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30 July 2008

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

Via electronic lodgement

ASX & MEDIA RELEASE JUNE 2008 QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B

HIGHLIGHTS

- **The Southeast Lost Hills Project:**
 - The Joint Venture executed a Gas Sales Agreement with a major Californian oil and gas company to buy gas produced from the Southeast Lost Hills Project.
 - Initial gas sales from the Jack Hamar 3-13 well are expected to occur by the fourth quarter of calendar 2008.
 - An independent reservoir assessment estimates that the recoverable gas for the Jack Hamar 3-13 well is between 0.20 to 0.70 BCF of gas.
 - Other Jack Hamar wells are still being evaluated which have the potential to add to commercial production volumes.
 - Seismic data across the area has been acquired and multiple prospects have been identified in an initial review. Further work is being done to establish a multi-well drilling program which is expected to commence at the end of this year.

- **The Wellington Maricopa #6 well at the Maricopa Project:**
 - Initial production testing of this well produced oil at an average daily rate of 35 barrels of oil per day and variable amounts of gas which was better than the Company's expectation. Oil production has continued to average 35 barrels of oil per day with no decline since the initial production testing.
 - To date, shipments of approximately 1,525 barrels of oil have been made. Solimar Energy's share is 50%.
 - A rig has been located to drill the Wellington Maricopa #7 well which is planned to be drilled in the fourth quarter of calendar 2008.
 - Additional follow-up locations in the Project have also been identified, including approximately up to 3 vertical well locations and possibly 2 horizontal locations.
 - The leased acreage position has been increased from 40 to 120 acres across the potential oil generation area. A new geologic review is underway to identify further new drilling locations to increase potential production.

- **The Ventura South Flank Prospect:**
 - A new target location has been identified at the Ventura South Flank prospect and a redrill opportunity is anticipated. A drilling rig has been contracted and is expected to begin operations in August 2008.
 - The South Ventura Flank Prospect is a high impact exploration target with the potential to contain 10-20 million barrels of recoverable oil and several billion cubic feet of natural gas. Exploration success with this project would be a material event for Solimar Energy.

- **The Silverthread Project:**
 - The Nesbit #5 exploration well encountered approximately 800 feet of potentially oil bearing section in the Saugus Formation. Approximately 500 feet of the oil bearing section has been perforated for testing.
 - The Nesbitt #5 well is currently undergoing an extensive testing operation over a very large interval. Further evaluation of the data and production testing is required to determine the size and commercial significance of this potential oil discovery.
 - 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.

- Solimar Energy is very active in reviewing new potential projects in California to enhance the value of the company's exploration portfolio.

DRILLING AND DEVELOPMENT PROGRAM

Southeast Lost Hills Project: 50% and Operator (San Joaquin Basin)

On 6 June 2008, Solimar Energy announced that the Southeast Lost Hills 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. An independent reservoir engineering company, Resources Services International Inc., estimates recoverable gas based on flow tests and reservoir performance for only this well is between 0.20 to 0.70 BCF of gas.

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

There are three other wells on the South East Lost Hills gas accumulation, Jack Hamar 1-13, 2-13 and 1-12. 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.

Solimar Energy is now evaluating seismic data over the Lost Hills area with a view to delineating other drilling locations and is expecting to commence drilling a new exploration program at South East Lost Hills before the end of 2008.

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

Maricopa Project: 50% and Operator (San Joaquin Basin)

On 29 April 2008, Solimar Energy announced to the ASX the successful testing of the Wellington Maricopa #6 well, which produced oil at an average daily rate of 35 barrels of oil per day and gas was stabilized at an average daily rate of 120,000 cubic feet per day. The oil and gas is being produced potentially over a 130 feet net pay interval in the Contact Sand objective from 3,370 feet to 3,550 feet.

The Wellington Maricopa #6 well is currently producing oil at an average daily rate of 35 barrels of oil per day and up to 60 barrels of water per day. To date, approximately 1,525 barrels of oil have been sold of which Solimar Energy's share is 50%. Gas production is being depressed within the formation until a gas pipeline can be established or the gas pressure impacts oil production. Prior to the gas being shut in the stabilised rate had fallen significantly from the rates achieved during the production test.

The successful production and sale of oil from the first well at the Maricopa Project will result in a follow-up well at the Wellington Maricopa #7 location which has already been permitted. This well is planned to be drilled in the fourth quarter of calendar 2008.

Additional follow-up locations in the Project have also been identified, including approximately up to 3 vertical well locations and possibly 2 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.

An oil services firm has been chosen to help design and install permanent production facilities at the site. There are also plans to install a water disposal line to a nearby facility.

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.

Ventura South Flank Prospect: 16.5% (Ventura Basin)

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). The rig is scheduled to be on location in August 2008. The original prognosis of the Ventura South Flank prospect is that it has a potential recoverable resource of 10-20 million barrels of oil and several billion cubic feet of gas.

The current redrill plan from the SF#1 well calls for kicking off the original well bore at 3,400 feet and drilling to a targeted depth of 10,610 feet. It will take approximately 30 days to reach total depth.

The Silverthread Project: 18.5% - 20% (Ventura Basin)

As announced to the ASX on 7 May 2008, the first well, Nesbit #5, at the Silverthread Project was spudded at 5.30pm on 5 May (Pacific Coast Time, USA) and reached a total depth of 7,134 feet at 6.30pm on 31 May 2008 (Pacific Coast Time, USA).

