

ASX & Media Release

Solimar Energy Limited

Quarterly Activities Report and Appendix 5B

For the 3 months ended 31 December 2008



COMPANY OVERVIEW*

ASX Code	SGY
Share Price	A\$0.05 per share
Shares on Issue	185,430,842
Unlisted Options	30,350,000
Market Capitalization	A\$9.3m
Average Stock Turnover**	1.70m shares/month

* Figures as at 30 January 2009

** Based on the past 12months

DIRECTORS

Mr Frank Petruzzelli	Chairman
Mr Craig Burton	Executive Director
Mr Mark Elliott	Non-Executive Director
Natural Gas Price*	US\$/MMBtu (SoCal Border Spot) \$3.89
Oil Price*	US\$/bbl (Midway Sunset Spot) \$29.45

OPERATIONAL HIGHLIGHTS

Southeast Lost Hills (SELH)

- The construction of gas pipeline infrastructure and gas production equipment has been completed
- Gas sales from only one well at the Jack Hamar Field to a major Californian oil & gas company commenced on 5 December 2008
- Evaluating seismic data for a new prospect to drill in the March Quarter 2009, and to test at least one additional interval in wells which have already been drilled

Maricopa

- Oil production from the Wellington Maricopa #6 and #7 wells has been averaging above 40 bopd
- Given the current oil price environment, work has commenced on a possible re-entry of one of the existing well bores drilled many years ago to determine if production can be re-established versus drilling a new well
- The Maricopa acreage position has been increased from 40 to 120 acres which will provide further drilling opportunities
- Depending on the oil price environment, further drilling will be assessed during the first half of calendar 2009

Aliso Canyon

- On 22 October 2008 the Sesnon Fee # 7 Redrill No.1 well reached a total depth of 10,222 feet without encountering commercial hydrocarbons. A decision was made to plug and abandon the well

Silverthread

- Electric logging of the Nesbitt #5 well identified approximately 800 feet of potentially oil-bearing section. Approximately 500 feet of this potentially oil-bearing section was perforated and tested
- The well has retrieved significantly differing qualities of oil over the testing period, which ranged from an estimated 13° to 30° API gravity, potentially indicating several different oil formations
- An acid treatment program has been developed. Given the current oil price environment and the current treatment costs, a decision on treating the current interval will be assessed during the quarter

Deer Creek

- Leasing work is continuing at this project with approximately 313 net acres already leased, however, an exploration well will be determined based on the risk reward benefits given the current oil prices

Sales Production and Revenue

- During the December quarter, a total of 3,397 barrels of oil were sold from the Maricopa Project, an increase of 48.1% on the previous quarter, although production in the March quarter is expected to be curtailed depending on the economics of maintaining current production levels
- Gas sales from the SELH Project totalled 8.513 million cubic feet for the December quarter from Jack Hamar
- Solimar Energy's share of revenue received in the Dec. quarter, before royalty payments, was approximately A\$133,000

For further information please contact:

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DRILLING AND DEVELOPMENT PROGRAM

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

Solimar Energy announced to the ASX on 8 December 2008 that the initial production from the Jack Hamar 3-13 well at the Southeast Lost Hills (SELH) Project had commenced at a rate of 200,000 cubic feet of gas per day following completion of gas pipeline infrastructure and production equipment. The gas produced from this well is being sold to a major Californian oil and gas company which under a Gas Sales Agreement will buy all the gas produced from the SELH Project.

Solimar Energy further announced to the ASX on 13 January 2009 that the SELH Project had achieved recent production rates of up to approximately 400,000 cubic feet of gas per day at a stable gas wellhead pressure of 1,000 psi. Total gas sales for the December quarter 2008 were 8.513 million cubic feet from only the Jack Hamar 3-13 well which commenced producing gas on 5 December 2008.

The SELH Joint Venture is currently preparing for its SELH drilling and testing program during the first half of calendar 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.

New gas discoveries can be commercialized more efficiently using the SELH Joint Venture's established gas pipeline infrastructure and production equipment at the SELH 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.

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

Solimar Energy and its joint venture partner, Sunset Energy, have made two oil discoveries at the Maricopa Project.

The Wellington Maricopa #7 well was the first appraisal well drilled in September 2008 at the Maricopa Project and follows the discovery well, Wellington Maricopa #6, which was drilled in March 2008. Oil production from the Wellington Maricopa #6 and #7 wells has been averaging above 40 bopd. The latter #7 well has been shut-in due to the high cost of water disposal at the current oil prices.

It is anticipated that Solimar Energy will drill either a re-entry well or a new well in the first half of calendar 2009, where the current oil price economics support such drilling activity. The Company expects the Maricopa Project to provide a growing long-term production stream for many years as production from other wells in this area have been stable.

The company has increased its acreage position from 40 to 120 acres providing an additional 80 acres that may have further potential for subsequent follow-up drilling. Solimar Energy has conducted an expanded geological study which is assisting in identifying possible drilling opportunities and enhance the Joint Venture's understanding of the area

During the December quarter, a total of 3,397 barrels of oil were sold to Kern Oil & Refining Co. from the Maricopa Project. The average price of oil sold in the December quarter was about US\$49.0 per barrel, although current oil prices are below US\$40 per barrel which will impact the current quarter's revenues.

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.

