AUD	equity
		AUD	AUD	AUD	AUD
Balance at 1 July 2007		19,542,440	(6,005,996)	1,363,555	14,899,999
Equity settled share based payment transactions		-	-	193,060	193,060
Options issued pursuant to the Solimar Implementation Agreement		-	-	-	-
Share issues net of cost		-	-	-	-
Net loss for the period - total recognised expense		-	(7,084,986)	-	(7,084,986)
Balance at 30 June 2008		19,542,440	(13,090,982)	1,556,615	8,008,073

<i>Company</i>					
<i>For the year ended 30 June 2007</i>					
Balance at 1 July 2006		9,503,390	(1,260,927)	506,595	8,749,058
Equity settled share based payment transactions		-	-	6,960	6,960
Options issued pursuant to the Solimar Implementation Agreement		-	-	850,000	850,000
Share issues net of cost		10,039,050	-	-	10,039,050
Net loss for the period - total recognised expense		-	(4,745,069)	-	(4,745,069)
Balance at 30 June 2007		19,542,440	(6,005,996)	1,363,555	14,899,999

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 23 to 54.

SOLIMAR ENERGY LIMITED
BALANCE SHEETS
As at 30 June 2008

	Note	Consolidated		Company	
		2008 AUD	2007 AUD	2008 AUD	2007 AUD
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	12	1,525,280	4,818,720	1,311,255	19,440
Trade and other receivables	13	371,131	170,731	27,213	25,342
TOTAL CURRENT ASSETS		1,896,411	4,989,451	1,338,468	44,782
NON - CURRENT ASSETS					
Receivables	13	103,894	-	4,403,049	8,557,514
Investments	14	-	-	7,450,193	7,450,193
Plant & equipment	15	58,472	-	5,088	-
Exploration and evaluation expenditure	16	6,437,035	12,110,670	-	-
Development assets	17	278,478	-	-	-
TOTAL NON - CURRENT ASSETS		6,877,879	12,110,670	11,858,330	16,007,707
TOTAL ASSETS		8,774,290	17,100,121	13,196,798	16,052,489
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	18	766,217	491,399	425,211	491,016
Income tax provision	20	-	5,980	-	6,364
Borrowings	19	-	655,110	-	655,110
TOTAL CURRENT LIABILITIES		766,217	1,152,489	425,211	1,152,490
NON - CURRENT LIABILITIES					
Borrowings	19	-	-	4,763,514	-
TOTAL NON - CURRENT LIABILITIES		-	-	4,763,514	-
TOTAL LIABILITIES		766,217	1,152,489	5,188,725	1,152,490
NET ASSETS		8,008,073	15,947,632	8,008,073	14,899,999
EQUITY					
Contributed equity	21	17,103,294	17,103,294	19,542,440	19,542,440
Reserves	22	(1,295,298)	(71,286)	1,556,615	1,363,555
Accumulated losses	23	(7,799,923)	(1,084,376)	(13,090,982)	(6,005,996)
TOTAL EQUITY		8,008,073	15,947,632	8,008,073	14,899,999

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 23 to 54.

SOLIMAR ENERGY LIMITED
STATEMENTS OF CASH FLOWS
For the year ended 30 June 2008

	Note	Consolidated		Company	
		2008 AUD	2007 AUD	2008 AUD	2007 AUD
Cash Flows From Operating Activities					
Receipts from customers		70,718	-	-	-
Payments to suppliers and employees		(1,250,795)	(241,384)	(993,409)	(224,473)
Payment of income tax		(15,379)	-	-	-
Net Cash Flows Used In Operating Activities	27	(1,195,456)	(241,384)	(993,409)	(224,473)
Cash Flows From Investing Activities					
Payments for exploration and evaluation		(1,573,160)	(2,110,632)	-	-
Payments for plant and equipment		(59,414)	-	(6,030)	-
Cash balance acquired		-	19,440	-	-
Net Cash Flows From / (Used In) Investing Activities		(1,632,574)	(2,091,192)	(6,030)	-
Cash Flows From Financing Activities					
Proceeds from issue of share capital		-	6,000,000	-	633,210
Share issue costs		-	(13,372)	-	(160,950)
Interest received		178,268	60,605	178,268	45,186
Interest paid		-	-	-	(8,723)
Loan received from related party		-	581,783	-	655,110
Loan received from shareholders		-	593,566	-	-
Loan to controlled entity		-	-	(1,993,102)	(3,899,735)
Loan received from controlled entity		-	-	4,763,514	-
Repayment of loan to related party		(655,110)	-	(655,110)	-
Net Cash Flows From / (Used In) Financing Activities		(476,842)	7,222,582	2,293,570	(2,735,902)
Net Increase/(Decrease) In Cash And Cash Equivalents					
		(3,304,872)	4,890,006	1,294,131	(2,960,375)
Cash and cash equivalents at beginning of period		4,818,720	-	19,440	2,979,815
Effect of exchange rate fluctuations on cash held		11,432	(71,286)	(2,316)	-
Closing Cash And Cash Equivalents	12	1,525,280	4,818,720	1,311,255	19,440

The cash flow statements are to be read in conjunction with the notes to the financial statements set out on pages 23 to 54.

1. Reporting Entity

Solimar Energy Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 566 Elizabeth Street, Melbourne Vic 3000. The consolidated financial statements of the Company as at and for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in exploration and development of oil and gas properties in California, USA.

2. Basis of Preparation

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001.

The comparative information in the consolidated financial report is that of Solimar Australia Energy Proprietary Limited (Solimar Australia) which under the terms of AASB 3 'Business Combinations' was deemed to be the accounting acquirer in the acquisition that occurred on 29 June 2007. The transaction was accounted for as a reverse acquisition under AASB 3.

The financial statements were approved by the Board of Directors on 30 September 2008.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and Presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. The functional currency of the Company's foreign subsidiaries is US dollars.

The functional currency of each of the Group's entities is the currency of the primary economic environment in which each of the entities operate.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(iii) Jointly controlled operations

The Group's interests in unincorporated joint ventures are brought to account by including its proportionate share of joint venture operations' assets, liabilities and expenses and the consolidated entity's revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity. Since 1 July 2004, the Group's date of transition to Australian equivalents to IFRS's, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to the FCTR. They are released into the income statement upon disposal.

(c) Financial instruments

(i) Non- derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(n).

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends on redeemable preference shares are recognised as a liability on an effective yield basis. Other dividends are recognised as a liability in the period in which they are declared.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and any accumulated impairment losses (see accounting policy 3(i)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets, are recognised in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable and subsequent costs to develop the well to the production phase.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

With the exception of freehold land and development assets, depreciation is charged to the income statement using a diminishing value method over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Mining property and development assets are depreciated on the units of production basis over the life of the economically recoverable reserves.

The estimated useful lives in the current and comparative periods are as follows:

Plant and equipment 2.5 to 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(e) Exploration Expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets (intangible assets) on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy 3(i)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating units are not larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to development assets.

(f) Development Assets

Development assets are those costs that are associated with an area of interest that has demonstrated technical feasibility and commercial viability in the extraction of hydrocarbons. These costs include those associated with construction, installation or completion of infrastructure facilities, transferred exploration and evaluation costs and development wells.

