

ASX & Media Release

Solimar Energy Limited

Quarterly Activities Report and Appendix 5B

For the 3 months ended 30 September 2013



COMPANY OVERVIEW*

ASX / TSXV Codes SGY (ASX) / SXS (TSXV)

Share Price (ASX) A\$0.006 per share

Shares on Issue 509,240,359

Unlisted Options 160,778,651

Market Capitalization \$A3.1m

Average Stock Turnover** 4.03m shares/month

* Figures as at 30 October 2013
** Over 12 month period
Oct 2012-Sept 2013 on ASX

DIRECTORS

Mr Frank Petruzzelli Chairman

Mr Jason Bednar Non-Executive Director

Mr Mark Elliott Non-Executive Director

Dr Charle Gamba Non-Executive Director

Mr Will Satterfield Non-Executive Director

Natural Gas Price* US\$/MMBtu (SoCal Border Spot) \$3.74

Oil Price* US\$/bbl (Midway Sunset Spot) \$96.36

HIGHLIGHTS

Kreyenhagen

- The first two wells (2-33 and 8-33) of the Phase I program were drilled, logged and cased during the quarter.
- Testing is planned for the December 2013 quarter on both wells to obtain fluid samples and assist with determining reservoir properties.

Funding Initiatives / Capital

- A C\$500,000 non – brokered placement was undertaken during the quarter and closed on 27 September 2013 with C\$423,520 raised from investors and certain directors subscribing for C\$76,480.
- An amendment to the convertible debentures (originally maturing 31 December 2014) was made on 18 August 2013. Among other things the maturity date was brought forward to 31 January 2014.

OPERATING ACTIVITIES

Overview

The Company focus during the September quarter was on the first phase of the joint venture program at Kreyenhagen. Working with the joint venture partner the Company's priority was on achieving a smooth running program that would provide results to assist the joint venture in determining the project's commerciality.

The Company also was able to secure further funds through a sell down of interests in one of its other exploration projects as well as a non-brokered private placement for C\$500,000.

The Company's focus remains on concluding Phase I of the Kreyenhagen work program and through working with results from the various tests be in a position to establish if the project as envisaged would be commercial.

Field appraisal and exploration

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

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 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. The Company anticipated including the K2-33 well in the Phase II thermal (steam) pilot currently scheduled for early 2014.

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

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%.

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.

Paloma: No further Interest (San Joaquin Basin)

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 during the quarter.

CORPORATE ACTIVITIES

Financing

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 upcoming Annual General Meeting.

The funds from the non-brokered private placement at the close of the September quarter were in a trust account and therefore not incorporated in the Company's closing cash balance at 30 September 2013.

Agreement with Debentureholders

On July 22, 2013 the Company advised that SCCP Solimar Holdings LP had issued a "Notice & Request" to Computershare Trust Company of Canada in its capacity as the Trustee under the Convertible Debenture Indenture dated June 26, 2012 providing for the issuance of convertible debentures by the Company ("June Debentures"). Under the notice of default they had requested the payment of their outstanding interest and principal. The Company made arrangements to rectify the event of default through the payment of interest owing of C\$110,000 to the holders of the June Debentures.

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.

The interest due for the September quarter on the June Debentures was paid at the conclusion of the quarter through a cash payment. The interest due for the September quarter on the February Debentures was paid via the issue of 7,000,000 shares as announced on October 4.

Resignation of Director

Mr Ryan Dunfield resigned as a Director of the Company on July 22, 2013. The Company wished Mr Dunfield the best in his future endeavours.

Note that all dates for drilling activities discussed in this quarterly report are subject to rig availability, and may change.

