

# Desmarais ENERGY CORPORATION

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TSX Venture Exchange Symbol: DES

For Immediate Release

## **Desmarais Announces Creditor and Court Approval of its Proposal under the Bankruptcy and Insolvency Act**

Calgary, Alberta – December 12, 2011 – Desmarais Energy Corporation (TSXV: DES) (the "**Corporation**" or "**Desmarais**") announces that the unsecured creditors of Desmarais (the "**Affected Creditors**") have overwhelmingly approved Desmarais' previously announced proposal (the "**Proposal**") under the *Bankruptcy and Insolvency Act* (Canada) ("**BIA**") to restructure its debts, which approval was secured at a meeting of unsecured creditors held on December 8, 2011. In addition, the Court of Queen's Bench of the Province of Alberta has approved the Proposal on December 9, 2011.

Pursuant to the Proposal, approximately \$2,072,920 of unsecured debt of Desmarais (the "**Settled Debt**") will be satisfied by way of issuance of common shares of the Corporation (the "**Common Shares**") at a deemed issue price of \$0.08 per share. Approximately \$407,000 of the Settled Debt represents claims that were assigned to arm's length third parties under the Proposal for total cash proceeds of \$40,000 and then satisfied under the Proposal by way of issuance of Common Shares to such arm's length third parties. A total of approximately 25,911,500 Common Shares are expected to be issued by Desmarais under the Proposal in satisfaction of the Settled Debt.

The Settled Debt includes the settlement of the amount of approximately \$616,000 owing to the Corporation's secured creditor, 323 Holdings Ltd. ("**323**"), being a corporation controlled by Mr. Doug Robinson, a director of the Corporation. This settlement reduces the aggregate secured debt owing by Desmarais to 323 to approximately \$2,000,000.

All payments of consideration under the Proposal, including the issuance of Common Shares, are subject to the withholding, and payment by Desmarais, of a 5% statutory levy payable to the Office of the Superintendent of Bankruptcy.

Pursuant to the Proposal, creditors of Desmarais who have had some or all of their claims against Desmarais disallowed, in whole or in part, have a period of 15 days from December 9, 2011 during which they may dispute any such disallowance. If, after resolving any such disputed claims, the Corporation is indebted to the holders of such claims, the Corporation expects to issue additional Common Shares under the Proposal at a deemed issue price of \$0.08 per share, to settle such claims. Accordingly, the Corporation expects to issue all Common Shares under the Proposal, including the Common Shares issuable in satisfaction of the Settled Debt, subsequent to the expiry of such 15 day period, expected to be on or about the first week of January 2012.

As previously announced, Mr. Long has agreed to resign as President and Chief Executive Officer of the Corporation effective December 31, 2011. All amounts currently owing by the Corporation to Mr. Long in respect of his employment with Desmarais, in the amount of \$100,000, have been settled in the Proposal. Mr. Long is expected to continue to serve as a director of the Corporation subsequent to his resignation as an officer. Mr. Doug Robinson, the

current Chairman of the Corporation, will assume the position of President and Chief Executive Officer on an interim basis at such time.

The issuance of the Common Shares and other matters subject to the Proposal remains subject to certain regulatory approvals, including the approval of the TSXV. A copy of the Proposal has been filed on Desmarais' SEDAR profile and is available for viewing at [www.sedar.com](http://www.sedar.com).

**FOR MORE INFORMATION, PLEASE CONTACT:**

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***Reader Advisory:** The press release may contain certain forward looking statements which may include plans, expectations, forecasts, projections, guidance or other statements that are not statements of fact, including without limiting the generality of the foregoing, the number of Common Shares issuable pursuant to the Proposal, Mr. Long's resignation as an officer of the Corporation and service as a director, Mr. Robinson's appointment as an officer of the Corporation, the status and amount of both secured and unsecured debt, the effect of the Proposal under the BIA on the Corporation and the Corporation's expectations regarding the same. Although Desmarais believes that the expectations reflected in such forward looking statements are reasonable, it cannot give any assurance that such expectations will prove to be correct. The effect of the Proposal and related matters are subject to a number of conditions which Desmarais cannot give any assurance that such conditions will be met on a timely basis, or if at all, as certain of the conditions are in the control of other parties. As such, the future plans and objectives of Desmarais are forward looking statements that involve risks and uncertainties that may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in such statements. The foregoing list of risk factors is not exhaustive. Additional information on risk factors is included in other public documents available under Desmarais' profile on SEDAR. Although Desmarais has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. In making its forward looking statements, Desmarais used, among others, the following material factors or assumptions to develop a forward looking information enumerated above: the protections under the BIA are available to Desmarais, Desmarais proper identification and classification of its debts and Desmarais' creditors will accept the Proposal on the terms presented to them. Desmarais' forward looking statements are expressly qualified in their entirety by this cautionary statement. Unless otherwise required by applicable securities laws, Desmarais does not intend, nor does it undertake any obligation, to update or review any forward looking statements to reflect subsequent information, events, results or circumstances or otherwise.*

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