

Drilling to Begin in Capitola Oil Project Operations Update

HIGHLIGHTS

- First two wells permitted and scheduled to begin drilling this month
- Vertical drilling activity continues within 1 mile of Capitola acreage
- Devon Energy continues successful Cline Shale drilling program around Capitola acreage

Pryme Energy Limited (Pryme or the Company) is pleased to announce that drilling of the first two wells in its Capitola Oil Project is scheduled to begin mid-September. Drilling permits have been lodged with the State of Texas and site construction is underway. The first two well locations are in the southern part of the Sweetwater acreage block (see about Capitola Oil Project below) and will be drilled vertically through the Cline Shale at a depth of approximately 6,000 feet.



Site preparation on the Hopes-Boles PU #1 well

“The first two Capitola wells will be drilled back-to-back to benefit from efficiencies in the field. In addition to testing a number of sands in our primary targets, including the Canyon Sand series which has production history within the Capitola acreage, and evaluating the Breckenridge Lime formation, each well will also penetrate and test the Cline Shale,” said Ryan Messer, Pryme’s Executive Director and COO. “We may also intersect and evaluate secondary targets, such as the Flippen, Odom and Caddo, which can be seen in offset wells within and around our acreage.”

Continued vertical drilling activity within 1 mile north of Capitola

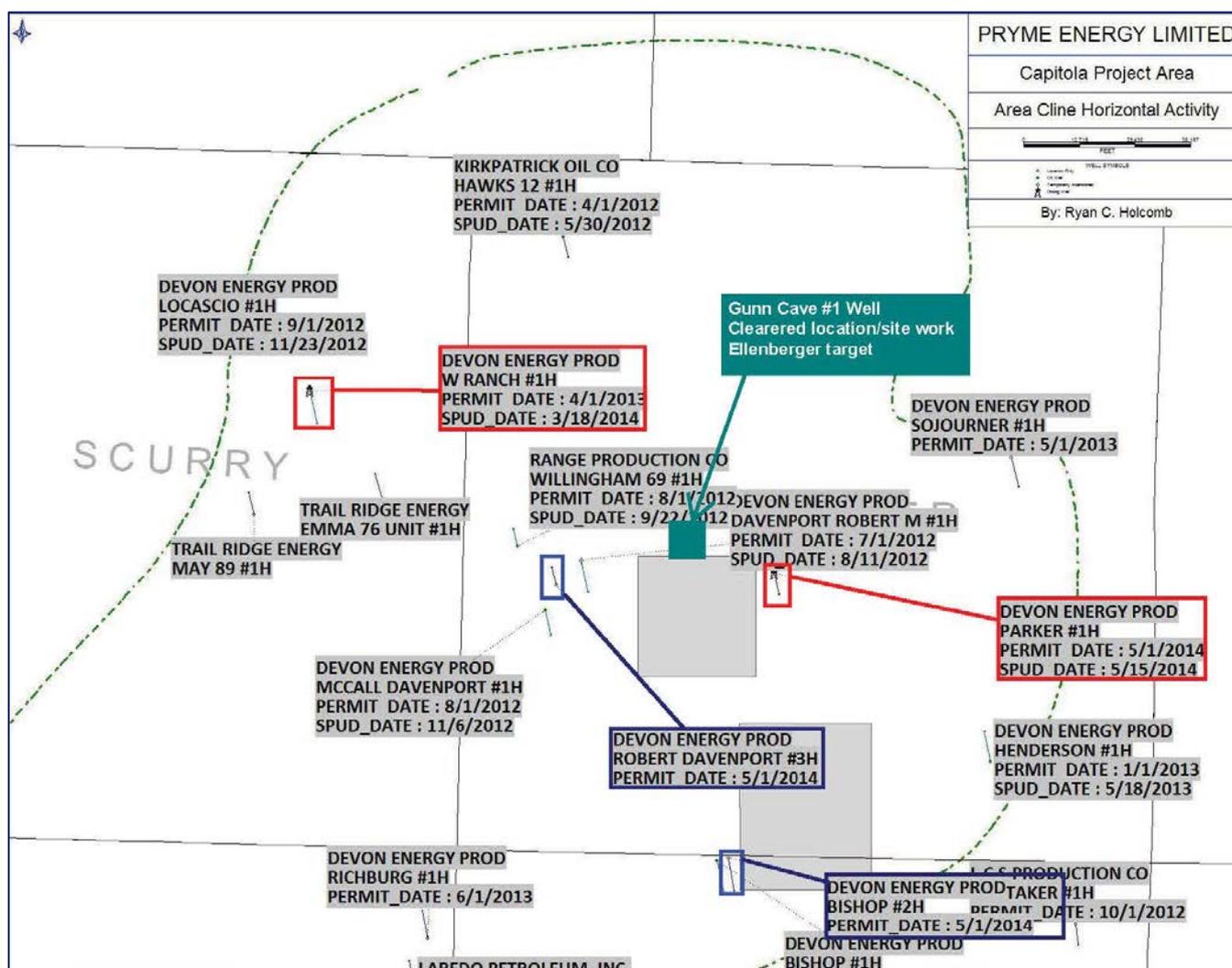
Privately owned Gunn Oil continues to successfully drill vertical wells targeting the Canyon Sands, Cline Shale and Ellenberger formations throughout their acreage which adjoins the Capitola acreage. Drilling of Gunn Oil’s Cave No.1 well is underway; it is located less than one mile north of the Claytonville acreage block and will target the Canyon Sands, Ellenberger, Palo Pinto and Strawn formations which



