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Manager Announcements
Company Announcements Office
Australian Securities Exchange
10th Floor, 20 Bond Street
SYDNEY NSW 2000

Via electronic lodgement

Operational Update - Southeast Lost Hills

Natural Gas Sales Production

Solimar Energy Limited ("Solimar Energy" or the "Company") (ASX Code: SGY) is pleased to announce that the Southeast Lost Hills (SELH) Project has recently achieved production rates of approximately 400,000 cubic feet of gas per day at a stable gas wellhead pressure of 1,000 psi.

Initial production from the Jack Hamar 3-13 well at the SELH Project started out on Friday 5 December 2008 (Pacific Coast Time, USA) at a rate of approximately 200,000 cubic feet of gas per day. Cumulative gas sales up to 8 January 2009 (Pacific Coast Time, USA) was approximately 11.3 million cubic feet. Assuming gas production rates in the range of 300,000 to 400,000 cubic feet per day, the estimated value for Solimar Energy's share (after royalty payments) is approximately US\$19,000 to US\$25,000 per month (approx. A\$27,000 to A\$36,000 per month, assuming AUD/USD = \$0.70).

The Joint Venture is currently preparing for its SELH drilling and testing program during the first half of 2009. This program involves selecting a new prospect to drill from available seismic data as well as testing at least one additional interval in wells which have already been drilled.

The Chairman of Solimar Energy, Frank Petruzzelli, said that "Revenues generated from gas production at the Southeast Lost Hills 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 at both Maricopa and the Southeast Lost Hills area. The development and commercialisation of any new gas discoveries will be made easier by the infrastructure that we have now established at the Southeast Lost Hills Project."

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

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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