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

Via electronic lodgement

Dear Shareholders

Company Update – Half Year Ended December 2007

I would like to thank our shareholders for their continuing support in Solimar Energy Limited ("Solimar Energy", ASX Code: SGY) during the half year ended December 2007. During the period, activity was highlighted by the commencement of commercial testing operations at the Southeast Lost Hills gas project, a farmout agreement signed with Sunset Energy Limited regarding the Maricopa and Deer Creek Projects and advancements in our drilling program plans for calendar year 2008.

Solimar Energy ended the half year in a sound financial position with a cash position of \$3.2m which should enable the company to complete its current drilling program for calendar year 2008.

During the next six to eight months Solimar Energy will be drilling and testing several wells in its Southeast Lost Hills and Maricopa Projects as well as the Ventura South Flank Prospect. Some of these wells will be free-carried, therefore providing no expense to the company.

Testing commenced in February 2008 on multiple potential gas bearing intervals in each of the three already drilled wells at the Southeast Lost Hills (SELH) Project (Jack Hamar 1-12, 1-13 and 2-13) located in the San Joaquin Basin, California. This testing follows the successful commercial testing of a fourth well, Jack Hamar 3-13, in December 2007. Solimar Energy is working to commercialise the successfully tested Jack Hamar 3-13 well, and also any new production from the current testing operation. Work is continuing on a pipeline connection to the Jack Hamar wells. Details are being completed on connection points and the required permits. Terms are also being finalised with a buyer of the gas.

Solimar Energy has recently finalised all the permits required to begin drilling at the Maricopa (Oil) Project. Current plans are to drill a well in March 2008*. A second well will then be determined once the data has been fully evaluated and analysed.

It is anticipated that the redrill of the Ventura South Flank (SF#1) well will occur in June/July 2008*. A new target location for a redrill was identified by Solimar Energy and its Joint Venture partners after the conclusion of an evaluation of data obtained in and around the Ventura South Flank oil and gas prospect in the Ventura Basin, California. The recent evaluation included analysing data from the recent drilling done by the Joint Venture in 2007 as well as the more recent data obtained from re-entering the old Walter Sexton well (WS#1) drilled in 1935.

The above drilling program gives Solimar Energy a solid activity base for the first six to eight months of this calendar year. During this time, the company will also continue to look for new potential projects in the Sacramento, San Joaquin and Ventura Basins to enhance the value of the company's exploration portfolio.

On the Corporate side, on 21 August 2007, Solimar Energy 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.. On 13 February 2008 a variation to the agreement was signed with Sunset Energy which involves the drilling of two wells at the Maricopa Project.

If you have any queries then please contact Peta Marriner, Manager Investor Relations, Solimar Energy Ltd via email: petam@solimarenergy.com.au or mobile: 0404 002 613.

We look forward to your continuing support.

Yours sincerely,



Frank Petruzzelli
Chairman
Solimar Energy Limited

**Note that all dates for drilling activities discussed in this letter are subject to rig availability, weather conditions and other operational issues which may cause these dates to change.*

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