

18 February 2011

Turner Bayou Operational Update

Pryme Oil and Gas Limited (“Pryme”) provides the following update on operations and production at its Turner Bayou project in Louisiana, USA. Turner Bayou comprises approximately 80 square miles (50,000 acres) which have been imaged by a proprietary 3D seismic survey. Primary targets are contained within six prospective formations ranging in depth from the Frio at 3,000 feet, to the Tuscaloosa at 16,200 feet.

Deshotels 20-H No.1 (40% Working Interest / 30% NRI)

“Notwithstanding the challenges in bringing the first well in the Turner Bayou Chalk project into production, we remain confident that the Deshotels 20-H No.1 will become a significant oil producer and will provide an attractive financial return,” said Justin Pettett, Pryme’s Managing Director. “Over twelve oil and gas bearing fracture zones were intersected in the horizontal leg of the well and were accompanied by significant oil and gas shows produced to the surface during drilling. This result confirmed the prospectivity of the Austin Chalk formation within the project area. We plan to begin drilling the second Turner Bayou Chalk well in May.”








Producing Oil from the Deshotels 20-H No.1

The next stage of remediation of the Deshotels 20H No.1 well will involve a completion rig to run tubing and a hydraulic packer into the horizontal leg of the well. After the hydraulic packer is set in place acid will be pumped into the formation to dissolve cement and limestone in the vicinity of the perforated fracture zones and increase the connectivity between the reservoir and the well liner. Teflon perforation balls are dropped into the well bore while squeezing the acid into the formation. These balls preferentially migrate to the most permeable zones sequentially plugging them off and forcing the acid to go to the lower permeability zones not previously connected to the well bore. This method, if successful, should improve well bore connectivity with the most highly permeable zones and also with the zones of lower permeability. The outcome should be improved productivity from all fractured zones. This remediation work is schedule to begin next week and should be completed the following week.

Historically Austin Chalk wells which have been drilled in the region of the Turner Bayou 3D seismic survey and have been acidized have shown a significant increase in oil production.

