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RELEASE TO ASX and TSXV

Drilling to commence at Kreyenhagen Field Heavy Oil Project

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Solimar Energy (ASX:SGY, TSXV:SXS) ("The Company" or "Solimar") is pleased to announce that drilling operations are to commence this week at the Company's Kreyenhagen Heavy Oil Project Area in the San Joaquin Basin, California.

- **The Company is commencing drilling operations for three wells in the Kreyenhagen Heavy Oil Project Area under the Phase I program.**
- **The wells, the first of which is expected to spud on July 11, will gather data (logs, core and reservoir fluids) to optimize the design of a pilot steam test in the heavy oil Temblor sands.**
- **The planned three wells will be completed for future use for either oil production or steam injection.**
- **The pilot steam test is anticipated to begin following the three well program and positive data modelling, and is expected to be followed by a full field development.**
- **The key permit for the steam enhanced pilot project at the Kreyenhagen Field was previously submitted and is approved.**

Farmout Agreement

The Company has signed a definitive Farmout Agreement with a well financed Canadian TSXV listed company for an appraisal and development joint venture over a 1,720 acre area encompassing the Kreyenhagen Heavy Oil Project Area (see map below). The Farminee provides funding for the 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 86% 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 three wells and the compilation of a reservoir model over the shallow Temblor sandstone heavy oil reservoir, plus a recently received \$500,000 USD cash payment to earn a 15% working interest (WI) in the heavy oil project area. Drilling permits have been secured and the first well is expected to spud on July 11.

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

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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.

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 modeling in the project area plus a \$1 million USD cash payment to earn an additional 25% working interest (WI) in the Kreyenhagen Heavy Oil Project Area lease and 12% working interest (WI) interest in certain Kreyenhagen shale oil leases.

Based on the Phase I well results and reservoir modeling, the Phase II steam pilot will be designed to maximize oil recovery and test recovery mechanisms and timing. It is anticipated that Phase II would 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.

Resource Additions

With the drilling of the Phase 1 appraisal wells, the Company anticipates delineating a portion of the additional undiscovered oil in place resources of up to 24 mmbo (Best Estimate) and 50 mmbo (High Estimate) along trend in the Company's acreage, as evaluated by Sproule Unconventional Limited in July 2012.

CORPORATE PRESENTATION

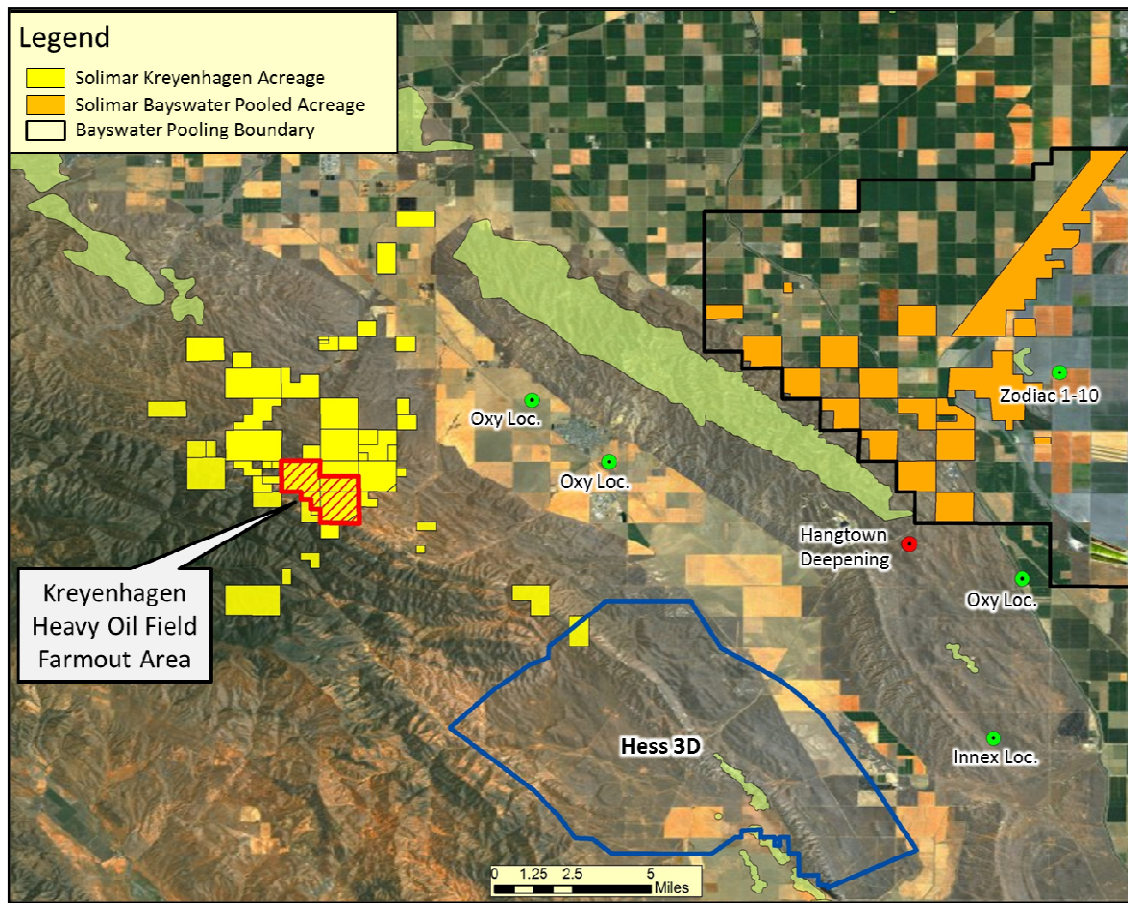
For further information on the Company's California activity and plans as well as recent media reports on the California shale oil potential, readers are encouraged to access a recent corporate presentation posted to the Solimar website at www.solimarenergy.com.au which can be found under the Presentations section in the Investor Centre drop down menu and media links which can be found on the home page.

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KREYENHAGEN AREA ACTIVITY & SOLIMAR ACREAGE

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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.