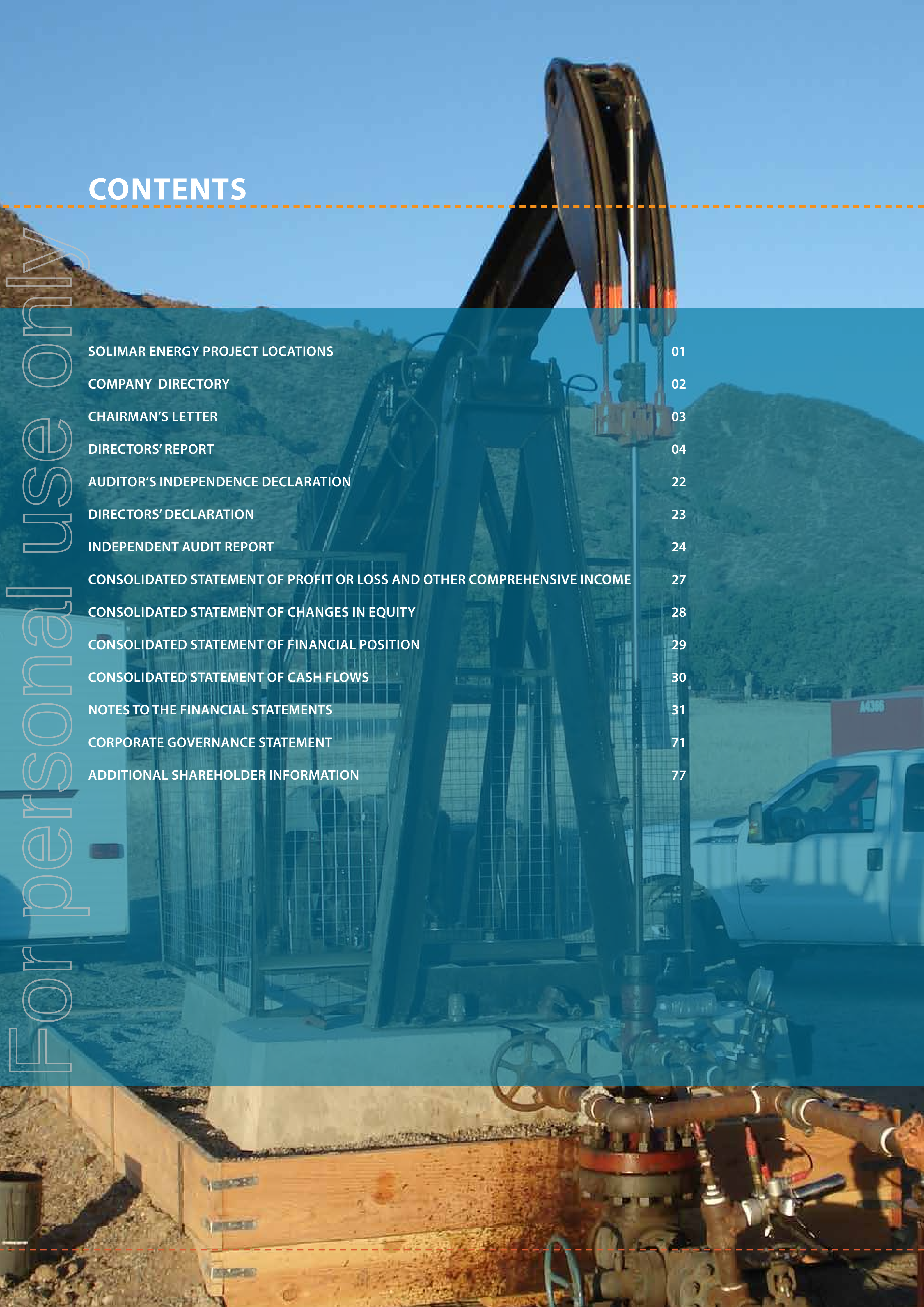
SOLIMAR ENERGY LIMITED ANNUAL REPORT 2013

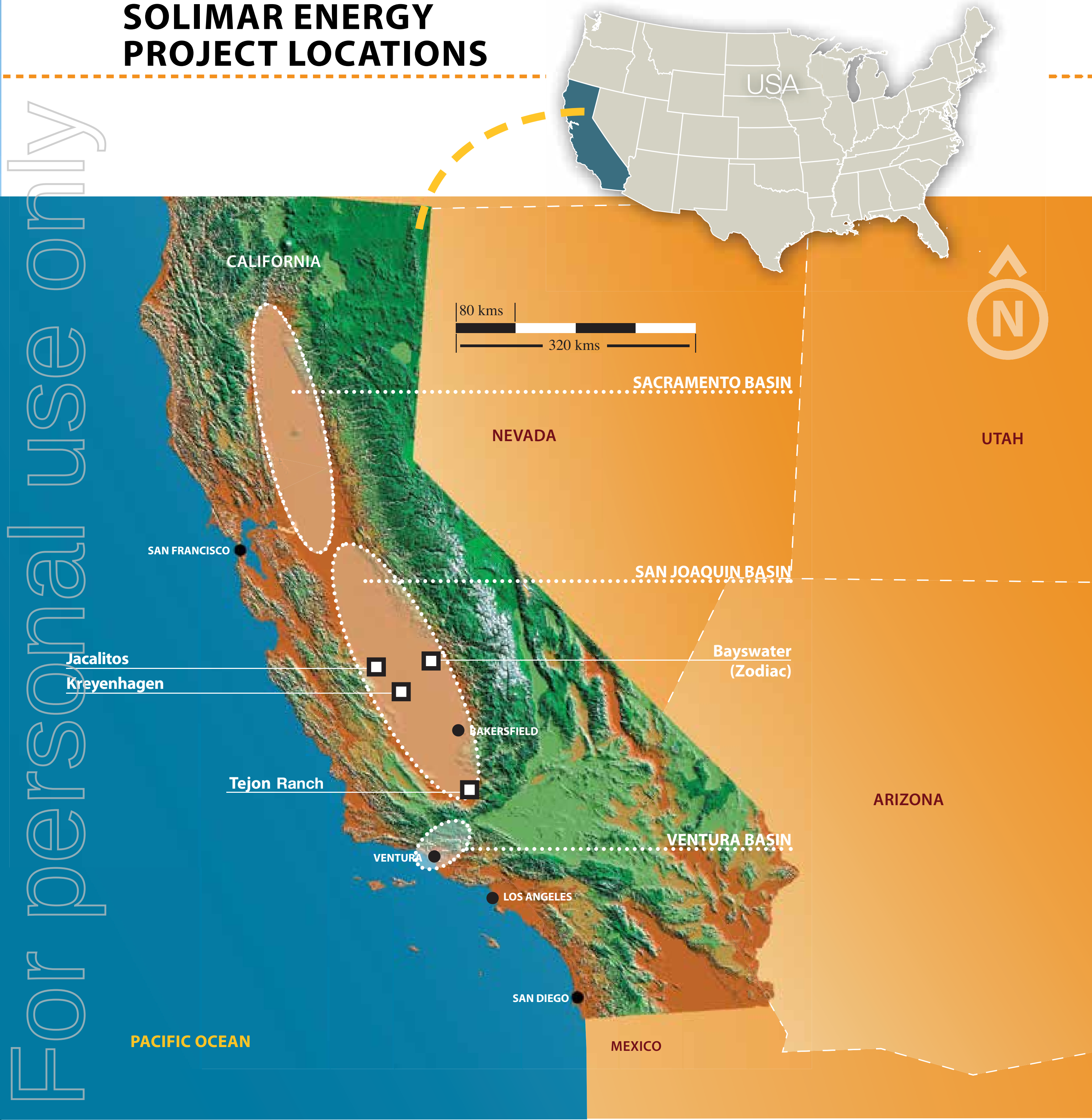
solimar energy

Solimar Energy Limited- ABN 42 112 256 649



CONTENTS

SOLIMAR ENERGY PROJECT LOCATIONS



For personal use only

COMPANY DIRECTORY

Directors

Mr Frank Petruzzelli –
Chairman

Mr William Satterfield –
Non Executive Director

Mr Mark Elliott –
Non Executive Director

Dr. Charle Gamba –
Non Executive Director

Mr Jason Bednar –
Non Executive Director

Stock Exchange

Australian Securities Exchange
– Perth Office

Exchange Plaza
2 The Esplanade
Perth, WA 6000
AUSTRALIA

TSX Venture Exchange
– Calgary Office

300 - 5th Avenue SW
10th Floor
Calgary AB T2P 3C4
CANADA

Company Secretary

Chris Bowyer

Registered Address and Business Address

Solimar Energy Limited
(ABN 42 112 256 649)
566 Elizabeth Street
Melbourne, Victoria 3000
AUSTRALIA
Phone: (03) 9347 2409
Fax: (03) 9349 1186

Share Registry

Advanced Share Registry Services

150 Stirling Highway
Nedlands, Western Australia 6009
AUSTRALIA
Phone: (08) 9389 8033
Fax: (08) 9389 7871

Computershare Investor Services Inc

510 Burrard Street
Vancouver, BC V6C 3B9
CANADA
Phone:+1 604 661 9400
Fax: +1 604 661 9549

US Business Address

Solimar Energy LLC and
Livingstone Energy Inc.

121 N. Fir Street
Suite H, Ventura
California 93001
USA
Phone: +1 805 643 4100

Investor Enquiries

Phone: (03) 9347 2409
Email: info@solimarenergy.com.au

Website

www.solimarenergy.com.au

Auditors

Grant Thornton

525 Collins Street
Melbourne, Victoria 3000
AUSTRALIA
Phone: (03) 8320 2222
Fax: (03) 8320 2200

Accountants

MDB

566 Elizabeth Street
Melbourne, Victoria 3000
AUSTRALIA
Phone: (03) 9349 1488
Fax: (03) 9349 1186

Lawyers

Allens Linklaters
101 Collins Street
Melbourne, Victoria 3000
Phone:(03) 9614 1011
Fax: (03) 9614 4661

Davis LLP
Livingston Place
1000 - 250 2nd Street SW
Calgary, AB T2P 0C1
Canada
Phone: +1 403 296 4470
Fax: + 1 403 296 4474

ASX CODE: SGY
TSXV CODE: SXS

CHAIRMAN'S LETTER

In the 2013 financial year, Solimar Energy ("Solimar" or the "Company") focused on progressing its key asset, the Kreyenhagen Project in the San Joaquin Basin in California. The Company's Board and management team also focussed on: ensuring that Solimar had the necessary funding to undertake the initial stages of the Kreyenhagen Project; rationalising the Company's other projects to further assist with this strategy; and reducing costs.

In relation to funding, the Company secured C$4.0 million in July 2012 through the issue of convertible debentures to a number of sophisticated investors ("June 2012 Debentures"). These funds enabled the Company to begin work at the Kreyenhagen Project during the first half of the financial year.

Preliminary work at Kreyenhagen Project involved re-entering three (3) wells (K 4-33, K 1-33 and K 6-33 which had been previously drilled) to test the Temblor sandstone oil reservoir. This activity provided technical information which could give the Company a better understanding of the makeup of the rocks, the oil properties and the suitability of the acreage to a steam generation program. The information also assisted Solimar with preparing a work program which it intended to undertake in conjunction with a joint venture partner.

The Company initiated a search for a joint venture partner and on May 7, 2013, Solimar announced that it had entered into a Farmout Agreement with a TSXV listed company ("farminee") for an appraisal and development joint venture on 1,720 acres encompassing the Kreyenhagen Field Heavy Oil Project. The joint venture consists of a two phase work program with the second phase being optional. If both phases were undertaken this could provide up to US$5 million to the program in exchange for 40% of the heavy oil project and 12% in the deeper Kreyenhagen shale leases.

Phase 1 of the project involves a three (3) well drilling program. The first well (K 2-33) reached Target Depth ("TD") at 1,472 feet measured depth on July 20, 2013 and was subsequently logged and cased. The well was directionally drilled up to a 48 degree angle and encountered approximately 600 feet (measured depth) gross interval of the Temblor Sand Formation.

The second well (K 8-33) was successfully drilled and reached TD at 1,590 feet measured depth on September 21, 2013. The well was directionally drilled up to a 48-degree angle, logged and cased. Preliminary analysis indicates that approximately 900 feet gross measured depth of the Temblor Sand Formation was encountered.

Forward plans are to move in a completion rig in due course to perforate and production test both the K 8-33 and K 2-33 wells to obtain fluid samples for use in retailed log analysis and reservoir modeling. At the conclusion of Phase I the farminee will have earned 15% in the project.

During the 2013 financial year, the Company also recognised that it needed to rationalise its project portfolio. With the focus on the Kreyenhagen Project there was a review of the other projects and their overall fit with the Company's objectives. Projects such as Maricopa and the Tejon Ranch were monetised. Maricopa, in production since 2008, was sold at the end of January 2013 for US$1.25 million of which the Company's share was US$625,000. The Company's interest in Tejon Ranch was sold down to 10% in August 2013 raising another US$250,000.

Furthermore, projects such as Paloma and Southeast Lost Hills, while demonstrating potential, would require an investment from the Company that would divert resources from the Kreyenhagen Project. Therefore a decision was made during the financial year for the Company to relinquish its interests in these projects.

The Company also recognised that it needed to reduce costs and in particular those of an administrative nature. An internal review earlier in the year was undertaken and initiatives were made including the reduction in director fees, minimising certain consultant activities and small efficiencies in other areas which have resulted in some savings.

The Company is aware of the uncertainty generated from the recent events surrounding the June 2012 Debentures. The Company was served with a notice of default by the main noteholder, in July 2013 relating to the interest payment due on those debentures for the June quarter. The Company re-negotiated with the debenture holders and agreed to some amendments to the debentures that resulted in among other things an earlier maturity date.

The Company now faces in the next few months the maturity of both these debentures and the earlier debentures issued in February 2012. The Board are endeavouring to secure financing which will enable the debentures to be re-paid and the Company to continue with its work program at the Kreyenhagen Project. A small placement of $C500,000 was made in late September 2013 to assist the Company in maintaining operations. The Company faces the challenge of securing additional financing through capital raisings and/or further farmout of the Kreyenhagen Project to ensure that Solimar is a going concern.

I would also acknowledge and thank certain individuals who have assisted the Company during the last twelve months. Will Satterfield, who stepped up as CEO in August 2012 and worked to secure a joint venture partner as well as oversee the beginning of the work program at Kreyenhagen. Will stepped down as CEO in June 2013 but remains on the Board. I also acknowledge John Begg and Ryan Dunfield both who resigned from the Board this year but provided the Company with their expertise and time while serving. I would also like to thank Jason Bednar for heading up the Executive Committee of the Board to help manage the operations with the assistance of Mr Donn Pedersen.

Finally, I would like to thank the current Board, Mr Chris Bowyer (CFO/ Company Secretary) and various consultants who are continuing to work hard for Solimar. I appreciate that it has been a challenging year and I thank shareholders for their patience and understanding as the Solimar Board aims to deliver value through the development of the Kreyenhagen Project.

Frank Petruzzelli

Frank Petruzzelli
Chairman

DIRECTORS' REPORT

The Directors of the Company present their report together with the financial report of Solimar Energy Limited (the Company) and of the Group, being the Company and its subsidiaries and the auditors report thereon for the financial year ended 30 June 2013. The financial report was authorised for issue by the directors on 30 September 2013. The Company has the power to amend and reissue the financial report.

1. DIRECTORS AND COMPANY SECRETARY

The Directors and the Company Secretary of the Company at any time during or since the end of the financial period are detailed below.

Mr Frank Petruzzelli
BBus (Acc), FNTA, PNA
Non-Executive Chairman
(Age 49; Appointed 29/06/07)

Frank joined the Board on June 29, 2007 in the role of Non-Executive Chairman. His principal occupation for the last five years has been as director of MDB, an Australian accounting firm, which provides taxation and business advice to individuals and private companies. Frank was a founding director of Orchard Petroleum Limited, a Corporation whose primary focus was oil & gas exploration in California, U.S. From July 2003 to November 2012 he was also a director of Golden Gate Petroleum Limited, which specialized in oil and gas exploration, concentrating on oil and gas lease tenements in onshore Gulf of Mexico and the Permian Basin, U.S. Frank is a Fellow of the National Tax and Accountants Association, a Fellow of the Institute of Public Accountants and a registered Tax Agent.

Mr Jason Bednar BComm CA (Canada)
Executive Director (Age 42; Appointed 10/10/11)

Jason is a Director of Canacol Energy Ltd. He is the CFO and a Director of MENA Hydrocarbons Inc., an international oil and gas company. Jason is the former CFO and Director of Sagres Energy Inc., an international oil and gas exploration company. He is the former Chairman of Gallic Energy Ltd. Jason is the former CFO of Pan Orient Energy Corp, a South East Asia Exploration company (2004 to April 2009). He is the past Manager of Financial Reporting for Canadian 88 Energy Corp. (1998-2002) and former Controller of Canadian Superior Energy Inc. (2002-2004). Jason is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Saskatchewan.

Mr Mark Elliott
Non-Executive Director
(Age 54; Appointed 29/06/07)

Mark has over 27 years' experience in owning and running private companies in Australia and in the United States. He has extensive experience in the oil and gas sector through investments in companies involved in that sector. Mark is a director of several private companies which predominantly relate to his private family business that cover building and construction, stone restoration, manufacturing of stone products and property developments. His principal occupation for the past five years has been as Managing Director of Mirror Image Marble, a private company specializing in the restoration and refinishing of marble and natural stone surfaces. Mark has not held any other directorships in listed companies.

Dr Charle Gamba BSc MSc PhD
Non-Executive Director
(Age 49; Appointed 12/09/11)

Charle is the President, CEO and a director of Canacol Energy Ltd., a public Canadian oil company focused on exploration and production activities in Colombia and Ecuador. He is a current director of Miramar Hydrocarbons Ltd. and past Vice President of Exploration for Occidental Oil and Gas Company (Oxy) in Colombia. Charle was also the Chief Geologist with Oxy in Ecuador and Chief Geoscientist for Oxy in Qatar. He is a geologist with 20 years of multidisciplinary experience in the oil and gas industry in Latin America, Middle East, North America, and South East Asia with Occidental Petroleum, Alberta Energy Company (EnCana), Canadian Occidental (Nexen), and Imperial Oil.

