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Manager Announcements
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Acquisition of New Exploration Project - Silverthread

Highlights

- Solimar Energy has acquired a 40% working interest in the Silverthread Project and has negotiated to farm-out half of its working interest in the project to Sunset Energy, which leaves Solimar Energy with a 20% working interest in the Project.
- The Silverthread Project is located in the oil and gas rich Ventura Basin of California, just northeast of Los Angeles. The Project is located near producing oil and gas fields.
- The Project has estimated potential P50 recoverable resources of approximately 7 million barrels of oil and over 15 billion cubic feet of gas on the 600 acre position acquired.
- At today's oil and gas prices, Solimar Energy's estimated net revenue interest in the P50 recoverable resources from the Project is valued at approximately \$125 million in the success case. Silverthread represents a potential, high impact project for Solimar Energy.
- The initial well at the Silverthread Project is expected to spud within the next week and will be drilled to a target depth of 7,900 feet.

Overview of the Acquisition

Solimar Energy Limited ("Solimar Energy") (ASX Code: SGY) is pleased to announce the acquisition of a 40% working interest in an exciting new exploration project, Silverthread, which is located in the prolific Ojai oil and gas producing area located in the Ventura Basin, about 100 kilometres northeast of Los Angeles, California (refer to Figure 1).

Solimar Energy has been actively pursuing projects in the Ventura Basin where the Silverthread Project is located. This project has been evaluated for quite some time. A new agreement has been entered into with the project's operator, Mirada Petroleum Inc., a California corporation which has an active position in the general Silverthread area.

The acquisition involves Solimar Energy paying 50% of the initial well costs for a 40% working interest in the Silverthread Project. Solimar Energy will earn a working interest in approximately 600 acres. The net revenue interest is high with less than 20% royalties over the area.

Solimar Energy has also entered into an agreement with Sunset Energy Limited ("Sunset Energy") (ASX Code: SEY) covering the Silverthread Project. The new agreement has Sunset Energy taking a 20% working interest in the project and paying 25% of the initial well costs, which leaves Solimar Energy with a 20% working interest in the Project. Sunset Energy has also paid a proportionate share of up front costs associated with the development of the project. Sunset Energy is Solimar Energy's partner in the recently announced Maricopa Project where a recent discovery and successful production test has been completed.

The Silverthread Project has estimated potential P50 recoverable resources of approximately 7 million barrels of oil and over 15 billion cubic feet of gas on the 600 acre position acquired. At today's oil and gas prices, Solimar Energy's estimated net revenue interest is valued at around A\$125 million in the success case.

The initial well is expected to spud within the next week and is targeting the Upper and Lower Mohnian Sand (Monterey Formation). The initial well is expected to be drilled to a depth of approximately 7,900 feet. Dry hole costs for this well are estimated at US\$1.5m, with a successfully completed well expected to cost approximately US\$2.1m. In the success case, Solimar Energy, and its partners in the project, will have access to existing oil facilities and gas pipeline without having to participate in the construction of separate facilities.

Background to the Silverthread Project in the Ojai oil field Area

The Silverthread Project is primarily targeting a deeper Monterey sand reservoir adjacent to the Silverthread oil field and the shallow Saugus sand reservoirs near large oil seeps. In 1971, a discovery was made in the nearby deeper Monterey sand reservoir. These wells had initial production rates of over 200 barrels a day of 33 gravity oil and associated gas from a high porosity formation.

The **geology of the Ojai Area** involves: sandstone and conglomerate reservoirs within the Pleistocene Saugus Formation at depths of under 1,000 feet (no target in our area); sandstone and fractured shale reservoirs within the Upper Miocene Monterey Formation at depths averaging 5,000 feet; and siliceous, phosphatic and calcareous shale locally encase fine grained turbidite sands, all within the Monterey Formation at depths averaging 6,500 feet in the prospect area.

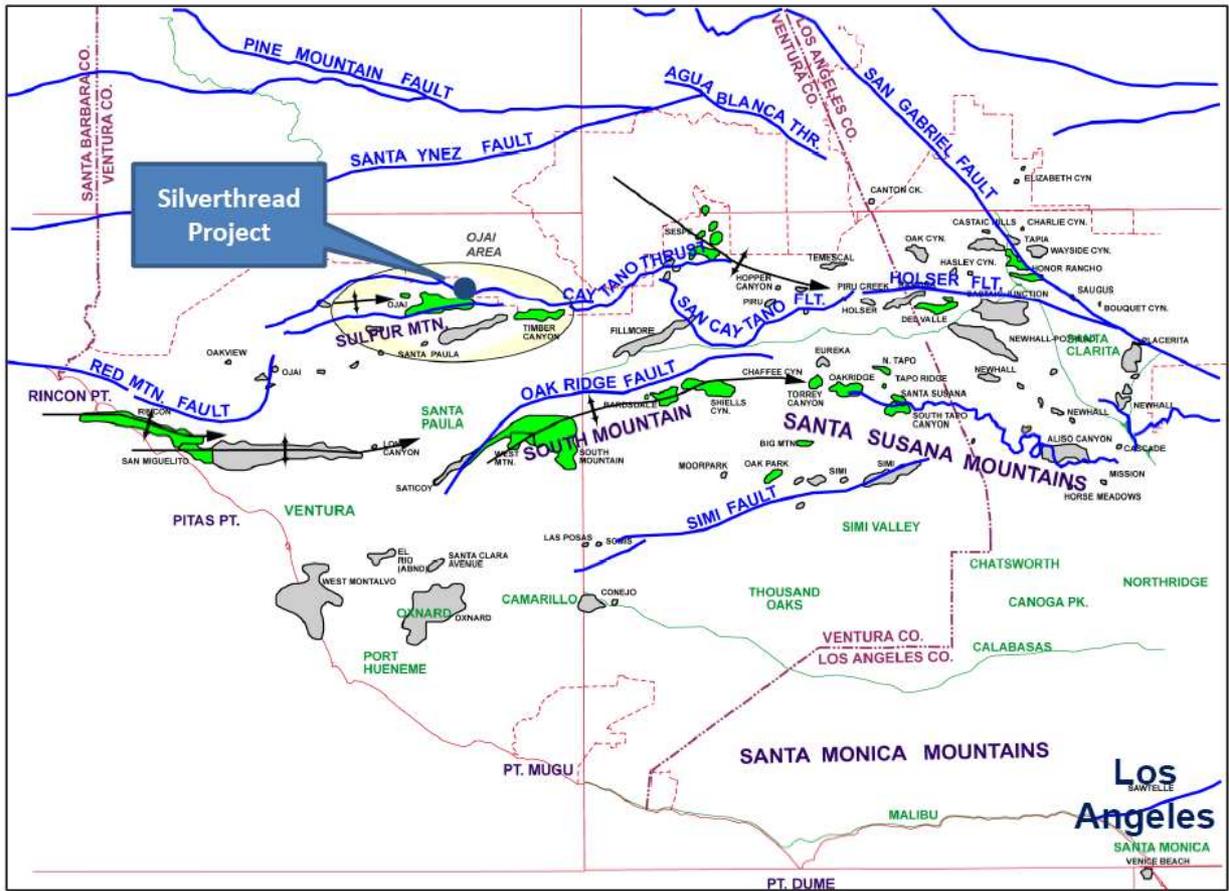
For further information regarding this announcement and Solimar Energy, please contact Andrew Gould on 9347 2409 or via email: andrewg@solimarenergy.com.au.

Yours sincerely,



Frank Petruzzelli
Chairman
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Figure 1. Silverthread Project Location (upper Ojai Oil Field)



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