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Farm Out Arrangements Turner Bayou Project

Pryme Energy Limited (Pryme) and its partners in the Turner Bayou project have established arrangements for farming out of a portion of their project interests with the aim of raising capital and accelerating the continuing field appraisal and development of the project. The Turner Bayou project is located in Avoyelles Parish, Louisiana and is comprised of 25,791 gross (21,617 net) acres of prospective leasehold. Pryme has a 40% working interest in the project.

A brief outline of the Turner Bayou project and regional exploration and production activity accompanies this release. Additional information on the project can be found on the Company's website.

The arrangements provide an effective structure to attract a substantial industry exploration and production (E&P) company and/or industry financiers as partner(s) in the significant onshore oil resource development opportunity in the Austin Chalk, Tuscaloosa Marine Shale and Wilcox formations which the Turner Bayou project represents.

The arrangements agreed between Pryme and its Turner Bayou partners include:

- The prospective farm-in partner will be offered the right to acquire a reasonable equity interest in the Turner Bayou project area in return for disproportionately funding new well drilling and completion operations. The work program, to be undertaken within a fixed time period, will include drilling and completing wells on prospects adjacent to the existing producing Deshotels 20H and 13H wells;
- If the farm-in partner is an experienced operator with relevant applicable experience it will be offered operatorship of the project. Otherwise a suitably qualified and experienced commercial operator will be engaged;

A successful farm-out as proposed will result in the accelerated drilling and development of wells in Turner Bayou. A number of E&P companies, some with significant experience drilling horizontal Austin Chalk wells, have shown a strong interest in the project.

Should a farm-out not be completed in a timely manner, sufficient primary term on the mineral leases remains to allow for alternate arrangements to be made by Pryme.

"We consider the arrangements to provide a clear and effective strategy that offers the best possible chance for a successful outcome. Pryme is the largest equity owner in Turner Bayou and together with our project partners we control a large acreage position with demonstrated prospectivity for oil. The project area is surrounded by medium to large E&P companies whose focus is not only the prolific Austin Chalk formation but also on the emerging major oil resource play in the Tuscaloosa Marine Shale which is also well represented in Pryme's acreage," said Justin Pettett, Pryme's Managing Director.

"Unlocking the significant value of the Turner Bayou Chalk project can be accomplished by drilling the next wells in this project, implementing a low risk completion technique and bringing the wells online



without incident. Having confirmed the commercial production characteristics of wells drilled in Turner Bayou we will continue to drill and build a portfolio of producing oil wells.”

Permitting of the next two wells, the Deshotels 24H and Rosewood Plantation 21H, is underway. The Deshotels 24H drill site location and the service road to the Rosewood Plantation 21H well site have already been built. The sites for both wells are adjacent to the initial Turner Bayou wells drilled by Pryme and its partners and are located in the area which recent re-interpretation of the project’s 3D seismic survey has determined to have the highest fracture intensity, and hence oil prospectivity, of the Austin Chalk formation within the project area.

Additional Information on Pryme Website

Additional information on Pryme and on the Turner Bayou project is available on the Company’s website at www.prymeenergy.com. In particular shareholders are directed to a recent presentation and webcast by Pryme’s Managing Director, Justin Pettett. You can access this webcast by [clicking here](#). Alternatively you can access the webcast by clicking the Boardroom Radio link on the lower right hand corner of the Pryme website Home Page.

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Competent Person Statement and Disclaimer

The information contained in this announcement has 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 reviewed this announcement and consents to the inclusion of the geological and engineering descriptions and any estimated hydrocarbons in place in the form and context in which they appear. Any resource estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, further information on which is available at www.spe.org.

This report contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by nature and no assurance can be given by Pryme that its expectations, estimates and forecast outcomes will be achieved.

About the Turner Bayou Chalk Project

Pryme has a 40% working interest in 25,791 gross (21,617 net) acres in the Turner Bayou project and is initially targeting development of the Austin Chalk horizon for oil production. Approximately 30 Austin Chalk well locations are possible within the core project area based on 640 acre well spacing.

In addition to the Austin Chalk potential of the project, Pryme's acreage contains both the Wilcox formation and the Tuscaloosa Marine Shale (TMS) which is analogous to the Eagle Ford formation in South Texas. A vertical test of both formations within Pryme's acreage has returned oil and gas shows in the mud log. Furthermore, a number of companies have achieved encouraging results from tests of the TMS in proximity to Pryme's Turner Bayou leases.

Most of Pryme's Turner Bayou project acreage is located along the thin section of the Austin Chalk formation that is associated with the underlying Edwards Shelf margin. This geological setting is likely to have a very high fracture intensity; the higher the fracture intensity the higher the oil production potential of the Austin Chalk formation. Recent reprocessing of Pryme's 3D seismic data over the area has reinforced this interpretation and it is also borne out in drilling results. The relative fracture intensity in Pryme's acreage is depicted in Figure 1 below with the red/yellow/green shading indicating the areas of greatest fracture density.