Mr William Satterfield BS, MA
Chief Executive Officer
(Age 51; Appointed 01/08/12, Resigned 31/05/13)

Non-Executive Director
(Appointed 01/06/13)

Will is a petroleum geologist and oil company manager with extensive worldwide experience including the conventional and unconventional reservoirs of the San Joaquin Basin. Will was the chief executive officer of the Company from August 2012 through to June 2013 and prior to his appointment as chief executive officer he was chief operating officer. Before Solimar, he was Country Manager in India for the London Stock Exchange listed Hardy Oil and Gas Inc. Previously, Will worked for 22 years with Occidental Petroleum in increasing positions of responsibility in worldwide geotechnical management, with his most recent as Geosciences Manager for Central and Southern California. Will has not held any other directorships in listed companies.

Mr John Begg BSc
Non-Executive Director
(Age 54; Appointed 01/08/12, Resigned 05/04/13)

John is a petroleum geologist with over 30 years' experience in the upstream oil and gas industry. From November 2009 to August 2012 John was Chief Executive Officer of the Company. From November 2005 to October 2009, John was Managing Director of Salinas Energy Limited (now Neon Energy Limited) and prior to that the founding Managing Director of Voyager Energy Limited. He resigned from the Board of Solimar on April 5, 2013.

Mr Ryan Dunfield
Non-Executive Director
(Age 30; Appointed 01/08/12, Resigned 22/07/13)

Ryan is currently working for a North American hedge fund and is based in Calgary. He was previously Vice President with the Vancouver B.C. private equity group Second City Capital Partners, and its affiliate, Gibralt Capital Corporation. Previous to Second City Capital Partners, Ryan worked in the debt capital markets, with exposure to corporate banking, leveraged finance and loan syndications. Ryan was previously a director of Alston Energy Inc. from August 2012 to March 2013, Cardero Resource Corp from September 2012 to August 2013 and CanRock Energy Corp from October 2011 to August 2012. Ryan resigned from the Board of Solimar on July 22, 2013.

Mr Chris Bowyer BCA BA CA (NZ)
Company Secretary
(Age 44; Appointed 29/06/07)

Chris is a chartered accountant with 17 years experience in public practice as well as the private sector. Chris was previously the Company Secretary of Golden Gate Petroleum Limited and also the Company Secretary of Orchard Petroleum Limited which was listed on the ASX before its takeover by Eskdale Petroleum Pty Ltd in March 2007. He is an employee of MDB, an Australian accounting firm.

Directors' Meetings

The number of Directors' meetings held and the number of meetings attended by each of the Directors of the Company during the financial period were:

Director	Board of Directors	
	Present	Held
Frank Petruzzelli	8	9
Mark Elliott	9	9
Charle Gamba	6	9
Jason Bednar	9	9
Will Satterfield*	5	8
Ryan Dunfield **	8	8
John Begg ***	5	6

* William Satterfield was not required to attend two meetings due to the topics being discussed. He was also appointed a Director in August 2012 from which time 8 meetings were held.

** Ryan Dunfield was appointed a Director in August 2012 from which time 8 meetings were held.

*** John Begg was a Director until April 5, 2013 over which time 6 meetings were held.

1.2 Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Solimar Energy Limited support the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that the Company is in compliance with those guidelines which are of importance to the commercial operation of a junior-listed resource Company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. The Corporate Governance Statement is set out on pages 71 to 76.

1.3 Committees

The Company has an audit committee, remuneration committee and reserves committee which were established during the 2013 financial year.

2. REVIEW OF OPERATIONS

2.1 Exploration and Development Strategy

The near-term business plan of the Company is to continue with its asset evaluation program through a focused exploration, development and appraisal program. To accomplish this objective, Solimar continues to pursue an integrated strategy of exploration and development drilling in the San Joaquin Basin as well as strategic divestitures, farmouts and property swaps to high grade the Company's positions.

The Company is largely opportunity driven and will focus its expenditures in areas that are expected to provide the greatest economic return to the Company, recognizing that all drilling involves substantial risk. No assurance can be given that drilling will prove successful in establishing commercially recoverable reserves.

2.2 Operational Activities

2.2.1 Kreyenhagen: 84% – 100% Working Interest and Operator (San Joaquin Basin)

The focus in the first half of the financial year was a production test of three suspended wells that had been previously drilled in 2007.

Wells 1-33 and 4-33 were perforated to production test the Temblor Sandstone oil reservoir. These wells were previously completed with 7 inch casing and cemented, which provided the opportunity for the Company to test multiple zones within the Temblor reservoir to investigate reservoir performance and fluid properties.

Well 4-33 is located down-dip of the main field in an area with no previous production. Core descriptions from a nearby well (Schrock-1) drilled in 1927 and not tested, suggested that a light oil zone was separate and segregated from the main pool section. Also, mud log oil and gas show descriptions in the 4-33 well suggested a similar conclusion. Testing results from the 4-33 well confirmed the Company's premise of a down-dip lighter oil pool.

Sampled oil gravity in 4-33 is 17.3° API, which is at the high end of expectations with a correspondingly favourable viscosity profile. Laboratory analysis of the 17.3° API crude oil sampled from the 4-33 well showed an oil viscosity profile which is significantly lower (better) than previously modelled which would result in expected increased oil production rates.

The 4-33 well had sidewall core porosity and permeability of 32% and 500-1,100 md (millidarcies) respectively. The well began production at a rate >15 bopd from 140 feet of perforations between 850-1,030 ft before stabilizing after a few weeks at 4-5 bopd with a water cut of 35%.

The Company continued to produce from the 4-33 well for a long term production test of several months. The first shipment of oil from 4-33 occurred in late December 2012 with 95 bbls of oil sold. A further three shipments of oil were made between February and May 2013 totalling 374 bbls of oil sold. The 4-33 well has since been temporarily shut in so that the pumping unit can be re-deployed to test the wells being drilled under Phase I of the joint venture (see below).

Well 1-33 was production tested; however, production levels were low most probably due to damage from previous drilling and completion activities.

Well 6-33, completed in the Avenal Sandstone and previously tested gas, was returned to production to see if adequate gas rates could be produced to supply a steam generator for a future thermal pilot test in the Temblor Sandstone Formation which contains heavy oil. The well produced gas, but not in sufficient quantities to supply a steam generator for the pilot.

Sproule Unconventional Limited ("Sproule") prepared two reports that consist of resource assessments regarding certain prospects located within the Kreyenhagen Field Administrative Boundary (225 acres) of the Kreyenhagen Project. Sproule is an independent qualified reserves evaluator and the reports were prepared in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook.

The first report includes a resource assessment of the Avenal Sandstone formation in the Kreyenhagen Field Administrative Boundary. The report is entitled "Resource Assessment of Certain P&NG Holdings in the Kreyenhagen Area, San Joaquin Basin, California, for Solimar Energy Limited (As of October 31, 2011)". The report is dated November 16, 2011 and has an effective date of October 31, 2011. Based on Sproule's analysis, the unrisked, gross working interest prospective resources estimated for the Avenal Sandstone formation, without consideration of economics, working interest, royalties or other encumbrances, are as follows (see table 1)

Table 1	Avenal Sandstone Formation (Gross Unrisked Company Working Interest)		
	Low Estimate (Mbbl)	Best Estimate (Mbbl)	High Estimate (Mbbl)
Prospective Resources	29.7	148.4	648.5

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; in this case, the discovery risk is interpreted to relate to recovery process risk rather than geological risk. These estimates have not been adjusted for either discovery/recovery process risk or development risk; thus NI 51-101 requires the inclusion of a disclaimer stating that there is no certainty that any portion of these prospective resources will be discovered, that any portion of these resources will be developed or that it will be commercially viable to produce any portion of these resources.

The second report includes a resource assessment of the Temblor formation in the Kreyenhagen Field Administrative Boundary. The report is entitled "Contingent Resource Assessment of the Temblor Formation in the Kreyenhagen Field Administrative Boundary Lease in the Kreyenhagen Area, San Joaquin Basin, California, for Solimar Energy Limited (As of July 31, 2012)". The report is dated September 25, 2012 and has an effective date of July 31, 2012.

Contingent Resources were estimated for a planned pilot project, based on a 2.5-acre 5-spot pattern using a proximal well, estimates of oil initially-in-place, and the recovery factor distribution based on an analogue pilot. A recovery factor distribution of 10% (low), 35% (best), and 60% (high) was incorporated into the probabilistic model. In accordance with current resource disclosure guidelines, the Contingent Resources within the planned pilot project were sub-classified as Development Pending and the remaining Contingent Resources assigned to the property were sub-classified as Development Unclarifed or on Hold because the Company currently has no development plans for these resources.

The Company does not currently have any assets which are classified as being on hold. Using these models, Sproule estimated that the Contingent Resources attributable to the Company's 100% working interest in the Temblor Formation, without consideration of economics, working interest, royalties, or other encumbrances, were as follows (see table 2)

Table 2	Temblor Formation (Gross Unrisked Company Working Interest)		
	Low Estimate (Mbbl)	Best Estimate (Mbbl)	High Estimate (Mbbl)
Development Pending (Pilot)	78	130	184
Development Unclarified	2,339	4,016	5,969
Contingent Resources	2,416	4,146	6,153

The Contingent Resources were sub-classified by development maturity based on the Company's commitment, application for regulatory approval and capital spending to develop these resources.

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.

The contingencies that prevent these Contingent Resources from being classified as reserves are regulatory approval, development of the pilot project itself, proof of economic viability, and corporate commitment of funds for development. Note that contingent resources carry development risk and that these resource estimates have not been risked for the chance of development; thus NI 51-101 requires the inclusion of a disclaimer stating that there is no certainty that any portion of these resources will be developed, or that it will be commercially viable to produce any portion of these resources.

"Best Estimate" means the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

"Low Estimate" means a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

"High Estimate" means an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

On May 7 2013 the Company announced it signed a definitive Farmout Agreement with a Canadian TSXV listed company ("Farminee") for an appraisal and development joint venture over a 1,720 acre area encompassing the Kreyenhagen Heavy Oil Project Area. The Farminee will provide funding for the phased appraisal and development of the Kreyenhagen Heavy Oil Project Area. Solimar will retain majority ownership and operatorship throughout the program. Solimar currently has about 13,800 gross and net acres under lease, including approximately 10,000 gross and net acres in the core 100% working interest owned Kreyenhagen Ranch lease, with an 84% to 100% Working Interest ownership position in the remaining leases.

Phase I consists of the Farminee funding up to a $2 million USD cap, for the drilling and evaluation of two or three wells and the compilation of a reservoir model over the shallow Temblor sandstone heavy oil reservoir, plus a $500,000 USD cash payment to earn a 15% working interest (WI) in the Kreyenhagen Heavy Oil Project Area.

The Phase I drilling information from core and wire line logs will provide empirical data to further delineate the lateral and vertical distribution of the shallow Temblor sandstone reservoir properties. This data will be incorporated with current field subsurface data to create static and dynamic reservoir models to simulate primary and enhanced steam recovery mechanisms, well designs, well completions and well placement. Phase I modeling will likely conclude in Q4 2013. The Farminee has an option to enter into Phase II, following completion and review of the Phase I results.

The first well 2-33 of the Phase I program reached TD at 1,472 feet measured depth on July 20 and was subsequently logged and cased. The well was directionally drilled up to a 48 degree angle and encountered close to 600 feet gross measured depth interval of the Temblor sand formation.

The second well of the Phase I program 8-33 spudded on September 19, 2013 and reached target depth at 1,590 feet measured depth on September 21. The well was directionally drilled up to a 48-degree angle, logged and cased. Preliminary analysis indicates that approximately 900 feet gross measured depth of the Temblor Sand formation was encountered.

Forward plans are to move in a completion rig in due course to perforate and production test both wells 2-33 and 8-33 to obtain fluid samples for use in detailed log analysis and reservoir modelling.

Phase II will consist of the Farminee funding up to a $3 million USD cap for a steam enhanced recovery pilot program and further thermal modelling in the Kreyenhagen Heavy Oil Project Area plus a $1 million USD cash payment to earn an additional 25% working interest (WI) in the Kreyenhagen Heavy Project Area lease and 12% working interest (WI) in certain Kreyenhagen shale oil leases.

Based on the Phase I well results and reservoir modelling, the Phase II steam pilot will be designed to maximize oil recovery and test recovery mechanisms and timing. It is anticipated that Phase II will commence in Q1 2014 and last approximately six months. A key permit from the California Department of Oil, Gas and Geothermal Resources (DOGGR) for a steam enhanced pilot project at the Kreyenhagen Field was previously submitted and is approved.

2.2.2 Paloma: No further interest (Previously 10.6% Working Interest (San Joaquin Basin))

At the beginning of the financial year the Paloma Deep-1 well was production tested in the Lower Antelope (Monterey) Shale section and on 29 Aug 2012 the Company announced the preliminary results of 7 BOPD and 20 MCF of gas with a 68% water cut. The well was shut in for a pressure build up with subsequent testing planned.

The Paloma Deep-2 well (the deepest well which reached 13,931ft), was designed to test targets encountered in Paloma-1. The primary targets were the Fruitvale and Lower Stevens B intervals; however, the initial zone tested was the deeper McDonald Sandstone which recovered light oil at surface along with a small flow of gas. This zone may be investigated as a candidate for hydraulic fracturing stimulated development. Preparations were being made to test the primary objectives.

Paloma 3 is a shallow appraisal well which was completed at the end of the June quarter. Initial tests focused on a 5 ft shallow gas sand at 5,435 ft. Production testing recorded a maximum unassisted flow rate of 2.2 MMCF per day and it is anticipated that the sand may be commercialised as part of a larger field development. There were also plans to test two additional shallow gas sands.

Over the December quarter testing of the Lower Stevens "B" sand in the Paloma Deep-2 vertical appraisal well continued. The zone was fracture stimulated with water and propant designed to be deposited within the induced fractures. Initial flow back of fracture fluid included oil and gas. Production tubing was run and additional perforations were shot and after a few days of intermittent swab testing the well recovered over 40 barrels of 34°API gravity oil.

Paloma Deep-2 produced at rates of up to 8 barrels of oil and 20 thousand cubic feet of gas per day. This was lower than the Paloma Deep-1 well which produced at a maximum flow rate of 226 barrels of oil/condensate per day and nearly 2 million cubic feet of gas per day. The reason for the lower flow rate is believed to be mainly due to lower reservoir permeability, although the nature of the well completion and fracture stimulation may be contributing factors. Testing on the Paloma Deep-2 well was completed in the March 2013 quarter.

Towards the end of the financial year the Company received a Notice of Non Consent from the Operator in accordance with the terms of the Joint Operating Agreement. The Notice of Non Consent arose from the Company's decision not to contribute on a cash call. The effect of this notice was that the Company's interest in the three wells (Paloma Deep-1, Paloma Deep-2 and Paloma 3) and the 240 acre area surrounding the wells will transfer to Neon Energy (ASX:NEN). Additionally the Company's working interest in the remainder of the Paloma "Western Leases" would be reduced to 10.6%.

As a result of being served the Notice of Non Consent the Company would not benefit from any farmin agreement that pertained to the existing three wells or surrounding 240 acre area or benefit from any hydrocarbon production that might result.

The Company has since reviewed its options in regards to the overall project and the decision was made subsequent to the end of the financial year to relinquish all its remaining interests in the leases at Paloma in order to focus resources on the Kreyenhagen project.

2.2.3 Southeast Lost Hills (SELH) Project: No further interest (Previously 100% Working Interest (San Joaquin Basin)

At the beginning of the financial year the Company was granted a one year lease extension on the acreage, which included access to the 3D seismic data held over the area.

Towards the end of the year the Company re-evaluated its priorities and relinquished its leases.

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

The Company continued to evaluate the prospectivity of the 3D seismic defined leads and prospects in the acreage and was also in discussions with third parties with a view to selling down its interest in the project.

Solimar's partner in the acreage, North American Oil and Gas, drilled a North Tejon Field step-out test well in the December quarter, immediately adjacent to the Tejon acreage. The well was briefly tested and more detailed testing and studies are planned.

The Company announced on August 12, 2013 that it had sold 47.5% of its 57.5% interest at Tejon Ranch to its partners for a consideration of US$250,000. The sale reflected the continued efforts of the Company to focus its resources on the commercialisation of the Kreyenhagen project.

2.2.5 Bayswater: 1.13% Working Interest (San Joaquin Basin)

The recovery of oil in the 1-10 exploration well from the Kreyenhagen Shale in a non-structural position is significant for the regional implications for expanding the play beyond well-defined structural closures. Increased industry activity in the area consisting of land acquisitions, drilling, and permitting of new well locations by various companies illustrates the expanding new play.

2.2.6 Jacalitos: 75% 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.

2.3 Production

2.3.1 Maricopa: No further interest (Previously 50% Working Interest and Operator (San Joaquin Basin))

During the September quarter 2012, a total of 1,130 barrels of oil were sold from the Maricopa Project. The average price of oil received from Kern Oil Refinery in the quarter was about US$104/bbl. Solimar Energy's share of revenue received in the September quarter (before royalties) was approximately A$58,000.

The Company also released on 30 September 2012 its annual reserve figures for the Maricopa project as required under National Instrument 51-101. The report was prepared by an independent qualified reserves evaluator.

During the December quarter 2012, a total of 1,811 barrels of oil were sold from the Maricopa Project. The average price of oil received from Kern Oil Refinery in the quarter was about US$101/bbl. Solimar Energy's share of revenue received in the December quarter (before royalties) was approximately A$90,000. Production increased in the quarter due to optimization of the surface facility and higher well online efficiency.

