

Drilling of Third well in Capitola Oil Project Underway Operations Update

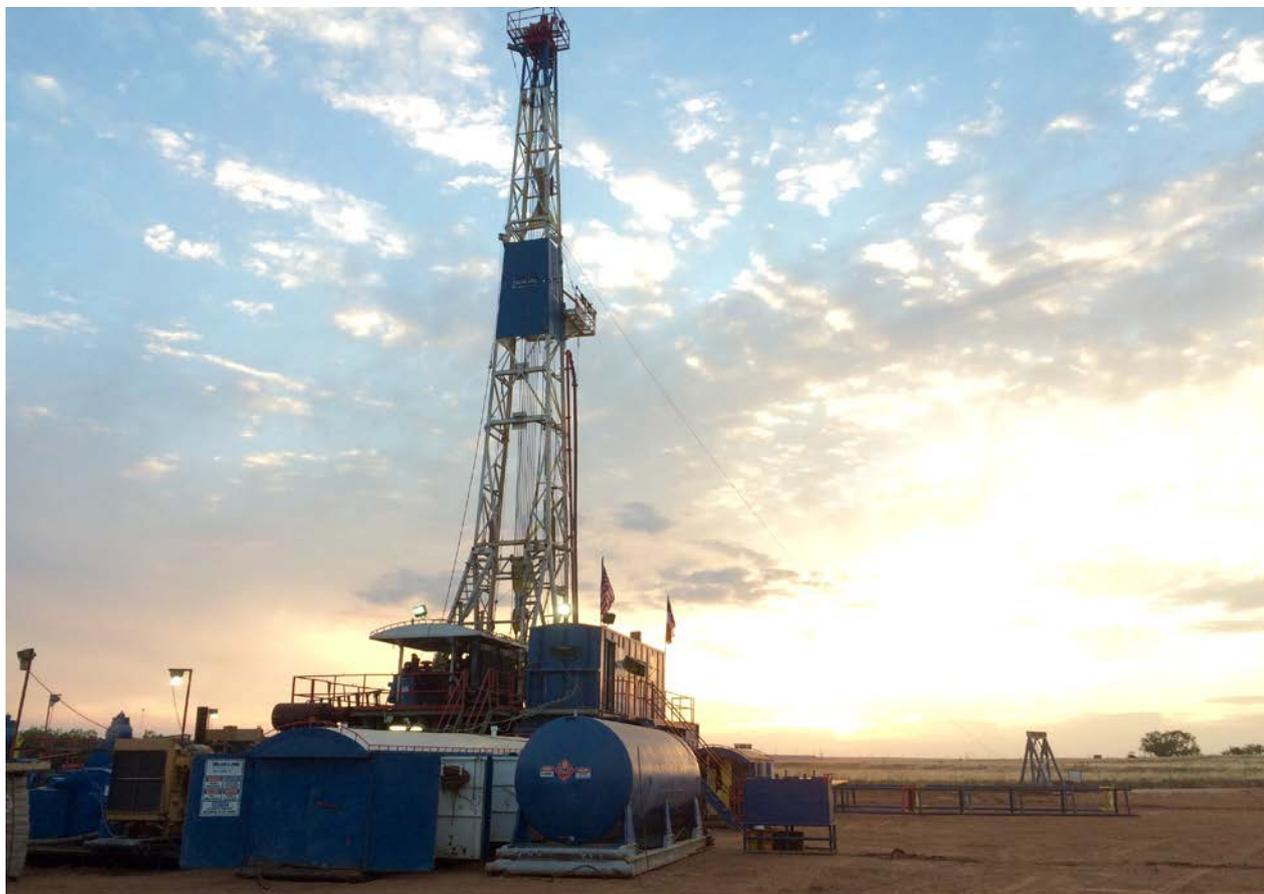
HIGHLIGHTS

- Drilling of the third well underway
- Well will test Canyon Sands, Cline Shale and other stacked formations

Drilling of the Hope Boles PU1 well, the third well in the initial Capitola Oil project drilling program, is underway. The well is located in the Sweetwater acreage block approximately 2 miles south of the recently drilled Mahaffey Bishop PU1 well which is now awaiting completion. It will be drilled to a target depth of 6,050 feet (1,844 metres) vertically and will intersect multiple stacked objectives including the Canyon Sand series and the Cline Shale along with several secondary targets.

Pryme will have a 100% working interest (WI) (75% net revenue interest (NRI)) in each of the three wells in the initial drilling program. This will reduce to a 75% WI (56.25% NRI) in each well upon Pryme receiving 100% of its total drilling program costs from the net operating cash flow from all three wells.

Pryme is the operator of the Capitola Oil Project.



Drilling of the Hope Boles PU1 well within the Capitola Oil Project



About the 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 the 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, which persist throughout our acreage, are 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. Pryme 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 lease blocks, each contiguous and 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.

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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.