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

As announced to the ASX on 3 June 2008, the Saugus Formation logs (associated with the Nesbitt #5 well at the Silverthread Project) 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° API gravity, potentially indicating several different oil formations.

More detailed petrophysical evaluation has been conducted to determine further completion programs. As a result, an acid treatment program has been proposed for the Nesbitt #5 well. Solimar Energy and its joint venture partners are currently evaluating the best options to move forward with a program to extract the oil given the current oil prices.

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.

Partners in the Silverthread Project (and their respective working interests) are:

Mirada Petroleum Inc. (Operator) and Partners:	63.0% to 60.0%
Solimar Energy Limited (ASX Code: SGY):	18.5% to 20.0%
Sunset Energy Limited (ASX Code: SEY):	18.5% to 20.0%

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

Leasing work is still continuing at the Deer Creek project with approximately 313 net acres already leased. At this stage, drilling plans for a new exploration well have been put on hold given the current oil price environment. Lower risk opportunities at Maricopa and Southeast Lost Hills have taken priority.

Aliso Canyon Project: 12% Working Interest (Ventura Basin)

Solimar Energy announced to the ASX on 6 October 2008 that directional drilling had commenced at the Sesnon Fee #7 Redrill No.1 well using the Kenai Rig #44. On 22 October 2008, Solimar Energy further announced that the Sesnon Fee #7 Redrill No.1 well had reached a total depth of 10,222 feet without encountering commercial hydrocarbons and a decision was made to plug and abandon the well. No further activity at this prospect is expected at this time.

CORPORATE

New Capital Raising

On 3 October 2008, Solimar Energy announced to the ASX that it had received commitments for a private placement of 23,264,181 fully paid ordinary shares (Shares) at an issue price of 10 cents per Share to sophisticated and professional investors to raise \$2,326,418. The proceeds from the Placement will be used primarily to fund Solimar Energy's ongoing exploration and development projects in California.

Strategy Moving Forward

Solimar Energy is now generating revenues from gas production at the Southeast Lost Hills Project from one well. This will add to the revenues from the oil production at the Maricopa Project. These opportunities in both SELH and Maricopa and the potential of bringing into production the Nesbitt # 5 well, will provide the primary source of cashflows moving forward and form the basis of production growth in 2009.

Solimar Energy is planning production volumes primarily through re-entry and new drilling opportunities at both Maricopa and the Southeast Lost Hills area. The Company is also focussed on managing costs in the current oil price environment.

PRODUCTION AND SALES

- During the December quarter 2008, a total of 3,397 barrels of oil were sold from the Maricopa Project, an increase of 48.1% on the previous quarter's production of 2,293 due to the additional production from the Wellington Maricopa #7 well coming on stream. The average price of oil received from Kern Oil Refinery in the December quarter 2008 was about US\$49.0/bbl.
- Gas sales from the SELH Project, which commenced in early December 2008, totalled 8.513 million cubic feet for the December quarter from the Jack Hamar 3-13 well.
- Solimar Energy's share of revenue received in the December quarter, before royalty payments, was approximately A\$133,000. During this quarter revenue which Solimar Energy had been holding on behalf of Sunset Energy from the previous quarter were transferred to Sunset Energy. The transfer was netted against gross receipts in the December quarter which resulted in a lower net receipts figure reported of A\$77,000.

Solimar Energy Limited - Summary of Quarterly Sales Production

Quarterly Sales	Project	June Quarter 2008	Sept. Quarter 2008	Dec. Quarter 2008	Total Calendar 2008
Oil (barrels)	Maricopa (WM #6 & #7 Wells)	1,525.1	2,293.4	3,397.6	7,216.2
Natural Gas (mm cubic feet)	Southeast Lost Hills (Jack Hamar)	0	0	8.513	8.513

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, 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.

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")

31 DECEMBER 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	77	411
1.2 Payments for (a) exploration and evaluation	(1,240)	(1,649)
(b) development	(860)	(1,431)
(c) production	(145)	(204)
(d) administration	(601)	(1,059)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	25	41
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Farmin Payments	1,049	1,767
Net Operating Cash Flows	(1,695)	(2,124)
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)	(1,695)	(2,124)

+ 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.	2,066	2,276
1.15	Costs of the issue	(96)	(96)
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	1,970	2,180
	Net increase (decrease) in cash held	275	56
1.20	Cash at beginning of quarter/year to date	1,400	1,525
1.21	Exchange rate adjustments to item 1.20	75	169
1.22	Cash at end of quarter	1,750	1,750

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	9
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	100
4.2	Development	218
Total		318

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	1,750	1,400
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
Total: cash at end of quarter (item 1.22)	1,750	1,400

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		
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	185,430,842	185,430,842		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	22,764,181	22,764,181		
7.5 +Convertible debt securities <i>(description)</i>	n/a			
7.6 Changes during quarter (a) Increases (b) Decreases				
7.7 Options <i>(description and conversion factor)</i>	30,350,000 comprising: 17,500,000 1,250,000 <i>Incentive Options</i> 11,500,000 100,000 Options Convert on a 1:1 basis		Exercise price 30 cents 20 cents 25 cents 25 cents	Expiry date 18 December 2009 18 December 2009 18 December 2009 18 December 2010
7.8 Issued during quarter	100,000		25 cents	18 December 2010
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>	n/a			
7.12 Unsecured notes <i>(totals only)</i>	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 January 2009

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.