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24 April 2008

Manager Announcements  
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SYDNEY NSW 2000

*Via electronic lodgement*

## **ASX & MEDIA RELEASE**

### **MARCH 2008 QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B**

#### **Highlights**

- Testing program continuing at the **Southeast Lost Hills Project**:
  - Gas indications have been found at various zones in the Jack Hamar 1-12 and 2-13 wells and work is being done to overcome sand formation problems.
  - Work is progressing towards completing a pipeline in order to commercialise production from the Jack Hamar 3-13 well.
- The Wellington Maricopa #6 well at the **Maricopa Project**:
  - Drilling was successfully completed to a total depth of 3,550 feet.
  - Electric logs indicated a potential oil pay of approximately 130 feet in the primary Contact Sand objective. During the quarter, the well was prepared for production testing in April 2008.
  - Successful testing will result in a follow-up well, Maricopa Wellington #7.
- The **Ventura South Flank Prospect**:
  - Evaluation of data in and around the prospect was completed last quarter.
  - Drilling contract signed with Kenai Drilling for Rig 44 to redrill the Ventura South Flank #1 well in the third quarter of calendar 2008.
- Solimar Energy is very active in reviewing new potential projects in California to enhance the value of the company's exploration portfolio and may have a new project as early as the second quarter of calendar 2008.

## **DRILLING AND DEVELOPMENT PROGRAM**

### **Southeast Lost Hills Project: 50% (San Joaquin Basin)**

During the March quarter, Solimar Energy Limited ("Solimar Energy") (ASX Code: SGY) announced that the testing on the **Jack Hamar 1-13** well at the Southeast Lost Hills (SELH) Project was continuing and three zones of interest were tested. The test results indicated some gas flows at low rates with some associated water production. Further testing indicated no commercial gas zones were evident therefore no further work will be performed on this well.

Although the initial testing results of the **Jack Hamar 1-12** well indicated at the time that no commercial gas rates had been established, it was decided to move the testing rig back over the well and cement the existing perforations, clean out and re-perforate the top part of the zone. The new testing has shown encouraging results which indicate that the well can produce gas. Further completion is required to determine if the gas will be commercially viable.

The testing program at the SELH Project moved on to the fourth well in the program, the **Jack Hamar 2-13** well, where multiple potential gas bearing intervals were tested from the bottom up. The testing on the Jack Hamar 2-13 well resulted in gas indications at various zones.

More recently, both the Jack Hamar 1-12 and 2-13 wells have been swabbed down but both wells incurred problems with sand formation. The wells have been shut-in while Solimar Energy is looking at ways to alleviate the problem by screening the perforation zones to prevent the entry of the sand formation.

So far the testing at the SELH Project has resulted in **Jack Hamar 3-13** flowing gas at 633,000 cubic feet per day over a 48 hour testing period at a tubing pressure of 1,185 psi on a 6/64 inch choke. The pressure build-up data for this well is undergoing further analysis.

Solimar Energy is working to commercialise the Jack Hamar 3-13 well. 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.

The aim of testing the SELH operation is to confirm commercially viable production rates from these wells and to better ascertain the reserves potential. Solimar Energy believes there is potential for a substantial gas accumulation in the shallow Pliocene reservoirs throughout the SELH acreage. The commercial development potential of the project is enhanced by strong gas demand in the area, local infrastructure and high gas prices.

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 SELH project.

### **Maricopa Project: 50% (San Joaquin Basin)**

On 26 March 2008 Solimar Energy announced that the drilling of the first well, Wellington Maricopa #6, at the Maricopa Project in the San Joaquin Basin, California had been drilled to a total depth of 3,550 feet.

Electric logging indicated a potential oil pay of approximately 130 feet in the primary Contact Sand objective. Casing was run and the well is being completed in preparation for production equipment. The plan is to production test the well within April 2008 in order to ascertain the commercial significance.

The potential oil zone encountered at the well exceeded Solimar Energy's expectation which was pleasing as it is Solimar Energy's first operated well in the Maricopa project area. At this stage the oil pay is classed as "potential", until the oil zone has been successfully production tested. In the event of a successful production test, the well will be brought into commercial production as soon as possible.

A successful production test will result in a follow-up well being drilled as soon as a rig can be contracted at the Maricopa Wellington #7 location which has already been permitted. Additional follow-up locations have also been identified.

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)**

As announced in the December Quarterly Activities Report, Solimar Energy together with its Joint Venture partners has concluded an evaluation of the data obtained in and around the Ventura South Flank oil and gas exploration prospect in the Ventura Basin, California.

