



SOLIMAR ENERGY LIMITED

ABN 42 112 256 649

**Unaudited Interim financial
report for the three months ended**

30 September 2013

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

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SOLIMAR ENERGY LIMITED

Corporate Directory

Directors

Mr Frank Petruzzelli – Chairman
Mr Will Satterfield – Non Executive Director
Mr Mark Elliott – Non Executive Director
Dr Charle Gamba – Non Executive Director
Mr Jason Bednar – Non Executive Director

Officers and Senior Executives

Mr Chris Bowyer – Chief Financial Officer
and Company Secretary

Registered Address and Business Address

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Stock Exchanges

(ASX Code: **SGY**)
Australian Securities Exchange
Exchange Plaza, 2 The Esplanade
Perth, Western Australia 6000
AUSTRALIA

Website: www.solimarenergy.com.au

(TSXV Code: **SXS**)

Toronto Venture Exchange
300 - 5th Avenue SW
10th Floor
Calgary, AB T2P 3C4
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Share Registry (Australia)

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SOLIMAR ENERGY LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

For the 3 months ended 30 September 2013 (unaudited)

	Note	For the 3 Months ended	
		Sept 2013 AUD	Sept 2012 AUD
Revenue		38,623	63,915
Extraction costs		(26,641)	(35,424)
Professional fees		(177,344)	(576,376)
Personnel expenses		(115,896)	(335,353)
Impairment charges	8,9,10	(237,459)	(1,437)
Research and exploration expenditure		(69,626)	(44,400)
Depreciation and amortisation expenses	8,9,10	(26,308)	(39,140)
Travel expenses		(2,894)	(19,992)
Other expenses		(123,385)	(195,504)
Office Rent		(25,247)	(39,084)
Finance costs		(471,319)	(312,835)
Gain on change in fair value of derivative		68,996	71,657
Loan Modification Fee		(521,050)	-
Loss on disposal of assets		-	(1,408)
Loss on revaluation of Convertible Debenture	15	(705,256)	-
Impairment losses reversed		-	-
Results from operating activities		(2,394,806)	(1,465,381)
Loss before income tax		(2,394,806)	(1,465,381)
Income tax benefit / (expense)		-	-
Loss for the period attributable to equity holders of Solimar Energy Ltd		(2,394,806)	(1,465,381)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences		(18,858)	(242,236)
Total comprehensive income		(2,413,664)	(1,707,617)
Loss per share attributable to the ordinary equity holders of the Company:			
Basic loss per share for the period (cents per share)		(0.51)	(0.32)
Diluted loss per share for the period (cents per share)		(0.51)	(0.32)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying condensed notes on pages 8 to 15.

SOLIMAR ENERGY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2013 (unaudited)

		Consolidated	
	Note	Sept 2013 AUD	Jun 2013 AUD
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		310,963	152,040
Trade and other receivables		411,820	180,335
TOTAL CURRENT ASSETS		<u>722,783</u>	<u>332,375</u>
NON - CURRENT ASSETS			
Receivables		376,187	377,545
Plant & equipment	10	288,484	298,194
Exploration and evaluation expenditure	8	4,576,961	5,069,477
Development assets	9	-	-
TOTAL NON - CURRENT ASSETS		<u>5,241,632</u>	<u>5,745,216</u>
TOTAL ASSETS		<u>5,964,415</u>	<u>6,077,591</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	1,790,149	973,320
Provision		375,981	377,359
Derivative liability	12	992	720
Borrowings	13	6,917,608	2,518,142
TOTAL CURRENT LIABILITIES		<u>9,084,730</u>	<u>3,869,541</u>
NON - CURRENT LIABILITIES			
Provision		419,040	356,905
Derivative liability	12	25,579	77,781
Borrowings		-	3,415,235
TOTAL NON - CURRENT LIABILITIES		<u>444,619</u>	<u>3,849,921</u>
TOTAL LIABILITIES		<u>9,529,349</u>	<u>7,719,462</u>
NET ASSETS		<u>(3,564,934)</u>	<u>(1,641,871)</u>
EQUITY			
Contributed equity	14	35,986,725	35,496,124
Reserves		3,026,746	3,045,604
Accumulated losses		(42,578,405)	(40,183,599)
TOTAL EQUITY		<u>(3,564,934)</u>	<u>(1,641,871)</u>

The consolidated statement of financial position is to be read in conjunction with the accompanying condensed notes on pages 8 to 15.