On 31 January 2013 the Company formally closed on the sale of the 120 acre Maricopa property to an undisclosed private buyer for a total purchase price of USD $1,250,000. Solimar's 50% WI proceeds were USD $625,000. Solimar was operator of the property with Challenger Energy LLC holding the remaining 50% WI. A deposit in respect of the purchase price had been received in the December quarter (USD $125,000).

For personal use only

Prior to the sale on January 31, 2013, a total of 820 barrels of oil were sold from the Maricopa Project. The average price of oil received from Kern Oil Refinery in the quarter was about US$108/bbl. Solimar Energy's share of revenue received in the March quarter (before royalties) was approximately A$87,000 which included revenue from the oil sold at Kreyenhagen.

The sale of the non-core property fulfils one of the Company's stated goals of freeing up additional capital for key projects, particularly the multi-target Kreyenhagen project.

Solimar Energy: Quarterly Gross Oil Sales Production from the Maricopa Project

Sept. Qtr 2012	1,130
Dec. Qtr 2012	1,811
Mar. Qtr 2013	820
Jun. Qtr 2013	-
2012/13 F/Yr	3,761
2011/12 F/Yr	7,186

Southeast Lost Hills

During the 2013 financial year, there were no gas sales from the Southeast Lost Hills Project.

2.4 Corporate Development Activities

2.4.1 Capital Raisings

On 1 August 2012 the Company announced that the C$4.0 million to be raised through the issue of 80 debentures and 20,000,000 warrants had been released from escrow as a result of the transaction being approved at the General Meeting held on July 23.

The debentures were convertible into ordinary shares at C$0.10 per share and paid interest at 11% per annum quarterly in arrears either through cash or the issue of shares at the election of the Company. The debentures originally matured on 31 December 2014.

The warrants could be exercised into the equivalent number of ordinary shares at C$0.12 per warrant. The expiry date of the warrants was 31 July 2015.

Subsequent to the end of the 2013 financial year the Company received a notice of default from one of the debenture holders in respect of the June quarter interest. The Company paid the interest and entered into negotiations with the holders over the alleged default. The holders of June Debentures agreed to waive the event of default under the June Debenture and direct the trustee under the corresponding debenture indenture to cancel the declaration that the outstanding principal and interest owing thereunder was immediately payable on the condition that the debenture indenture be amended and restated to provide, among other things, as follows:

+ the interest payable on the June Debentures increases to 20% per annum effective July 1, 2013 with 16% being payable on each interest payment date and the additional 4% being accrued and payable upon maturity;
+ the maturity date of the June Debentures is brought forward to January 31, 2014. However, at the Company's option and upon the Company and its subsidiaries providing the holders of Debentures first priority security on all of the Company's and its subsidiaries' assets and payment of a C$250,000 extension fee, payable proportionately to the holders of the June Debentures at the time of the extension, the maturity date may be extended to July 31, 2014;
+ the Company pays a loan modification fee of C$500,000, payable proportionately to the holders of the June Debentures upon maturity;
+ the Company covenants to use all reasonable commercial efforts to pay, via the issuance of shares, any principal and interest owing on the February Debentures; and
+ the Company and its subsidiaries covenant not to incur or become responsible for, directly or indirectly, any additional indebtedness that ranks in priority to the June Debentures. The debenture indenture was amended and restated as of August 14, 2013 to reflect the foregoing conditions.

2.4.2 Appointment of New Non-Executive Directors

On August 2, 2012 the Company announced the appointment of Mr Ryan Dunfield to the Board as a non executive director. He had been appointed to the Board representing Second City Capital Partners and affiliated Gibralt Capital Corporation of Vancouver, Canada. Mr Dunfield had an economics and finance background and would bring to the Board particular skills in portfolio acquisition and divestiture and financing in the resource sector.

2.4.3 Appointment of New Chief Executive Officer

On August 2, 2012 the Company also announced that Mr Will Satterfield, previously the Company's Chief Operating Officer had assumed the position of CEO as part of a succession plan anticipated at the time of his appointment in January 2012.

Mr Satterfield is a petroleum geologist and oil company manager with extensive worldwide experience including the conventional and unconventional reservoirs of the San Joaquin Basin. Will was previously the chief operating officer of the Company from his initial hiring in January 2012. Prior to his current position, he was Country Manager in India for the London Stock Exchange listed Hardy Oil and Gas Inc., where he was responsible for a business with operated production of 3,500 BOPD and a staff of 35. Previously, Mr Satterfield worked for 22 years with Occidental Petroleum in increasing positions of responsibility in worldwide geotechnical management, with his most recent as Geosciences Manager for Central and Southern California. Occidental or OXY is the largest petroleum land holder in the San Joaquin Basin and is the largest land holder adjacent to or surrounding Solimar's projects.

2.4.4 Resignation of Directors

Mr John Begg, non-executive director and a former CEO of the Company resigned from the Board on April 5. He had been recently pursuing new professional interests and left the Board in order to fulfil contractual obligations that this entailed.

Mr Ryan Dunfield, a non-executive director resigned on July 22, 2013.

2.4.5 Resignation of Chief Executive Officer and appointment of Executive Committee

On 3 June the Company announced that Mr Will Satterfield had for personal reasons decided to step down as CEO. He would however continue an involvement with the Company by remaining on the Board as a non-executive director.

The Board had in the interim appointed an executive committee headed by Mr Jason Bednar. Mr Bednar has a strong background in the management of oil and gas companies including Pan Orient Energy Corp, Canadian 88 Energy Corp and is currently CFO and a director of MENA Hydrocarbons Inc.

3. REMUNERATION REPORT - AUDITED

3.1 Directors and Executives

The Directors and Executives at the date of this report were:

Frank Petruzzelli - Chairman
Mark Elliott - Director
William Satterfield – Director (CEO from 1 August 2012 to 31 May 2013)
Ryan Dunfield – Director (Appointed 1 August 2012 – Resigned 22 July 2013)
Jason Bednar – Director
Chris Bowyer – Company Secretary / CFO
John Begg – Director (Resigned 5 April 2013)

3.2 Remuneration Policy

This Remuneration Report outlines the remuneration arrangements which were in place during the period, and remain in place as at the date of this report, for the Directors and Executives of Solimar Energy Limited.

3.3 Principles of Compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel include the most highly remunerated directors and executives for the Company and the Group.

Compensation levels for key management personnel and secretaries of the Company and relevant key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

+ The capability and experience of the key management personnel;
+ The key management personnel's ability to control the relevant segments' performance;
+ The Group's performance including:
  - The Group's earnings
  - The growth in share price and delivering constant returns on shareholder wealth; and
+ The amount of incentives within each key management person's compensation.

Compensation packages include fixed compensation and short and long-term performance-based incentives.

In addition to their salaries, the Group also provides non-cash benefits to its key management personnel.

3.3.1 Fixed compensation

Fixed compensation consists of base compensation, which is calculated on a total cost basis as well as employer contributions to superannuation funds.

3.3.2 Performance-linked compensation

The Company currently has no performance based remuneration built into any of its key management personnel's remuneration packages other than providing incentive options discussed in 3.3.3.

3.3.3 Short-term and Long-term incentives

Incentive options have been issued to non-executive directors and certain key executives and consultants of the Company. The ability to exercise the options is conditional upon the future performance of the Company and its reflection in the share price. The Group currently has no policy concerning recipients entering into other arrangements that limit their exposure to losses that would result from share price decreases.

3.3.4 Service contracts

Will Satterfield was appointed chief executive officer on 1 August 2012 and resigned from that position on 31 May 2013. It was agreed that the terms of his contract would remain as they were under his tenure as chief operating officer. His contract provided for the payment of a US$200,000 salary plus medical, disability and life insurance cover less applicable withholdings along with 4 weeks leave per annum. There was a provision for an annual performance bonus equivalent to 60% of his annual salary due at the end of the calendar year. The bonus was dependent on the achievement of certain targets as set by the Board. The targets were varied with a portion of the total bonus pool allocated to each of the individual targets. The targets included the reduction of administrative costs by 40%, overseeing an increase to the Company's resources, maintaining a clean safety record and specific objectives to be met at the Paloma and Kreyenhagen projects. The bonus for the 2012 calendar year agreed between the Board and Will Satterfield was paid out prior to his departure as chief executive officer. There had been no establishment of any equivalent performance bonus for the 2013 calendar year.

The agreement could be terminated by the executive by providing 90 days notice which can be worked out or paid out subject to the Board. The Company could terminate the executive without cause with the executive entitled to a 3 month payment along with all accrued and unused annual leave and pro-rated bonus.

There was also a change of control clause in the agreement providing that if the executive was no longer employed at a level commensurate with that immediately prior to the change of control then by providing notice he was entitled to a termination payment representing 3 months pay.

John Begg stepped down as chief executive officer on 1 August 2012. At that time an amendment was made to his agreement to be in effect for 12 months that revised his consultancy fee to $180,000 per annum. His contract could be terminated by the Company without cause by providing 3 months notice or an equivalent payment based on his remuneration. John Begg was to provide 1 month's notice to the Company who could elect to either have him serve out the period or pay him out. The Company had no obligation to make him a payment in the event of a change of control. John Begg was also entitled to additional options subject to shareholder approval which was given at the 2012 AGM. During the financial year John Begg also received a cash bonus due as a result of the capital raising that occurred in July 2012.

On 1 October 2012 a further amendment was made to his consulting agreement. From that date onwards he was placed on a daily rate and any work to be done would require prior approval from the chief executive officer. The revised agreement no longer provided for any notice periods or termination fees. While this agreement has been in effect the Company has not requested any consulting work from John Begg.

Chris Bowyer, the Company Secretary and Chief Financial Officer provides his services through MDB Business and Taxation Advisers, an accounting firm which charges Solimar a fixed monthly fee. Chris Bowyer was also entitled to a cash bonus as a result of the capital raising that occurred in July 2012. There is no provision for a termination fee in the event of a change of control.

Non-Executive Directors

Total compensation, excluding equity share based payments, for all non-executive Directors is not to exceed $360,000 per year.

4 Directors and Executive Officers' Remuneration (Company and Group)

The following table sets out remuneration paid to Directors and key executive personnel of the Company and the Group during the reporting period:

Directors' Remuneration – 2012/13	Cash Salary And Fees*	Cash Bonus	Non Monetary Benefits	Equity Share based Payments Shares	Equity Share based Payments Options	Total
Frank Petruzzelli	72,089	-	-	-	16,200	88,289
Mark Elliott	35,438	-	-	-	16,200	51,638
Charle Gamba	35,438	-	-	-	16,200	51,638
Jason Bednar	35,438	-	-	-	16,200	51,638
Ryan Dunfield	29,740	-	-	-	40,500	70,240
John Begg	76,085	75,000	-	-	32,400	183,485
Total Remuneration	**284,228**	**75,000**	**-**	**-**	**137,700**	**496,928**

* *In the 2013 financial year the director fees shown have been accrued but at the date of this report had not been paid.*

Directors' Remuneration – 2011/12	Cash Salary And Fees*	Cash Bonus	Non Monetary Benefits	Equity Share based Payments Shares	Equity Share based Payments Options	Total
John Begg	365,817	50,000	-	125,000	176,779	717,596
Frank Petruzzelli	90,000	-	-	-	141,750	231,750
Mark Elliott	65,000	-	-	-	126,000	191,000
Charle Gamba	52,722	-	-	-	78,750	131,472
Jason Bednar	47,667	-	-	-	78,750	126,417
Total Remuneration	**621,206**	**50,000**	**-**	**125,000**	**602,029**	**1,398,235**

* *In the 2012 financial year both Charle Gamba and Jason Bednar received their fees through the issue of shares at an equivalent value.*

Executives' Remuneration – 2012/13	Cash Salary And Fees	Cash Bonus	Non Monetary Benefits	Equity Share based Payments Shares	Equity Share based Payments Options	Total
Will Satterfield –Chief Executive Officer (CEO)	216,125	10,324	-	-	107,362	333,811
Chris Bowyer – Company Secretary / Chief Financial Officer (CFO)**	150,000	40,000	-	-	6,806	196,806
Total Remuneration	**366,125**	**50,324**	**-**	**-**	**114,168**	**530,617**

Executives' Remuneration – 2011/12	Cash Salary And Fees	Cash Bonus	Non Monetary Benefits	Equity Share based Payments Shares	Equity Share based Payments Options	Total
Will Satterfield –Chief Operating Officer	103,676	158,309	-	-	58,763	320,748
Chris Bowyer – Company Secretary / CFO **	159,900	-	-	-	15,387	175,287
Total Remuneration	**263,576**	**158,309**	**-**	**-**	**74,150**	**496,035**

*** The Cash Salary & Fees attributable to the Company Secretary / Chief Financial Officer is the amount invoiced by MDB Business and Taxation Advisers to the Company.*

There are no further Group or Company executives and hence no further executive remuneration has been disclosed.

3.5 Equity Instruments

3.5.1 Options granted as compensation

During the period the following options were granted as compensation to executives and directors of the Company and Group.

2012/13 Directors and Executives	No of Options granted during Year	Grant Date	No of Options vested during Year	% Remuneration consisting of Options	Fair value per Option at Grant Date ($)	Exercise price per Option ($)	Expiry Date
Frank Petruzzelli	1,000,000	21 Dec 12	1,000,000	18.35%	0.0162	CAD0.10	30 Nov 15
Will Satterfield	2,000,000	21 Dec 12	4,500,000	32.16%	0.0162	CAD0.10	30 Nov 15
Mark Elliott	1,000,000	21 Dec 12	1,000,000	31.37%	0.0162	CAD0.10	30 Nov 15
Charle Gamba	1,000,000	21 Dec 12	1,000,000	31.37%	0.0162	CAD0.10	30 Nov 15
Jason Bednar	1,000,000	21 Dec 12	1,000,000	31.37%	0.0162	CAD0.10	30 Nov 15
Ryan Dunfield	2,500,000	21 Dec 12	2,500,000	57.66%	0.0162	CAD0.10	30 Nov 15
John Begg	2,000,000	21 Dec 12	2,000,000	17.66%	0.0162	CAD0.10	30 Nov 15
Chris Bowyer	625,000	26 Feb 13	625,000	3.46%	0.0109	CAD0.10	30 Nov 15

In the previous period the following options were granted as compensation:

2011/12 Directors and Executives	No of Options granted during Year	Grant Date	No of Options vested during Year	% Remuneration consisting of Options	Fair value per Option at Grant Date ($)	Exercise price per Option ($)	Expiry Date
John Begg	5,400,000	29 Jul 11	5,400,000	24.63%	0.0315	0.18	01 Jul 14
Frank Petruzzelli	4,500,000	29 Jul 11	4,500,000	61.17%	0.0315	0.18	01 Jul 14
Mark Elliott	4,000,000	29 Jul 11	4,000,000	65.97%	0.0315	0.18	01 Jul 14
Charle Gamba	4,500,000	29 Nov 11	4,500,000	59.90%	0.0175	CAD0.144	05 Oct 14
Jason Bednar	4,500,000	29 Nov 11	4,500,000	62.29%	0.0175	CAD0.144	05 Oct 14
Will Satterfield	5,000,000	01 Jan 12	-	18.32%	0.0316	0.1275	04 Jul 16
Chris Bowyer	400,000	29 Jul 11	200,000	8.78%	0.0384	0.1275	01 Jul 14

For personal use only

Options have been awarded as compensation under service conditions. No performance conditions are attached to the options. The options have been issued to incentivise individuals to remain with the Company and Group over a period of time as well as provide a reward for previous service. The Company believes that while there are no specific performance conditions attached to the options as the exercise price has been set above the current market price this will encourage those individuals to perform in order to derive value from them.

No terms of equity-settled share-based payment transactions have been altered or modified during the reporting period. During the period no options expired, were cancelled or unexercised.

During the reporting period no shares were issued on the exercise of options previously granted as compensation.

3.5.2 Value of options issued to Directors and executives

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black and Scholes option-pricing model. The contractual life of the option is used as an input into this model. A discount for non tradability has also been applied to the valuation.

	Non Executive Director Options 21 Dec 2012	Director Options (Begg) 21 Dec 2012	CEO Options (Satterfield) 21 Dec 2012	Options (Bowyer) 26 Feb 2013
Fair value - measurement date (cents per option)	1.62	1.62	1.62	1.09
Share price at grant date (cents per share)	4.78	4.78	4.78	3.76
Exercise price (cents per option)	CAD10.0	CAD10.0	CAD10.0	CAD10.0
Expected volatility	100%	100%	100%	100%
Option life (years)	2.96	2.96	2.96	2.75
Expected dividends	-	-	-	-
Risk-free interest rate (based on national government bonds)	2.72%	2.72%	2.72%	2.72%

The expected volatility is based on the historic volatility demonstrated over a similar duration to the options' life.

Share options are granted under a service condition and, for grants to key management personnel, non-market performance conditions. Non-market performance conditions were attached to a number of the options provided to key management personnel. These conditions related to the provision of service over a specified period of time in order to receive the awarded options and the occurrence of certain events. Non-market performance conditions are re-assessed at vesting date when the services are received.

3.5.3 Key indicators of Company Performance and Shareholder Performance

The table below summarises key indicators of the performance of the Company and relevant shareholder return over the past five financial years.

Key indicators of Company Performance and Shareholder Return

	2009	2010	2011	2012	2013
Sales (A$)	710,533	421,382	507,843	403,456	240,410
Profit/(loss) (A$)	(7,880,536)	(4,791,792)	(4,746,801)	(8,546,758)	(6,417,789)
Share Price at 30 June (A$)	$0.033	$0.044	$0.08	$0.047	$0.012
EPS – cents (A$)	(4.23)	(2.22)	(1.63)	(2.07)	(1.38)

End of audited Remuneration Report.

4. PRINCIPAL ACTIVITIES

The principal activity of the Company during the course of the financial period consisted of evaluation, development of onshore oil and gas prospects and production of oil in California.

5. RESULTS AND DIVIDENDS

The loss after tax attributable to members of the Group for the financial period ending 30 June 2013 was $6,417,789 (2012: loss of $8,546,758).