Development assets are written off over their expected useful economic life. When there are reliable reserve numbers the depreciation of development assets is determined on a “units of production” basis based on the production of the well in barrels of oil equivalent relative to the total reserve. Where reliable reserve numbers are not available or not yet determined then amortisation is based on an estimation of the number of years of the expected useful life of the asset.

(g) Other receivables

Other receivables are recorded at amortised cost less any allowance for doubtful debts.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset’s recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Employee Benefits

(i) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as a personnel expense in profit or loss.

When the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

(ii) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(k) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(i) Site restoration

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated over the useful life of the mineral reserve. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(l) Trade and other payables

Trade and other payables are non-interest bearing liabilities stated at amortised cost.

(m) Revenue

Sales

Revenue from sales is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of oil, transfer usually occurs at the point that the product is delivered to the relevant carrier. With sales of gas, transfer occurs at a predetermined delivery point along the pipeline.

(n) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(o) Project income

Income is derived from time to time from fees paid to the Group by other parties in exchange for their participation in a project the Group introduced to them.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate

to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(s) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(t) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's

30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.
- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's management and Board. The Group has not yet determined the potential effect of the standard on the Group's financial report.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Intangible assets

The fair value of intangible assets (other than patents and trademarks) is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Share-based payment transactions

The fair value of employee stock options is measured using a binomial lattice model. The fair value of share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. Financial risk management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

5. Financial risk management (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies identify and analyse the risks faced by the Company and Group and set appropriate risk limits and controls as well as monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group aim to develop a disciplined and constructive control environment in which all contractors and employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from joint venture partners on those projects the Group acts as operator. For the Company it arises from receivables due from subsidiaries.

Trade and other receivables

The Company's and Group's exposure to credit risk is influenced mainly by the individual characteristics of each joint venture partner and customer. Where the Group acts as operator on a project its policy in respect of joint venture partners is to only deal with those it considers are credit-worthy parties. Joint venture partners are required to provide evidence of their ability to advance the funds necessary prior to the Group making commitments on their behalf.

The Group also maintains continual communication with its joint venture partners to ensure that if any issues arise in respect of funding they could be dealt with on a timely basis.

The sale of oil is currently made with one customer that has a well-established business reputation.

Investments

The Group limits its exposure to credit risk by only having surplus funds invested with established banking institutions. Given that the funds are held with these banking institutions the Group does not expect these counterparties to fail to meet their obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains a budget that allows it to monitor the cash flow requirements on the various projects it is undertaking or planning to undertake. The Group is also conscious of not committing itself to any projects or other activities unless its level of funds exceeds the anticipated expenditure.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the Australian dollar (AUD), but also the US dollar (USD). The currencies in which these transactions are primarily denominated in are AUD and USD.

5. Financial risk management (continued)

The Group's currency exposure resides with the movements between the AUD and USD. The policy is not to hedge for these movements as the Group operates in both currencies' environments throughout the year and also maintains cash balances in both currencies.

Interest rate risk

The Group's exposure to interest rate risk is limited as the Group has no external borrowings.

Other market price risk

The Group has no investments in equity securities and therefore is not exposed to other market price risk.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

As part of their management of capital the Board reviews on a regular basis the budgeted and forecasted revenues and expenditures of the Group in consultation with management. The review assists the Board in managing the Group's capital on an ongoing basis and ensuring their decisions on the allocation of capital are in step with the Group's operational and investment requirements.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. Segment information

During the year Solimar Energy Limited operated in one business segment – mineral exploration, development and production of oil and gas in one geographical area – USA.

7. Net financial income/(expenses)

	Consolidated		Company	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
Financial Income				
Interest received	178,268	60,605	178,268	45,186
Foreign exchange gain	-	-	-	-
	<u>178,268</u>	<u>60,605</u>	<u>178,268</u>	<u>45,186</u>
Financial Expenses				
Foreign exchange loss	2,316	-	121,293	19,026
Interest paid	-	-	-	8,723
	<u>2,316</u>	<u>-</u>	<u>121,293</u>	<u>27,749</u>
Net financial income	<u>175,952</u>	<u>60,605</u>	<u>56,975</u>	<u>17,437</u>

SOLIMAR ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8. Professional fees

	<u>Consolidated</u>		<u>Company</u>	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
(a) Auditor's Fees				
Auditors of the Company				
KPMG Australia				
Audit and review of financial reports	90,598	-	90,598	49,053
Taxation	-	-	-	3,100
Other Services	-	-	-	-
Total auditor's fees recognised as expense in the income statement	90,598	-	90,598	52,153
(b) Other Professional Fees				
Consulting fees *	672,589	175,000	672,589	148,717
Other professional fees	437,402	22,530	124,007	5,884
	<u>1,109,991</u>	<u>197,530</u>	<u>796,596</u>	<u>154,601</u>
	<u>1,200,589</u>	<u>197,530</u>	<u>887,194</u>	<u>206,754</u>

* Included within consulting fees were share based payments for the Group of \$185,550 (2007:\$175,000) and for the Company of \$185,550 (2007: Nil).

9. Personnel expenses

	<u>Consolidated</u>		<u>Company</u>	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
Directors Fees	75,000	-	75,000	110,582
Share Based Payments	7,510	-	7,510	6,960
Wages and Salaries	9,472	-	9,472	16,017
	<u>91,982</u>	<u>-</u>	<u>91,982</u>	<u>133,559</u>

SOLIMAR ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

10. Income tax expense

	Consolidated		Company	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
Current tax expense				
Current year	(9,399)	-	6,364	-
Adjustments for prior years	-	-	-	-
	(9,399)	-	6,364	-
Deferred tax expense				
Origination and reversal of temporary differences	-	-	-	-
	-	-	-	-
Total income tax expense in income statement	(9,399)	-	6,364	-
Attributable to:				
Continuing operations	(9,399)	-	6,364	-
Discontinuing operations	-	-	-	-
	(9,399)	-	6,364	-
Numerical reconciliation between tax expense and pre-tax net profit				
Profit / (loss) before tax - continuing operations	(6,706,148)	(907,010)	(7,091,350)	(4,745,069)
Profit / (loss) before tax - discontinued operations	-	-	-	-
Profit / (loss) before tax	(6,706,148)	(907,010)	(7,091,350)	(4,745,069)
Income tax using the domestic corporation tax rate of 30% (2007: 30%)	(2,011,844)	(272,103)	(2,127,405)	(1,423,521)
<i>Increase in income tax expense due to:</i>				
Non deductible expenses	120,791	52,500	1,921,385	1,311,123
Effect of tax losses previously unrecognised	(219,603)	-	(112,398)	-
Future tax benefit not brought into account	2,110,658	219,603	318,418	112,398
Income tax expense on pre-tax net profit	(9,399)	-	6,364	-
Deferred Income Tax				
<i>Deferred Tax Liabilities</i>				
Capitalised exploration costs	(384,884)	(730,392)	-	-
<i>Deferred Tax Assets</i>				
Revenue losses available for offset against future taxable income	2,278,758	1,323,520	-	-
Offset of assessable temporary differences	(384,884)	(730,392)	-	-
Net deferred tax assets not recognised as not probable	1,893,874	593,128	-	-
Net deferred tax assets recognised	-	-	-	-