SOLIMAR ENERGY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 3 months ended 30 September 2013 (unaudited)

<i>Consolidated</i> <i>For the period ended 30 Sept 2013</i>	<i>Note</i>	Issued capital AUD	Accumulated losses AUD	Reserves AUD	Total equity AUD
Balance at 1 July 2013		35,496,124	(40,183,599)	3,045,604	(1,641,871)
<i>Transactions with owners in their capacity as owners</i>					
Equity settled share based payment transactions		-	-	-	-
Share issues net of costs		490,601	-	-	490,601
		<u>490,601</u>	<u>-</u>	<u>-</u>	<u>490,601</u>
<i>Total comprehensive income</i>					
Net loss for the period		-	(2,394,806)	-	(2,394,806)
Foreign currency translation difference		-	-	(18,858)	(18,858)
		<u>-</u>	<u>(2,394,806)</u>	<u>(18,858)</u>	<u>(2,413,664)</u>
Balance at 30 Sept 2013		<u>35,986,725</u>	<u>(42,578,405)</u>	<u>3,026,746</u>	<u>(3,564,934)</u>
<i>Consolidated</i> <i>For the period ended 30 Sept 2012</i>					
Balance at 1 July 2012		35,091,823	(33,765,810)	1,922,112	3,248,125
<i>Transactions with owners in their capacity as owners</i>					
Equity settled share based payment transactions		-	-	29,869	29,869
Share issues net of cost		65,059	-	-	65,059
		<u>65,059</u>	<u>-</u>	<u>29,869</u>	<u>94,928</u>
<i>Total comprehensive income</i>					
Net loss for the period		-	(1,465,381)	-	(1,465,381)
Foreign currency translation difference		-	-	(242,236)	(242,236)
		<u>-</u>	<u>(1,465,381)</u>	<u>(242,236)</u>	<u>(1,707,617)</u>
Balance at 30 Sept 2012		<u>35,156,882</u>	<u>(35,231,191)</u>	<u>1,709,745</u>	<u>1,635,436</u>

The consolidated statement of changes in equity is to be read in conjunction with the accompanying condensed notes on pages 8 to 15.

SOLIMAR ENERGY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the 3 months ended 30 September 2013 (unaudited)

	For the 3 months ended	
	Sept 2013	Sept 2012
Note	AUD	AUD
Cash Flows From Operating Activities		
Receipts from customers	28,120	62,723
Payments to suppliers and employees	(243,794)	(1,684,361)
Interest received	-	2,656
Interest paid	(115,871)	(272)
Net Cash Flows Used In Operating Activities	(331,545)	(1,619,254)
Cash Flows From Investing Activities		
Payments for exploration and evaluation	(1,101,242)	(709,962)
Joint Venture proceeds	1,231,028	-
Proceeds from development	19,506	-
Payments for plant and equipment	-	(76,264)
Proceeds from sale of plant and equipment	-	9,859
Payments received for Project Participation	-	97,714
Proceeds from sale of interest	276,457	-
Net Cash Flows (Used In) / From Investing Activities	425,749	(678,653)
Cash Flows From Financing Activities		
Proceeds from issue of share capital	-	-
Funds Advanced	80,776	-
Proceeds from convertible debenture	-	3,800,114
Share issue costs	(4,981)	(1,535)
Net Cash Flows From Financing Activities	75,795	3,798,579
Net Increase/(Decrease) In Cash And Cash Equivalents		
	169,999	1,500,672
Cash and cash equivalents at beginning of period	152,040	303,077
Effect of exchange rate fluctuations on cash held	(11,076)	(6,231)
Closing Cash And Cash Equivalents	310,963	1,797,518

The consolidated statement of cash flows is to be read in conjunction with the accompanying condensed notes on pages 8 to 15.

