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Rig onsite for Kreyenhagen Field oil production testing

Solimar Energy Limited (ASX: SGY) (TSXV: SXS) ("Solimar" or the "Company") is pleased to announce an operational update of its Kreyenhagen Oil Project in California.

Highlights

- A workover rig and associated production testing facilities are now onsite to commence the first phase production testing of the Temblor Sandstone oil reservoir.
- The Temblor Formation is independently assessed to contain unrisked oil in place of up to 79MMBBLS* of 13 -18 degrees API gravity oil net to the Company's working interest.
- The current operation will involve re-entering a selection of existing suspended wells to flow test and sample the oil reservoir.
- The initial testing operation will involve a "Cold Flow" or unstimulated, primary testing operation. A second phase of production testing, utilising steam injection will follow this initial phase.
- Solimar already has permits in place and a 20 MMBTU portable steam generator under construction for the steam injection known as a "Huff and Puff" program.
- As part of the initial test phase the underlying Avenal Sandstone reservoir which contains gas and light oil will also be production tested.

Solimar advises that the West American Rig 289 and associated production testing facilities are now onsite at its 100% owned Kreyenhagen oil field project to commence the first phase of production testing of the Temblor Sandstone oil reservoir. The Company owns four, currently suspended wells that were drilled in 2007 and will be re-entering a selection of these wells to perforate and test the oil reservoir.

As previously advised, this initial oil production testing program will consist of a number of Cold Flow or primary production tests of the oil reservoir using artificial lift (pumps) but otherwise without any stimulation of the reservoir. The Cold Flow oil production test program may continue for up to three months.

The tests are being designed to gather information about the composition of the oil (known to vary between 13 Degrees API to 18 Degrees API gravity), productivity of the oil reservoir and to plan for a full field development. Testing of specific vertical zones within the approximate 200 foot gross pay interval will be conducted to determine the existence of any zones containing enhanced reservoir characteristics that could be targeted in future vertical or horizontal wells. Historic wells drilled in the field produced at rates without stimulation of between 1-21 BOPD with a mean rate of 4 BOPD per well via slotted liner completions. Solimar, with the benefit of the application of modern completion and production technologies hopes to be able to demonstrate that a relatively low cost, initial development based on

primary production techniques can be commercially realised. Ultimately however the Company expects that an optimum, full field development will require the application of steam injection to enhance production rates and the recovery of the oil in place (OIP). Based on offset field performance up to 60% recovery of the OIP can be achieved through steam enhanced oil recovery (EOR) processes. There are independently assessed, unrisked in place oil resources net to the Company's working interest at Kreyenhagen of up to 79MMBBLS* of 13 -18 degrees API gravity oil.

A second phase of production testing, utilising steam injection, will follow the Cold Flow phase. This second phase will be based on a cyclic steaming pilot project, also known as Huff and Puff, and together with planned shallow appraisal drilling should provide the necessary information necessary to plan for a full field EOR development.

Solimar already has cyclic steam and well permits in place and a 20 MMBTU portable steam generator under construction for the Huff and Puff program.

As part of the initial test phase the underlying Avenal Sandstone reservoir which contains gas and light oil will also be production tested. In particular the Company will be seeking to determine if the Avenal Sandstone contains enough gas reserves and deliverability per well to support the anticipated requirements of a future, steam EOR development. The presence of an insitu, low cost source of gas can beneficially affect project economics.

Commenting on the production testing program, new Solimar CEO Will Satterfield commented :

"After much preparatory work, operations at the Kreyenhagen Field are now underway with first phase cold production testing leading up to our cyclic steam pilot. The shallow, regionally proven Temblor heavy oil play is but one component in a project encompassing several plays, which includes the exciting and growing Kreyenhagen Shale oil play."

Will Satterfield

Chief Executive Officer
Solimar Energy Limited

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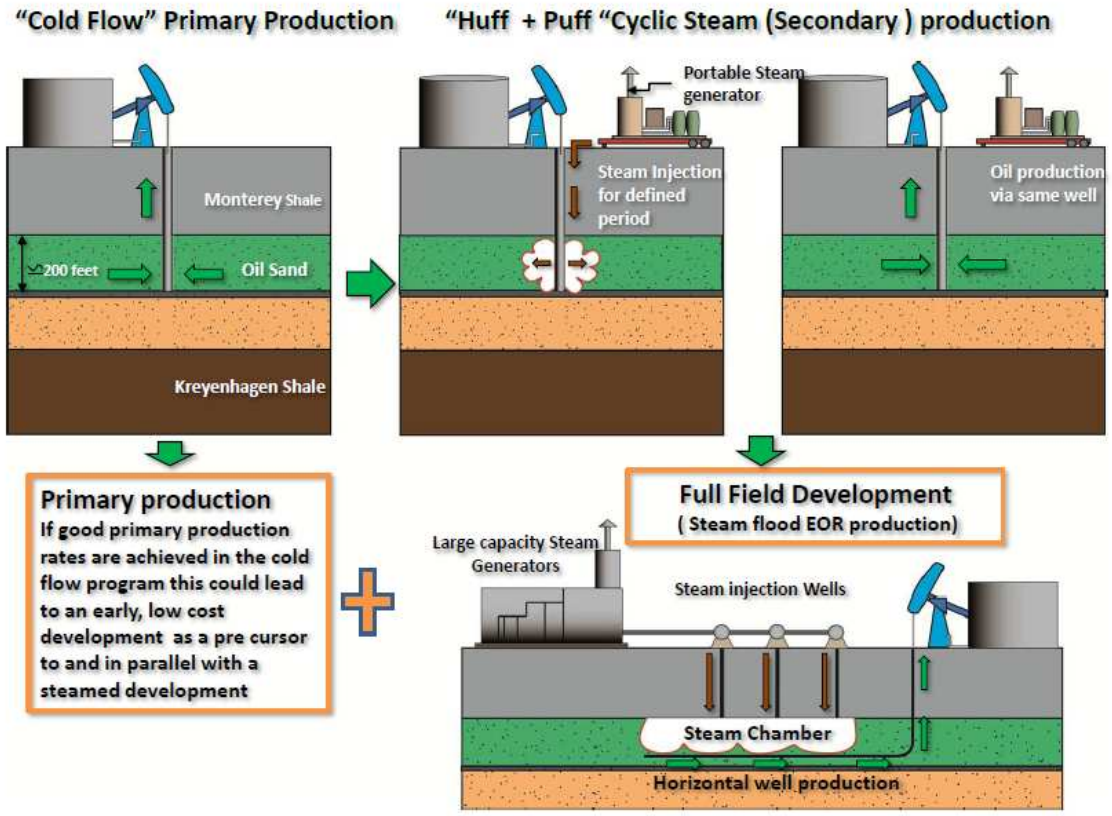
**Resource Assessment of Certain P&NG Holdings in the Kreyenhagen Area for Solimar Energy Limited (as of 31 October, 2011) - By Sproule Unconventional Limited*. This report was highlighted in a release to the ASX and Canada on 18 November, 2011 and published in full on 22 November, 2011.

**Audit of Solimar Energy TSX-V listing compliance Technical report, California oil and Gas Projects, as of 30 June, 2011 – by Sproule Unconventional Limited.* This report was released to the ASX and Canada on 22 November, 2011.

Copies of these reports are on Solimar Energy's website under "Investor Centre" and "Resource Reports".

Kreyenhagen Planned Field Development Stages



High oil vs low gas prices have created enhanced economics