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ASX & MEDIA RELEASE

SEPTEMBER 2007 QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B

DRILLING AND DEVELOPMENT PROGRAM

Forbes Gas Project (Sacramento Basin)

Solimar Energy Pty Ltd ("Solimar Energy") (ASX Code: SGY) has a 50% interest in a gas discovery named South Buckeye where it hopes to undertake a production test in the fourth quarter of calendar 2007. There was no other exploration activity undertaken in the September 2007 Quarter, however the company has plans for renewed exploration work in this area in 2008.

Southeast Lost Hills (Jack Hamar) Project (San Joaquin Basin)

Solimar Energy has a 50% interest in the Jack Hamar Project which contains a gas discovery where four wells have been completed on the discovery. The size and the productive capability of the discovery are still uncertain and Solimar Energy is planning to test the existing wells in order to ascertain the commercial viability of this project. Successful production testing will lead to a low cost commercial development as there are numerous gas commercialisation opportunities in the immediate area. During the quarter, work progressed on plans to test the shallow gas wells at the Jack Hamar project: SELH 1-13, 2-13, 3-13 and 1-12. The current plan is to undertake production testing operations in these existing wells in the fourth quarter of calendar 2007.

Ventura South Flank Project: 16.5% (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. The data collected from this well combined with the data from the original South Flank well will now be analysed in detail, incorporating data from the old Sexton well before proceeding with any additional drilling at this location.

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 Joint Venture is still keen to explore the South Flank Project area but it is clear from recent drilling that the structural configuration of the prognosed oil and gas accumulation is more complex and will require additional technical work before any more drilling takes place.

During the quarter, the Joint Venture worked on contracting a drilling rig which would be used to re-enter the old Sexton well and do a gyroscopic survey down to a sufficient depth to locate the old well bore.

The Ventura South Flank well is located in Ventura County, California, approximately one mile south of the Ventura Avenue field which has produced over 900 million barrels of oil. This well is a follow up to a well which was drilled in 1935.

Aqueduct Fan Project: 10% (San Joaquin Basin)

During the quarter no exploration activity occurred at this project. Plans are being made to drill a well in calendar 2008, subject to rig availability.

Solimar Energy is monitoring the drilling operations at the North Yowlumne 2-26 well which is being drilled to the west of the Aqueduct Fan Project.

Maricopa Project: 100% (San Joaquin Basin)

During the quarter, environmental approvals in relation to the protection of plants and animals were processed with the Californian Department of Fish and Game. A standard requirement for such projects where environmental approvals are obtained involve providing offset acreage for the drill sites. These arrangements are underway and as required approvals have to be obtained, plans to contract a drilling rig in December 2007 are underway.

Separately, Solimar Energy obtained its operator license with the State of California and the Federal Bureau of Land Management (BLM) and is now in a position to be the operator of record for all its projects.

Deer Creek Project: 100% (San Joaquin Basin)

Leasing work is continuing at the Deer Creek project.

Farmout Agreement signed with Sunset Energy Limited

On 21 August 2007 Solimar Energy Limited announced to the ASX that its wholly-owned subsidiary, Solimar Energy LLC ("Solimar"), had signed a Farmout Agreement with Sunset Energy Limited ("Sunset Energy") 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 has agreed to offer to 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 2 wells, one on each Prospect Area. The two wells are to be proposed and drilled within 12 months subject to rig availability and Sunset securing its finances. The estimated cost for drilling and completion of the two wells is US\$1,450,000. Solimar Energy LLC will be the Operator.

In addition, Sunset Energy will pay Solimar Energy US\$200,000 on the date of Sunset Energy securing its finances. This payment is to partially cover back costs associated with the development of the two projects. In addition, Sunset Energy will pay 50% of all other future costs and expenses, including leasing, surveying, permitting and seismic associated with these two Prospect Areas.

At the date of this report, Sunset Energy, had issued a prospectus for an Initial Public Offer ("IPO") which involved raising A\$3 million. The closing date of the IPO is 29 October 2007.

Other Work

Solimar Energy continues to review new potential projects in the Sacramento and San Joaquin Basins to enhance the value of the company's exploration portfolio.

Resignation of Director

Solimar Energy announced to the ASX on 25 August 2007 the resignation of a Non-Executive Director, Mr Michael John Fry. The Chairman of Solimar Energy, Frank Petruzzelli, said in the ASX release that “we thank Michael for his dedication and service to the Company since he joined as a founding director of Livingstone Petroleum Limited on 17 December 2004. We wish him well in his business ventures and other directorships”.

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

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Join Solimar Energy’s e-news alert list at www.solimarenergy.com.au under “Investor Centre”.

The geological information included in this announcement is based on information provided by Robert Rosenthal, a consulting geologist to the petroleum industry with over 25 years relevant industry experience. Mr Rosenthal has consented to the inclusion of the geological information in this announcement in the form and context in which it appears.

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 SEPTEMBER 2007

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	-	-
1.2 Payments for (a) exploration and evaluation	(529)	(529)
(b) development	-	-
(c) production	-	-
(d) administration	(432)	(432)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	58	58
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Farmin Payments	30	30
Net Operating Cash Flows	(873)	(873)
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)	(873)	(873)

+ 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)	(655)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(655)	(655)
	Net increase (decrease) in cash held	(1,528)	(1,528)
1.20	Cash at beginning of quarter/year to date	4,819	4,819
1.21	Exchange rate adjustments to item 1.20	(16)	(16)
1.22	Cash at end of quarter	3,275	3,275

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	(190)
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

This amount represents Directors' Fees and superannuation contributions (excl of GST). The majority of the Directors' Fees paid in the quarter related to fees that had been accruing since September 2005.

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	400
4.2	Development	-
Total		400

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	3,275	4,819
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
Total: cash at end of quarter (item 1.22)	3,275	4,819

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginnin g 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	162,666,661	162,666,661⁽¹⁾		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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>	28,750,000 comprising: 17,500,000 1,250,000 <i>Incentive Options</i> 10,000,000 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 <i>(totals only)</i>	n/a			

+ See chapter 19 for defined terms.

7.12	Unsecured notes <i>(totals only)</i>	n/a	
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Notes: (1) 17,000,001 shares had been placed in escrow for 24 months from September 2005 and they were not able to be traded. They were released from escrow on 21 September 2007.

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: 31 October 2007

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.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

- 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.