No dividends have been paid or declared by the Company during the period ended 30 June 2013 (2012: nil).

6. LOSS PER SHARE

The basic and diluted loss per share for the Group for the year was 1.38 cents per share (2012: 2.07 cents).

7. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

7.1 Agreement with Debentureholders

On August 16, 2013, Solimar announced that it had reached an agreement with holders of June Debentures. After nearly one month of negotiations, the holders of June Debentures agreed to waive the event of default under the June Debenture and direct the trustee under the corresponding debenture indenture to cancel the declaration that the outstanding principal and interest owing thereunder was immediately payable on the condition that the debenture indenture be amended and restated to provide, among other things, as follows:

+ the interest payable on the June Debentures increases to 20% per annum effective July 1, 2013 with 16% being payable on each interest payment date and the additional 4% being accrued and payable upon maturity;
+ the maturity date of the June Debentures is brought forward to January 31, 2014. However, at the Company's option and upon the Company and its subsidiaries providing the holders of Debentures first priority security on all of the Company's and its subsidiaries' assets and payment of a C$250,000 extension fee, payable proportionately to the holders of the June Debentures at the time of the extension, the maturity date may be extended to July 31, 2014;
+ the Company pays a loan modification fee of C$500,000, payable proportionately to the holders of the June Debentures upon maturity;

+ the Company covenants to use all reasonable commercial efforts to pay, via the issuance of shares, any principal and interest owing on the February Debentures; and

+ the Company and its subsidiaries covenant not to incur or become responsible for, directly or indirectly, any additional indebtedness that ranks in priority to the June Debentures. The debenture indenture was amended and restated as of August 14, 2013 to reflect the foregoing conditions.

7.2 Sale of Tejon Ranch Interests

On August 12, 2013, Solimar announced the sale of 47.5% of its 57.5% working interest along with operatorship in the leases located in the Tejon Ranch area of the San Joaquin Valley to its partners for a consideration of US$250,000. Under the terms of the agreement Solimar has sold 28.75% of its 57.5% working interest in the leases to Avere Energy Corp. ("Avere") and 18.75% of its 57.5% working interest and operatorship in the leases to North American Oil and Gas ("NAMG"). The resultant working interest division in the leases is Solimar 10%, NAMG 40%, and Avere 50%.

7.3 Paloma

The Company having reviewed its position at the Paloma project following its non-consent on cash calls relating to the three wells at Paloma made a decision to discontinue its involvement in the project and relinquished its remaining interests in the leases.

7.4 Non-Brokered Private Placement

The Company closed a non-brokered private placement on Sept 27, 2013 for a total of C$500,000 raising $C423,520 through the issue of 28,234,666 shares and 28,234,666 unlisted warrants. Several Directors of the Company were also participating in the placement subscribing for 5,098,667 units (each unit converting into one share and one warrant) for C$76,480. Their participation would be subject to shareholder approval at the Company's next Annual General Meeting.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to pursue activities within its corporate objectives. Further information about likely developments in the operations of the Company and the expected results of those operations in the future financial years has not been included in this report because disclosure would be likely to result in unreasonable prejudice to the Company.

9. ENVIRONMENTAL REGULATION

Solimar Energy is subject to significant environmental regulation associated with its exploration, development and production activities in the USA. The Company is committed to undertaking all of its exploration, development and production activities in an environmentally responsible manner.

10. DIRECTORS' AND EXECUTIVES' INTERESTS

As at the date of this report, the interests of the Directors and Executives in the shares and options of Solimar Energy Limited ("the Company") were:

2012/13 Directors and Executives	Number of Shares	Options/Warrants exercisable at CAD14.4 cents	Options, exercisable at 12.75 cents	Options, exercisable at 18 cents	Options, exercisable at CAD10 cents
Frank Petruzzelli	9,679,161	-	-	4,500,000	1,000,000
Will Satterfield	688,000	-	5,000,000	-	2,000,000
Mark Elliott	9,436,114	-	-	4,000,000	1,000,000
Charle Gamba	2,371,228	5,194,444	-	-	1,000,000
Jason Bednar	1,083,730	4,500,000	-	-	1,000,000
Ryan Dunfield	-	-	-	-	2,500,000
John Begg	1,785,714	-	-	5,400,000	2,000,000
Chris Bowyer	-	-	400,000	-	625,000
Total	**25,043,947**	**9,694,444**	**5,400,000**	**13,900,000**	**11,125,000**

2011/12 Directors and Executives	Number of Shares	Options/Warrants exercisable at CAD14.4 cents	Options, exercisable at 12.75 cents	Options, exercisable at 18 cents
John Begg	1,785,714	-	-	5,400,000
Frank Petruzzelli	9,679,161	-	-	4,500,000
Mark Elliott	9,436,114	-	-	4,000,000
Charle Gamba	2,046,228	5,194,444	-	-
Jason Bednar	758,730	4,500,000	-	-
Will Satterfield	-	-	5,000,000	-
Ryan Dunfield	-	-	-	-
Chris Bowyer	-	-	400,000	-
Total	**23,705,947**	**9,694,444**	**5,400,000**	**13,900,000**

11. SHARE OPTIONS

11.1 Options granted to officers of the Company

During or since the end of the financial year, the Company has granted 11,125,000 options to executives and directors of the Company as part of their remuneration. Refer to section 10 of the Director's Report for further details.

11.2 Unissued shares under options and warrants

As at the date of the report, there were 51.1 million unlisted options and 109.68 million unlisted warrants on issue, detailed as follows:

Number of Options	Number of Warrants	Exercise Price	Expiry Date
3,200,000		12.75 cents	01/07/14
18,900,000		18.00 cents	01/07/14
9,000,000		CAD14.4 cents	05/10/14
3,000,000		7.88 cents	28/02/15
12,000,000		CAD10.0 cents	30/11/15
5,000,000		12.75 cents	04/07/16
	14,000,000	CAD15.0 cents	10/02/14
	41,332,874	CAD14.4 cents	05/10/14
	6,111,111	CAD15.0 cents	04/04/15
	20,000,000	CAD12.0 cents	31/07/15
	28,234,666	CAD5.0 cents/CAD10.0 cents	27/09/15

Option holders and warrant holders do not have any right, by virtue of the instrument, to participate in any share issue of the Company.

11.3 Shares issued on exercise of options or warrants

During and since the end of the financial period no shares were issued as a result of the exercise of options or warrants.

12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

12.1 Indemnification

An indemnity agreement has been entered into with the current Directors of the Company. Under the agreement, the Company has agreed to indemnify the directors against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

12.2 Insurance

During the financial year the Company has taken insurance in respect of directors' and officers' liability and legal expenses' for directors and officers. Total premiums paid for the current year was $14,639.

13. CORPORATE STRUCTURE

Solimar Energy Limited is a Company limited by shares that is incorporated and domiciled in Australia.

14. NON-AUDIT SERVICES

During the year Grant Thornton, the Company's auditor, has performed no other services (2012: Nil) in addition to their statutory duties.

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's Independence Declaration is set out on page 22 and forms part of the Directors' report for the financial year ended 30 June 2013.

This report is made in accordance with a resolution of the directors.

Frank Petruzzelli
Chairman

Solimar Energy Limited
Melbourne, 30 September 2013

AUDITOR'S INDEPENDENCE DECLARATION

GrantThornton

Grant Thornton Audit Pty Ltd
ACN 130 913 594

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report
To the Members of Solimar Energy Limited

Report on the financial report

We have audited the accompanying financial report of Solimar Energy Limited (the "Company"), which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's

DIRECTORS' DECLARATION

1. In the opinion of the directors of Solimar Energy Limited ("the Company"):

a. The financial statements and notes that are set out on pages 27 to 70 and the Remuneration report in the Directors report, set out on pages 13 to 18, are in accordance with the Corporations Act 2001, including:

   i. Giving a true and fair view of the financial position of the consolidated entity as at 30 June 2013 and of its performance for the financial year ended on that date; and

   ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. The financial report also complies with International Financial Reporting Standards as disclosed in note 2(b); and

c. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable after taking into account the matters raised in Note 2(a);

d. The remuneration disclosures contained in the remuneration report comply with section 300A of the Corporations Act 2001

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the Acting Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2013.

Dated at Melbourne this 30th day of September 2013.

Signed in accordance with a resolution of the directors.

Frank Petruzzelli
Chairman

Solimar Energy Limited

INDEPENDENT AUDIT REPORT

Grant Thornton

Grant Thornton Audit Pty Ltd
ACN 130 913 594

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report
To the Members of Solimar Energy Limited

Report on the financial report

We have audited the accompanying financial report of Solimar Energy Limited (the "Company"), which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's

Grant Thornton

judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Solimar Energy Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2(a) in the consolidated financial statements which describes the Directors' concerns that the Company has insufficient cash resources at 30 June 2013 to fund the existing working capital deficit nor the ability to fund the Company's obligations over the next 12 months, and that the Company's going concern assumption is dependent upon the continued support of existing creditors and its ability to obtain necessary financing to carry out its contractual obligations. These conditions, along with other matters set forth in Note 2(a), indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Grant Thornton

Report on the remuneration report

We have audited the remuneration report included in pages 13 to 18 of the directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Solimar Energy Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Nicholas E. Burne
Partner - Audit & Assurance

Melbourne, 30 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 AUD	2012 AUD
Revenue	7	245,214	432,301
Extraction costs		(145,911)	(172,758)
Professional fees	8	(1,125,711)	(2,540,193)
Personnel expenses	9	(1,190,516)	(2,498,764)
Impairment charges	14,15,16	(3,634,670)	(1,177,599)
Research and exploration expenditure		(251,296)	(558,851)
Depreciation and amortisation expenses	14,15,16	(127,964)	(276,689)
Travel expenses		(69,254)	(315,918)
Other expenses		(833,902)	(855,239)
Office Rent		(128,922)	(130,633)
Finance costs		(1,502,513)	(263,108)
Gain on change in fair value of derivative	19a	2,015,823	361,211
Canadian Listing Costs		-	(783,213)
Gain on disposal of Assets	16	331,833	-
Project Participation Fee		-	98,126
Impairment charges reversed		-	134,569
Results from operating activities		(6,417,789)	(8,546,758)
Loss before income tax		(6,417,789)	(8,546,758)
Income tax benefit / (expense)	10	-	-
Loss for the year attributable to equity holders of Solimar Energy Ltd		(6,417,789)	(8,546,758)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences		861,015	324,815
Total comprehensive income		(5,556,774)	(8,221,943)
Loss per share attributable to the ordinary equity holders of the Company:			
Basic loss per share for the period (cents per share)	11	(1.38)	(2.07)
Diluted loss per share for the period (cents per share)	11	(1.38)	(2.07)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 31 to 70.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

Consolidated For the year ended 30 June 2013	Note	Issued capital AUD	Accumulated losses AUD	Reserves AUD	Total equity AUD
Balance at 1 July 2012		35,091,823	(33,765,810)	1,922,112	3,248,125
Transactions with owners in their capacity as owners					
Equity settled share based payment transactions		-	-	262,477	262,477
Share issues net of costs		404,301	-	-	404,301
		404,301	-	262,477	666,778
Total comprehensive income					
Net loss for the period		-	(6,417,789)	-	(6,417,789)
Foreign currency translation difference		-	-	861,015	861,015
		-	(6,417,789)	861,015	(5,556,774)
Balance at 30 June 2013		35,496,124	(40,183,599)	3,045,604	(1,641,871)
Consolidated *For the year ended 30 June 2012*					
Balance at 1 July 2011		28,433,068	(25,219,052)	600,089	3,814,105
Transactions with owners in their capacity as owners					
Equity settled share based payment transactions		1,172,006	-	997,208	2,169,214
Share issues net of cost		5,486,749	-	-	5,486,749
		6,658,755	-	997,208	7,655,963
Total comprehensive income					
Net loss for the period		-	(8,546,758)	-	(8,546,758)
Foreign currency translation difference		-	-	324,815	324,815
		-	(8,546,758)	324,815	(8,221,943)
Balance at 30 June 2012		35,091,823	(33,765,810)	1,922,112	3,248,125

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 31 to 70.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

For personal use only

	Note	2013 AUD	2012 AUD
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	12	152,040	303,077
Trade and other receivables	13	180,335	286,918
TOTAL CURRENT ASSETS		332,375	589,995
NON – CURRENT ASSETS			
Receivables	13	377,545	343,537
Plant & equipment	14	298,194	229,159
Exploration and evaluation expenditure	15	5,069,477	7,285,058
Development assets	16	-	734,714
TOTAL NON – CURRENT ASSETS		5,745,216	8,592,468
TOTAL ASSETS		6,077,591	9,182,463
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	973,320	2,244,597
Provision	18	377,359	-
Derivative liability	19a	720	-
Borrowings	19b	2,518,142	-
TOTAL CURRENT LIABILITIES		3,869,541	2,244,597
NON – CURRENT LIABILITIES			
Provision	18	356,905	731,862
Derivative liability	19a	77,781	1,139,356
Borrowings	19b	3,415,235	1,818,523
TOTAL NON – CURRENT LIABILITIES		3,849,921	3,689,741
TOTAL LIABILITIES		7,719,462	5,934,338
NET ASSETS		(1,641,871)	3,248,125
EQUITY			
Contributed equity	20	35,496,124	35,091,823
Reserves	21	3,045,604	1,922,112
Accumulated losses	22	(40,183,599)	(33,765,810)
TOTAL EQUITY		(1,641,871)	3,248,125

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 31 to 70.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 AUD	2012 AUD
Cash Flows From Operating Activities			
Receipts from customers		267,638	422,053
Payments to suppliers and employees		(3,701,520)	(5,498,443)
Interest received		4,730	28,845
Interest paid		(177,521)	(39,071)
Net Cash Flows Used In Operating Activites	26	(3,606,673)	(5,086,616)
Cash Flows From Investing Activities			
Payments for exploration and evaluation		(1,379,661)	(4,721,315)
Payments for development		-	(17,962)
Payments for plant and equipment		(172,538)	(26,435)
Proceeds from sale of plant and equipment		21,500	-
Proceeds for Project Participation		601,746	-
Proceeds from sale deposit		544,541	-
Net Cash Flows Used In Investing Activities		(384,412)	(4,765,712)
Cash Flows From Financing Activities			
Proceeds from issue of share capital		-	3,460,504
Proceeds from convertible loan		-	3,294,738
Proceeds from convertible debenture		3,800,114	2,605,863
Share issue costs		(9,608)	(596,800)
Net Cash Flows From Financing Activites		3,790,506	8,764,305
Net Increase/(Decrease) In Cash And Cash Equivalents		(200,579)	(1,088,023)
Cash and cash equivalents at beginning of period		303,077	1,379,743
Effect of exchange rate fluctuations on cash held		49,542	11,357
Closing Cash And Cash Equivalents	12	152,040	303,077

The consolidated statement of cashflows is to be read in conjunction with the notes to the financial statements set out on pages 31 to 70.

NOTES TO THE FINANCIAL STATEMENTS

For personal use only

1. REPORTING ENTITY

Solimar Energy Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 566 Elizabeth Street, Melbourne Vic 3000. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in exploration and development of oil and gas properties in California, USA.

2. BASIS OF PREPARATION

(a) Going Concern

At 30 June 2013 the Company had a working capital deficit of $3,537,166, a deficiency in net assets of $1,641,871 and incurred a loss of $6,417,789 for the financial year. Further, as a consequence of the change in the maturity of the June Debentures as explained in Note 29, an additional amount of $3,415,235 becomes due and payable in January which increases the working capital deficiency to $ 6,952,401. Therefore, the Company has insufficient cash resources and liquidity at June 30, 2013 and September 30, 2013 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 current market conditions have resulted in a significant reduction in the Company's ability to access capital. The Company has managed to secure C$500,000 through a private placement which closed on 27 September though C$76,480 of this amount will be subject to shareholder approval at the next AGM. The Company has also sold down an interest in one of its exploration projects in late July 2013 securing US$250,000. However, further financing will need to be secured and the Company has had, and continues to be in, discussions with various parties that may result in additional capital being raised sufficient to finance operations in the short-term.

If support from existing creditors is discontinued and/or if a re-financing scenario is not successful soon, the Company will likely be forced into creditor protection or liquidation.

The financial report has been prepared on a going concern basis, which presumes the realisation of assets and discharge of liabilities in the normal course of business for the foreseeable future. Cash resources at 30 June 2013 are not sufficient to fund the existing working capital deficit or the Company's obligations over the next 12 months and this condition creates a material uncertainty that casts a significant doubt about the Company's ability to operate as a going concern. 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. This financial report does not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

(b) Statement of Compliance

The financial report is a general purpose financial report which has been prepared for a for-profit entity in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB). Limited financial information for Solimar Energy Limited as an individual entity is included in Note 30.

The financial statements were approved by the Board of Directors on 30 September 2013.

(c) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

+ Derivative financial liabilities are measured at fair value

The methods used to measure fair values are discussed further in note 4.

(d) Functional and Presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. The functional currency of the Company's foreign subsidiaries is US dollars.

The functional currency of each of the Group's entities is the currency of the primary economic environment in which each of the entities operate.

(e) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Capitalised exploration and development costs
Exploration costs are only capitalised when

it can be demonstrated that the Company has rights to an area of interest and the expenditures are either expected to be recouped with future development of the project or a determination cannot yet be made until further work is undertaken.

Development costs are only capitalised when it can be demonstrated that the technical feasibility of recovering the hydrocarbons is valid and that the asset will be available for use or sale.

Impairment of capitalised exploration and development costs
The future recoverability of capitalised exploration and development costs is dependent on a number of factors. These include the likelihood that the Company will pursue exploration at a particular project, the estimated level of resources, future technological changes which could impact on the cost of exploration and development, commodity price changes and legal and environmental changes.