11. Earnings per share

Basic loss per share

The calculation of basic earnings per share at 30 June 2008 was based on the loss attributable to ordinary shareholders of \$6,715,547 (2007: \$907,010) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2008 of 162,666,661 (2007: 97,028,304) calculated as follows:

Loss attributable to ordinary shareholders

	Consolidated	
	2008 AUD	2007 AUD
Loss for the period	(6,715,547)	(907,010)
Loss attributable to ordinary shareholders	<u>(6,715,547)</u>	<u>(907,010)</u>

Weighted average number of ordinary shares

	Consolidated	
	2008 Number	2007 Number
Weighted average number of ordinary shares for prior period	97,028,304	96,666,660
Effect of reverse acquisition treatment to calculate weighted average number of shares	-	361,644
Adjustment to reflect weighting of shares on issue	65,638,357	-
Weighted average number of ordinary shares at 30 June	<u>162,666,661</u>	<u>97,028,304</u>

Basic loss per share

	Consolidated	
	2008 AUD	2007 AUD
Basic loss per share (cents per share)	(4.13)	(0.9)

Diluted earnings per share is not required to be disclosed as a loss was incurred and any dilution applied to earnings per share would have an anti-dilutive effect.

12. Cash and cash equivalents

	Consolidated		Company	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
Cash at bank and on hand	1,525,280	58,473	1,311,255	19,440
Call deposits	-	4,760,247	-	-
Cash and cash equivalents in the statement of cashflows	<u>1,525,280</u>	<u>4,818,720</u>	<u>1,311,255</u>	<u>19,440</u>

13. Trade and other receivables

	Consolidated		Company	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
Current				
Trade receivables	27,167	-	-	-
Other receivables	268,508	40,141	16,967	12,592
Prepayments	75,456	130,590	10,246	12,750
	<u>371,131</u>	<u>170,731</u>	<u>27,213</u>	<u>25,342</u>
Non-current				
Loans to controlled entities net of impairment	-	-	4,403,049	8,557,514
Other receivables	103,894	-	-	-
	<u>103,894</u>	<u>-</u>	<u>4,403,049</u>	<u>8,557,514</u>

Loans to the controlled entities are denominated in US dollars, non interest bearing and repaid on demand subject to availability of cash in the controlled entity. The loans are classified as non current as the Company does not have a current intent to demand repayment. The loans are shown net of impairment losses amounting to \$5,974,763 (2007: \$4,318,920) recognised in the current year.

14. Investments

	Consolidated		Company	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
Investments in controlled entities - at cost	-	-	7,450,193	7,450,193
<i>Livingstone Energy Inc</i>				
<i>Solimar Australia Energy Pty Ltd</i>				
	<u>-</u>	<u>-</u>	<u>7,450,193</u>	<u>7,450,193</u>

15. Property, Plant and Equipment

	Consolidated		Company	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
a) Plant & equipment at cost	59,414	-	6,030	-
Less: Accumulated depreciation	(942)	-	(942)	-
	<u>58,472</u>	<u>-</u>	<u>5,088</u>	<u>-</u>

(a) Reconciliation of movement in property, plant and equipment

Balance at the beginning of the Period	-	-	-	-
Additions	59,414	-	6,030	-
Depreciation	(942)	-	(942)	-
Balance at the end of the Period	<u>58,472</u>	<u>-</u>	<u>5,088</u>	<u>-</u>

Carrying Amounts

Balance at the beginning of the Period	-	-	-	-
Balance at the end of the Period	<u>58,472</u>	<u>-</u>	<u>5,088</u>	<u>-</u>

16. Exploration and evaluation expenditure

	Consolidated		Company	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
a) Exploration expenditure	6,437,035	12,110,670	-	-
	<u>6,437,035</u>	<u>12,110,670</u>	<u>-</u>	<u>-</u>

(a) Reconciliation of movement in exploration expenditure

Balance at the beginning of the period	12,110,670	-	-	-
Additions	1,835,390	1,905,332	-	-
Additions - Equity Settled	-	2,316,318	-	-
Acquired through Acquisition	-	8,440,251	-	-
Transfer to Development assets	(278,478)	-	-	-
Impairment	(5,818,908)	(551,231)	-	-
Impact of FX movements	(1,411,639)	-	-	-
Balance at the end of the period	<u>6,437,035</u>	<u>12,110,670</u>	<u>-</u>	<u>-</u>

Carrying amounts

Balance at the beginning of the period	12,110,670	-	-	-
Balance at the end of the period	<u>6,437,035</u>	<u>12,110,670</u>	<u>-</u>	<u>-</u>

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest. During the course of the financial year \$5,818,908 in exploration expenditure was impaired (2007: \$551,231).

17. Development assets

	Consolidated		Company	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
a) Development assets	278,478	-	-	-
	278,478	-	-	-

(a) Reconciliation of movement in development assets

Balance at the beginning of the period	-	-	-	-
Additions	-	-	-	-
Transfers from exploration and evaluation	278,478	-	-	-
Depreciation	-	-	-	-
Impairment	-	-	-	-
Other amounts expensed during year	-	-	-	-
Balance at the end of the period	278,478	-	-	-

Carrying amounts

Balance at the beginning of the period	-	-	-	-
Balance at the end of the period	278,478	-	-	-

18. Trade and other payables

	Consolidated		Company	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
Trade Payables	449,033	459,530	108,027	459,147
Other payables and accrued expenses	317,184	31,869	317,184	31,869
	766,217	491,399	425,211	491,016

Trade and other payables are non-interest bearing liabilities stated at amortised cost and settled within 30 days.

19. Borrowings

	Consolidated		Company	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
Borrowings - Current	-	655,110	-	655,110
- Non Current	-	-	4,763,514	-
	-	655,110	4,763,514	655,110

The Company borrowed funds from its Australian subsidiary at the beginning of the financial year. The loan is non-interest bearing and repayable on demand subject to the availability of cash in the Company. The loan is classified as non current as the Australian subsidiary does not have a current intent to demand repayment.