Turner Bayou Acreage over 3D Seismic Survey

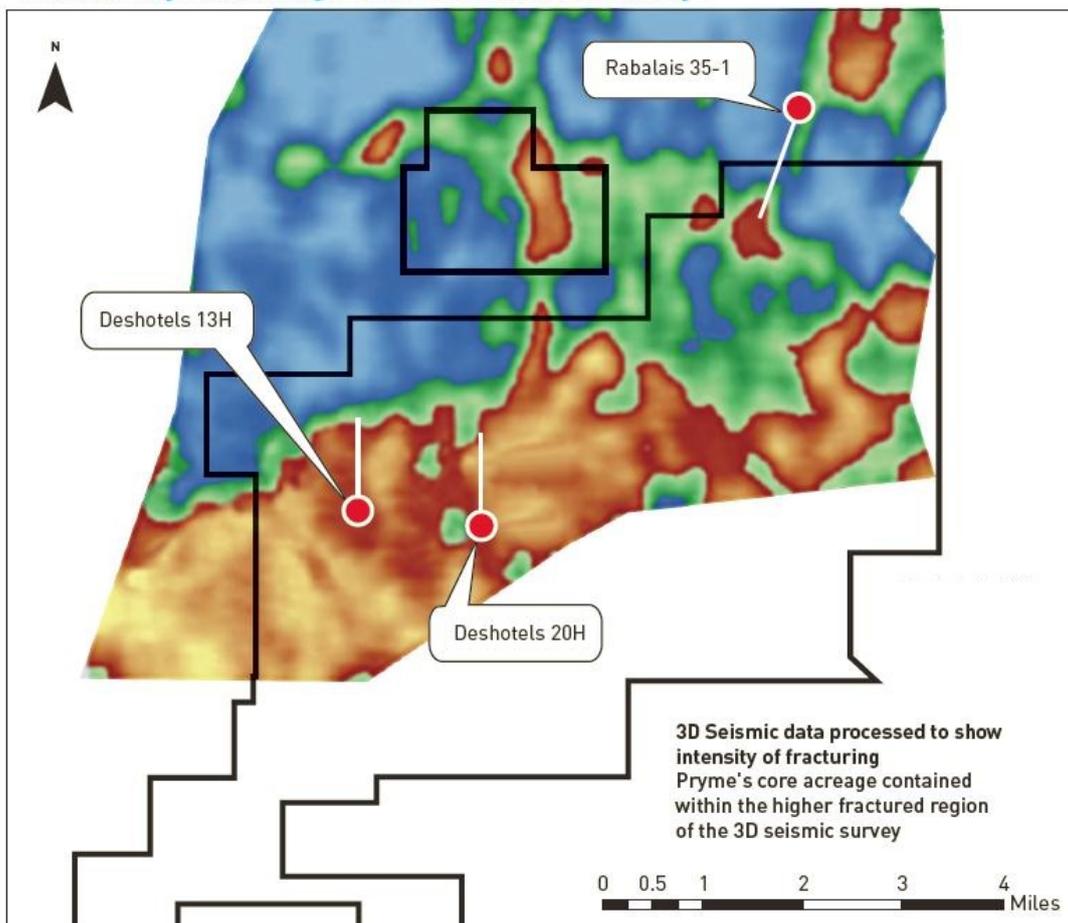


Figure 1

The map on the previous page is derived from 3D seismic data processed to allow interpretation of the most intensely fractured areas within the targeted portion of the Austin Chalk formation. The red, yellow and green shaded areas are the most intensely fractured. Pryme's acreage position is contained within the black outline. It is believed that the areas of high fracture intensity extend to the south of the 3D seismic survey within the southern portion of Pryme's acreage.

Pryme has drilled two Austin Chalk wells within Turner Bayou, the Deshotels 20H and the Deshotels 13H (Pryme 40% WI in each well), and has participated in a third well, the Rabalais 35-1 (Pryme 8.8% WI), with Anadarko Petroleum. Both Deshotels wells encountered extensive hydrocarbon filled fractures and produced oil and gas to surface during drilling. The initial drilling results were confirmed by the mud logs of both wells which showed the intersection of up to 15 major oil and gas bearing fracture zones. Mechanical and formation damage issues, largely attributed to inappropriate completion techniques, have contributed to severe under-performance of both wells. The recently drilled Rabalais 35-1 well lies in a much less intensely fractured location and does not exhibit the same potential as the two Deshotels wells.