To the extent that capitalised exploration and development costs are determined not to be recoverable in the future, net assets will be reduced in the period in which this determination is made, and written- off to profit or loss.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities can often be determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised exploration and development costs
Exploration and development costs are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

+ estimates of the quantities of reserves for which there is a high degree of confidence of economic extraction;
+ future production levels;
+ future commodity prices; and
+ future costs of production and capital expenditure.

Management have determined that during the course of the year there were indicators of impairment and have estimated the recoverable amount of the related assets. Refer to notes 4, 14, 15 and 16.

Fair value of share options and embedded derivatives
The Company uses valuation techniques to estimate the value of share options, share warrants and convertible notes issued.

In determining the value of share warrants associated with the raising of capital and convertible notes the Company has relied on independent valuations which use a binomial option pricing model ("model"). There are numerous inputs in the model some of which rely on estimates of future behaviour. Inputs in this category would include:

+ Volatility of the Company's share price
+ Volatility of the AUD / CAD exchange rate
+ The correlation between the AUD / CAD exchange rate and the Company's share price
+ The expected life of the instrument

The Company has applied the Black-Scholes option pricing model to the valuation of share options issued to directors, consultants and personnel. The assumptions used in arriving at a value include whether there is a possibility of early exercise and applying a discount to reflect the non-tradability of the share option.

Management and directors believe that the chosen valuation methods, assumptions and estimates are appropriate in determining the fair value of the financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of Consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition less any impairment in the parent entity information in Note 30.

(ii) Transactions eliminated on consolidation
Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(iii) Jointly controlled operations
The Group's interests in unincorporated joint ventures are brought to account by including its proportionate share of joint

venture operations' assets, liabilities and expenses and the Group's revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in the foreign currency translation reserve (FCTR) in other comprehensive income. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

(c) Financial instruments

(i) Non- derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and at call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance costs is discussed in note 3(n).

Financial assets and liabilities at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and any accumulated impairment losses (see accounting policy 3(i)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the estimated costs of dismantling and removing the items and restoring the site on which they are located.

Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

With the exception of freehold land and mining property and development assets, depreciation is charged to the profit or loss using a diminishing value method over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Mining property and development assets are depreciated on the units of production basis over the life of the economically recoverable reserves.

The estimated useful lives in the current and comparative periods are as follows:

+ Plant and equipment 2.5 to 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(e) Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets (intangible assets) on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy 3(i)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating units are not larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to development assets.

(f) Development Assets

Development assets are those costs that are associated with an area of interest that has demonstrated technical feasibility and commercial viability in the extraction of hydrocarbons. These costs include those associated with construction, installation or completion of infrastructure facilities, transferred exploration and evaluation costs and development wells.

Development assets are written off over their expected useful economic life. When there are reliable reserve numbers the amortisation of development assets is determined on a "units of production" basis based on the production of the well in barrels of oil equivalent relative to the total reserve. Where reliable reserve numbers are not available or not yet determined then amortisation is calculated as a fixed percentage of gross revenue.

(g) Trade and other receivables

Trade and other receivables are recorded at amortised cost less any allowance for doubtful debts.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and at call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Professional Fees – Consulting

Share based payments

The fair value of options granted under the individual agreements with consultants are recognised as part of consultant expenses with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the consultants become unconditionally entitled to the options. Fair value is determined under the Black-Scholes option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Solimar Energy Limited ("market conditions"). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the consultants having to provide services to the company until vesting date. No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

(k) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Site restoration

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration is recognised when there is sufficient certainty of an obligation to restore a site to a state it existed in prior to exploration and any subsequent activity.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated over the useful life of the resource. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(l) Trade and other payables

Trade and other payables are non-interest bearing liabilities stated at amortised cost.

(m) Revenue

Sales

Revenue from sales is measured at the fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of oil, transfer usually occurs at the point that the product is delivered to the relevant carrier. With sales of gas, transfer occurs at a predetermined delivery point along the pipeline.

(n) Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

(o) Project Participation fee

Income is derived from time to time from fees paid to the Group by other parties in exchange for their participation in a project the Group introduced to them.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

No information is disclosed for operating segments as the management accounts that are regularly reviewed by the Board of Directors only include consolidated numbers together with revenue and capital expenditure by project.

(s) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(t) Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

(u) New standards and interpretations not yet adopted

Accounting Standards and Interpretations issued but not yet effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application:

+ AASB 9 Financial Instruments (equivalent to IFRS 9 Financial Instruments) introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement (equivalent to IAS 9 Financial Instruments: Recognition and Measurement) The main changes are:

(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.

(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and

- The remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- Classification and measurement of financial liabilities; and
- Derecognition requirements for financial assets and liabilities.

The Company has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2015 and that the IASB is yet to finalise the remaining phases of its project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 in Australia).

+ AASB 10 Consolidated Financial Statements (equivalent to IFRS 10 Consolidated Financial Statements) establishes a revised control model that applies to all entities. It replaces the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (equivalent IAS 27 Consolidated and Separate Financial Statements) and AASB Interpretation 112 Consolidation – Special Purpose Entities.

  The revised control model broadens the situations when an entity is considered to be controlled by another entity and includes additional guidance for applying the model to specific situations, including when acting as an agent may give control, the impact of potential voting rights and when holding less than a majority voting rights may give 'de facto' control. This may to lead to more entities being consolidated into the group.

  When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the Company's financial statements.

+ AASB 11 Joint Arrangements (equivalent to IFRS 11 Joint Arrangements) replaces AASB 131 Interests in Joint Ventures (equivalent to IAS 31 Interests in Joint Ventures) and AASB Interpretation 113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change.

  In addition, AASB 11 removes the option to account for jointly-controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations for liabilities are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method.

  When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements.

+ AASB 12 Disclosure of Interests in Other Entities (equivalent to IFRS 12 Disclosure of Interests in Other Entities) includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures introduced by AASB 12 include disclosures about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

  As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

+ AASB 13 Fair Value Measurement (equivalent to IFRS 13 Fair Value Measurement) establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted by other Standards.

  AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

  The Company is yet to undertake a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 January 2013.

+ AASB 1053 Application of Tiers of Australian Accounting Standards establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:
  a) Tier 1: Australian Accounting Standards; and
  b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements:

a) for-profit entities in the private sector that have public accountability; and

b) the Australian Government and State, Territory and Local Governments.

The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:

a) for-profit private sector entities that do not have public accountability;

b) all not-for-profit private sector entities; and

c) public sector entities other than the Australian Government and State, Territory and Local Governments.

The Company is a Tier 1 entity and therefore not eligible to apply the Reduced Disclosure Requirements.

+ AASB 2011-4 (no IFRS equivalent) amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards.

  In March 2013, the Australian government released Corporations Legislation Amendment Regulation 2013 which proposed to insert these disclosures into Corporations Regulations 2001 to ensure the disclosure requirements continue to be operative for financial years commencing on or after 1 July 2013.

  When these amendments are first adopted for the year ending 30 June 2014, they are unlikely to have any significant impact on the Company.

+ AASB 2012-2 (no IFRS equivalent) amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

  This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard. When AASB 2012-2 is first adopted for the year ended 30 June 2014, additional disclosures will be required with respect to the Company's netting arrangements.

+ AASB 2012-3 (no IFRS equivalent) adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

  When AASB 2012-3 is first adopted for the year ended 30 June 2015, there will be no impact on the Company as this standard merely clarifies existing requirements in AASB 132.

+ AASB 2012-6 (no IFRS equivalent) amends the mandatory effective date of AASB 9 so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2015 instead of 1 January 2013. It also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition from AASB 139 to AASB 9 in some circumstances.

  The Company will be able to provide transition disclosures, instead of restating comparatives, upon initial application of AASB 9.

+ AASB 2012-9 (no IFRS equivalent) amends AASB 1048 Interpretation of Standards as a consequence of the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.

  When AASB 2012-9 is first adopted for the year ended 30 June 2014, there will be no impact on the Company as this standard will not affect current practice.

+ AASB 2012-10 (no IFRS equivalent) clarifies the transition guidance in AASB 10 Consolidated Financial Statements. It also provides additional transition relief in AASB 10, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in Other Entities by limiting the requirement to provide adjusted comparative information only to the immediately preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, AASB 2012-10 removes the requirement to present comparative information for any periods beginning before the first annual reporting period for which AASB 12 is applied.

  When these amendments are first adopted for the year ended 30 June 2014, they are unlikely to have any significant impact on the Company given that they are largely clarification of existing transitional provisions.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Intangible assets

The fair value of intangible assets (other than patents and trademarks) is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Share-based payment transactions

The fair value of options is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. FINANCIAL RISK MANAGEMENT

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

+ credit risk
+ liquidity risk
+ market risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report and in particular Note 23.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies identify and analyse the risks faced by the Group and set appropriate risk limits and controls as well as monitor risks and adherence to limits. Risk management policies and systems are reviewed from time to time to reflect changes in market conditions and the Group's activities.

The Group aim to develop a disciplined and constructive control environment in which all contractors and employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and joint venture partners on those projects the Group acts as operator.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each joint venture partner and customer. Where the Group acts as operator on a project its policy in respect of joint venture partners is to only deal with those it considers are credit-worthy parties. Joint venture partners are required to provide evidence of their ability to advance the funds necessary prior to the Group making commitments on their behalf. The Group also maintains continual communication with its joint venture partners to ensure that if any issues arise in respect of funding they could be dealt with on a timely basis.

The produced oil is sold to only one customer. This customer has a well established business reputation.

Investments

The Group limits its exposure to credit risk by only having surplus funds invested with established banking institutions. Given that the funds are held with these banking institutions the Group does not expect these counterparties to fail to meet their obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group recognises at the current time that it has a significant short term liability in the form of its convertible debentures which mature on 31 December 2013 and 31 January 2014. Their maturity under current circumstances represents a liquidity risk which the Group is looking to manage through the review of potential capital raising initiatives which would allow these debentures to be satisfied on their maturity.

The Group maintains a budget that allows it to monitor the cash flow requirements on the various projects it is undertaking or planning to undertake. The Group is also conscious of not committing itself to any projects or other activities unless its level of funds forecast as available exceeds the anticipated expenditure.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the Australian dollar (AUD), but also the US dollar (USD). The currencies in which these transactions are primarily denominated in are AUD, USD and CAD.

The Group's currency exposure resides with the movements between the AUD, USD and CAD. The policy is not to hedge for these movements as the Group operates in the currencies' environments throughout the year and also maintains cash balances in all currencies.

Certain of the Group's financial instruments are exposed to fluctuations in the U.S. dollar and Canadian dollar, including cash and cash equivalents, loans and receivables, and trade and other payables. The Group also has an exposure to the Canadian dollar with the derivative liability it has recognised representing its exposure to warrants and the convertible debentures that are denominated in Canadian dollars.

Interest rate risk

The Group is exposed to interest rate risk through the interest it is required to pay quarterly in arrears on its convertible debenture and the interest income it can earn on its surplus cash holdings. The Group manages its exposure to this interest rate risk through having secured a fixed rate of interest on the convertible debenture and in particular circumstances the ability to make quarterly interest payments through issuing shares though as a result of minimum pricing rules at the TSXV in the case of the holders of the Debentures dated June 26, 2012 the election to pay the interest in shares is only valid when the price is above CAD$0.05. The Group also manages surplus funds by maintaining an account within the bank where funds not immediately required can be placed to generate interest and if appropriate place any available funds into longer term deposit accounts to secure higher rates of interest.

Other market price risk

The Group has no investments in equity securities.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

As part of their management of capital the Board reviews on a regular basis the budgeted and forecasted revenues and expenditures of the Group in consultation with management. The review assists the Board in managing the Group's capital on an ongoing basis and ensuring their decisions on the allocation of capital are in step with the Group's operational and investment requirements. There were no changes in the Group's approach to capital management during the year.

6. SEGMENT INFORMATION

The group has one operating business, being the evaluation and development of onshore oil and gas prospects and production of gas in California. The financial information reviewed by the board of directors is only prepared on a consolidated basis and no discrete financial information is available. Hence there are no business segments and no segment information is presented.

Products and services

Revenues from external customers for each group of similar products and services is as follows:

2013	Oil AUD	Gas AUD	Other ** AUD	Total AUD
Revenues from external customers	231,178	-	14,036	245,214

2012	Oil AUD	Gas * AUD	Other ** AUD	Total AUD
Revenues from external customers	376,851	19,930	35,520	432,301

* This relates to previous period royalties from a gas well no longer in production

** Other includes fees charged for operating projects and interest revenue

Geographical information

Revenues and non-current assets by geographical location is as follows:

	Revenues from external customers		Non-current assets*	
Geographic location	2013 AUD	2012 AUD	2013 AUD	2012 AUD
Australia	4,728	28,772	5,231	8,370
United States	240,486	403,529	5,739,985	8,584,098
	245,214	432,301	5,745,216	8,592,468

* Excludes financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

Major Customers

The Group only has one customer for the sale of its oil.

7. REVENUE

	Consolidated	
	2013	2012
	AUD	AUD
Sales revenue	240,410	403,456
Interest revenue	4,804	28,845
	245,214	432,301

8. PROFESSIONAL FEES

	Consolidated	
	2013	2012
	AUD	AUD
(a) Auditor's Fees		
Auditors of the Company		
Audit and review of financial statements		
BDO	-	53,499
Grant Thornton (i)	150,009	23,130
Total auditor's fees recognised as expense in profit or loss	150,009	76,629
(b) Other Professional Fees		
Consulting fees (ii) (iv)	194,505	1,312,084
Other professional fees (iii) (v)	781,197	1,151,480
	975,702	2,463,564
	1,125,711	2,540,193

(i) The audit fees incurred for the 2013 financial year include $63,009 of fees that related to the 2012 financial audit.

(ii) Included within consulting fees were share based payments for the Group of $Nil (2012:$168,500).

(iii) Included within other professional fees were share based payments for the Group of $6,806 (2012:$23,067)

(iv) Consulting fees relates to fees paid to US and Australian consultants.

(v) Other Professional Fees includes accounting and corporate secretarial services, legal fees and the underwriting fee associated with the June 2012 Convertible Debenture.

9. PERSONNEL EXPENSES

	Consolidated	
	2013	2012
	AUD	AUD
Directors Fees (i)	333,032	680,639
Wages and Salaries (ii)	857,484	1,818,125
	1,190,516	2,498,764

(i) Director Fees relate to fees and any share based remuneration paid to the non-executive directors. Total share based remuneration included within Director Fees was $105,300 (2012: $425,250) which was the valuation of the options per Black-Scholes issued to the non-executive Directors as approved at the AGM in November 2012. None of the director fees accrued in the 2013 financial year have been paid.

(ii) Total share based remuneration included in Wages and Salaries was $150,370 (2012:$340,061)

10. INCOME TAX EXPENSE

	Consolidated	
	2013	2012
	AUD	AUD
Current tax expense		
Current year	-	-
Adjustments for prior years	-	-
	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Total income tax expense in income statement	-	-
Numerical reconciliation between tax expense and pre-tax net profit		
Profit / (loss) before tax - continuing operations	(6,417,789)	(8,546,758)
Profit / (loss) before tax	(6,417,789)	(8,546,758)

10. Income tax expense (continued)

	Consolidated	
	2013	2012
	AUD	AUD
Income tax using the domestic corporation tax rate of 30% (2012:30%)	(1,925,337)	(2,564,027)
Increase in income tax expense due to:		
Share based payments	78,743	299,162
Impairment of Assets	-	309,106
Legal and Consulting	54,650	375,964
Other	(76,607)	103,966
Current year losses for which no deferred tax asset was recognised	1,868,551	1,475,829
Income tax expense on pre-tax net profit	-	-
Deferred Income Tax		
Net Deferred Tax Assets		
Capitalised exploration costs	(1,251,788)	633,819
Other	(649,586)	(361,158)
Total	(1,901,374)	272,661
Deferred Tax Assets		
Revenue losses available for offset against future taxable income	9,996,885	8,128,334
Offset of assessable temporary differences	(1,901,374)	272,661
Net tax losses available for offset against future taxable income	8,095,511	8,400,995
Gross tax losses available for offset	26,985,037	28,003,317
Net deferred tax assets recognised	-	-
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised as follows:		
Tax losses not recognised	9,996,885	8,128,334
Net deductible temporary differences	(1,901,374)	272,661
	8,095,511	8,400,995

Potential tax benefit at 30% for the Group of $8,095,511 (2012:$8,400,995) have not been recognised as it is not probable that future profits will be available against which the benefit can be utilised. The deductible temporary differences and tax losses do not expire under current tax legislation.

Income tax recognised directly in equity

The effect of income tax recognised directly in equity for the Group is nil (2012:nil).

11. EARNINGS PER SHARE

Basic loss per share

The calculation of basic earnings per share at 30 June 2013 was based on the loss attributable to ordinary shareholders of $6,417,789 (2012:$8,546,758) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2013 of 465,403,474 (2012:412,039,000) calculated as follows:

Loss attributable to ordinary shareholders

	Consolidated	
	2013	2012
	AUD	AUD
Loss for the period	(6,417,789)	(8,546,758)
Loss attributable to ordinary shareholders	(6,417,789)	(8,546,758)

Weighted average number of ordinary shares

	Consolidated	
	2013	2012
	No.	No.
Weighted average number of ordinary shares for prior period	412,039,000	290,862,792
Effect of shares issued during the period	53,364,474	121,176,208
Weighted average number of ordinary shares at 30 June	465,403,474	412,039,000

Basic loss per share

	Consolidated	
	2013	2012
	AUD	AUD
Basic loss per share (cents per share)	(1.38)	(2.07)

Diluted earnings per share

Diluted earnings per share is not required to be disclosed as a loss was incurred and any dilution applied to earnings per share would have an anti-dilutive effect.