SOLIMAR ENERGY LIMITED
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20. Provisions

	<u>Consolidated</u>		<u>Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>AUD</u>	<u>AUD</u>	<u>AUD</u>	<u>AUD</u>
Provision for income tax				
Balance at the commencement of the period	5,980	-	6,364	6,364
Provision made during the period	-	(384)	-	-
Provision from acquisition	-	6,364	-	-
Provision reversed during the period	(5,980)	-	(6,364)	-
Balance at 30 June	<u>-</u>	<u>5,980</u>	<u>-</u>	<u>6,364</u>

SOLIMAR ENERGY LIMITED
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21. Contributed equity

	Number of securities		Value in AUD	
	2008	2007	2008	2007
Shares on issue:				
Ordinary shares	162,666,661	162,666,661	17,116,666	17,116,666
Share Issue costs	-	-	(13,372)	(13,372)
	<u>162,666,661</u>	<u>162,666,661</u>	<u>17,103,294</u>	<u>17,103,294</u>

Company Entity

Movement in share capital for the year ended 30 June 2007

2007	Ordinary shares	Number of shares	Issue price	AUD
1 July 2006	Opening balance	56,000,001		9,503,390
11 July 2006	Allotment of shares	10,000,000	\$0.360	3,600,000
29 June 2007	Issue of fully paid shares for acquisition of Solimar	96,666,660	\$0.068	6,600,000
30 June 2007	Closing balance	<u>162,666,661</u>		<u>19,703,390</u>
	Less:			
	Share issue costs			(160,950)
				<u><u>19,542,440</u></u>

Company Entity

Movement in share capital for the year ended 30 June 2008

2008	Ordinary shares	Number of shares	Issue price	AUD
1 July 2007	Opening balance	162,666,661		19,542,440
30 June 2008	Closing balance	<u>162,666,661</u>		<u>19,542,440</u>

There is a difference between the contributed equity of the Company and that of the Group as a result of accounting for the reverse acquisition which occurred in the 2007 financial year. Per AASB 3 'Business Combinations', Solimar Australia Energy Proprietary Limited was deemed to acquire Livingstone Petroleum Limited (now known as Solimar Energy Limited) which was shown at fair value in the consolidated balance sheet.

From the perspective of the Company, Livingstone Petroleum Limited acquired all the shares in Solimar Australia Energy Proprietary Limited as the legal parent. This transaction was accounted for at the cost of the acquisition per the issue of shares to Solimar Australia Energy Proprietary Limited.

22. Reserves

	Consolidated		Company	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
Share based payments	193,060	-	227,095	34,035
Foreign Currency Translation Reserve	(1,488,358)	(71,286)	-	-
Option Premium Reserve	-	-	1,329,520	1,329,520
	(1,295,298)	(71,286)	1,556,615	1,363,555
Reconciliation of movement in reserves				
Share-based payments reserve				
Balance at the beginning of period	-	-	34,035	27,075
Equity settled share-based payment transactions	193,060	-	193,060	6,960
Balance at 30 June	193,060	-	227,095	34,035
Foreign currency translation reserve				
Balance at the beginning of period	(71,286)	-	-	-
Effect of translation of foreign currency operations to group presentation currency	(1,417,072)	(71,286)	-	-
Balance at 30 June	(1,488,358)	(71,286)	-	-
Option Premium reserve				
Balance at the beginning of period	-	-	1,329,520	479,520
Issue of Options relating to Acquisition	-	-	-	850,000
Balance at 30 June	-	-	1,329,520	1,329,520
	(1,295,298)	(71,286)	1,556,615	1,363,555

Share based payments reserve

The reserve represents the value of options and shares issued under the compensation arrangement that the Group is required to include in the consolidated financial statements. This reserve will be reversed against share capital when the underlying options vest and are exercised by the employee or consultant.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Option Premium reserve

The reserve represents the value of options issued that the Company is required to include in the consolidated financial statements. This reserve will be reversed against share capital when the underlying options vest and are exercised.

23. Accumulated losses

	Consolidated		Company	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
Balance at beginning of financial year	(1,084,376)	(177,366)	(6,005,996)	(1,260,927)
Net loss attributable to equity holders	(6,715,547)	(907,010)	(7,084,986)	(4,745,069)
	(7,799,923)	(1,084,376)	(13,090,982)	(6,005,996)

24. Financial instruments

(a) Credit Risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated		Company	
	Carrying amount		Carrying amount	
	2008	2007	2008	2007
Cash and cash equivalents	1,525,280	4,818,720	1,311,255	19,440
Trade and other receivables	382,600	145,389	4,403,049	8,557,514

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2008	2007
	United States	27,167

The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	2008	2007
	Wholesale customers	27,167

The Parent's maximum exposure to credit risk for receivables at the reporting date by geographic region was \$4,403,049 (2007: \$8,557,514) with the United States. All receivables are with subsidiaries or relate to prepayments and GST.

Past Due

None of the Company's receivables are past due (2007 Nil) and no impairment allowance is necessary. All trade receivables at this time are with one customer.

The ageing of the Group's trade receivables at the reporting date was:

	2008		2007	
	Gross	Impairment	Gross	Impairment
	Not past due (0-30 days)	27,167	-	-
	27,167			

24. Financial Instruments (continued)

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Consolidated
30 June 2008

	Carrying amount	Contractual Cashflows	6 months or less	6 - 12 months	12+ months
Non-derivative financial liabilities					
Trade and other payables	449,033	449,033	449,033	-	-

Consolidated
30 June 2007

	Carrying amount	Contractual Cashflows	6 months or less	6 - 12 months	12+ months
Non-derivative financial liabilities					
Trade and other payables	459,147	459,147	459,147	-	-
Borrowings	655,110	655,110	655,110	-	-

Company
30 June 2008

	Carrying amount	Contractual Cashflows	6 months or less	6 - 12 months	12+ months
Non-derivative financial liabilities					
Trade and other payables	108,027	108,027	108,027	-	-
Loans from subsidiaries *	4,763,514	4,763,514	-	-	4,763,514
	<u>4,871,542</u>	<u>4,871,542</u>	<u>108,027</u>	<u>-</u>	<u>4,763,514</u>

Company
30 June 2007

	Carrying amount	Contractual Cashflows	6 months or less	6 - 12 months	12+ months
Non-derivative financial liabilities					
Trade and other payables	459,530	459,530	459,530	-	-
Borrowings	655,110	655,110	655,110	-	-
	<u>1,114,640</u>	<u>1,114,640</u>	<u>1,114,640</u>	<u>-</u>	<u>-</u>

* The loans from subsidiaries relates to debt with no fixed repayment terms and no interest payable.

24. Financial Instruments (continued)

(c) Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	2008		2007	
	AUD	USD	AUD	USD
Cash and cash equivalents	21,304	20,507	139	118
Trade payables	-	-	(169,590)	(143,931)

The Company's exposure to foreign currency risk was as follows, based on notional amounts:

	2008		2007	
	AUD	USD	AUD	USD
Cash and cash equivalents	21,304	20,507	139	118
Loans and receivables	4,403,049	4,238,375	8,557,514	7,262,762
Trade payables	-	-	(169,590)	(143,931)

The following significant exchange rates applied during the year:

	Average Rate		Spot Rate at Report Date	
	2008	2007	2008	2007
AUD	0.8968	0.7859	0.9626	0.8487
USD	1.1151	1.2724	1.0389	1.1783

Sensitivity Analysis

A 10% weakening of the Australian dollar (AUD) against the US dollar (USD) at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, such as interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Consolidated		Company	
	Equity	Net Income	Equity	Net Income
2008				
USD	-	2,367	-	491,595
2007				
USD	-	(18,828)	-	932,007

A 10% strengthening of the Australian dollar (AUD) against the US dollar (USD) at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, such as interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Consolidated		Company	
	Equity	Net Income	Equity	Net Income
2008				
USD	-	(1,937)	-	(402,214)
2007				
USD	-	15,405	-	(762,551)

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NOTES TO THE FINANCIAL STATEMENTS

24. Financial Instruments (continued)

(d) Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	1,525,280	1,525,280	4,818,720	4,818,720
Loans and receivables	382,601	382,601	145,389	145,389
Trade and other payables	(449,033)	(449,033)	(459,530)	(459,530)
Borrowings	-	-	(655,110)	(655,110)
	<u>1,458,848</u>	<u>1,458,848</u>	<u>3,849,469</u>	<u>3,849,469</u>

Company	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	1,311,255	1,311,255	19,440	19,440
Loans and receivables	4,403,049	4,403,049	8,557,514	8,557,514
Trade and other payables	(108,027)	(108,027)	(459,147)	(459,147)
Borrowings	(4,763,514)	(4,763,514)	(655,110)	(655,110)
	<u>842,763</u>	<u>842,763</u>	<u>7,462,697</u>	<u>7,462,697</u>

The basis for determining fair values is disclosed in note 4.

