

ASX & Media Release

Solimar Energy Limited

Quarterly Activities Report and Appendix 5B

For the 3 months ended 30 June 2014



COMPANY OVERVIEW*

ASX / TSXV Codes	SXS (ASX) / SXS (TSXV)
Share Price (ASX)	A\$0.026 per share
Shares on Issue	67,672,755
Unlisted Options	9,925,867
Market Capitalization	A\$1.8m
Average Stock Turnover**	0.23m shares/month
* Figures as at 30 July 2014	
** Over 12 month period Julr2013-Jun 2014 on ASX	

DIRECTORS

Mr Frank Petruzzelli	Chairman
Mr Jason Bednar	Non-Executive Director
Mr Mark Elliott	Non-Executive Director
Dr Charle Gamba	Non-Executive Director
Mr Will Satterfield	Non-Executive Director
Natural Gas Price*	US\$/MMBtu (SoCal Border Spot) \$4.70
Oil Price*	US\$/bbl (Midway Sunset Spot) \$98.55

HIGHLIGHTS

Operations

The Company continued to evaluate the production testing results for the upper and lower Temblor heavy oil sandstone zones for well 2-33.

The Company also advanced its planning for a steam pilot test in the second half of this year.

Funding / Capital

The Company completed Tranche 3 of a private placement on 13 May 2014, raising C\$362,000 through the issue of 5,578,462 fully paid shares and 2,789,281 warrants. Each warrant entitles the purchaser to purchase one share at an exercise price of C\$0.065 with an expiry date of 13 May 2014.

The Company completed Tranche 4 of a private placement on 19 June 2014, raising C\$138,000 through the issue of 2,123,077 fully paid shares and 1,061,539 warrants. Each warrant entitles the purchaser to purchase on share at an exercise price of C\$0.065 with an expiry date of 19 June 2014.

OPERATING ACTIVITIES



Kreyenhagen: 85% -100% Working Interest and Operator (San Joaquin Basin)

During the previous quarter the Company successfully completed and production tested the upper and lower temblor heavy oil sandstone zones in well 2-33. The lower zone was swab tested using a completion rig for about a week and produced mainly water. The upper zone was produced using a rod pumping unit for about one month and produced mainly oil at rates ranging from 2 to 10 barrels per day. These results were within the expected range and consistent with previous wells in the region. Oil and water samples were taken from both zones to conduct laboratory analysis for use in evaluating the steam stimulation project.

The Company further analysed these tests and progressed its planning for the steam pilot project that is expected to take place in the second half of this year.

Tejon Ranch: 10% Working Interest (San Joaquin Basin)

There was no activity undertaken at this project during the quarter.

Jacalitos: 100% Working Interest and Operator (San Joaquin Basin)

This project is contiguous with the Company's greater Kreyenhagen project and is being re-evaluated as part of the regional Kreyenhagen shale oil play.

CORPORATE ACTIVITIES

Going Concern

The Company has insufficient cash resources and liquidity at June 30, 2014 to operate as a going concern in the near term and is reliant on the support of significant shareholders, directors and creditors to allow it to continue operations. There is considerable risk that the Company's existing creditors will cease to provide their ongoing support.

The Company's ability to continue as a going concern is dependent upon obtaining necessary funds to meet its current obligations, fund ongoing contractual commitments under its various farm-in and lease agreements, and ultimately achieve profitable operations.

While the Company is expending its best efforts, the raising of the necessary funds is not assured. During the quarter the Company completed the following capital raising to provide ongoing working capital

The Company has received a Notice of Default from Computershare Trust Company of Canada, in its capacity as the Trustee (the "Trustee") under the Convertible Debenture Indenture dated June 26, 2012 providing for the issuance of convertible debentures by the Company (the "Debentures") regarding failure to pay interest thereon when due. Under the notice of default the Trustee has requested the payment of the outstanding interest and principal owing on the Debentures, however, the Company is currently in negotiations with the holders of the June Debentures.

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LEASES

Project	Oil / Gas	Contract Status	Gross Acres	Solimar Net Acres	Working Interest	Operator
Kreyenhagen	Heavy Oil and Light Oil	Appraisal and development	12,552	12,294	86.5%	Solimar
Tejon Footwall	Light Oil / Gas	Exploration	6,460	265	10%	Lani, LLC
Bayswater (Zodiac) (A)	Light Oil	Appraisal and exploration	34,798 (est.)	286	1.1324%	Zodiac Exploration
Jacalitos	Light Oil	Exploration	516	516	100%	Solimar
		Sub Total	54,326	13,361		

Note:

- A) The Company derives its interest in Bayswater (Zodiac) by virtue of a lease participating in an approximate 100,000 acre pooled area. The acres shown are based on the Company's 1.1324% interest in the pooled area. Not all Gross Acres and Net Acres leased are equal.

Jason Bednar
Director
Solimar Energy Limited

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Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Reader Advisory: Potential resource estimates and forward-looking statements

This news release contains forward-looking information relating to adding to reserves and resource estimates, planned development and exploration activities on the properties in which the Company has interests, and other statements that are not historical facts. Such forward-looking information is subject to important risks, uncertainties and assumptions. The results or events predicated in this forward-looking information may differ materially from actual results or events. As a result, you are cautioned not to place undue reliance on this forward-looking information.