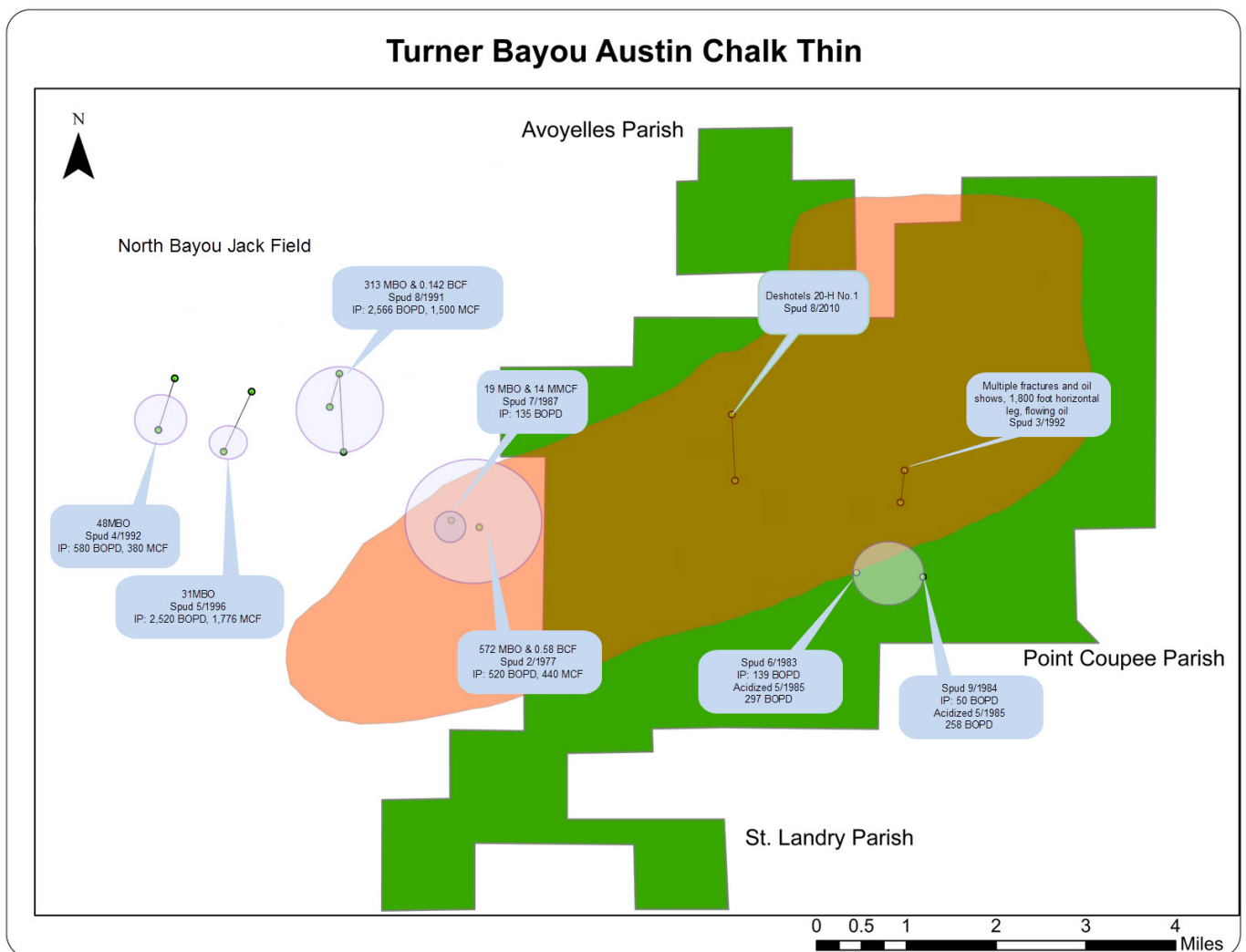
Updated Acreage Position

The Turner Bayou Chalk project covers over 20,000 under leased acres (8,000 net acres leased to Pryme) with primary targets contained within six prospective formations ranging in depth as follows:

-  Frio ~3,000 feet
-  Wilcox ~12,000 feet
-  Austin Chalk ~15,300 feet
-  Eagle Ford ~15,800 feet
-  Tuscaloosa ~16,200 feet

Electric logs run during the drilling of the Deshotels 20-H No.1 indicated potentially productive zones in the Wilcox formation at approximately 12,000 feet, the Austin Chalk formation at approximately 15,000 feet, and the Eagle Ford formation at 16,000 feet.

Whilst attention is currently focused on the development of the Austin Chalk, the Eagle Ford is of particular interest, given that a vertical completion was made in the interval in 1977 by Gulf which tested at initial rate of at over 100 barrels of oil per day and associated gas with no stimulation. The electronic log analysis of the Eagle Ford in the Deshotels well indicate several hundred feet of sandy shale with an average porosity of 16%. This compares favourably to some of the better locations in the Eagle Ford play in South Texas which exhibit porosities in the 6% to 12% range. In addition to the Austin Chalk, this deeper play could prove to be valuable for the company and will be appraised and tested in future wells.