25. Capital and other commitments

	Consolidated		Company	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
Capital Expenditure commitments				
Exploration expenditure				
Within one year	935,000	900,000	-	-
	<u>935,000</u>	<u>900,000</u>	<u>-</u>	<u>-</u>
Lease commitments				
Rental Property lease				
Within one year	41,960	16,600	23,760	-
	<u>41,960</u>	<u>16,600</u>	<u>23,760</u>	<u>-</u>

26. Consolidated entities

Name of entity	Country of Incorporation	Class of shares	2008	2007
			Ownership interest	
Parent Entity				
Solimar Energy Ltd	Australia	Ordinary		
Controlled Entities				
Livingstone Energy Inc	United States	Ordinary	100%	100%
Solimar Australia Energy Pty Ltd	Australia	Ordinary	100%	100%
Solimar Energy LLC	United States	Ordinary	100%	100%

27. Reconciliation of cash flows from operating activities

	Consolidated		Company	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
Cash flows from operating activities				
Profit/(loss) for the period	(6,715,547)	(907,010)	(7,084,986)	(4,745,069)
Adjustments for:				
Impairment charge on intercompany loan	-	-	5,974,763	4,318,920
Impairment on assets	5,818,908	551,231	-	-
Interest Income	(178,268)	(60,605)	(178,268)	(45,186)
Interest Paid	-	-	-	8,723
Depreciation	942	-	942	-
Foreign exchange expense (unrealised)	2,316	-	121,293	-
Equity settled share based payment expenses	193,060	175,000	193,060	6,960
Income received	(515,791)	-	-	-
Tax expense	9,399	-	(6,364)	-
Operating profit before changes in working capital and provisions	(1,384,981)	(241,384)	(979,560)	(455,652)
(Increase) / decrease in trade and other receivables	(36,116)	-	(1,871)	(5,292)
(Decrease) / increase in trade and other payables	241,020	-	(11,978)	236,471
	<u>(1,180,077)</u>	<u>(241,384)</u>	<u>(993,409)</u>	<u>(224,473)</u>
Income taxes paid	(15,379)	-	-	-
Net cash from operating activities	(1,195,456)	(241,384)	(993,409)	(224,473)

28. Key Management and Personnel Compensation

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

<i>Non-executive directors</i>	<i>Executive directors</i>	<i>Executives</i>
Frank Petruzzelli	Craig Burton	Chris Bowyer
Mark Elliott		Steve McLean
Michael Fry (resigned 24/09/07)		Andrew Gould

The key management personnel compensation included in 'personnel expenses' and 'contractor expenses' are as follows:

Key management personnel compensation

	<u>Consolidated</u>		<u>Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>AUD</u>	<u>AUD</u>	<u>AUD</u>	<u>AUD</u>
Short term employee benefits	409,113	-	209,039	123,853
Directors Fees	75,000	-	75,000	-
Post employment benefits	-	-	-	2,746
Equity compensation benefits	185,550	-	185,550	6,960
	<u>669,663</u>	<u>-</u>	<u>469,589</u>	<u>133,559</u>

Information regarding individual directors and executives compensation and some equity instrument disclosures as permitted by Corporations regulation 2M.3.03 and 2M.6.04, is provided in the Remuneration Report section of the Directors' report on pages 8 to 10.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Loans to key management personnel and their related parties (consolidated)

No loans have been made during the reporting period and at the reporting date there were no loans outstanding to key management personnel and their related parties (2007: nil).

Loans from key management personnel and their related parties (consolidated)

No loans have been made during the reporting period and at the reporting date there were no loans outstanding from key management personnel and their related parties (2007: \$655,110).

At 30 June 2007 there was a balance owed to Craig Burton of \$655,110. It included interest charged at 8% per annum. The amount has been paid in full in the current financial year. No interest was incurred in the current financial year.

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

28. Key Management and Personnel Compensation (continued)

		Consolidated		Company	
		2008 AUD	2007 AUD	2008 AUD	2007 AUD
<i>Specified Directors</i>					
Craig Burton	(i)	3,761	-	-	27,509
Frank Petruzzelli	(ii)	142,324	4,589	-	-

(i) During the period the company was charged \$3,761 for the recharge of certain costs by entities associated with Craig Burton.

(ii) During the period the company was charged for accounting and corporate secretarial services and office costs by MDB, an accounting practice of which Frank Petruzzelli is a partner of.

Assets and liabilities arising from the above transactions

	Consolidated		Company	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
Trade and other payables	24,832	14,650	24,832	14,650
Borrowings	-	655,110	-	655,110
Current liabilities	24,832	669,760	24,832	669,760

Options and rights over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in Solimar Energy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2008 Directors/Executives	Held at 1 July 2007	Granted as compensation	Exercised	Other Changes *	Held at 30 June 2008	Vested during the Year	Vested & exercisable at 30 June 2008
Craig Burton	3,000,000	-	-	-	3,000,000	-	3,000,000
Frank Petruzzelli	2,375,000	-	-	-	2,375,000	-	2,375,000
Mark Elliott	500,000	-	-	-	500,000	-	500,000
Chris Bowyer	-	500,000	-	-	500,000	500,000	500,000
Steve Mclean	-	2,000,000	-	-	2,000,000	1,500,000	1,500,000
Andrew Gould	-	1,000,000	-	-	1,000,000	1,000,000	500,000
	5,875,000	3,500,000	-	-	9,375,000	3,000,000	7,875,000

* Other changes represent options that expired or were forfeited during the year.