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

	Consolidated	
	2013	2012
	No.	No.
Options	51,100,000	35,600,000
Warrants	81,443,985	61,443,985
Convertible Debenture	68,000,000	28,000,000
	200,543,985	125,043,985

12. CASH AND CASH EQUIVALENTS

	Consolidated	
	2013	2012
	AUD	AUD
Cash at bank and on hand	152,040	303,077
Cash and cash equivalents in the statement of cash flows	152,040	303,077

13. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2013	2012
	AUD	AUD
Current		
Trade receivables	-	27,727
Other receivables	94,739	148,367
Prepayments	85,596	110,824
	180,335	286,918
Non-current		
Other receivables	377,545	343,537
	377,545	343,537

Other receivables under non-current assets relate to the operator bond paid to the Department of Oil and Gas and funds held in escrow by the Kreyenhagen leaseholders in respect of future restoration costs.

14. PLANT AND EQUIPMENT

	Consolidated	
	2013	2012
	AUD	AUD
a) Plant & equipment at cost	445,373	362,660
Less: accumulated depreciation	(147,179)	(133,501)
	298,194	229,159

b) Reconciliation of movement in plant and equipment

	Financial Year ended Jun 13	Financial Year ended Jun 12
Balance at the beginning of the Period	229,159	199,195
Additions	96,275	104,882
Disposal of Assets	(22,911)	-
Depreciation	(33,614)	(35,882)
Impairment	(12,119)	(52,988)
Impact of FX movements	41,404	13,952
Balance at the end of the Period	298,194	229,159
Carrying Amounts		
Balance at the beginning of the Period	229,159	199,195
Balance at the end of the Period	298,194	229,159

The impairment charge in 2013 related to the write down of materials the Company had on hand. A review of these was done at the financial year end and the impairment charge reflects the Company's estimate of the value of materials that have been used and no longer on hand.

15. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2013	2012
	AUD	AUD
a) Exploration expenditure	5,069,477	7,285,058
	5,069,477	7,285,058

b) Reconciliation of movement in exploration expenditure

	Financial Year ended Jun 13	Financial Year ended Jun 12
Balance at the beginning of the period	7,285,058	3,870,274
Additions	872,358	4,244,828
Farmin payment credited	(539,084)	-
Amortisation	(47,504)	(108,078)
Impairment	(3,330,136)	(1,114,576)
Impairment losses reversed	-	134,569
Impact of FX movements	828,785	258,041
Balance at the end of the period	5,069,477	7,285,058
Carrying amounts		
Balance at the beginning of the period	7,285,058	3,870,274
Balance at the end of the period	5,069,477	7,285,058

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest. During the course of the financial year $3,330,136 in exploration expenditure was considered impaired (2012:$1,114,576).

In accordance with AASB 6 (IFRS 6) Exploration for and Evaluation of Mineral Resources, the Company impaired exploration costs associated with the Paloma project by $3,313,321. The impairment was as a result of the Company deciding towards the end of the financial year to discontinue its involvement at Paloma. There were further miscellaneous costs incurred at other exploration projects of $16,815 which are reflected in impairment.

Exploration and Evaluation impairment losses are included in impairment charges in the Statement of Comprehensive Income.

16. DEVELOPMENT ASSETS

	Consolidated 2013 AUD	Consolidated 2012 AUD
a) Development assets	-	734,714
	-	734,714

b) Reconciliation of movement in development assets

	Financial Year ended Jun 13	Financial Year ended Jun 12
Balance at the beginning of the period	734,714	795,361
Additions	39,300	17,962
Amortisation	(46,845)	(132,729)
Impairment	(292,415)	(10,035)
Disposal of Asset	(447,845)	-
Impact of FX movements	13,091	64,155
Balance at the end of the period	-	734,714
Carrying amounts		
Balance at the beginning of the period	734,714	795,361
Balance at the end of the period	-	734,714

The Company decided late in the financial year to not renew the lease at Southeast Lost Hills and as a result has fully written off the remaining capitalised value of the project of $292,415 (2012: $10,035).

The Maricopa asset was sold in January 2013 and the amount of $447,845 credited against Development Assets represented its carrying value at the time of sale with a gain of $333,833. Furthermore a total of $235,661 was released from restoration and other provisions relating to the Maricopa asset.

For personal use only

17. TRADE AND OTHER PAYABLES

	Consolidated 2013 AUD	Consolidated 2012 AUD
Trade payables	404,885	1,680,722
Other payables and accrued expenses	568,435	563,875
	973,320	2,244,597

Trade and other payables are non-interest bearing liabilities stated at amortised cost and due within 30 days.

Other payables and accrued expenses includes unpaid director fees for the 2013 financial year, the June 2013 quarter interest on the convertible notes which was paid in July through a cash payment and the issue of shares, consulting fees and audit fees for the 2013 year end.

18. PROVISION

	Consolidated 2013 AUD	Consolidated 2012 AUD
Provision for restoration		
Current		
Balance at the commencement of the period	-	-
Reclassified from Non-Current	303,482	-
Provision made during the period	39,300	-
Accretion of Provision	4,100	-
Provision reversed during the period	-	-
Impact of FX Translation	30,477	-
Balance	377,359	-
Non – Current		
Balance at the commencement of the period	731,862	574,707
Reclassified to Current	(303,482)	-
Provision made during the period	-	44,442
Accretion of Provision	43,933	80,138
Provision reversed during the period	(143,059)	-
Impact of FX Translation	27,651	32,575
Balance	356,905	731,862

18. Provision (continued)

The provision for restoration represents an estimate of the expected costs the Group will need to incur to restore its projects at Southeast Lost Hills and Kreyenhagen. The timing of the costs attributable to Kreyenhagen are uncertain as the obligation to restore the properties only falls at the time the Group decides to no longer continue production or exploration activity on the particular property. The balance of the provision classified under current liabilities relates to Southeast Lost Hills as this project has been discontinued and therefore the timing of the obligation to restore the property is within the next twelve months.

19a.

DERIVATIVE LIABILITY

The derivative liability represents the value of the derivative component of the warrants that were issued in November 2011, the warrants and convertible debentures issued in February 2012 and July 2012 and the warrants issued in April 2012. The warrants are exercisable in a foreign currency (Canadian Dollars) and therefore the Company has a foreign exchange risk. The convertible debentures can also be satisfied through the issue of shares denominated in a foreign currency providing the Company with a foreign exchange risk. For this reason there is recognition of a derivative liability in the financial statements that relates to both the share price and foreign currency. Under the accounting standards the liability will also be required to be re-valued at each report date. The derivative liability shown under Current Liabilities represents the derivative component associated with the convertible debentures issued in February 2012 and which mature on December 31, 2013 and the warrants which expire in February 2014.

The fair value gain of the derivative liabilities in the year ended 30 June 2013 was $2,015,823 (2012: $361,121)

Derivatives	2013	2012
Convertible Debenture (Issued February 2012) (Maturing Dec 31, 2013)	576	375,728
Warrants (Issued February 2012) (Expiring Feb 10, 2014)	144	128,504
Warrants (Issued November 2011) (Expiring Oct 5, 2014)	6,515	315,180
Warrants (Issued November 2011) (Expiring Oct 5, 2014)	4,564	220,801
Convertible Debenture (Issued June 2012) (Maturing Dec 31, 2014)	34,643	-
Warrants (Issued April 2012) (Expiring Apr 4, 2015)	4,221	99,143
Warrants (Issued July 2012) (Expiring Jul 31, 2015)	27,838	-
	78,501	1,139,356

19b.

BORROWINGS

Borrowings represent the non-derivative value of the convertible debentures issued in February 2012 and June 2012.

At the time of issue the convertible debentures were valued and treated as having both a derivative and non-derivative component. The non-derivative component is included under Borrowings. As the convertible debentures are also denominated in Canadian dollars they are required at the end of each quarter to be translated into Australian dollars at the closing rate.

Classified under Current Liabilities are the C$2.8 million of convertible debentures issued in February 2012. These are denominated in Canadian dollars, have a 10% coupon rate and mature on 31 December 2013. On maturity the convertible debentures are at the election of the Company convertible into shares at 95% of the volume weighted average trading price of the shares on the TSX Venture Exchange (TSXV) for the 21 consecutive trading days ending 5 trading days preceding maturity. Under TSXV rules a Company is unable to issue shares below C$0.05 and therefore were the share price as calculated for conversion to be below that price the Company would not be able to satisfy the convertible debentures by issuing shares and would need to repay in cash. Interest is payable quarterly in arrears and can be paid either in shares or cash at the option of the Company.

Classified under Non-current Liabilities are the C$4.0 million of convertible debentures issued in June 2012. These are also denominated in Canadian dollars. While at 30 June 2013 they were classified under non-current liabilities since the balance sheet date there has been an amendment to the key terms of these convertible notes as follows:

+ the interest payable on the June Debentures increases to 20% per annum effective July 1, 2013 with 16% being payable on each interest payment date and the additional 4% being accrued and payable upon maturity;
+ the maturity date of the June Debentures is brought forward to January 31, 2014. However, at the Corporation's option and upon the Corporation and its subsidiaries providing the holders of Debentures first priority security on all of the Corporation's and its subsidiaries' assets and payment of a C$250,000 extension fee, payable proportionately to the holders of the June Debentures at the time of the extension, the maturity date may be extended to July 31, 2014;
+ the Corporation pays a loan modification fee of C$500,000, payable proportionately to the holders of the June Debentures upon maturity;
+ the Corporation covenants to use all reasonable commercial efforts to pay, via the issuance of shares, any principal and interest owing on the February Debentures; and
+ the Corporation and its subsidiaries covenant not to incur or become responsible for, directly or indirectly, any additional indebtedness that ranks in priority to the June Debentures. The debenture indenture was amended and restated as of August 14, 2013 to reflect the foregoing conditions.

On maturity the convertible debentures at the election of the holder are convertible into shares at 95% of the volume weighted average trading price of the shares on the TSXV for the 20 consecutive trading days ending 5 trading days preceding maturity. Under TSXV rules a Company is unable to issue shares below C$0.05 (5 cents) and therefore were the share price as calculated for conversion to be below that price then even if the holder elected to satisfy the convertible debenture by requesting the issue of shares the Company would not be able to and the convertible debenture would need to be repaid in cash.

Interest is payable quarterly in arrears and can be paid either in shares or cash at the option of the Company. In the case of the June Debentures the election to pay the interest in shares is only valid when the share price is above C$0.05 (5 cents).

See also Note 29 Subsequent Events.

Borrowings	2013	2012
Convertible Debenture (Issued February 2012) (Maturing Dec 31, 2013)	2,518,142	1,818,523
Convertible Debenture (Issued June 2012) (Maturing Jan 31, 2014)	3,415,235	-
	5,933,377	1,818,523

20. CONTRIBUTED EQUITY

	Number of securities 2013	Number of securities 2012	Value in AUD 2013	Value in AUD 2012
Shares on issue:				
Ordinary shares - fully paid	469,339,034	460,798,137	37,167,847	36,753,939
Share Issue costs	-	-	(1,671,723)	(1,662,116)
	469,339,034	460,798,137	35,496,124	35,091,823

	Number of securities 2013	Number of securities 2012	Value in AUD 2013	Value in AUD 2012
Number of Shares under Options and Warrants	132,543,985	102,043,985	2,449,016	2,186,539
	132,543,985	102,043,985	2,449,016	2,186,539

Movement in share capital for the year ended 30 June 2012

2012 Financial Year	Ordinary shares	Number of shares	Issue price	AUD
1 July 2011	Opening balance	345,372,464		28,433,068
3 August 2011	Share Based Payment to Consultants	1,960,075	$0.0760	131,325
9 August 2011	Collateral Shares in respect of SpringTree Share Purchase Agreement	3,697,997	$0.0649	240,000
10 October 2011	Collateral Shares in respect of SpringTree Share Purchase Agreement	1,428,572	$0.0700	100,000
15 November 2011	Capital Placement	37,460,101	$0.0476	1,784,322
18 November 2011	Conversion of Convertible Loan	53,472,219	$0.0675	3,608,739
23 February 2012	Shares issued to Canaccord	2,434,091	$0.1100	267,750
5 April 2012	Capital Placement	12,222,222	$0.0694	848,154
1 May 2012	Share Based Payment to Directors	2,750,396	$0.0700	192,528
	Cost of Placement			(514,063)
30 June 2012	**Closing balance**	460,798,137		35,091,823

Movement in share capital for the year ended 30 June 2013

2013 Financial Year	Ordinary shares	Number of shares	Issue price	AUD
1 July 2012	Opening balance	460,798,137		35,091,823
4 July 2012	Shares in lieu of quarterly interest	1,343,961	$0.0496	66,594
2 October 2012	Shares in lieu of quarterly interest	2,946,936	$0.0492	144,988
21 December 2012	Shares in lieu of Director Fees	650,000	$0.0500	32,500
9 April 2013	Shares in lieu of quarterly interest	1,380,831	$0.0472	65,139
19 April 2013	Shares in lieu of quarterly interest	2,219,169	$0.0472	104,688
	Cost of Placement			(9,608)
30 June 2013	**Closing balance**	469,339,034		35,496,124

21. RESERVES

	Consolidated 2013 AUD	Consolidated 2012 AUD
Share based payments	2,449,016	2,186,539
Foreign currency translation reserve	596,588	(264,427)
	3,045,604	1,922,112
Reconciliation of movement in reserves		
Share-based payments reserve		
Balance at the beginning of period	2,186,539	1,189,331
Equity settled share-based payment transactions	262,477	997,208
Balance	2,449,016	2,186,539
Foreign currency translation reserve		
Balance at the beginning of period	(264,427)	(589,242)
Effect of translation of foreign currency operations to group presentation currency	861,015	324,815
Balance	596,588	(264,427)

Share based payments reserve

The reserve represents the value of options issued under the compensation arrangement that the Group is required to include in the consolidated financial statements. This reserve will be transferred to retained earnings when the underlying options vest and are exercised by the employee or consultant.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

22. ACCUMULATED LOSSES

	Consolidated	
	2013	2012
	AUD	AUD
Balance at beginning of financial year	(33,765,810)	(25,219,052)
Net loss attributable to equity holders	(6,417,789)	(8,546,758)
	(40,183,599)	(33,765,810)

23. FINANCIAL INSTRUMENTS

(a) Credit Risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated	
	Carrying amount	
	2013	2012
	AUD	AUD
Cash and cash equivalents	152,040	303,077
Trade and other receivables*	488,583	492,220

*Trade and other receivables excludes GST receivables and prepayments

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2013	2012
	AUD	AUD
United States	-	27,727
Australia	-	-
	-	27,727

The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount	
	2013	2012
	AUD	AUD
Wholesale customers	-	27,727
Other customers	-	-
	-	27,727

23. Financial Instruments (continued)

Past Due

All trade receivables at this time are with one customer who is situated in the United States.

The ageing of the Group's trade receivables at the reporting date was:

	2013		2012	
	Gross	Impairment	Gross	Impairment
	AUD	AUD	AUD	AUD
Not past due (0-30 days)	-	-	27,727	-
	-	-	27,727	-

(b) Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and it excludes the impact of netting agreements.

Consolidated 30 June 2013

	Carrying amount AUD	Contractual Cashflows AUD	6 months or less AUD	6 – 12 months AUD	12+ months AUD
Non-derivative financial liabilities					
Trade and other payables*	897,820	897,820	897,820	-	-
Borrowings	5,933,377	7,835,861	3,258,069	226,828	4,350,964

* Excludes Share Based Payments

Consolidated 30 June 2012

	Carrying amount AUD	Contractual Cashflows AUD	6 months or less AUD	6 – 12 months AUD	12+ months AUD
Non-derivative financial liabilities					
Trade and other payables*	2,030,611	2,030,611	2,030,611	-	-
Borrowings	1,818,523	3,080,893	134,653	132,819	2,813,421

* Excludes Share Based Payments

(c) Currency Risk

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	2013		2012	
	AUD	USD	AUD	USD
Cash and cash equivalents	1,587	1,472	2,024	2,056

	2013		2012	
	AUD	CAD	AUD	CAD
Cash and cash equivalents	228	221	-	-
Borrowings	(5,933,377)	(5,754,782)	(1,818,523)	(1,901,084)

23. Financial Instruments (continued)

The following significant exchange rates applied during the year:

	Average Rate		Spot Rate at Report Date	
	2013	2012	2013	2012
AUD	1.0271	1.0319	0.9275	1.0191
USD	0.9736	0.9691	1.0782	0.9813
AUD	1.0312	1.0349	0.9699	1.0454
CAD	0.9697	0.9663	1.0310	0.9566

Sensitivity Analysis

A 10% weakening of the Australian dollar (AUD) against the US dollar (USD) at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, such as interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Consolidated	
	Equity	Net Income
2013		
USD	-	176
2012		
USD	-	225

A 10% strengthening of the Australian dollar (AUD) against the US dollar (USD) at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, such as interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Consolidated	
	Equity	Net Income
2013		
USD	-	(144)
2012		
USD	-	(184)

A 10% weakening of the Australian dollar (AUD) against the Canadian dollar (CAD) at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, such as interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Consolidated	
	Equity	Net Income
2013		
CAD	-	(659,239)
2012		
CAD	-	(202,058)

A 10% strengthening of the Australian dollar (AUD) against the Canadian dollar (CAD) at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, such as interest rates, remain constant. The analysis is performed on the same basis for 2012.

For personal use only

23. Financial Instruments (continued)

	Consolidated	
	Equity	Net Income
2013		
CAD	-	539,377
2012		
CAD	-	165,320

(d) Fair Values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	2013 Carrying Amount AUD	2013 Fair Value AUD	2012 Carrying Amount AUD	2012 Fair Value AUD
Cash and cash equivalents	152,040	152,040	303,077	303,077
Loans and receivables	488,583	488,583	492,220	492,220
Trade and other payables	(897,820)	(897,820)	(2,030,611)	(2,030,611)
Provision	(734,264)	(734,264)	(731,862)	(731,862)
Derivative Liability	(78,501)	(78,501)	(1,139,356)	(1,139,356)
Borrowings	(5,933,377)	(5,933,377)	(1,818,523)	(1,818,523)
	(7,003,339)	(7,003,339)	(4,925,055)	(4,925,055)

24. CAPITAL AND OTHER COMMITMENTS

	Consolidated 2013 AUD	Consolidated 2012 AUD
Capital Expenditure commitments		
Exploration expenditure		
Within one year	400,966	520,546
One to five years	106,382	150,397
	507,348	670,943

The capital expenditure commitments represents at this time what the Group expects will be required to pay on the projects it has secured. Were the Group not to make these payments then their rights on the projects would be relinquished.

