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Drilling Commences at the Silverthread Project

Highlights

- The initial well, **Nesbitt #5**, has spudded at the Silverthread Project which is located in the oil and gas rich Ventura Basin of California, just northwest of Los Angeles. The Project is located near producing oil and gas fields in the Ojai Area.
- The target depth of the well is 7,900 feet and is expected to take up to 25 days to drill. The drilling will target the Upper and Lower Mohnian Sand (Monterey Formation).
- The Silverthread Project has estimated potential P50 recoverable resources of approximately 7 million barrels of oil and over 15 billion cubic feet of gas. 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.
- Solimar Energy has a 20% working interest in the Silverthread Project.

Nesbitt # 5 well spuds

Solimar Energy Limited ("Solimar Energy") (ASX Code: SGY) advises that drilling of the initial well, Nesbitt # 5, at the Silverthread Project in the Ventura Basin, California was spudded at 1730 hours on 5 May 2008 (Pacific Coast Time, USA). The well has been drilled to a depth of 271 feet and is drilling ahead to the surface casing point of 1,000 feet. This well is expected to take up to 25 days to drill in the absence of any unforeseen operational problems using the Kenai drilling rig.

The Nesbitt #5 well will be drilled to a target depth of 7,900 feet. The primary zones of interest are the Upper and Lower Mohnian Sand (Monterey Formation).

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

Solimar Energy has a 20% working interest in the Silverthread Project, which is located in the prolific Ojai oil and gas producing area located in the Ventura Basin, about 100 kilometres northwest of Los Angeles, California (refer to Figure 1).

As announced to the ASX on 5 May 2008, Solimar Energy originally acquired a 40% working interest in the Silverthread Project, after entering in to an agreement with the project's operator, Mirada Petroleum Inc. ("Mirada Petroleum"), a California corporation which has an active position in the general Silverthread Area. The agreement with Mirada Petroleum involved 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.

Subsequent to this agreement with Mirada Petroleum, 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.

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 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 seaps. 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.

Partners in the Nesbitt #5 well (and their respective working interests) are:

Mirada Petroleum Inc. (Operator) and Partners:	60.0%
Solimar Energy Limited (ASX Code: SGY):	20.0%
Sunset Energy Limited (ASX Code: SEY):	20.0%

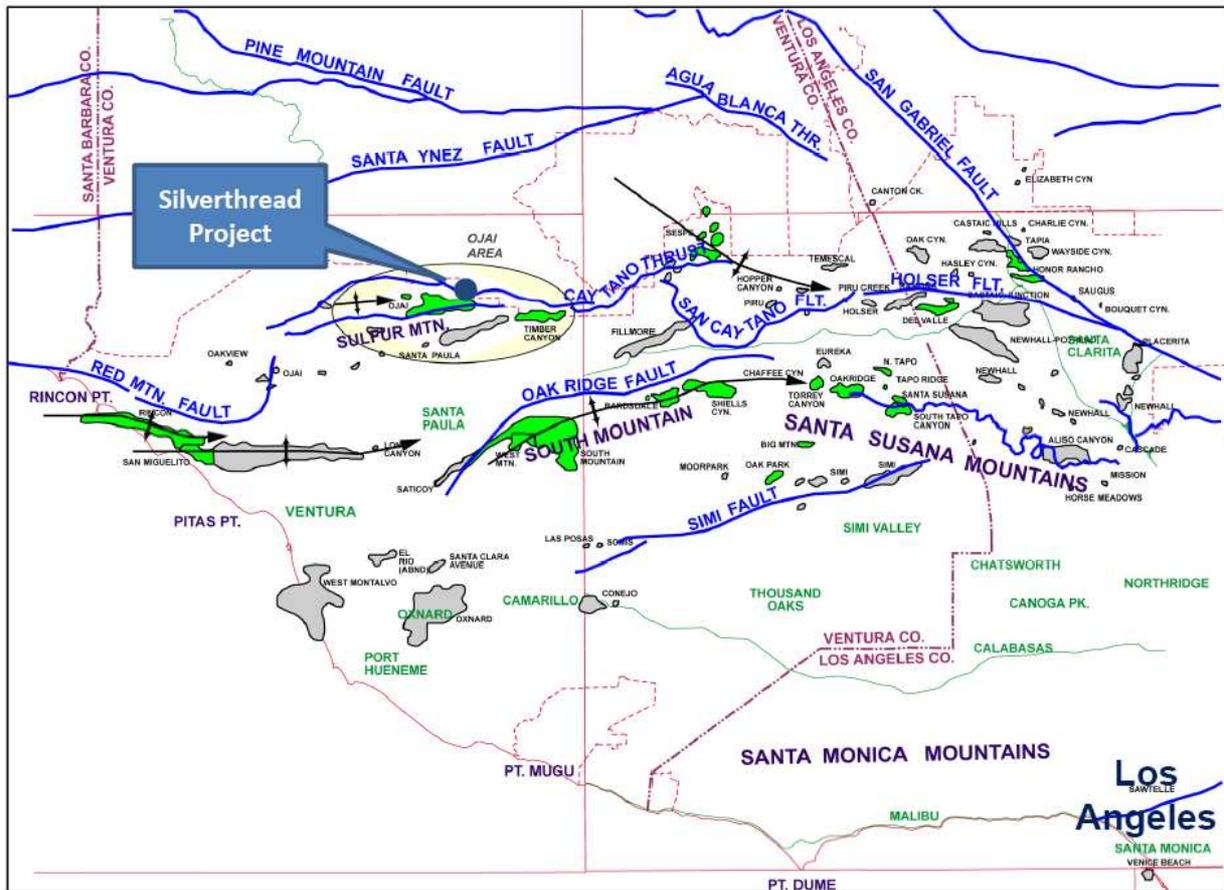
For further information regarding this announcement and Solimar Energy, please contact Andrew Gould on (03) 9347 2409 or via email: andrewg@solimarenergy.com.au.

Yours sincerely,



Frank Petruzzelli
Chairman
Solimar Energy Limited

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



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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