Forward-looking information is based on certain factors and assumptions regarding, among other things, the impact of increasing competition; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development of exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its oil and natural gas products, and other similar matters. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward looking-information is subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what is currently expected. These factors include risks associated with instability of the economic environments in which the Company operates or owns interests, oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources, reliance on key personnel, regulatory risks and delays, including risks relating to the acquisition of necessary licenses and permits, environmental risks and insurance risks.

The estimates of resources in this news release constitute forward-looking information which is subject to certain risks and uncertainties, including those associated with the drilling and completion of future wells, limited available geological data and uncertainties regarding the actual production characteristics of, and recovery efficiencies associated with, the reservoirs, all of which are being assumed. As estimates, there is no guarantee that the estimated reserves or resources will be recovered or produced. Actual reserves and resources may be greater than or less than the estimates provided in this presentation.

You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Company may elect to, the Company is under no obligation and does not undertake to update this information at any particular time, except as required by law.

Resource Definitions

This discussion has been excerpted from Sections 5.2 and 5.3 of the Canadian Oil and Gas Evaluation Handbook, Second Edition, September 1, 2007. The following definitions relate to the subdivisions in the SPE-PRMS resources classification framework and use the primary nomenclature and concepts contained in the 2007 SPE-PRMS, with direct excerpts shown in *italics*.

Production is the cumulative quantity of petroleum that has been recovered at a given date.

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be sub-classified based on development and production status.

Resource Definitions (Continued)

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

Undiscovered Petroleum Initially-In-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as “prospective resources”, the remainder as “unrecoverable”.

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity.

Classification of Resources

When evaluating resources, in particular, contingent and prospective resources, the following mutually exclusive categories are recommended:

- Low Estimate: This is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term reflects a P90 confidence level.
- Best Estimate: This is considered to be the best estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term is a measure of central tendency of the uncertainty distribution (most likely/mode, P50/median, or arithmetic average/mean).
- High Estimate: This is considered to be an optimistic estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term reflects a P10 confidence level.

Company Gross Contingent Resources are the Company's working interest share of the contingent resources, before deduction of any royalties.

Company Net Contingent Resources are the gross contingent resources of the properties in which the Company has an interest, less all Crown, freehold, and overriding royalties and interests owned by others.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

SOLIMAR ENERGY LTD

ABN

42 112 256 649

Quarter ended ("current quarter")

30 JUNE 2014

Consolidated statement of cash flows

		Current quarter	Year to date
		\$A'000	(12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from sales and related debtors	-	54
1.2	Payments for (a) exploration & evaluation	(208)	(477)
	(b) Joint Venture exploration	(136)	(1,809)
	(c) development	-	19
	(d) production	-	(59)
	(e) administration	(269)	(945)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest and other costs of finance paid	-	(283)
1.6	Income taxes paid	-	-
1.7	Other – (see Note A below)	-	1,853
Net Operating Cash Flows		(613)	(1,647)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	nv-● -	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	277
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		-	277
1.13	Total operating and investing cash flows (carried forward)	(613)	(1,370)

+ See chapter 19 for defined terms.

Solimar Energy Ltd
Appendix 5B – June 2014 Quarter
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(613)	(1,370)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	492	1,546
1.15	Costs of issue and borrowings	-	(252)
1.16	Proceeds from borrowings (Debentures)	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) (see Note B)	-	81
	Net financing cash flows	492	1,375
	Net increase (decrease) in cash held	(121)	5
1.20	Cash at beginning of quarter/year to date	266	150
1.21	Exchange rate adjustments to item 1.20	(1)	(11)
1.22	Cash at end of quarter (December 31) (Note C)	144	144

NOTES

- A.** The A\$1.853m received year to date are the funds contributed by the Kreyenhagen Joint Venture Partner to the Phase I program.
- B.** These were the funds advanced by the Directors who wished to participate in the non-brokered placement and which were approved by shareholders at the AGM.
- C.** The Company has insufficient cash resources and liquidity at 30 June 2014 to operate as a going concern in the near term and is reliant on the support of significant shareholders, directors and creditors to allow it to continue operations.

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	6
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	
Expense Reimbursement	

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	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation (See Note)	
4.2 Development	
4.3 Production	
4.4 Administration	
Total	

Note: The anticipated exploration expenditure which relates predominately to a planned third well would only be undertaken when the necessary funding is provided.

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	143	91
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) (see Note below)	1	175
Total: cash at end of quarter (item 1.22)	144	266

Note: Other is the balance of funds held in the Kreyenhagen Joint Venture Account that are assigned specifically to costs incurred on the Kreyenhagen work program.

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				

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 Preference +securities	n/a			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities (See Note Below)	67,672,755	67,672,755		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,701,539	7,701,539		
7.5 *Convertible debt securities	80		C\$50,000 (C\$4.0m)	20% p.a Maturity Date 31 Jul 2014
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	120,000 756,000 128,000 360,000 1,653,317 244,445 200,000 800,000 480,000 1,333,335 2,789,231 1,061,539 Options convert on 1:1 basis		Exercise price A\$1.97 A\$4.50 A\$3.1875 C\$3.60 C\$3.60 C\$3.75 A\$3.1875 C\$3.00 C\$2.50 C\$1.25/C\$2.50 C\$0.065 C\$0.065	Expiry date 28 February 2015 1 July 2014 1 July 2014 5 October 2014 5 October 2014 4 April 2015 4 July 2016 31 July 2015 30 November 2015 27 September 2015 11 May 2016 19 June 2016
7.8 Issued during quarter	3,850,769			
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ 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 Ritchie
Company Secretary

Date: 31 July 2014

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.