Austin Chalk formation wells within Turner Bayou are located using Pryme's 3D seismic data, drilled to approximately 15,000 feet vertical depth and then horizontally for a further 4,000 to 6,000 feet. In this area well data indicates that if an intensely fractured Austin Chalk section is intersected, and the reservoir is not damaged during drilling and completion, no stimulation is required.

Recent successful wells in and around Turner Bayou are detailed in Figure 2 below and Table 1 on the following page.

Austin Chalk Regional Trend Map and Project Location

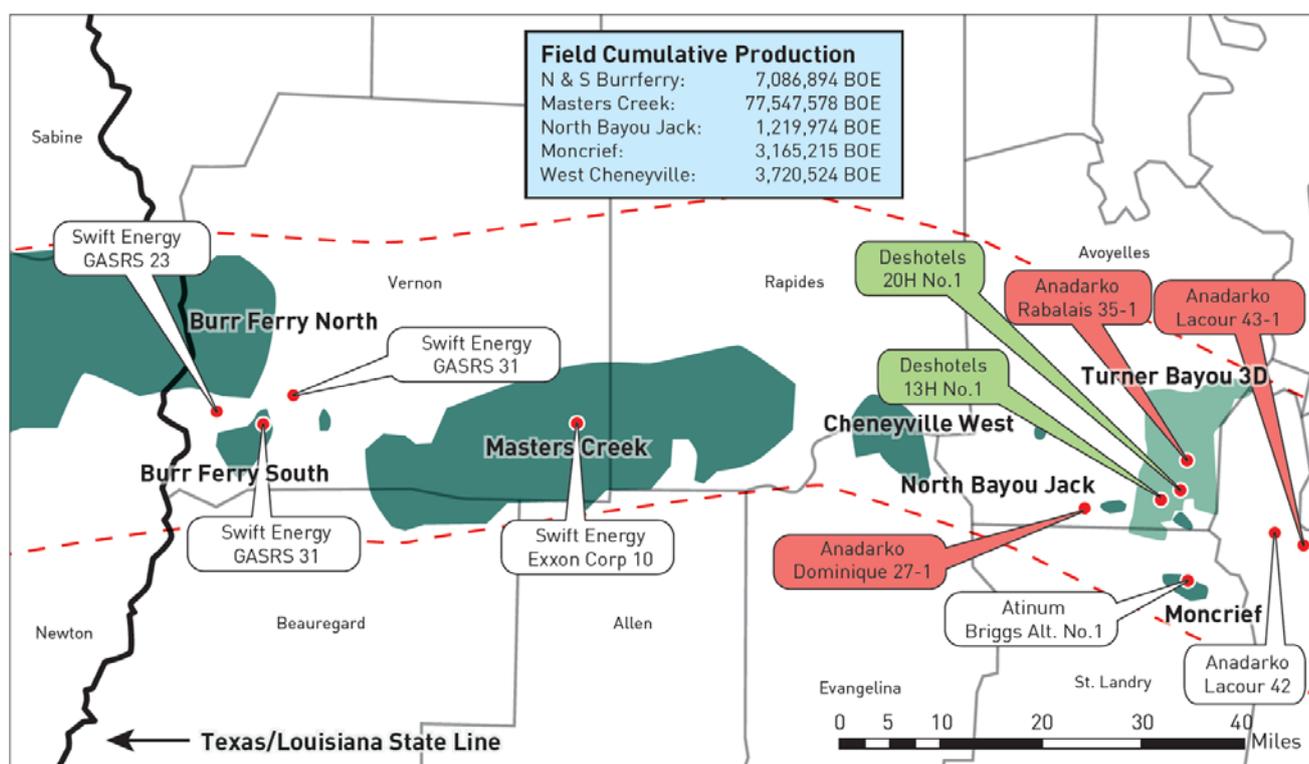


Figure 2

Austin Chalk Initial Potential Rates

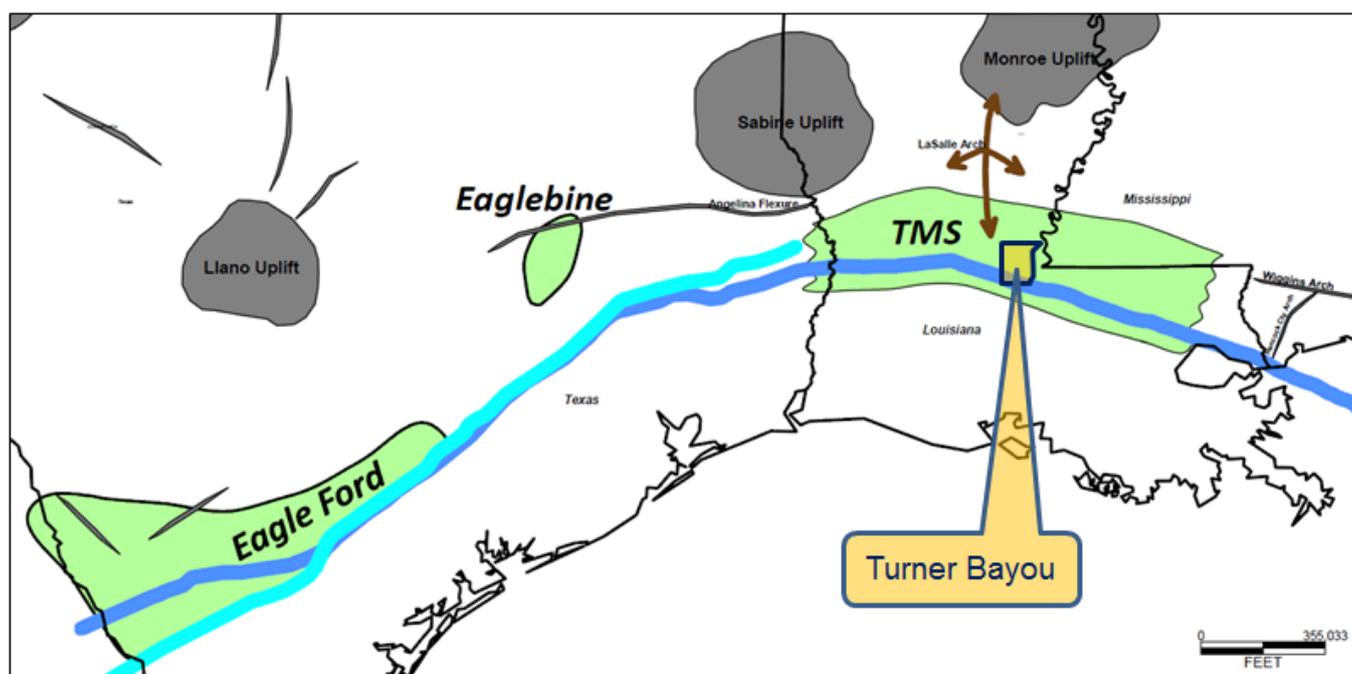
| Operator | Well | Oil (bopd) | Gas (mcf/d) | Water (bwpd) |
|-----------------------|--------------------|------------|-------------|--------------|
| Anadarko Petroleum | Lacour 43-1 | 3,000 | 2,500 | 600 |
| Atinum Operating, Inc | Briggs Alt. No.1 | 2,184 | 6,795 | 3,276 |
| Nelson Energy | Deshotels 13H No.1 | 1,167 | 644 | 350 |
| Anadarko Petroleum | GASRS 5 No.1 | 1,073 | 12,663 | 5,465 |
| Anadarko Petroleum | Dominique 27 No.1 | 753 | 1,151 | 1,484 |
| Nelson Energy | Deshotels 20H No.1 | 600 | 458 | 0 |
| Anadarko Petroleum | GASRS 18 No.1 | 500 | 7,000 | 6,672 |
| Anadarko Petroleum | GASRS 16 No.1 | 203 | 1,127 | 259 |

Table 1

Louisiana Department of Natural Resources www.sonris.com
 Nelson Energy as operator denotes Pryme owned wells

Tuscaloosa Marine Shale