24. Capital and other Committments (continued)

	Consolidated 2013 AUD	Consolidated 2012 AUD
Lease committments		
Rental Property and Office Administration Leases		
Within one year	24,814	79,334
One to five years	-	6,752
	24,814	86,086

The Group leases offices in Australia and the United States. The commitments shown reflect rent on the Australian office leases for the upcoming 12 months on the premises. The Group has only a month to month commitment under the terms of the United States office lease. There is no commitment with the Australian office beyond twelve months. Also included is a service agreement relating to the US office.

	2013	2012
Other commitments		
Consulting Agreements		
Within one year	78,706	295,725
Financial Obligations		
Within one year	3,484,897	656,734
One to five years	4,350,964	7,272,775
	7,914,567	8,225,234

Consulting Agreements reflect notice commitments on consultant or employment agreements. Financial obligations relate to interest commitments and repayments of principal.

25. CONSOLIDATED ENTITIES

Name of entity	Country of Incorporation	Class of shares	Ownership interest 2013	Ownership interest 2012
Parent Entity				
Solimar Energy Ltd	Australia	Ordinary		
Controlled Entities				
Livingstone Energy Inc	United States	Ordinary	100%	100%
Solimar Australia Energy Pty Ltd	Australia	Ordinary	100%	100%
Solimar Energy LLC	United States	Ordinary	100%	100%

26. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated	
	2013	2012
	AUD	AUD
Cash flows from operating activities		
Profit/(loss) for the period	(6,417,789)	(8,546,758)
Adjustments for:		
Impairment on assets	3,634,670	1,043,030
Accretion on Restoration Provision	48,033	80,138
Writedown of Restoration Provision	(51,942)	-
Depreciation and amortisation	127,964	276,689
Foreign exchange expense	424,327	192,153
Equity settled share based payment expenses	262,476	997,208
Shares issued in lieu of cash settlement	32,500	192,528
Shares issued in lieu of interest	314,815	-
Gain on sale of Asset	(331,833)	-
Gain on Derivative	(2,015,823)	(361,211)
Interest Expensed	825,691	159,101
Operating profit before changes in working capital and provisions	(3,146,911)	(5,967,122)
(Increase) / decrease in trade and other receivables	11,316	20,423
(Decrease) / increase in trade and other payables	(471,078)	860,083
	(3,606,673)	(5,086,616)
Net cash from / (used in) operating activities	(3,606,673)	(5,086,616)

27. KEY MANAGEMENT PERSONNEL COMPENSATION

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors	*Executive directors*	*Executives*
Frank Petruzzelli	Will Satterfield (resigned as executive 31 May 2013	Chris Bowyer
Mark Elliott	and appointed as a non-executive director).	
Charle Gamba		
Jason Bednar		
Ryan Dunfield (resigned 22 July 2013)		
John Begg (resigned 5 April 2013)		

The key management personnel compensation included in 'personnel expenses' and 'professional fees' are as follows:

Key management personnel compensation

	Consolidated	
	2013 AUD	2012 AUD
Short term employee benefits	775,677	1,093,091
Equity compensation benefits	251,868	801,179
	1,027,545	1,894,270

Information regarding individual directors and executives compensation and some equity instrument disclosures, is provided in the Remuneration Report section of the Directors' report on pages 13 to 18.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Loans to key management personnel and their related parties

No loans have been made during the reporting period and at the reporting date there were no loans outstanding to key management personnel and their related parties (2012: Nil).

Loans from key management personnel and their related parties

At the reporting date there were no loans outstanding from key management personnel and their related parties. (2012: Nil).

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

27. Key Management and Personnel Compensation (continued)

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Transactions with Related Parties

		Consolidated	
		2013	2012
Specified Directors		AUD	AUD
Frank Petruzzelli	(i)	383,649	492,577

(i) During the current period the Company was charged for accounting, corporate secretarial services, consultancy services and office costs by MDB, an accounting practice of which Frank Petruzzelli is a principal. Included in these costs were various disbursements for travel paid by MDB on behalf of Solimar. Frank Petruzzelli's director fees are not included in this total.

Assets and liabilities arising from the above transactions

	Consolidated	
	2013	2012
	AUD	AUD
Trade and other payables	127,015	165,544
Current liabilities	127,015	165,544

27. Key Management and Personnel Compensation (continued)

Options and rights over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in Solimar Energy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2013 Directors/ Executives	Held at 1 July 2012	Granted as compensation	Exercised	Other Changes*	Held at 30 June 2013	Vested during the Year	Vested & exercisable at 30 June 2013
John Begg	5,400,000	2,000,000	-	-	7,400,000	2,000,000	7,400,000
Frank Petruzzelli	4,500,000	1,000,000	-	-	5,500,000	1,000,000	5,500,000
Mark Elliott	4,000,000	1,000,000	-	-	5,000,000	1,000,000	5,000,000
Charle Gamba	5,194,444	1,000,000	-	-	6,194,444	1,000,000	6,194,444
Jason Bednar	4,500,000	1,000,000	-	-	5,500,000	1,000,000	5,500,000
Ryan Dunfield	-	2,500,000	-	-	2,500,000	2,500,000	2,500,000
Will Satterfield	5,000,000	2,000,000	-	-	7,000,000	4,500,000	4,500,000
Chris Bowyer	400,000	625,000	-	-	1,025,000	625,000	1,025,000
	28,994,444	11,125,000	-	-	40,119,444	13,625,000	37,619,444

* Other changes represent options that expired, were cancelled, forfeited or purchased during the year.

2012 Directors/ Executives	Held at 1 July 2011	Granted as compensation	Exercised	Other Changes*	Held at 30 June 2012	Vested during the Year	Vested & exercisable at 30 June 2012
John Begg	10,000,000	5,400,000	-	(10,000,000)	5,400,000	10,400,000	5,400,000
Frank Petruzzelli	-	4,500,000	-	-	4,500,000	4,500,000	4,500,000
Mark Elliott	-	4,000,000	-	-	4,000,000	4,000,000	4,000,000
Charle Gamba	-	4,500,000	-	694,444	5,194,444	5,194,444	5,194,444
Jason Bednar	-	4,500,000	-	-	4,500,000	4,500,000	4,500,000
Will Satterfield	-	5,000,000	-	-	5,000,000	-	-
Chris Bowyer	750,000	400,000	-	(750,000)	400,000	575,000	200,000
	10,750,000	28,300,000	-	(10,055,556)	28,994,444	29,169,444	23,794,444

* Other changes represent options that expired, were cancelled, forfeited or purchased during the year.

Further information on the terms and conditions of each grant made during the reporting period can be found in Note 28.

27. Key Management and Personnel Compensation (continued)

Movement in shares

The movement during the reporting period in the number of ordinary shares in Solimar Energy Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2013 – Directors / Executives	Held at 1 July 2012	Purchases	Received on exercise of options	Issued in lieu of Bonus	Issued in lieu of Fees	Held at 30 June 2013
John Begg	1,785,714	-	-	-	-	1,785,714
Frank Petruzzelli	9,679,161	-	-	-	-	9,679,161
Mark Elliott	9,436,114	-	-	-	-	9,436,114
Charle Gamba	2,046,228	-	-	-	325,000	2,371,228
Jason Bednar	758,730	-	-	-	325,000	1,083,730
Ryan Dunfield	-	-	-	-	-	-
Will Satterfield	-	688,000	-	-	-	688,000
Chris Bowyer	-	-	-	-	-	-
	23,705,947	688,000	-	-	650,000	25,043,947

2012 – Directors / Executives	Held at 1 July 2011	Purchases	Received on exercise of options	Issued in lieu of Bonus	Issued per Solimar Acquisition	Held at 30 June 2012
John Begg	-	-	-	1,785,714	-	1,785,714
Frank Petruzzelli	9,679,161	-	-	-	-	9,679,161
Mark Elliott	9,436,114	-	-	-	-	9,436,114
Charle Gamba	-	1,527,776	-	-	518,452	2,046,228
Jason Bednar	-	312,500	-	-	446,230	758,730
Will Satterfield	-	-	-	-	-	-
Chris Bowyer	-	-	-	-	-	-
	19,115,275	1,840,276	-	1,785,714	964,682	23,705,947

Changes in key management personnel in the period after the reporting date and prior to the date when the financial report is authorised for issue

Mr Ryan Dunfield resigned as a non-executive director on 22 July 2013.

28. SHARE-BASED PAYMENTS

(a) Option Plans

During the period to 30 June 2013 the following issue of options were granted:

(i) 6,500,000 options in total to Messrs Petruzzelli, Elliott, Bednar, Gamba and Dunfield (non-executive directors)

(ii) 2,000,000 options to Mr John Begg

(iii) 2,000,000 options to Mr Will Satterfield who was chief executive at the time of the grant.

(iv) 1,500,000 options to Company Personnel

The terms and conditions of the options grant are as follows:

	(i)	(ii)	(iii)	(iv)
No of options	6,500,000	2,000,000	2,000,000	1,500,000
Grant Date	21 December 12	21 December 12	21 December 12	26 February 13
Fair Value	1.62 cents	1.62 cents	1.62 cents	1.09 cents
Underlying Share Price at Grant Date	4.78 cents	4.78 cents	4.78 cents	3.76 cents
Exercise Price	10 cents CAD	10 cents CAD	10 cents CAD	10 cents CAD
Volatility	100%	100%	100%	100%
Risk Free Rate	2.72%	2.72%	2.72%	2.72%
Expected Dividends	Nil	Nil	Nil	Nil
Maximum Life	2.96 years	2.96 years	2.96 years	2.75 years
Vesting Conditions	100% on issue	100% on issue	100% on issue	100% on issue

The terms and conditions of the options along with the key valuation inputs are as follows, whereby all options are settled by physical delivery of shares:

The expected volatility used in the valuation of the options was based on the historic volatility demonstrated over a similar duration to the options' life.

The options have been valued using the Black - Scholes option pricing model. A non tradability discount has also been applied.

Share options are granted under a service condition and, for grants to key management personnel, non-market performance conditions. Non-market performance conditions were attached to a number of the options provided to key management personnel. These conditions related to the provision of service over a specified period of time in order to receive the awarded options. Non-market performance conditions are re-assessed at vesting date when the services are received.

28. Share-based payments (continued)

Set out below are the summaries of options granted / on issue at 30 June:

Consolidated entity – 2013

Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Cancelled during the period	Expired during the period	Balance at end of the period	Vested and exercisable at end of the period
28/02/2011	28/02/2015	7.88 cents	3,000,000	-	-	-	3,000,000	3,000,000
29/07/2011	01/07/2014	12.75 cents	3,200,000	-	-	-	3,200,000	2,100,000
29/07/2011	01/07/2013	12.75 cents	1,500,000	-	-	(1,500,000)	-	-
29/07/2011	01/07/2014	18 cents	10,400,000	-	-	-	10,400,000	10,400,000
29/07/2011	01/07/2014	18 cents	8,500,000	-	-	-	8,500,000	8,500,000
29/11/2011	05/10/2014	CAD14.4 cents	9,000,000	-	-	-	9,000,000	9,000,000
01/01/2012	04/07/2016	12.75 cents	5,000,000	-	-	-	5,000,000	2,500,000
21/12/2012	30/11/2015	CAD10 cents	-	10,500,000	-	-	10,500,000	10,500,000
26/02/2013	30/11/2015	CAD10 cents	-	1,500,000	-	-	1,500,000	1,500,000
			40,600,000	12,000,000	-	(1,500,000)	51,100,000	47,500,000
Weighted average exercise price ($)			0.1515	0.0965	-	0.1275	0.1393	0.1402

The options outstanding at 30 June 2013 have a weighted average exercise price of $0.1402 (2012:$0.1557). They have a weighted average contractual life of 3.12 years (2012:3.14 years).

During the financial year, no options issued to Directors or Executives were exercised (2012: Nil).

Consolidated entity – 2012

Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Forfeited during the period	Expired during the period	Balance at end of the period	Vested and exercisable at end of the period
27/11/2009	01/06/2012	12.75 cents	5,000,000	-	-	(5,000,000)	-	-
27/11/2009	01/06/2012	9.35 cents	5,000,000	-	-	(5,000,000)	-	-
01/05/2010	01/06/2012	12.75 cents	1,250,000	-	-	(1,250,000)	-	-
31/05/2010	01/06/2012	12.75 cents	4,500,000	-	-	(4,500,000)	-	-
25/11/2010	01/06/2012	12.75 cents	4,000,000	-	-	(4,000,000)	-	-
25/11/2010	01/06/2012	12.75 cents	375,000	-	-	(375,000)	-	-
28/02/2011	28/02/2015	7.88 cents	3,000,000	-	-	-	3,000,000	3,000,000
29/07/2011	01/07/2014	12.75 cents	-	3,200,000	-	-	3,200,000	2,100,000
29/07/2011	01/07/2013	12.75 cents	-	1,500,000	-	-	1,500,000	1,500,000
29/07/2011	01/07/2014	18 cents	-	10,400,000	-	-	10,400,000	10,400,000
29/07/2011	01/07/2014	18 cents	-	8,500,000	-	-	8,500,000	8,500,000
29/11/2011	05/10/2014	CAD14.4 cents	-	9,000,000	-	-	9,000,000	9,000,000
01/01/2012	04/07/2016	12.75 cents	-	5,000,000	-	-	5,000,000	-
			23,125,000	37,600,000	-	(20,125,000)	40,600,000	34,500,000
Weighted average exercise price ($)			0.1138	0.1573		0.1191	0.1515	0.1557

28. Share-based payments (continued)

(b) Expenses arising from share-based transactions

	Consolidated	
	2013 AUD	2012 AUD
Shares and options granted - equity settled	262,477	997,208
Recognised as Professional fees	6,806	191,567
Recognised as Personnel expenses	255,671	765,311
Recognised as Other expenses	-	5,770
Recognised as Research & Exploration	-	34,560
	262,477	997,208

29. SUBSEQUENT EVENTS

Agreement with Debentureholders

On August 16, 2013, Solimar announced that it had reached an agreement with holders of June Debentures. After nearly one month of negotiations, the holders of June Debentures agreed to waive the event of default under the June Debenture and direct the trustee under the corresponding debenture indenture to cancel the declaration that the outstanding principal and interest owing thereunder was immediately payable on the condition that the debenture indenture be amended and restated to provide, among other things, as follows:

+ the interest payable on the June Debentures increases to 20% per annum effective July 1, 2013 with 16% being payable on each interest payment date and the additional 4% being accrued and payable upon maturity;
+ the maturity date of the June Debentures is brought forward to January 31, 2014. However, at the Company's option and upon the Company and its subsidiaries providing the holders of Debentures first priority security on all of the Company's and its subsidiaries' assets and payment of a C$250,000 extension fee, payable proportionately to the holders of the June Debentures at the time of the extension, the maturity date may be extended to July 31, 2014;
+ the Company pays a loan modification fee of C$500,000, payable proportionately to the holders of the June Debentures upon maturity;
+ the Company covenants to use all reasonable commercial efforts to pay, via the issuance of shares, any principal and interest owing on the February Debentures; and
+ the Company and its subsidiaries covenant not to incur or become responsible for, directly or indirectly, any additional indebtedness that ranks in priority to the June Debentures. The debenture indenture was amended and restated as of August 14, 2013 to reflect the foregoing conditions.

Sale of Tejon Ranch Interests

On August 12, 2013, Solimar announced the sale of 47.5% of its 57.5% working interest along with operatorship in the leases located in the Tejon Ranch area of the San Joaquin Valley to its partners for a consideration of US$250,000. Under the terms of the agreement Solimar has sold 28.75% of its 57.5% working interest in the leases to Avere Energy Corp. ("Avere") and 18.75% of its 57.5% working interest and operatorship in the leases to North American Oil and Gas ("NAMG"). The resultant working interest division in the leases is Solimar 10%, NAMG 40%, and Avere 50%.

29. Subsequent Events (continued)

Paloma

The Company having reviewed its position at the Paloma project following its non-consent on cash calls relating to the three wells at Paloma made a decision to discontinue its involvement in the project and relinquished its remaining interests in the leases.

Non-Brokered Private Placement

The Company closed a non-brokered private placement on Sept 27, 2013 for a total of C$500,000 raising C$423,520 through the issue of 28,234,666 shares and 28,234,666 unlisted warrants. Several Directors of the Company were also participating in the placement subscribing for 5,098,667 units (each unit converting into one share and one warrant) for C$76,480. Their participation would be subject to shareholder approval at the Company's next Annual General Meeting.

30. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Solimar Energy Limited, at 30 June 2013. The information here has been prepared using consistent accounting policies as presented in Note 1.

Parent Entity	2013 AUD	2012 AUD
Current assets	61,566	272,620
Non-current assets	9,922,088	11,911,109
Total assets	9,983,654	12,183,729
Current liabilities	3,405,106	5,977,725
Non-current liabilities	8,220,419	2,957,879
Total liabilities	11,625,525	8,935,604
Contributed equity	37,935,270	37,530,968
Reserves	3,812,575	3,550,098
Accumulated losses	(43,389,716)	(37,832,941)
Total equity	(1,641,871)	3,248,125
Profit / (loss) for the year	(5,556,775)	(8,221,946)
Total comprehensive income / loss for the year	(5,556,775)	(8,221,946)

There is a difference between the contributed equity of the Company and that of the Group as a result of accounting for the reverse acquisition which occurred in the 2007 financial year. Per AASB 3 'Business Combinations', Solimar Australia Energy Proprietary Limited was deemed to acquire Livingstone Petroleum Limited (now known as Solimar Energy Limited) which was shown at fair value in the consolidated balance sheet.