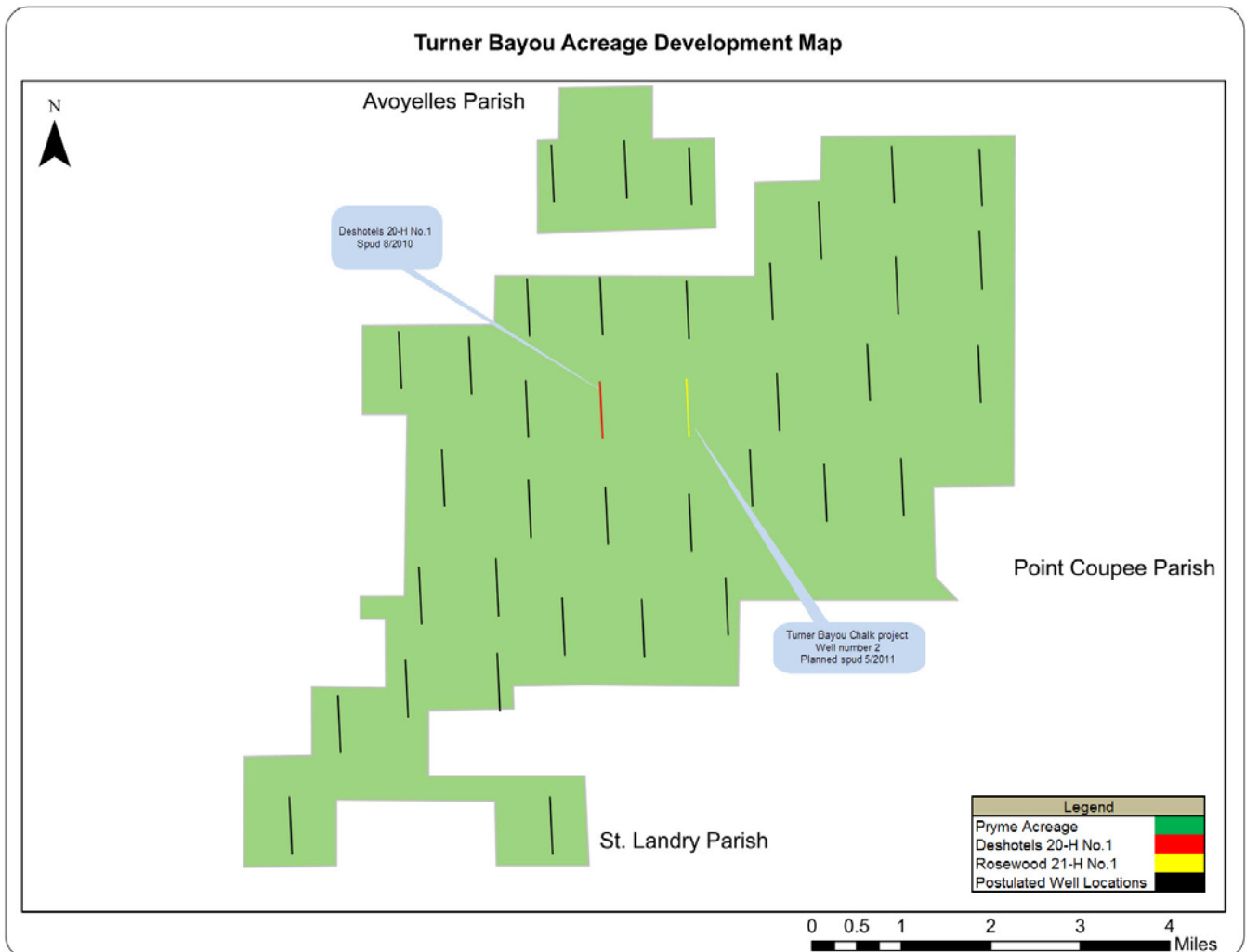
Pryme's acreage position is shown in green surrounded by past oil producers. The thinner part of the Austin Chalk is shown in red and is postulated to be the heart of the Austin Chalk play in Avoyelles Parish, Louisiana.

Geological Setting of Austin Chalk in Turner Bayou

The production potential of the Austin Chalk formation within the Turner Bayou 3D seismic survey was identified from several vertical wells which were drilled in the period from the mid 1970's to the mid 1990's and include one of the best vertical wells in the trend which produced 570,000 barrels of oil and 0.58 Bcf of natural gas.

Pryme and its partners shot 3D seismic over the Turner Bayou area in 2007. Interpretation of the seismic data indicates that an erosional event occurred during the Upper Cretaceous age and caused the chalk to thin from 1,000 feet to 450 feet in some sections. These thinner chalk sections could potentially have made the chalk more likely to fracture than thicker sections and to provide a better hydrocarbon reservoir. Extensive fracturing and associated oil and gas, which were evident in the recently drilled Deshotels 20-H No.1 well, were also identified in the only other horizontal well drilled in the area of Pryme's seismic shoot (drilled in 1992). It appears that these geological conditions have created a productive section of the chalk which is not regional, but local. As a result, Pryme's Turner Bayou Chalk project is a resource style oil play with conventional production and drainage characteristics. Such plays are becoming increasingly scarce in the United States.

Turner Bayou Chalk Project Development Plan



The postulated well development plan for the Turner Bayou Chalk project includes more than 30 wells as outlined above



Despite the mechanical problems during the completion of the Deshotels 20H No.1 well, the Company is encouraged by the geological results. The mechanical and completion issues are being addressed in the design of well number two and will result in changes which should simplify operations moving forward. Pryme and its partners plan to spud well number two by May; it will be located one mile east of the Deshotels 20-H No.1. Building of the road and location are expected to begin in March. A third well is currently planned for drilling one mile west of the Deshotels 20-H No.1.

Based on the estimated drainage of the reservoir and the postulated production unit orientation, the development plan for the entire Turner Bayou Chalk project is expected to include up to 30 wells based on 640 acre spacing. The rate of drilling activity is likely to be increased after completion of the third well.

While the cost to drill and complete the Deshotels 20-H No.1 well was significantly over budget, drilling and completion costs moving forward are estimated to be in the range US\$7m to US\$8m per well to the 100% working interest. Recoverable oil is expected to range from 750,000 to 1,500,000 barrels of oil per well.

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Technical information contained in this report in relation to Turner Bayou was compiled by Pryme and 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 report of the information in the form and context in which it appears.