Jason Bednar
Director
Solimar Energy Limited

For further information contact: Jason Bednar Director

Phone 1-805-643-4100 or 61-3-9347-2409 and website www.solimarenergy.com.au

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

Reader Advisory: Potential resource estimates and forward-looking statements

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

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

these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

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

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

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

Resource Definitions

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

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

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

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

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

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

Classification of Resources

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

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

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

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

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Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

SOLIMAR ENERGY LTD

ABN

42 112 256 649

Quarter ended ("current quarter")

30 SEPTEMBER 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
1.1 Receipts from sales and related debtors	29	29
1.2 Payments for (a) exploration & evaluation	(24)	(24)
(b) Joint Venture exploration	(1,103)	(1,103)
(c) development	19	19
(d) production	(48)	(48)
(e) administration	(183)	(183)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(116)	(116)
1.6 Income taxes paid	-	-
1.7 Other – (see Note A below)	1,231	1,231
Net Operating Cash Flows	(195)	(195)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	277	277
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	277	277
1.13 Total operating and investing cash flows (carried forward)	82	82

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Solimar Energy Ltd
Appendix 5B – September 2013 Quarter
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	82	82
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. (see Note C below)	-	-
1.15	Costs of issue and borrowings	-	-
1.16	Proceeds from borrowings (Debentures)	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) (see Note B)	81	81
Net financing cash flows		81	81
Net increase (decrease) in cash held		163	163
1.20	Cash at beginning of quarter/year to date	150	150
1.21	Exchange rate adjustments to item 1.20	(4)	(4)
1.22	Cash at end of quarter (September 30) (Note C)	309	309

NOTES

- A.** The A\$1.231m were the funds contributed by the Kreyenhagen Joint Venture Partner to the Phase I program during the Quarter.
- B.** These are the funds advanced by the Directors who wished to participate in the non-brokered placement and which is subject to shareholder approval at the AGM.
- C.** Funds of C\$423,520 from the placement were received on 27 September but were held in a trust account at 30 September 2013 and are not reflected in the closing cash balance. The September quarter interest due on the June Debentures (C\$160,000) was also paid out of these funds in the trust account on 30 September.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	Nil
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil
1.25	Explanation necessary for an understanding of the transactions	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- An amendment was made to the convertible debentures (C\$4.0m) originally maturing 31 December 2014. Among other things the maturity date has been brought forward to 31 January 2014 and the interest rate was increased to 20% pa effective 1 July 2013. More information on the amendments made can be found in the Activity Summary for the September 2013 quarter.
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
- Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation (excludes JV Partner's share)	20
4.2 Development	-
4.3 Production	30
4.4 Administration	260
Total	310

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	180	150
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) (see Note below)	129	-
Total: cash at end of quarter (item 1.22)	309	150

Note: The A\$129k is the balance of funds held in the Kreyenhagen Joint Venture Account that are assigned specifically to costs incurred on the Kreyenhagen work program.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Paloma (Other acreage) Tejon Ranch	10.6% 57.5%	Nil 10%
6.2	Interests in mining tenements acquired or increased			

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Appendix 5B – September 2013 Quarter
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities	n/a			
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	502,240,359	502,240,359		
7.4 Changes during quarter				
(a) Increases through issues	32,901,325	32,901,325		
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities	56		C\$50,000 (C\$2.8m)	10% p.a Maturity Date 31 Dec 2013
	80		C\$50,000 (C\$4.0m)	20% p.a Maturity Date 31 Jan 2014
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	3,000,000 18,900,000 3,200,000 9,000,000 41,332,874 14,000,000 6,111,111 5,000,000 20,000,000 12,000,000 1,500,000 28,234,666 Options convert on 1:1 basis		<i>Exercise price</i> 7.88 cents 18 cents 12.75 cents 14.4 cents (CAD) 14.4 cents (CAD) 15 cents (CAD) 15 cents (CAD) 12.75 cents 12 cents (CAD) 10 cents (CAD) 10 cents (CAD) 5 cents / 10 cents (CAD)	<i>Expiry date</i> 28 February 2015 1 July 2014 1 July 2014 5 October 2014 5 October 2014 10 February 2014 4 April 2015 4 July 2016 31 July 2015 30 November 2015 30 November 2015 27 September 2015
7.8 Issued during quarter	28,234,666		5 cents / 10 cents (CAD)	27 September 2015
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Company Secretary

Date: 31 October 2013

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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