2007 Directors/Executives	Held at 1 July 2006	Granted as compensation	Exercised	Issued per Solimar Acquisition	Held at 30 June 2007	Vested during the Year	Vested & exercisable at 30 June 2007
Craig Burton	3,000,000	-	-	-	3,000,000	-	3,000,000
Frank Petruzzelli	-	-	-	2,375,000	2,375,000	2,375,000	2,375,000
Mark Elliott	-	-	-	500,000	500,000	500,000	500,000
Jim Malone ¹	500,000	-	-	-	500,000	240,000	500,000
Michael Fry ²	500,000	-	-	-	500,000	240,000	500,000
Brett Mitchell ¹	250,000	-	-	-	250,000	-	250,000
	4,250,000	-	-	2,875,000	7,125,000	3,355,000	7,125,000

1 Resigned 29 June 2007 2 Resigned 24 September 2007

28. Key Management and Personnel Compensation (continued)

Movement in shares

The movement during the reporting period in the number of ordinary shares in Solimar Energy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2007	Purchases	Received on exercise of options	Sales	Issued per Solimar Acquisition	Held at 30 June 2008
2008 - Directors / Executives						
Craig Burton	4,550,000	-	-	-	-	4,550,000
Frank Petruzzelli	8,845,827	-	-	-	-	8,845,827
Mark Elliott	9,925,000	-	-	-	-	9,925,000
Chris Bowyer	-	-	-	-	-	-
Steve Mclean	-	-	-	-	-	-
Andrew Gould	-	-	-	-	-	-
	23,320,827	-	-	-	-	23,320,827

	Held at 1 July 2006	Purchases	Received on exercise of options	Sales	Issued per Solimar Acquisition	Held at 30 June 2007
2007 - Directors / Executives						
Craig Burton	4,525,000	25,000	-	-	-	4,550,000
Frank Petruzzelli	-	512,507	-	-	8,333,320	8,845,827
Mark Elliott	-	425,000	-	-	9,500,000	9,925,000
Jim Malone ¹	40,000	-	-	-	-	40,000
Michael Fry ²	100,000	100,000	-	-	-	200,000
Brett Mitchell ¹	120,000	-	-	-	-	120,000
	4,785,000	1,062,507	-	-	17,833,320	23,680,827

1 Resigned 29 June 2007 2 Resigned 24 September 2007

No shares were granted to key management personnel during the reporting period as compensation.

Changes in key management personnel in the period after the reporting date and prior to the date when the financial report is authorised for issue

There were no changes in key management personnel in the period after the reporting date and prior to the date when the financial report is authorised for issue.

Other related party transactions

Loans are made between the Company and its wholly owned subsidiaries. Loans outstanding between the Company and its subsidiaries have no fixed date of repayment and are non-interest bearing. As at 30 June 2008, the net loans to subsidiaries, net of impairment charges, totalled \$4,403,049 (2007: \$8,557,514).

29. Employee benefits

Share-based payments

a) Option Plans

The Company has issued options to Directors and Executives as part of their remuneration.

The terms and conditions of the options are as follows, whereby all options are settled by physical delivery of shares:

Grant Date	Employee Entitled	Number of instruments	Vesting conditions	Expiry Date
17 December 2004	Craig Ian Burton	3,000,000	Fully vested on incorporation	18 December 2009
29 June 2007	Frank Petruzzelli	2,375,000	Fully vested on grant	18 December 2009
29 June 2007	Mark Elliott	500,000	Fully vested on grant	18 December 2009
17 December 2007	Chris Bowyer	500,000	Fully vested on grant	18 December 2009
17 December 2007	Andrew Gould	1,000,000	Fully vested on grant	18 December 2009
20 May 2008	Steve McLean	2,000,000	1,000,000 vest on grant. 500,000 vest upon achieving one month of continuous sustainable commercial production at Maricopa. 500,000 vest upon achieving one month of continuous sustainable commercial production at South East Lost Hills.	18 December 2010
Total share options		9,375,000		

Set out below are the summaries of options granted / on issue at 30 June:

Consolidated and company entity – 2008

Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested and exercisable at end of the period
17/12/2004	18/12/2009	30 cents	3,000,000	-	-	-	3,000,000	3,000,000
01/06/2005	18/12/2009	20 cents	500,000	-	-	-	500,000	500,000
01/06/2005	18/12/2009	20 cents	500,000	-	-	-	500,000	500,000
01/06/2005	18/12/2009	20 cents	250,000	-	-	-	250,000	250,000
29/06/2007	18/12/2009	25 cents	2,875,000	-	-	-	2,875,000	2,875,000
17/12/2007	18/12/2009	25 cents	-	1,500,000	-	-	1,500,000	1,500,000
20/05/2008	18/12/2010	25 cents	-	2,100,000	-	-	2,100,000	1,600,000
			7,125,000	3,600,000	-	-	10,725,000	10,225,000

29. Employee benefits (continued)

Consolidated and company entity – 2007

Option Summary

Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested and exercisable at end of the period
17/12/2004	18/12/2009	30 cents	3,000,000	-	-	-	3,000,000	3,000,000
01/06/2005	18/12/2009	20 cents	500,000	-	-	-	500,000	500,000
01/06/2005	18/12/2009	20 cents	500,000	-	-	-	500,000	500,000
01/06/2005	18/12/2009	20 cents	250,000	-	-	-	250,000	250,000
29/06/2007	18/12/2009	25 cents	-	2,875,000	-	-	2,875,000	2,875,000
			4,250,000	2,875,000	-	-	7,125,000	7,125,000

The options outstanding at 30 June 2008 have an exercise price in the range of \$0.20 to \$0.30 and a weighted average contractual life of 2.9 years.

During the financial year, no options issued to Directors or Executives were exercised (2007: nil).

b) Expenses arising from share-based transactions

	Consolidated		Company	
	2008 AUD	2007 AUD	2008 AUD	2007 AUD
Share options granted - equity settled	185,550	-	185,550	6,960
Total expense recognised as consulting costs	185,550	-	185,550	6,960

30. Subsequent events

For the period between balance date and the signing of the financial statements there has been no item, transactions or event/s of a material and unusual nature, likely, in the opinion of the Directors to affect significantly the operations of the Group and Company, the results of those operations, or the state of affairs of the Company, in future financial years.

31. Interest in joint venture operation

Solimar Energy Limited holds a 50% interest through one of its US subsidiaries in the output of a joint venture operation named Forbes Project Joint Venture. A review was undertaken during the year of the joint venture's operations, planned activities and their fit with the Company's other oil and gas interests. As a result of the review a decision was made by the company to discontinue its involvement in the joint venture's activities. The majority of the company's interest in the joint venture assets was also written off reflecting the company's decision to cease activity at the Forbes Project.

Included in the assets and liabilities of the consolidated entity are the following items which represent the Company's and the consolidated entity's interest in the assets and liabilities employed in the joint venture, recorded in accordance with the accounting policies described in Note 3(a)(iii).

	Consolidated		Company	
	2008	2007	2008	2007
	AUD	AUD	AUD	AUD
<i>Current assets</i>				
Trade and other receivables	58,134	117,840	-	-
<i>Non-current assets</i>				
Exploration and development expenditure	-	1,674,481	-	-
Total non-current assets	58,134	1,674,481	-	-

1. CORPORATE GOVERNANCE STATEMENT

OVERVIEW

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations").

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2nd Edition) to ensure that these remain relevant to the Australian business and investment communities. These revised Principles and Recommendations reflect the contributions of more than 100 public submissions and took effect from 1 January 2008.

The ASX Corporate Governance Council's Recommendations are not mandatory and cannot, in themselves, prevent corporate failure or poor corporate decision-making. They are intended to provide a reference point for companies about their corporate governance structures and practices. There is no single model of good corporate governance. The document articulates eight core principles ("the Principles").

The ASX Corporate Governance Council encourages companies to use the guidance provided by this document as a focus for re-examining their corporate governance practices and to determine whether and to what extent the company may benefit from a change in approach, having regard to the company's particular circumstances. There is little value in a checklist approach to corporate governance that does not focus on the particular needs, strengths and weaknesses of the company. The ASX Corporate Governance Council recognises that the range in size and diversity of companies is significant and that smaller companies from the outset may face particular issues in following all Recommendations.

