

SOLIMAR ENERGY LIMITED

ABN 42 112 256 649

566 Elizabeth Street

Melbourne 3000.

Telephone: 61 3 9347 2409

19 August 2014

**Mr Sebastian Bednarczyk,
ASX Compliance Pty Ltd,
Level 40 Central Park,
152-158 St Georges Terrace,
PERTH WA 6000.**

Re: Your letter dated 14 August 2014

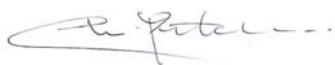
Dear Sebastian,

In response to the questions posed in your letter dated 14 August 2014, the Company responds as follows:

1. The Appendix 5B lodged by the Company included repayment of outstanding creditors and was not a simple reflection of the operating results of the Company for the quarter. However, the Company has kept the market informed that it is reliant on the support of its significant shareholders, directors and creditors to continue to operate. During the quarter the Company raised C\$500,000 to allow it to continue to develop its Kreyenhagen asset whilst maintaining a very low overhead cost structure.
2. The Company will continue to have negative operating cash flows due to the Kreyenhagen asset still being in the development stage, but the total quarterly outflow of funds is not expected to be as large as in the June quarter.
3. The Company is in negotiations with a party in regard to a debt restructuring, sale of the Company's major asset and/or selling the Company. These negotiations are incomplete but may be finalised within the next two weeks.
4. The Company confirms that it is in compliance with the listing rules, and in particular listing rule 3.1.
5. The Company is in compliance with listing rule 12.2.

The Company will update the market immediately upon finalisation of negotiations with the potentially acquiring party.

Yours sincerely,



**Chris Ritchie
Company Secretary**



ASX Compliance Pty Limited
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PERTH WA 6000

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14 August 2014

Chris Ritchie
Company Secretary
Solimar Energy Limited
566 Elizabeth Street
MELBOURNE VIC 3000

By email: chrisb@mdbco.com.au

Dear Chris,

Solimar Energy Limited (the "Company")

I refer to the Company's Quarterly Cashflow Report in the form of Appendix 5B for the period ended 30 June 2014, released to ASX Limited ("ASX") on 1 August 2014 (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of \$0.
2. Net negative operating cash flows for the quarter of \$613,000.
3. Cash at end of quarter of \$144,000.

In light of the information contained in the Appendix 5B please respond to each of the following questions.

1. Is it possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response may be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **by email or facsimile number (08) 9221 2020**. It should not be sent to the Market Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **half an hour before the commencement of trading (6:30 am WST) on Tuesday, 19 August 2014**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact me on 9224 0053.

Yours sincerely,

[sent electronically without signature]

Sebastian Bednarczyk
Senior Adviser, Listings Compliance (Perth)