SOLIMAR ENERGY LIMITED
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE THREE MONTHS TO 30 SEPTEMBER 2013 (unaudited)

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 interim financial statements of the Company as at and for the three months ended 30 September 2013 comprises the Company and its subsidiaries (together referred to as the 'Group').

The consolidated annual financial report of the Group as at and for the year ended 30 June 2013 is available upon request from the Company's registered office or can be downloaded from www.solimarenergy.com.au.

2. Going Concern

At 30 September 2013 the Company had a working capital deficit of \$8,361,947 a deficiency in net assets of \$3,564,934 and incurred a loss of \$2,394,806 for the three months to 30 September 2013. Therefore, the Company has insufficient cash resources and liquidity at September 30, 2013 and November 14, 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 secured 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 upcoming AGM. The Company 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 September 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.

3. Statement of Compliance

These general purpose financial statements for the three months to 30 September 2013 have been prepared in accordance with Australian Accounting Standard 134 (AASB 134) Interim Financial Reporting, the Corporations Act 2001 (Australia) and International Accounting Standard 34.

The consolidated interim financial statement does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2013 and any public announcements made by the Group during the three month reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated interim financial statement was approved by the Board of Directors on 14 November 2013.

SOLIMAR ENERGY LIMITED
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE THREE MONTHS TO 30 SEPTEMBER 2013 (unaudited)

4. Segment Information

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.

5. Significant Accounting Policies

The accounting policies applied by the Group in this consolidated interim financial statement for the three months to 30 September 2013 are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2013.

6. Estimates

The preparation of the interim financial statement requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial statement, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were, other than described below, the same as those applied to the consolidated financial report as at and for the year ended 30 June 2013.

The Company has in valuing the unlisted options applied a 30% discount to reflect their non-tradability.

7. Working Capital Requirements and Capital and Leasing Commitments

The Company's has a deficiency in working capital (current assets less current liabilities) as at September 30, 2013 of \$8,361,947. The Company has seen a net decrease in its working capital position of \$4,824,781 over the three month period to 30 September 2013. Please also refer to Note 2 on page 8.

SOLIMAR ENERGY LIMITED
 CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
 THE THREE MONTHS TO 30 SEPTEMBER 2013 (unaudited)

8. Exploration and evaluation expenditure

	Consolidated	
	Sept 2013	Jun 2013
	AUD	AUD
a) Exploration expenditure	4,576,961	5,069,477
	4,576,961	5,069,477
b) Reconciliation of movement in exploration expenditure		
	Three months ended	Financial Year ended
	Sept 13	Jun 13
Balance at the beginning of the period	5,069,477	7,285,058
Additions	50,583	872,358
Farm in payment credited	-	(539,084)
Amortisation	(18,125)	(47,504)
Impairment	(237,458)	(3,330,136)
Sale of Interests	(276,457)	-
Impact of FX movements	(11,059)	828,785
Balance at the end of the period	4,576,961	5,069,477
Carrying amounts		
Balance at the beginning of the period	5,069,477	7,285,058
Balance at the end of the period	4,576,961	5,069,477

9. Development assets

	Consolidated	
	Sept 2013	Jun 2013
	AUD	AUD
a) Development assets	-	-
	-	-
b) Reconciliation of movement in development assets		
	Three months ended	Financial Year ended
	Sept 13	Jun 13
Balance at the beginning of the period	-	734,714
Additions	-	39,300
Amortisation	-	(46,845)
Impairment	-	(292,415)
Disposal of Asset	-	(447,845)
Impact of FX movements	-	13,091
Balance at the end of the period	-	-
Carrying amounts		
Balance at the beginning of the period	-	795,361
Balance at the end of the period	-	-

The Company currently has no Development Assets.

