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Manager Announcements
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Via electronic lodgement

Gas Sales Commence at the Southeast Lost Hills Project

Highlights

- Gas sales have commenced at the Southeast Lost Hills (SELH) Project following the completion of the construction of gas production equipment and a gas pipeline.
- Initial production from the Jack Hamar 3-13 well at SELH started out at a rate of 200,000 cubic feet of gas per day and will be increased to a target rate of approximately 400,000 cubic feet of gas per day over the coming weeks. At these production rates, and assuming a gas price of US\$6/mcf, Solimar Energy's share of revenues (after royalty payments) is likely to be in the range of US\$13,000 to US\$25,000 per month (approx. A\$20,000 to \$38,000 per month, assuming AUD/USD = 0.65).
- The Joint Venture's evaluation of the newly acquired seismic data over the Southeast Lost Hills project acreage is due for completion at the end of the December quarter of 2008. This area has the potential to contain significant volumes of gas as evidenced by numerous gas shows in most wells drilled in the area, some of which are yet to be tested.
- Interpretation of the seismic data will enable the prioritisation of drilling locations to target the gas prone reservoirs intersected by the Jack Hamar 3-13 well, with the expectation that a well will be drilled in the March quarter of 2009.
- The establishment of gas infrastructure at the SELH Project will more readily facilitate the development and commercialisation of possible future gas discoveries.

Commencement of Natural Gas Sales

Solimar Energy Limited ("Solimar Energy" or the "Company") (ASX Code: SGY) is pleased to announce that the Southeast Lost Hills (SELH) Joint Venture has commenced natural gas sales at Southeast Lost Hills located in the San Joaquin Basin, California.

Following the signing of a Gas Sales Agreement in June 2008 with a major Californian oil and gas company to buy all the gas produced from the Southeast Lost Hills (SELH) Project, Solimar Energy completed the construction of a gas production facility and a gas pipeline to facilitate the sale of the natural gas.

Initial production from the Jack Hamar 3-13 well at SELH started out at a rate of 200,000 cubic feet of gas per day and will be increased to a target rate of approximately 400,000 cubic feet of gas per day over the coming weeks. At these production rates, and assuming a gas price of US\$6/mcf, Solimar Energy's share of revenues (after royalty payments) is likely to be in the range of US\$13,000 to US\$25,000 per month (approx. A\$20,000 to \$38,000 per month, assuming AUD/USD = 0.65).

An independent reservoir engineering company, Resources Services International Inc., estimates recoverable gas based on flow tests and reservoir performance for only this well is between 0.20 to 0.70 BCF of gas. Solimar Energy believes this estimate will rise substantially when more successful wells are drilled.

The Joint Venture's evaluation of the newly acquired seismic data over the Southeast Lost Hills project acreage is due for completion at the end of the December quarter of 2008. This will enable the prioritisation of drilling locations to target the gas prone reservoirs intersected by the Jack Hamar 3-13 well, with the expectation that a well will be drilled in the March quarter of 2009.

The Chairman of Solimar Energy, Frank Petruzzelli, said that "the first sale of natural gas produced from the Southeast Lost Hills Project represents another milestone for Solimar Energy. Revenues generated from this project will add to those revenues from the Maricopa Project and will provide an important source of cashflows moving forward. We are also hopeful of adding reserves and production volumes through new drilling opportunities in the Southeast Lost Hills area. The commercialisation of any new discoveries will be made easier by the gas infrastructure that we have now established at the Southeast Lost Hills Project."

"We are also continuing our detailed petrophysical evaluation of the Nesbitt #5 well at the Silverthread Project, and we remain hopeful of adding further oil production from this discovery to the production at Southeast Lost Hills and Maricopa."

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

About the Southeast Lost Hills Project

The Southeast Lost Hills Project is located in the San Joaquin Basin, California, along the southern flank of the large Lost Hills Anticline. The Lost Hills structure is a large feature that has already produced in excess of 400 million barrels of oil equivalent ("MMboe") to date to the north of the Jack Hamar 3-13 discovery.

The Southeast Lost Hills gas accumulation is a combination structural stratigraphic trap. The reservoir targets are shallow Pliocene sands that pinch out around the flanks of the Lost Hills Anticline. Seismic amplitude anomalies are associated with the presence of these hydrocarbons. Since the Southeast Lost Hills project is a shallow play, with target depths of not greater than 4,000ft, it is expected that commercial development costs will be relatively low.

Solimar Energy believes there is potential for a substantial gas accumulation in the shallow Pliocene reservoirs around the Lost Hills structure. The commercial development potential of the project is enhanced by low drilling costs due to the shallower reservoirs, strong gas demand in the area, local infrastructure and high gas prices.

If you have any queries please contact Andrew Gould, General Manager Corporate Development on (03) 9347-2409.

Yours sincerely,



Frank Petruzzelli
Chairman
Solimar Energy Limited

Compliance Statement

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

Forward Looking Statements

This announcement contains forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause the actual results to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserves and resources estimates, loss of market, industry competition, environmental risks, physical risks, legislative changes, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

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