

ASX & Media Release
 Solimar Energy Limited
 Quarterly Activities Report and Appendix 5B
 For the 3 months ended 30 September 2008



COMPANY OVERVIEW*

ASX Code	SGY
Share Price	A\$0.08 per share
Shares on Issue	183,430,842
Unlisted Options	30,250,000
Market Capitalization	A\$14.7m
Average Stock Turnover**	1.96m shares/month

* Figures as at 30 October 2008

** Based on the past 12mths

DIRECTORS

Mr Frank Petruzzelli	Chairman
Mr Craig Burton	Executive Director
Mr Mark Elliott	Non-Executive Director

Natural Gas Price* US\$6.75/MMBtu (Henry Hub Spot)

Oil Price* US\$65.96/bbl (WTI Cushing Spot)

OPERATIONAL HIGHLIGHTS

Southeast Lost Hills (SELH)

- The gas production equipment at the SELH Project has been completed
- The Joint Venture's natural gas pipeline is nearing completion and the Purchaser of the gas is expected to start construction of their pipeline by the end of Oct.'08
- Gas sales from the Jack Hamar field are expected to occur by the end of November 2008
- Evaluating seismic data for a new exploration program to be drilled in the March Quarter 2009

Maricopa

- Wellington Maricopa #7 well was drilled and successfully tested for production, initially at a daily rate of 17 to 22 bopd
- Additional follow-up drilling locations have been identified in the original 40 acre leasehold
- The Maricopa acreage position has been increased from 40 to 120 acres which will provide further leads

Sales Production and Revenue

- During the quarterly period, a total of 2,293 barrels of oil were sold from the Maricopa Project. Solimar Energy's share of revenue in this period, after royalty payments, was approximately US\$109,482

Ventura South Flank

- Ventura South Flank #1 (SF #1) well was side-tracked at 3,400 feet and drilled to a total depth of 10,100 feet without encountering commercial hydrocarbons. A decision was made to plug and abandon the well
- The Joint Venture will review the data obtained from this well over the coming months and make a decision on the future of the project

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° deg API, potentially indicating several different oil formations
- More detailed petrophysical evaluation is being conducted to determine further completion programs

Aliso Canyon

- On 22 October the Sesnon Fee # 7 Redrill reached a total depth of 10,222 feet without encountering commercial hydrocarbons. A decision was made to plug and abandon the well

For further information please contact:

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DRILLING AND DEVELOPMENT PROGRAM

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

The second well in the Maricopa Project, Wellington Maricopa #7, commenced drilling operations on 30 August 2008 (Pacific Coast Time, USA). This well is located approximately 200 feet north from the first well, Wellington Maricopa #6.

On 11 September 2008, Solimar Energy announced to the ASX that the Wellington Maricopa #7 appraisal well had reached total depth of 3,588 feet. Electric logging indicated a net oil pay of approximately 80 feet in the primary Contact Sand objective.

On 30 September 2008, the Company announced that the Wellington Maricopa #7 well was successfully completed for production and was producing 20.6° API gravity oil at a daily rate of between 17 to 22 barrels per day and water at 152 barrels per day.

The Maricopa #7 well is the first appraisal well at the Maricopa Project and follows the discovery well, Maricopa #6, earlier this year. This success will lead to additional drilling where follow-up locations in the Project area have been identified, including a further three vertical well locations and possibly two horizontal locations in the original 40 acre leasehold.

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 is presently conducting an expanded geological study to assist in identifying possible drilling opportunities and enhance the Joint Venture's 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.

During the September quarterly period, a total of 2,293 barrels of oil were sold to Kern Oil & Refining Co. from the Maricopa Project. Solimar Energy's share of revenue in this period, after royalty payments, was approximately US\$109,482. The average price of oil sold was about US\$109 per barrel.

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% (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° deg API, potentially indicating several different oil formations. More detailed petrophysical evaluation is being conducted to determine further completion programs.

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.

Aliso Canyon Project: 12% (Ventura Basin)

Solimar Energy announced to the ASX on 26 September 2008 the acquisition of a 12% working interest in the Aliso Canyon field, which is located in the Santa Susana Mountains just north of the San Fernando Valley in Los Angeles County, California.

The Project involved re-entering an existing well bore and drilling a new 2,500 feet directional section down to approximately 9,500 feet to evaluate the primary objectives involving the hydrocarbon charged Sesnon and Frew Sands on an undrilled up thrown side of an adjacent fault block to the Aliso Canyon oil field.

On 6 October 2008, Solimar Energy announced to the ASX 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.

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 end of June 2009.

CORPORATE

Acquisition of a New Project at Aliso Canyon

On 26 September 2008, Solimar Energy announced to the ASX that it was offered a combined 20% interest in the prospect by the two US partners which included an up-front payment, some well conversion costs to prepare for the redrill and a promoted portion of the cost to do a 2,500 feet directional redrill.

Separately, Solimar Energy also entered into an agreement with Sunset Energy Limited, its partner at the Maricopa Project ("Sunset Energy") (ASX Code: SEY) covering the Aliso Canyon prospect. The new agreement involved Sunset Energy taking an 8% working interest in the project, leaving Solimar Energy with a 12% working interest.

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.

Strategy Moving Forward

Solimar Energy, having successfully raised capital in early October 2008, is now focussing on progressing its current projects which consist of three oil and gas accumulations at the: Maricopa (oil); Southeast Lost Hills (gas); and Silverthread (oil) Projects. These accumulations will form the basis of production growth over the coming months.

The Maricopa Project is now producing oil from two wells which is being sold to the Kern Oil & Refining Co. The Southeast Lost Hills gas field is expected to commence production, and selling its first gas, by the end of November 2008. Additional wells are also scheduled to be drilled at the Southeast Lost Hills Project in the March Quarter of 2009. An independent evaluation is being carried out by a third party on the future work program at the Silverthread Project.

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.

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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 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* (see note below the statement)	334	334
1.2 Payments for (a) exploration and evaluation	(409)	(409)
(b) development	(571)	(571)
(c) production	(59)	(59)
(d) administration	(458)	(458)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	16	16
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Farmin Payments	718	718
Net Operating Cash Flows	(429)	(429)
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)	-	-

+ 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.	210	210
1.15	Costs of the issue	-	-
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		210	210
Net increase (decrease) in cash held		(219)	(219)
1.20	Cash at beginning of quarter/year to date	1,525	1,525
1.21	Exchange rate adjustments to item 1.20	94	94
1.22	Cash at end of quarter	1,400	1,400

* Receipts for the quarter include Sunset Energy's share of receipts from the Maricopa Project which Solimar Energy is collecting and holding in trust. Solimar Energy's share of the receipts (before royalties) for the quarter was AUD\$166,847.

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	62
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. This includes fees that had been accrued in the 2008 financial year.

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	220
4.2	Development	420
Total		640

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	1,400	1,525
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
Total: cash at end of quarter (item 1.22)	1,400	1,525

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	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: 31 October 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.