The Recommendations are not prescriptions, they are guidelines, designed to produce an outcome that is effective and of high quality and integrity. This document does not require a "one size fits all" approach to corporate governance. Instead, it states suggestions for practices designed to optimise corporate performance and accountability in the interests of shareholders and the broader economy. If a company considers that a Recommendation is inappropriate to its particular circumstances, it has the flexibility not to adopt it - a flexibility tempered by the requirement to explain why – the "if not, why not" approach.

The Board of Directors of Solimar Energy is committed to good corporate governance taking into account the Company's size and operations. The Board has a range of policies and processes in place to ensure the rights of the Company and its shareholders are protected.

The Company's Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council's Principles and Recommendations (2nd Edition). Further information on the Company's Corporate Governance policies is located at www.solimarenergy.com.au.

2. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

2.1 Companies should establish and disclose the respective roles and responsibilities of board and management.

- **Recommendation 1.1:** Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
- **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.
- **Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1.

The primary role of the Board of Directors is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is usually responsible for:

- overseeing the company, including its control and accountability systems
- appointing and removing the chief executive officer, or equivalent where appropriate, ratifying the appointment and the removal of senior executives
- providing input into and final approval of management's development of corporate strategy and performance objectives
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance
- monitoring senior executives' performance and implementation of strategy
- ensuring appropriate resources are available to senior executives
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures
- approving and monitoring financial and other reporting.

2.2 The Company's practice:

The Board has formally adopted a new Board Charter which sets out the role of the Board and the Company Secretary. This charter is published on the Company's website and contains many of the responsibilities described above. The Board is responsible to the shareholders for the corporate governance practices of the Company. The management and the Company's consultants are expected to regularly give written and verbal communications to the directors on financial and operational matters.

The process for evaluating the performance of senior executives involves discussions at the Board about the delivery of project milestones, involving such key issues as drilling, production and financial objectives. If executives have met these objectives then their performance will be rewarded in terms of salary and the Company's long term incentive option plan.

The Vice President Operations has responsibility for the day-to-day operations and administration of the US subsidiaries, Solimar Energy LLC and Livingstone Energy, Inc. The Board also monitors the financial budget in consultation with the Company Secretary in Australia and the Financial Controller in the Company's Ventura Office (California, USA).

3. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

3.1 Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- **Recommendation 2.1:** A majority of the board should be independent directors.
- **Recommendation 2.2:** The chair should be an independent director.
- **Recommendation 2.3:** The roles of chair and chief executive officer should not be exercised by the same individual.
- **Recommendation 2.4:** The board should establish a nomination committee.
- **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.
- **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.

3.2 The Company's practice:

Independence

The ASX Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be

independent directors. The ASX Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.

Based on the above definition and the behaviour of the board, The Board considers Messrs Petruzzelli and Elliott to be independent directors of the Company. Mr Petruzzelli is an independent Chairman. While the position of Chief Executive Officer has yet to be filled, Solimar Energy has an Executive Director, Craig Burton.

Composition and Experience

As at the date of this report, the directors of the Company (and the duration of their respective terms in office) are as follows:

Name of Director	Position	Term in office
Frank Petruzzelli	Chairman	1 year
Craig Burton	Executive Director	1 year*
Mark Elliott	Non-executive Director	1 year

* Prior to the merger with Solimar Energy Limited, Craig Burton was a Director of Livingstone Petroleum Limited since 17 December 2004.

Nomination Committee

The Company does not presently have a nomination committee. The Board does not believe the current size of the Company warrants the establishment of a nomination committee.

Monitoring Board Performance

The criteria involved in evaluating the Board's performance are outlined in Section 8 of the Board's Charter which is published on the Company's website. It is expected that all Directors attend Board Meetings and make meaningful, constructive contributions to protect the interests of all shareholder and grow the value of the Company.

The Company has a process to educate any new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning the performance of Directors. This education process includes site visits to the Company's operations in California.

Directors are given access, and encouraged, to participate in continuing education opportunities to update and enhance their skills and knowledge. Examples of this involve attendance at the Australian Institute of Company Directors (AICD) courses and technical training sessions with the Australian Petroleum Production & Exploration Association (APPEA).

4. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

4.1 Companies should actively promote ethical and responsible decision-making.

- **Recommendation 3.1:** Companies should establish a code of conduct and disclose the code or a summary of the code as to:
 - the practices necessary to maintain confidence in the company's integrity
 - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
 - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

- **Recommendation 3.2:** Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.
- **Recommendation 3.3:** Companies should provide the information indicated in the Guide to reporting on Principle 3.

4.2 The Company's practice:

Ethical Standards

All directors and employees of the Company are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Company has adopted a Code of Conduct which commits it to operating in an environment that promotes ethical and responsible decision-making along with a requirement to act with integrity in its dealings with employees, consultants and the broader outside community.

The Code of Conduct, which is published on the Company's website, commits individuals associated with the Company to the following principles:

- Respect the Law
- Manage Conflicts of Interest
- Respect our role as stewards of the Company
- Respect the relationships we have with others and ourselves
- Respect our relationship with employees / consultants
- Respect our relationship with the environment

Securities Trading Policy

The Board has adopted a new Securities Trading Policy to guide investment decisions. This is published on the Company's Website.

The purpose of this policy is to provide guidance to Directors, Management and those who work for or are associated with the Company. In particular this policy seeks to:

- Provide a brief summary of the law on Insider Trading;
- Set out the restrictions on dealing in securities; and
- Assist in maintaining market confidence in the integrity of dealings in the Company's securities.

Further details on the Securities Trading Policy can be found on the Company's website: www.solimarenergy.com.au.

5. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

5.1 Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The board should establish an audit committee.
- **Recommendation 4.2:** The audit committee should be structured so that it:
 - consists only of non-executive directors
 - consists of a majority of independent directors
 - is chaired by an independent chair, who is not chair of the board has at least three members.
- **Recommendation 4.3:** The audit committee should have a formal charter.
- **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

5.2 The Company's practice:

Audit Committee

The Company does not have a separate Audit Committee due to the small size of the Board. However, the integrity of the Company's financial reporting is a critical aspect of the Company's corporate governance and structures have been implemented to verify and safeguard the integrity of the Company's financial reporting. This involves ensuring the financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. It is the policy of the Board that the Company's financial statements be reviewed or audited, at a minimum each half year.

All Directors are given the opportunity to review the budget and financial condition of the Company at each Board meeting, or on an informal basis with management, if required.

The Board is of the view that the skills of those involved in the accounting process, coupled with the conduct of an independent audit, is sufficient for the audit committee function to reside within the Board for a Company of the size of Solimar Energy to operate effectively.

6. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

6.1 Companies should promote timely and balanced disclosure of all material matters concerning the company.

- **Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.

6.2 The Company's practice:

Continuous Disclosure Policy

The Board promotes timely and balanced disclosure of all material matters concerning the Company. The Company has adopted a Continuous Disclosure policy which ensures compliance with its disclosure obligations under the ASX Listing Rules and the Corporations Act in Australia.