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SOLIMAR ENERGY LIMITED
 CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
 THE THREE MONTHS TO 30 SEPTEMBER 2013 (unaudited)

10. Plant and Equipment

	Consolidated	
	Sept 2013	Jun 2013
	AUD	AUD
a) Plant & equipment at cost	443,845	445,373
Less: accumulated depreciation	(155,361)	(147,179)
	<u>288,484</u>	<u>298,194</u>
 b) Reconciliation of movement in plant and equipment		
	Three months ended Sept 13	Financial Year ended Jun 13
Balance at the beginning of the Period	298,194	229,159
Additions	-	96,275
Disposal of Assets	-	(22,911)
Depreciation	(8,183)	(33,614)
Impairment	-	(12,119)
Impact of FX movements	(1,527)	41,404
Balance at the end of the Period	<u>288,484</u>	<u>298,194</u>
 Carrying Amounts		
Balance at the beginning of the Period	298,194	229,159
Balance at the end of the Period	<u>288,484</u>	<u>298,194</u>

11. Trade and other payables

	Consolidated	
	Sept 2013	Jun 2013
	AUD	AUD
Trade payables	762,347	404,885
Other payables and accrued expenses	1,027,802	568,435
	<u>1,790,149</u>	<u>973,320</u>

Other payables and accrued expenses includes the fee payable of A\$521,050 (C\$500,000) that was incurred as a result of the amendments to the June Debentures made in August 2013 and payable to the debenture holders upon the maturity of the June Debentures on 31 January 2014.

SOLIMAR ENERGY LIMITED
 CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
 THE THREE MONTHS TO 30 SEPTEMBER 2013 (unaudited)

12. 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 June 2012, the warrants issued in April 2012 and the warrants issued in September 2013. 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 June 2012 which mature on December 31, 2013 and January 31, 2014 and various warrants expiring in February 2014 and October 2014.

The fair value gain of the derivative liabilities in the period ended 30 September 2013 was \$68,996 (Sept 2012: \$71,657)

Derivatives	Sept 2013	June 2013
Convertible Debenture (Issued February 2012) (Maturing Dec 31, 2013)	-	576
Warrants (Issued February 2012) (Expiring Feb 10, 2014)	-	144
Warrants (Issued November 2011) (Expiring Oct 5, 2014)	583	6,515
Warrants (Issued November 2011) (Expiring Oct 5, 2014)	409	4,564
Convertible Debenture (Issued June 2012) (Maturing Jan 31, 2014)	-	34,643
Warrants (Issued April 2012) (Expiring Apr 4, 2015)	802	4,221
Warrants (Issued July 2012) (Expiring Jul 31, 2015)	7,712	27,838
Warrants (Issued September 2013) (Expiring Sept 27, 2015)	17,065	-
	26,571	78,501

13. 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

SOLIMAR ENERGY LIMITED
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
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satisfy the convertible debentures by issuing shares and would need to repay in cash. Please also see the Subsequent Events note (Note 18).

Interest is payable quarterly in arrears and can be paid either in shares or cash at the option of the Company.

Also classified under Current Liabilities are the C\$4.0 million of convertible debentures issued in June 2012. These are also denominated in Canadian dollars. In August 2013 there was 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. Please also see the Subsequent Events note (Note 18).

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).

The June Debentures were re-valued in the September quarter to reflect the amendments agreed in August including the earlier maturity date of 31 January 2014. The re-valuation resulted in an increase in the liability and a corresponding charge of \$705,256 has been recognised in the income statement. The additional 4% of interest which is payable upon maturity is being recorded as an expense as it is incurred and at that time also being capitalised to the liability. The re-valuation has made no allowance for the option available to the Company at 31 January 2014 to extend the maturity date to 31 July 2014 subject to providing to the June Debenture holders first priority security over the assets and the payment of an extension fee. Please also see Note 15.

Borrowings	Sept 2013	June 2013
Convertible Debenture (Issued February 2012) (Maturing Dec 31, 2013)	2,722,816	2,518,142
Convertible Debenture (Issued June 2012) (Maturing Jan 31, 2014)	4,194,792	3,415,235
	<u>6,917,608</u>	<u>5,933,377</u>

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SOLIMAR ENERGY LIMITED
 CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
 THE THREE MONTHS TO 30 SEPTEMBER 2013 (unaudited)

14. Capital

<i>2013 Financial Year (3 months)</i>		<i>Ordinary shares</i>	<i>Number of shares</i>	<i>Issue price</i>	<i>AUD</i>
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
		Cost of Placement			(1,535)
30 September 2012		Closing balance	462,142,098		35,156,882