On the 3 June 2008, Solimar Energy announced that wireline logs had been obtained across the Saugus Sandstone reservoir at around 3,200 to 4,000 feet (measured depth) and the Upper and Lower Mohnian Sandstone (Monterey Formation) reservoir at around 7,000 feet. Wireline logging results and initial core examination indicated that the Saugus Formation was hydrocarbon bearing and the Upper and Lower Mohnian Sandstones were non-hydrocarbon bearing. The Saugus Formation is recognised as an oil

producing sandstone in the immediate area of the Silverthread Project. The Nesbit #5 exploration well encountered approximately 800 feet of potentially oil bearing section in the Saugus Formation. The net hydrocarbon column was estimated at approximately 280 feet.

The well was perforated over some 500 feet which is a large interval. Early analysis indicates this area appears to have included several productive oil layers as well as several unproductive layers which may include some water zones. The testing has thus yielded mixed results. The well has retrieved significantly differing qualities of oil over the past weeks of testing, which ranged from an estimated 13 to 30 deg API, potentially indicating several different oil formations. More detailed petrophysical evaluation is being planned before the well is stimulated for additional testing.

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.

Forbes Gas Project: 50% interest (Sacramento Basin)

During the June Quarter, no exploration and development activities took place at the Forbes Gas Project. The South Buckeye 1-18 well, which was production tested in December 2007, flowed high quality gas but the flow rate was not commercial due most likely to a tight reservoir section in the location of this well. A decision has been made to plug & abandon the South Buckeye 1-18 well.

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

Aqueduct Fan Project: 10% (San Joaquin Basin)

During the June Quarter, no exploration activity occurred at this project.

Deer Creek Project: 50% and Operator (San Joaquin Basin)

Leasing work is still continuing at the Deer Creek project with approximately 200 net acres already leased. At this stage, plans are to drill one well by the first half of calendar 2009.

CORPORATE

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, 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. The net revenue interest is high with less than 20% royalties over the area.

Subsequent to this agreement with Mirada Petroleum, Solimar Energy entered into an agreement with Sunset Energy Limited ("Sunset Energy") (ASX Code: SEY) 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. Sunset Energy has also paid a proportionate share of up front costs associated with the development of 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, however, Solimar Energy retained its 20% interest in the original Nesbitt lease involving 400 acres. Subsequent drilling on either lease will be on a working interest basis with no further promote paid beyond the current well.

Other Work

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

Note that all dates for drilling activities discussed in this quarterly report are subject to rig availability, and may change.

If you have any queries please contact Andrew Gould 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.

For further information please contact:

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

SOLIMAR ENERGY LTD

ABN

42 112 256 649

Quarter ended ("current quarter")

30 JUNE 2008

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date \$A'000 |
|--|----------------------------|-------------------------|
| 1.1 Receipts from product sales and related debtors | 46 | 46 |
| 1.2 Payments for (a) exploration and evaluation | (2,556) | (3,715) |
| (b) development | - | - |
| (c) production | (51) | (51) |
| (d) administration | (251) | (1,262) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 33 | 178 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | (15) | (15) |
| 1.7 Other – Farmin Payments | 1,028 | 2,203 |
| Net Operating Cash Flows | (1,766) | (2,616) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a)prospects | - | - |
| (b)equity investments | - | - |
| 1.9 Proceeds from sale of: (a)prospects | - | - |
| (b)equity investments | - | - |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Cash acquired from Solimar Acquisition | - | - |
| Net investing cash flows | - | - |
| 1.13 Total operating and investing cash flows (carried forward) | (1,766) | (2,616) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|---|---|----------------|----------------|
| Cash flows related to financing activities | | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | - |
| 1.15 | Costs of the issue | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | (655) |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other (provide details if material) | - | - |
| Net financing cash flows | | - | (655) |
| Net increase (decrease) in cash held | | (1,766) | (3,271) |
| 1.20 | Cash at beginning of quarter/year to date | 3,312 | 4,819 |
| 1.21 | Exchange rate adjustments to item 1.20 | (57) | (59) |
| 1.22 | Cash at end of quarter | 1,489 | 1,489 |

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 5 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | Nil |

1.25 Explanation necessary for an understanding of the transactions

Director Fees paid in the quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

| | | Amount available \$A'000 | Amount used \$A'000 |
|-----|-----------------------------|-----------------------------|------------------------|
| 3.1 | Loan facilities | - | - |
| 3.2 | Credit standby arrangements | - | - |

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

| | | \$A'000 |
|--------------|----------------------------|------------|
| 4.1 | Exploration and evaluation | 320 |
| 4.2 | Development | - |
| Total | | 320 |

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 1,489 | 3,312 |
| 5.2 Deposits at call | - | - |
| 5.3 Bank overdraft | - | - |
| Total: cash at end of quarter (item 1.22) | 1,489 | 3,312 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|------------------------------------|----------------------------------|----------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | Arbuckle & Buckeye Leases (Forbes) | 100% | 0% |
| 6.2 | Interests in mining tenements acquired or increased | | | |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|---|--------------------|---|--|
| 7.1 Performance securities <i>Convert to ordinary securities on development of a commercial mining project</i> | n/a | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs. | | | | |
| 7.3 +Ordinary securities | 162,666,661 | 162,666,661 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 +Convertible debt securities (description) | n/a | | | |
| 7.6 Changes during quarter (a) Increases (b) Decreases | | | | |
| 7.7 Options (description and conversion factor) | 30,250,000 comprising: 17,500,000 1,250,000 <i>Incentive Options</i> 11,500,000 Options Convert on a 1:1 basis | | Exercise price 30 cents 20 cents 25 cents | Expiry date 18 December 2009 18 December 2009 18 December 2009 |
| 7.8 Issued during quarter | | | | |
| 7.9 Exercised during quarter | | | | |
| 7.10 Expired during quarter | | | | |
| 7.11 Debentures (totals only) | n/a | | | |
| 7.12 Unsecured notes (totals only) | n/a | | | |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Chris Bowyer

Company Secretary

Date: 30 July 2008

Print name:

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.