From the perspective of the Company, Livingstone Petroleum Limited acquired all the shares in Solimar Australia Energy Proprietary Limited as the legal parent. This transaction was accounted for at the cost of the acquisition per the issue of shares to Solimar Australia Energy Proprietary Limited.

31. WORKING CAPITAL REQUIREMENTS AND CAPITAL AND LEASING COMMITMENTS

The Group has a deficiency in working capital of $3,537,166 (2012: $1,654,602). Please also refer to Note 2(a) on page 31.

32. CONTINGENT LIABILITY

When the Company increased its position in the Kreyenhagen Ranch Project to 100% (April 2011) it agreed to future success based payments which would be payable on the achievement of reserve certification milestones. The Company has not recognised any provision for these payments as the likelihood of these milestones being achieved as well as the timing is currently uncertain and subject to a number of factors outside of the Company's control.

CORPORATE GOVERNANCE

For personal use only

1. CORPORATE GOVERNANCE STATEMENT

OVERVIEW

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations").

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2nd Edition) to ensure that these remain relevant to the Australian business and investment communities. These revised Principles and Recommendations reflect the contributions of more than 100 public submissions and took effect from 1 January 2008.

The ASX Corporate Governance Council's Recommendations are not mandatory and cannot, in themselves, prevent corporate failure or poor corporate decision-making. They are intended to provide a reference point for companies about their corporate governance structures and practices. There is no single model of good corporate governance. The document articulates eight core principles ("the Principles").

The ASX Corporate Governance Council encourages companies to use the guidance provided by this document as a focus for re-examining their corporate governance practices and to determine whether and to what extent the company may benefit from a change in approach, having regard to the company's particular circumstances. There is little value in a checklist approach to corporate governance that does not focus on the particular needs, strengths and weaknesses of the company. The ASX Corporate Governance Council recognises that the range in size and diversity of companies is significant and that smaller companies from the outset may face particular issues in following all Recommendations.

The Recommendations are not prescriptions, they are guidelines, designed to produce an outcome that is effective and of high quality and integrity. This document does not require a "one size fits all" approach to corporate governance. Instead, it states suggestions for practices designed to optimise corporate performance and accountability in the interests of shareholders and the broader economy. If a company considers that a Recommendation is inappropriate to its particular circumstances, it has the flexibility not to adopt it - a flexibility tempered by the requirement to explain why – the "if not, why not" approach.

The Board of Directors of Solimar Energy is committed to good corporate governance taking into account the Company's size and operations. The Board has a range of policies and processes in place to ensure the rights of the Company and its shareholders are protected.

The Company's Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council's Principles and Recommendations (2nd Edition).Further information on the Company's Corporate Governance policies is located at www.solimarenergy.com.au.

2. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

2.1 Companies should establish and disclose the respective roles and responsibilities of board and management.

+ **Recommendation 1.1:** Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
+ **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.
+ **Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1.

The primary role of the Board of Directors is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is usually responsible for:

- overseeing the company, including its control and accountability systems
- appointing and removing the chief executive officer, or equivalent where appropriate, ratifying the appointment and the removal of senior executives
- providing input into and final approval of management's development of corporate strategy and performance objectives
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance
- monitoring senior executives' performance and implementation of strategy

- ensuring appropriate resources are available to senior executives
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures
- approving and monitoring financial and other reporting.

2.2 The Company's practice:

There is a Board Charter which sets out the role of the Board and the Company Secretary. This charter is published on the Company's website and contains many of the responsibilities described above. The Board is responsible to the shareholders for the corporate governance practices of the Company. The management and the Company's consultants are expected to regularly give written and verbal communications to the directors on financial and operational matters.

The process for evaluating the performance of senior executives involves discussions at the Board about the delivery of project milestones, involving such key issues as drilling, production and financial objectives. If executives have met these objectives then their performance will be rewarded in terms of salary and the Company's long term incentive option plan.

The Chief Executive Officer (CEO) has responsibility for the day-to-day operations and administration of the Group. Assisting the CEO is a team of consultants who in consultation with the CEO oversee operational matters in the United States. With the resignation of the CEO in June 2013 an executive committee led by Jason Bednar is currently performing those duties that would normally be undertaken by the CEO. The Board also monitors the financial budget in consultation with the Chief Financial Officer in Australia and management in the United States.

3. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

3.1 Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

+ **Recommendation 2.1:** A majority of the board should be independent directors.
+ **Recommendation 2.2:** The chair should be an independent director.
+ **Recommendation 2.3**: The roles of chair and chief executive officer should not be exercised by the same individual.
+ **Recommendation 2.4:** The board should establish a nomination committee.
+ **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.
+ **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.

3.2 The Company's practice: Independence

The ASX Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. The ASX Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.

Based on the above definition and the behaviour of the board, the Board at this time considers Messrs Petruzzelli, Elliott, Gamba and Satterfield to be independent directors of the Company. Mr Petruzzelli is an independent Chairman.

Composition and Experience
As at the date of this report, the directors of the Company (and the duration of their respective terms in office) are as follows:

Name of Director	Position	Term in office
Frank Petruzzelli	Chairman	6 yrs
Mark Elliott	Non-executive Director	6 yrs
Charle Gamba	Non-executive Director	2 yrs
Jason Bednar	Non-executive Director	2 yrs
Will Satterfield	Non-executive Director	1 yr

Nomination Committee
The Company does not presently have a nomination committee. Any prospective appointments are reviewed by the Board as a whole.

Monitoring Board Performance
The criteria involved in evaluating the Board's performance are outlined in Section 8 of the Board's Charter which is published on the Company's website. It is expected that all Directors attend Board Meetings and make meaningful, constructive contributions to protect the interests of all shareholders and grow the value of the Company.

The Company encourages any new Directors to learn about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning the performance of Directors.

Directors are also encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge. Examples of this involve attendance at the Australian Institute of Company Directors (AICD) courses and technical training sessions with the Australian Petroleum Production & Exploration Association (APPEA).

4. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

4.1 Companies should actively promote ethical and responsible decision-making.

+ **Recommendation 3.1:**
  Companies should establish a code of conduct and disclose the code or a summary of the code as to:
  - the practices necessary to maintain confidence in the company's integrity.
  - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.
  - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

+ **Recommendation 3.2:**
  Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

+ **Recommendation 3.3:**
  Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

+ **Recommendation 3.4:**
  Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

+ **Recommendation 3.5:**
  Companies should provide the information indicated in the Guide to reporting on Principle 3.

4.2 The Company's practice: Ethical Standards

All directors and employees of the Company are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Company has adopted a Code of Conduct which commits it to operating in an environment that promotes ethical and responsible decision-making along with a requirement to act with integrity in its dealings with employees, consultants and the broader outside community.

The Code of Conduct, which is published on the Company's website, commits individuals associated with the Company to the following principles:

- Respect the Law
- Manage Conflicts of Interest
- Respect their role as stewards of the Company
- Respect the relationships they have with others and themselves
- Respect their relationship with employees / consultants
- Respect their relationship with the environment

Diversity

The Company does not have a diversity policy. At this time the Board believes the Company adopts an open and inclusive attitude in decisions on the employment of individuals and the appointment of new directors. The Company wishes to ensure that it seeks and retains the best people for the roles assigned regardless of gender.

Category	Women as a proportion of total
Organisation as a whole	10%
Senior Executive Positions	0%
Board of Directors	0%

5. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

5.1 Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

+ **Recommendation 4.1:**
  The board should establish an audit committee.

+ **Recommendation 4.2:**
  The audit committee should be structured so that it:
  - consists only of non-executive directors
  - consists of a majority of independent directors
  - is chaired by an independent chair, who is not chair of the board and has at least three members.

+ **Recommendation 4.3:**
  The audit committee should have a formal charter.

+ **Recommendation 4.4:**
  Companies should provide the information indicated in the Guide to reporting on Principle 4.

5.2 The Company's practice:

Audit Committee
The Company has established an Audit Committee which has responsibility for oversight of the financial reporting process. The Audit Committee has a charter which formally sets out its duties and responsibilities. The objectives of the Committee, with respect to the Company are as follows:

- Assist directors to meet their responsibilities in respect of the preparation and disclosure of the financial reports of the Corporation and related matters.
- Provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board.
- Ensure the external auditors' independence and review and appraise their performance.
- Increase the credibility and objectivity of financial reports.
- Strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

The Audit Committee currently consists of three directors and they are required to meet at least two times a year. At least once a year the Committee is required to meet with management and the external auditors.

6. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

6.1 Companies should promote timely and balanced disclosure of all material matters concerning the company.

+ **Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
+ Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.

6.2 The Company's practice:

Continuous Disclosure Policy

The Board promotes timely and balanced disclosure of all material matters concerning the Company. The Company has adopted a Continuous Disclosure policy which ensures compliance with its disclosure obligations under the ASX Listing Rules and the Corporations Act in Australia.

The Policy sets out:

- The Principles of Continuous Disclosure under Listing Rule 3.1;
- Delegation of responsibility to the Company/Directors and Company Secretary for ensuring the Company complies with its continuous disclosure requirements;
- Review of information to be disclosed to the market;
- Dealing with ASX queries and market rumours; and
- The Board and Company Secretary include commentary in its periodic reporting to ensure that investors can make an informed assessment of the entity's activities and results.

Every effort is made by the Directors to release timely information about leasing, exploration and production activities when it does not compromise the competitive position or value of the company.

Further details on the Continuous Disclosure Policy are published on the Company's website www.solimarenergy.com.au.

7. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

7.1 Companies should respect the r ights of shareholders and facilitate the effective exercise of those rights.

+ **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
+ **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

7.2 The Company's practice:

Shareholder Communication

The Board aims to ensure that the Company's shareholders are informed of all information necessary to assess the performance of the Company.

Mechanisms employed by the Company to ensure effective communication with shareholders include:

- regular shareholder communications such as Quarterly Activities and Cashflow Reports, Half-Yearly Reports, Annual Reports and exploration updates;
- shareholder access to communications, including market announcements, through the Company's website and email alerts;
- presentations made by the Chairman and Company's Consultants to financial industry professionals and shareholders; and
- Encouraging attendance at the Annual General Meeting.

The Company at this time has not developed a formal communications policy in respect of its shareholders. The Board do however recognise the importance of formalising a policy and will be seeking to put together a policy once its priorities allow it to devote sufficient resources to undertake this.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are responsible for voting on the appointment of Directors, approval of the maximum amount of Directors' fees and the granting of options and shares to Directors.

8. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

8.1 Companies should establish a sound system of risk oversight and management and internal control.

+ **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
+ **Recommendation 7.2:** The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
+ **Recommendation 7.3:** The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
+ **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

8.2. The Company's practice:

Recognise and manage Risks

Solimar Energy recognises that the risks which could affect the results of the Company include: oil and gas price fluctuations; actual demand for oil and gas; currency fluctuations; drilling and production results; resource estimates; loss of market; industry competition; environmental risks; physical risks; legislative, fiscal and regulatory developments; economic and financial market conditions in the US; political risks; project delays or advancements; approvals and cost estimates; solvency risks and drilling problems.

Solimar Energy is aware of these risks and risk management and internal control systems are being progressively developed to manage all these risks. There is no formal risk management policy that has yet been instituted by the Board. The Board however through its regular board meetings is cognizant of the critical areas of risk that a company such as Solimar faces in its current operating environment.

No currency or oil & gas pricing hedging policies are in place due to most of the operating expenses being in US dollars which provides a natural hedge with oil and gas sales in the same currency. However, from time-to-time the Board may exchange A$ into US$ when it feels it advantageous to do so.

Solimar Energy's US subsidiaries have policies and procedures relating to health and safety to ensure compliance with the US Federal Government's Occupational Safety and Health Act as well as the State of California's Occupational Safety and Health Act.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework based on the COSO framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with a rolling budget, updated on a regular basis and reviewed by the Board. The budget assists the Board and management with forecasting cash requirements and monitoring proposed expenditures against actuals.
- Investment appraisal - the Company has guidelines for: capital expenditure; levels of authority; and due diligence requirements where businesses or assets are being acquired or divested.

Assurances

The chief executive and company secretary have provided in writing to the Board a statement that meets the requirements of Recommendation 7.3.

9. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

9.1 Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

+ **Recommendation 8.1:**
  The board should establish a remuneration committee.
+ **Recommendation 8.2:**
  Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
+ **Recommendation 8.3:**
  Companies should provide the information indicated in the Guide to reporting on Principle 8.

9.2 The Company's practice:

Remuneration Committee

The Board has created a remuneration committee. The remuneration committee is expected to meet twice a year to discuss issues concerning the remuneration of consultants, executives and the Board. The remuneration committee currently consists of three non-executive directors.

Remuneration Structure

The Company's objective is to establish and maintain a Board that consists of experienced and motivated directors who possess appropriate skills and expertise to promote the Company's success. The policy of the Company is to seek to ensure a clear relationship between director performance, the role they perform and remuneration received.

In relation to the payment of bonuses, issue of securities and other incentive payments, discretion is exercised by the Board having regard to both the Company's performance and the performance of the individual concerned. Details of the Company's remuneration policy are contained in the Remuneration Report section of the Directors' Report in the latest Annual Report.

ADDITIONAL SHAREHOLDER INFORMATION

Exchange listing

Solimar Energy Limited shares are listed on the Australian Securities Exchange (ASX) and Toronto Venture Exchange (TSXV). The Company's ASX code is SGY and TSXV code is SXS.

Substantial shareholders (holding not less than 5%)

As at 30 September 2013 the Company had no substantial shareholders.

Class of shares and voting rights

At 27 September 2013 there were 1,072 holders of 474,005,693 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

a. each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;

b. on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and

c. on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

DISTRIBUTION OF SHAREHOLDERS (As at 27 September 2013)

Spread of Holdings	Number of Holders	Number of Ordinary Shares	% of Total Issued Capital
1 – 1,000	33	2,029	0.00%
1,001 – 5,000	57	199,979	0.04%
5,001 – 10,000	130	1,139,987	0.24%
10,001 – 100,000	456	21,491,976	4.53%
100,001 and over	396	451,171,722	95.18%
Total	**1,072**	**474,005,693**	**100.000%**

The number of shareholders holding less than a marketable parcel is 419 totalling 5,630,887 shares.

Escrowed securities

The Company does not have any securities on issue that are subject to escrow restrictions.

Cash usage

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

ADDITIONAL SHAREHOLDER INFORMATION

LISTING OF 20 LARGEST SHAREHOLDERS (per Australian Registry records) (As at 27 September 2013)

	Name of Ordinary Shareholder	Number of Shares Held	Percentage of Shares Held %
1	CDS and Co	144,866,238	30.56%
2	Merrill Lynch (Australia) Nominees Pty Ltd	24,083,704	5.08%
3	JP Morgan Nominees Australia Ltd	13,778,333	2.91%
4	ABN Amro Clearing Sydney Nominees Pty Ltd	11,519,640	2.43%
5	HSBC Custody Nominees (Australia) Ltd	8,900,923	1.88%
6	Your Care Pty Ltd	8,812,494	1.86%
7	Robert Rosenthal	8,479,160	1.79%
8	Peter Capp	8,000,000	1.69%
9	Citicorp Nominees Pty Ltd	4,981,512	1.05%
10	Hiles Pty Ltd	4,228,000	0.89%
11	Kathleen Graves	4,182,383	0.88%
12	Saps Overseas Ltd	4,000,000	0.84%
13	Wizzdene Pty Ltd	4,000,000	0.84%
14	Alan Walton and Joy Walton	3,695,569	0.78%
15	National Nominees Ltd	3,564,500	0.75%
16	Humboldt Capital Corporation	3,500,000	0.74%
17	Intro Pty Ltd	3,400,000	0.72%
18	David Gibson	3,190,000	0.67%
19	MR Specialists Pty Ltd	2,790,000	0.59%
20	Ronald Martin & Verna Martin	2,600,000	0.55%
	TOTAL:	272,572,456	57.50%

Solimar Energy Leasehold Interest

Project	Interest
Kreyenhagen, San Joaquin Basin	84% - 100% Interest
Tejon Ranch, San Joaquin Basin	10% Interest
Jacalitos, San Joaquin Basin	75% Interest
Bayswater, San Joaquin Basin	1.13% Interest

Unlisted Options / Warrants (At 26 September 2013)

Expiry Date	Ex Price	Number	No of Holders	Main Registered Holders
28-Feb-15	$0.0788	3,000,000	3	J&P Easton (900,000)
				EZH Holdings (DE) Two LLC (1,125,000)
				V Efros (975,000)
01-Jul-14	$0.18	18,900,000	6	Your Care Pty Ltd (4,500,000)
				M Elliott (4,000,000)
				Rock Doc Pty Ltd (5,400,000)
01-Jul-14	$0.1275	3,200,000	9	D Pedersen (1,000,000)
05-Oct-14	C$0.144	9,000,000	2	J Bednar (4,500,000)
				C Gamba (4,500,000)
30-Nov-15	C$0.10	12,000,000	10	R Dunfield (2,500,000)
04-Jul-16	$0.1275	5,000,000	1	W Satterfield
10-Feb-14	C$0.15	14,000,000	23	None
05-Oct-14	C$0.144	41,332,874	14	Canaccord Genuity Corp (8,547,500)
04-Apr-15	C$0.15	6,111,111	2	Haywood Securities Inc (1,666,666)
				Jayvee & Co (4,444,445)
31-Jul-15	C$0.12	20,000,000	6	SCCP Solimar Holdings LP (15,500,000)

Convertible Debentures (At 26 September 2013)

Maturity	Amount	No of Holders	Main Registered Holders
31-Dec-13	$C2,800,000	23	None
31-Jan-14 *	$C4,000,000	6	SCCP Solimar Holdings LP ($C3,100,000)

* See Note 29 Subsequent Events for details on the amendments to these Debentures

This page is intentionally blank

Solimar Energy Limited- ABN 42 112 256 649

566 Elizabeth Street
Melbourne, Victoria 3000
AUSTRALIA

Telephone: (03) 9347 2409
Facsimile: (03) 9349 1186