The Tuscaloosa Marine Shale (TMS) is an oil and gas "play" in Louisiana and Mississippi that is enjoying significant interest from major E&P companies. The TMS formation ranges in depth from 10,000 to 15,000 feet subsurface and extends across central Louisiana into Mississippi. It is analogous to, and comprises the same formations as, the Eagle Ford Shale play in south Texas. The Eagle Ford is an abnormally pressured source rock which is a target for shale gas and natural gas liquids.



The above map shows the size and location of the estimated play boundary of the Tuscaloosa Marine Shale (TMS) relative to the Eagle Ford shale in South Texas. Pryme's Turner Bayou project acreage is located in the TMS play boundary.



Modest levels of TMS exploration over the past 20 years have indicated the oil and gas potential that modern drilling and completion technologies can realise from the formation and a burgeoning interest in the play has emerged. Like most shale plays it is known that oil and gas are present, it is just a matter of producing it in commercial quantities.

A vertical completion in the TMS by Gulf Oil in 1977, within the area of Pryme's 3D seismic survey, tested at an initial rate of over 100 barrels of oil per day plus associated gas with no stimulation. In more recent times, several medium to large E&P companies operating in proximity to Turner Bayou have achieved encouraging results from tests of the formations. Pryme's Deshotels 20H well intersected the TMS with minor reservoir rock with porosity up to 16% and very encouraging mud log hydrocarbon shows. The intersection 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. The Company will continue to monitor this activity and update the market as appropriate.



Production facilities at Turner Bayou