we also expect to encounter in Capitola. Gunn Oil has drilled and successfully brought into production more than 40 wells within 5 miles of Capitola. The most recent, the Gunn Martin QR No.6, was successfully completed in the Ellenberger formation and initially produced 83 barrels of oil per day on an 8/64th choke from that interval alone.

Cline Shale drilling continues around Capitola acreage

Devon Energy (NYSE:DVN) continues to have drilling and production success in the emerging Cline Shale oil shale play. Devon is currently putting the W Ranch No.1H well, to the west of the Claytonville acreage block, into production (shown in red on the map below). Devon is also completing the Parker No.1H well, to the east of Claytonville (also shown in red below), along with the Bishop No.2H, an offset to the successful Bishop No.1H well, approximately 2 miles west of the Sweetwater acreage block (shown in blue below). Devon has also completed drilling the Davenport No.3H (also shown in blue below) and is awaiting completion.



Capitola acreage is shown in grey in the above Cline Shale activity map. Devon flow back/completion wells shown in red and Devon currently drilling wells shown in blue. Gunn Cave No.1 well shown in green



Large oil and gas operators such as Devon, Range Resources (NYSE:RRC) and Laredo Petroleum (NYSE:LPI) have leased significant tracts of land in the Cline Shale and are continuing to drill horizontal wells in their holdings in proximity to the Capitola Oil Project with good results. Devon surrounds the Capitola acreage area with leases and continues to permit wells adjacent to the project area.

About Capitola Oil Project

The Capitola Oil Project is located in an active region of the Eastern Shelf of the Permian Basin just north of the town of Sweetwater, Texas. The project contains a number of shallow, “stacked” formations to depths of 6,000 feet, with established production history from vertical wells. These overlie the Cline Shale formation which is the subject of an emerging resource play of national significance. Pryme’s value creation strategy is to develop the shallower, well defined targets using advanced drilling, completion and stimulation technology, and to exploit the emerging Cline Shale resource play as major US E&P companies which surround Pryme’s acreage demonstrate its value.

There are three primary targets in Capitola along with numerous secondary targets. The primary targets consist of the Breckenridge Lime at 4,500 feet deep, the Canyon Sand series at approximately 5,200 feet in depth and the Cline Shale at 6,000 feet deep throughout our acreage. The Company is earning a 75% working interest in 9,333 acres (7,000 net acres) in all mineral rights from the surface through to the top of the Cline Shale and a 50% working interest (4,666 net acres) in all other rights including the Cline Shale.

The Capitola Oil Project acreage is contained within two contiguous lease blocks referred to as Sweetwater (approx. 7,000 acres) and Claytonville (approx. 2,333 acres) to the north of Sweetwater. Pryme is the operator of the Capitola Oil project.

For further information please contact:

Justin Pettett
Managing Director
Pryme Energy Limited
Telephone: +61 7 3371 1103

Ryan Messer
Chief Operating Officer
Pryme Energy Limited
Telephone: +1 713 401 9806

Website: www.prymeenergy.com

ASX Code: PYM

OTCQX Code: POGLY

Competent Person Statement and Disclaimer

Technical information contained in this presentation in relation to the projects of the Company have been reviewed by Mr Greg Short, BSc. Geology (Hons), a Director of Pryme who has more than 33 years’ experience in the practise of petroleum geology. Mr Short consents to the inclusion in this presentation of the information in the form and context in which it appears.