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RELEASE to ASX and CANADA

**Solimar Raises Convertible Note for Extended Paloma
Discovery Testing and Asset Expansion**

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Solimar Energy Limited (ASX: SGY; TSXV: SXS) ("Solimar" or the "Corporation") is pleased to announce that it has engaged a syndicate of agents led by Canaccord Genuity Corp. and including Fraser Mackenzie Limited (the "Agents"), to raise, on a best efforts basis, up to C\$3,000,000 in additional financing through the issuance of convertible debentures (the "Offering") that will be used to fund the extended flow testing program planned for the Paloma Deep ST/2 discovery and a further expansion of its asset base in the San Joaquin Basin California. The raising will be largely underpinned by the participation of existing, strategic investors in North America and Australia. Terms of the Offering are included below.

As announced on December 7, 2011, the Paloma Deep ST/2 well has been drilled to a depth of 13,320 feet and multiple zones of potential hydrocarbon pay have been identified in the well that are to be tested for commercial flow potential. A work over rig has been mobilized to site and the test program is scheduled to commence within the next week. It is expected to include testing of some 5 of 8 potential pay zones with testing of selected zones potentially split into more than one phase. Overall the test program is expected to continue for an extended period.

The Corporation has recently been successful in transacting to increase its position from 33.33% or 50% ownership to 80% in certain leases associated with its core Kreyenhagen Project. This transaction will result in Solimar's net acreage position in that project (the main lease area of which was the subject of the recently released independent oil resource report) growing by approximately 1,261 acres to over 13,100 net acres. The terms involve Solimar funding certain overheads and shallow drilling activity on behalf of a local partner. Permitting of drill sites for a planned first quarter drilling program has commenced.

In addition to the above, the Corporation will now complete on the initial terms of a transaction to take over operatorship and increase its position in the Tejon Footwall prospect from 40% to 75%, for which a drill location has already been permitted with drilling planned for the second quarter of 2012. Further information about the Company's plans for this large project and its associated increased net acreage position will be announced in due course.

Commenting on the raising and planned activity Solimar CEO John Begg said:

"This raising provides flexibility for the Corporation to fund its obligations in what is planned to be a comprehensive testing program at Paloma and, consistent with strategy, to continue to increase the materiality of the Corporation's ownership positions and control over its core, San Joaquin Basin projects. The Board is pleased once again to be supported in this initiative, despite difficult market conditions, by existing strategic investors, Canaccord Genuity and now Fraser Mackenzie."

Convertible Unsecured Subordinated Debenture Financing

The Offering shall be comprised of up to 60, \$50,000 par value convertible unsecured senior debentures (the "Debentures") subject to a coupon interest rate of 10% per annum, payable quarterly in arrears, at the election of Solimar, in cash or through the issuance of common shares of the Corporation ("Common Share") at a price equal to a 10% discount to the volume weighted average trading price of the Common Shares on the TSX Venture Exchange

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("TSX-V" or the "Exchange") for the 10 trading days immediately preceding the applicable quarterly interest payment date. The Debentures will have a term of 24 months and will be convertible into Common Shares at the holder's option at a conversion price equal to \$0.10 per Common Share.

The Corporation will have the right to accelerate the maturity date of the Debentures to 30 days from the date of notice once the share price of the Corporation's common shares is equal to, or greater than, \$0.20 per share on the TSX-V or the ASX for 21 consecutive trading days.

Each holder of a Debenture shall receive 250,000 share purchase warrants (the "Warrants") per Debenture. Each Warrant will entitle the holder to acquire one Common Share at a price of \$0.15 for a period of 24 months after the closing date. The Corporation will have the right to accelerate the expiry date of the Warrants to 30 days from the date of notice once the share price of the Corporation's common shares is equal to, or greater than, \$0.25 per share on the TSX-V or the ASX for 21 consecutive trading days.

The Corporation expects the Offering to close on or around December 22, 2011. The net proceeds of the Offering will be used to fund the Corporation's Paloma well testing program and general working capital.

The Agents will be paid a commission equal to 6% of aggregate gross proceeds raised from the Offering. The Offering will also include an over-allotment option for the Agents to place up to 20 additional Debentures under the same terms as the Offering.

Completion of the private placement is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory approvals including the approval of the TSX Venture Exchange and the ASX.

This press release contains certain forward-looking statements within the meaning of applicable securities law. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur, including without limitation statements relating to intended work programs and associated timelines. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The Corporation cannot assure that actual results will be consistent with these forward looking statements. They are made as of the date hereof and are subject to change and the Corporation assumes no obligation to revise or update them to reflect new circumstances, except as required by law. Prospective investors should not place undue reliance on forward looking statements. These factors include the inherent risks involved in the exploration for and development of crude oil and natural gas properties, the uncertainties involved in interpreting drilling results and other geological and geophysical data, fluctuating energy prices, the possibility of cost overruns or unanticipated costs or delays and other uncertainties associated with the oil and gas industry.

Sincerely,



John Begg
Chief Executive Officer - Solimar Energy Limited

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.

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