The evaluation included analysing the data from the drilling done by Solimar Energy and its partners in mid 2007 as well as the more recent data obtained from re-entering the old Walter Sexton well (WS#1) drilled in 1935. The recent evaluation included generating a 3-D geological model which demonstrated the two Ventura South Flank (SF#1) boreholes drilled in 2007 were apparently separated from the oil and gas reservoir described in the WS#1 well in the 1930's by a combination of the faulting seen in the SF#1 well and the fault system identified in the seismic interpretation.

A redrill plan and well path have been finalised as well as an estimate of costs. A drilling contract has been signed with Kenai Drilling for Rig 44 to redrill the well in the third quarter of calendar 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. Solimar Energy has a 16.5% working interest in the well and as such it represents a potential high impact event for the company.

### **Forbes Gas Project: 50% (Sacramento Basin)**

During the March Quarter, no exploration and development activity 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 final decision on the well has not been made at this time.

### **Aqueduct Fan Project: 10% (San Joaquin Basin)**

During the March Quarter, no exploration activity occurred at this project. At this stage there are no firm plans for drilling the Aqueduct Fan prospect in calendar 2008.

### **Deer Creek Project: 50% (San Joaquin Basin)**

Leasing work is continuing at the Deer Creek project. At this stage, plans are to drill one well by the end of calendar 2008. Sunset Energy currently holds the right to a 50% working interest in the project with the satisfaction of a one well promote.

## **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. Several active projects are under review and could be announced as early as the second quarter of calendar 2008.

## CORPORATE

### Variation to Farmout Agreement signed with Sunset Energy

On 13 February 2008 a variation to the Farmout Agreement signed with Sunset Energy (refer to the original ASX announcement on 21 August 2007) was made whereby Sunset Energy would pay 100% of the first US\$750,000 in costs to drill and complete two wells at the Maricopa Project. Any additional costs beyond the initial US\$750,000 to drill and complete the two wells will be paid 50% by Solimar Energy and 50% by Sunset Energy.

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

#### For Investor enquiries, please contact:

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Please also note that Solimar Energy's share registry, Advanced Share Registry Services, has changed their address to: 150 Stirling Highway, Nedlands, WA 6009. Phone (08) 9389 8033; Facsimile: (08) 9389 7871.

Yours sincerely



Frank Petruzzelli  
**Chairman**  
Solimar Energy Limited

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 MARCH 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	-	-
1.2 Payments for (a) exploration and evaluation	(557)	(1,159)
(b) development	-	-
(c) production	-	-
(d) administration	(298)	(1,010)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	40	145
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Farmin Payments	912	1,175
<b>Net Operating Cash Flows</b>	<b>97</b>	<b>(849)</b>
<b>Cash flows related to investing activities</b>		
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	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
<b>1.13 Total operating and investing cash flows (carried forward)</b>	<b>97</b>	<b>(849)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>Cash flows related to financing activities</b>			
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)	-	-
<b>Net financing cash flows</b>		-	<b>(655)</b>
<b>Net increase (decrease) in cash held</b>		<b>97</b>	<b>(1,504)</b>
1.20	Cash at beginning of quarter/year to date	3,253	4,819
1.21	Exchange rate adjustments to item 1.20	(38)	(3)
1.22	<b>Cash at end of quarter</b>	<b>3,312</b>	<b>3,312</b>

**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	21
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	535
4.2	Development	-
<b>Total</b>		<b>535</b>

**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	3,312	3,253
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3,312</b>	<b>3,253</b>

**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 <b>Performance +securities</b> <i>Convert to ordinary securities on development of a commercial mining project</i>	<b>n/a</b>			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs.				
7.3 <b>+Ordinary securities</b>	<b>162,666,661</b>	<b>162,666,661<sup>(1)</sup></b>		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities (description)</b>	<b>n/a</b>			
7.6 Changes during quarter (a) Increases (b) Decreases				
7.7 <b>Options (description and conversion factor)</b>	<b>30,250,000</b> comprising: 17,500,000  1,250,000 <i>Incentive Options</i>  11,500,000  Options Convert on a 1:1 basis		<b>Exercise price</b>  30 cents  20 cents  25 cents	<b>Expiry date</b>  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 <b>Debentures (totals only)</b>	<b>n/a</b>			
7.12 <b>Unsecured notes (totals only)</b>	<b>n/a</b>			

**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.

+ 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: 24 April 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.

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+ See chapter 19 for defined terms.