The Policy sets out:

- The Principles of Continuous Disclosure under Listing Rule 3.1;
- Delegation of responsibility to the Company/Directors and Company Secretary for ensuring the Company complies with its continuous disclosure requirements;
- Review of information to be disclosed to the market;
- Dealing with ASX queries and market rumours; and
- The Board and Company Secretary include commentary in the half-year and full year results to ensure that investors can make an informed assessment of the entity's activities and results.

Every effort is made by the Directors to release timely information about leasing, exploration and production activities when it does not compromise the competitive position or value of the company.

Further details on the Continuous Disclosure Policy are published on the Company's website www.solimarenergy.com.au.

7. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

7.1 Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
- **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

7.2 The Company's practice:

Shareholder Communication

The Board aims to ensure that the Company's shareholders are informed of all information necessary to assess the performance of the company.

Mechanisms employed by the Company to ensure effective communication with shareholders include:

- regular shareholder communications such as Quarterly Activities and Cashflow Reports, Half-Yearly Reports, Annual Reports and exploration updates;
- shareholder access to communications, including ASX announcements, through the Company's website and email alerts;
- presentations made by the Chairman and Company's Consultants to financial industry professionals and shareholders; and
- Encouraging attendance at the Annual General Meeting.

The Company is developing a shareholder communication plan to assist with communicating information to the market in a timely and efficient manner.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are responsible for voting on the appointment of Directors, approval of the maximum amount of Directors' fees and the granting of options and shares to Directors.

8. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

8.1 Companies should establish a sound system of risk oversight and management and internal control.

- **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- **Recommendation 7.2:** The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
- **Recommendation 7.3:** The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
- **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

8.2. The Company's practice:

Recognise and manage Risks

Solimar Energy recognises that the risks which could affect the results of the Company include: oil and gas price fluctuations; actual demand for oil and gas; currency fluctuations; drilling and production results; resource estimates; loss of market; industry competition; environmental risks; physical risks; legislative, fiscal and regulatory developments; economic and financial market conditions in the US; political risks; project delays or advancements; approvals and cost estimates; and drilling problems.

While Solimar Energy is aware of these risks, detailed risk management and internal control systems are still being developed to manage all these risks. No currency or oil & gas pricing hedging policies are in place due to most of the operating expenses being in US dollars which provides a natural hedge with oil and gas sales in the same currency. However, from time-to-time the Board may exchange A\$ into US\$ when it feels it advantageous to do so.

Solimar Energy's US subsidiaries have policies and procedures relating to health and safety to ensure compliance with the US Federal Government's Occupational Safety and Health Act as well as the State of California's Occupational Safety and Health Act.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- *Financial reporting* - there is a comprehensive budgeting system with an annual budget, updated on a regular basis and reviewed by the Board. Actual results are reported against these budgets.
- *Investment appraisal* - the Company has clearly defined guidelines for: capital expenditure including annual budgets; levels of authority; and due diligence requirements where businesses or assets are being acquired or divested.

Assurances

The Executive Director has provided in writing to the Board a statement that meets the requirements of Recommendation 7.3.

9. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

9.1 Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- **Recommendation 8.1:** The board should establish a remuneration committee.
- **Recommendation 8.2:** Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
- **Recommendation 8.3:** Companies should provide the information indicated in the Guide to reporting on Principle 8.

9.2 The Company's practice:

Remuneration Committee

The Company does not presently have a remuneration committee. The Board does not believe that the current size of the Company warrants the establishment of a remuneration committee.

Remuneration Structure

The Company's objective is to establish and maintain a Board that consists of experienced and motivated directors who possess appropriate skills and expertise to promote the Company's success. The policy of the Company is to seek to ensure a clear relationship between director performance, the role they perform and remuneration received.

In relation to the payment of bonuses, issue of securities and other incentive payments, discretion is exercised by the Board having regard to both the Company's performance and the performance of the director concerned. Details of the Company's remuneration policy are contained in the Remuneration Report section of the Directors' Report in the latest Annual Report.

SOLIMAR ENERGY LIMITED
ADDITIONAL SHAREHOLDER INFORMATION

EXCHANGE LISTING

Solimar Energy Limited shares are listed on the Australian Securities Exchange (ASX). The Company's ASX code is SGY.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 25 September 2008

Name of Shareholder	Total Number of Voting Shares in Solimar Energy Limited in which the Substantial Shareholders and its Associates Hold Relevant Interests	Percentage of Total Number of Voting Shares (%)
Saps Overseas Ltd	13,979,160	8.59%
MC Fleet Services Pty Ltd	9,479,160	5.83%
Your Care Pty Ltd (Frank Petruzzelli)	8,479,160	5.21%
Mark Elliott	8,325,000	5.13%

CLASS OF SHARES AND VOTING RIGHTS

At 25 September 2008 there were 781 holders of 162,666,661 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

- each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and
- on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited)."

DISTRIBUTION OF SHAREHOLDERS (As at 25 September 2008)

Spread of Holdings	Number of Holders	Number of Ordinary Shares	% of Total Issued Capital
1 – 1,000	4	1,016	0.001%
1,001 – 5,000	65	234,347	0.14%
5,001 – 10,000	121	1,096,237	0.67%
10,001 – 100,000	415	18,447,443	11.34%
100,001 and over	176	142,887,618	87.84%
Total	781	162,666,661	100.00%

The number of shareholders holding less than a marketable parcel is 46, totalling 121,867 shares.

ESCROWED SECURITIES

The Company does not have any securities on issue that are subject to escrow restrictions.

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

SOLIMAR ENERGY LIMITED
ADDITIONAL SHAREHOLDER INFORMATION

LISTING OF 20 LARGEST SHAREHOLDERS (As at 25 September 2008)

	Name of Ordinary Shareholder	Number of Shares Held	Percentage of Shares Held %
1.	MC Fleet Services Pty Ltd	9,479,160	5.83
2.	Bob Rosenthal	8,979,160	5.52
3.	Your Care Pty Ltd	8,479,160	5.21
4.	Merrill Lynch (Aust.) Nominees Pty Limited	8,120,750	4.99
5.	Ryan Moynagh	6,521,688	4.01
6.	Saps Overseas Ltd	5,000,000	3.07
7.	Wizzdene Pty Ltd	4,000,000	2.46
8.	Citicorp Nominees Pty Limited	3,909,410	2.40
9.	Craig Ian Burton	3,550,000	2.18
10.	Intro Pty Ltd	3,525,000	2.17
11.	Carday Holdings Pty Ltd	3,500,000	2.15
12.	Raymond Jepp	3,250,000	2.00
13.	A.P.R. Nominees Pty Ltd	2,850,000	1.75
14.	Towertun Pty Ltd	2,500,000	1.54
15.	Nowald Pty Ltd	2,500,000	1.54
16.	Hiles Pty Ltd	2,500,000	1.54
17.	Shellbury Pty Ltd	2,250,000	1.38
18.	Ravenhill Investments Pty Ltd	2,100,000	1.29
19.	Cocoon Developments Pty Ltd	2,000,000	1.23
20.	Lesdon Investments Pty Ltd	2,000,000	1.23
	TOTAL:	87,014,328	53.49%