<i>2014 Financial Year (3 months)</i>		<i>Ordinary shares</i>	<i>Number of shares</i>	<i>Issue price</i>	<i>AUD</i>
1 July 2013		Opening balance	469,339,034		35,496,124
18 July 2013		Shares in lieu of quarterly interest	4,666,659	\$ 0.0155	72,172
27 September 2013		Placement	28,234,666	\$ 0.0150	424,286
		Cost of Placement			(5,857)
30 September 2013		Closing balance	502,240,359		35,986,725

15. Loss on re-valuation of Convertible Debenture

On 16 August 2013 the Company agreed to an amendment to its June Debentures. The amendment provided for various changes to the terms of the debentures including an increase in interest rate to 20% p.a effective 1 July 2013 and the maturity date brought forward to January 31, 2014. As required under AASB 139 the Company has recalculated the present value of the June Debentures to reflect these changes and the impact of this re-valuation has been taken to the Statement of profit or loss and other comprehensive income. Please also see Note 13.

16. Share-based payments

- a) During the period to 30 September 2013 no options were granted.
- b) The following share based payments are included in the statement of comprehensive income:

Professional Fees	\$-	(2012:\$Nil)
Personnel Expenses	\$-	(2012:\$29,869)
Research and Exploration Expenditure	\$-	(2012:\$Nil)
Other Expenses	\$-	(2012:\$Nil)

17. Related parties

During the three (3) months ended September 30, 2013, A\$54,068 (2012: A\$136,302) was incurred by the Company to MDB for accounting, consulting and corporate secretarial services and office costs. MDB is an accounting practice in which the Chairman of Solimar, Frank Petruzzelli, is a principal.

Arrangements with related parties remain in place. For details on these arrangements refer to the 30 June 2013 annual financial report.

SOLIMAR ENERGY LIMITED
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE THREE MONTHS TO 30 SEPTEMBER 2013 (unaudited)

18. Subsequent Events

Solimar is proposing to consolidate the number of shares it has on issue through the conversion of every 25 Shares into one Share ("Consolidation"). The Company is holding its Annual General Meeting on 29 November 2013 at 10:30am (AEDT) in Melbourne, Australia and has included a resolution at the meeting asking shareholders to approve the Consolidation. In order for the Company to effect the Consolidation a majority of shareholders voting will need to approve it. If the Consolidation is approved by shareholders it will take effect from 16 December 2013 in accordance with a timetable which will be announced to the ASX and TSXV closer to that date.

The current number of Shares outstanding is 509,240,359 and under the proposed Consolidation this number would be reduced to approximately 20.4 million. The Consolidation will not result in any unpaid amounts and where a fractional entitlement occurs the Company will round that fraction up to the nearest whole Share.

The Company currently has 51,100,000 unlisted options ("options") and 109,678,651 unlisted warrants ("warrants") on issue. The proposed Consolidation would see these reduced to 2,044,000 options and 4,387,147 warrants with a corresponding increase in their respective exercise prices.

The Company also has convertible debentures on issue and under the proposed Consolidation the price at which they convert to Shares would be adjusted to reflect the Consolidation.

A more detailed explanation of the impact the proposed Consolidation would have on the options, warrants and convertible debentures can be found in the Explanatory Memorandum of the Notice of Annual General Meeting.

The Board have decided to seek shareholder approval for the consolidation as under the rules of the TSXV a company listed on the TSXV is not able to issue shares at a price below C\$0.05 per share (unless approved by the TSXV). As the current market price of the Shares is below C\$0.05, the TSXV rules effectively restrict the Company from issuing new Shares. The Consolidation, by reducing the number of Shares and thereby increasing the imputed value of each Share, is expected to allow the Company to issue new shares so that the issue complies with the TSXV rules. The Consolidation is further expected to make an investment in the Company's securities more attractive to institutional and other investors and to position the Company for long term growth.

There are no plans to change the name of the Company.

The Consolidation is subject to the approval of the TSXV. No assurance can be given that the Consolidation will be approved by the TSXV on the terms proposed or at all.

19. 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.