

13 October 2011

Deshotels 13H Flow Test Turner Bayou Chalk Project

Pryme Energy Limited (Pryme) provides the following update on operations at its Turner Bayou project in Louisiana, USA.

The Turner Bayou project is a significant part of Pryme's exploration portfolio and comprises approximately 80 square miles (50,000 acres) which have been imaged by a proprietary 3D seismic survey. Primary targets are the Austin Chalk formation at 15,300 feet and the Eagle Ford formation at 16,000 feet.

Deshotels 13H No.1 (40% Working Interest / 30% NRI)

The completion in the Austin Chalk formation and flow test of the Deshotels 13H No.1 well is continuing. The well is currently producing at erratic rates varying around 200 barrels of oil per day (bopd) with a similar amount of water. This type of early performance is not unexpected however the rates are less than anticipated, which could be due to the fact that sections of the horizontal lateral that have the most potential have not yet been acidized. Once the flow rate and pressures have stabilized and the appropriate analysis has been completed, a plan for optimizing well performance will be devised and implemented. This may take several weeks to complete. Pryme will provide updates as progress is made.

Oil and natural gas from the well are sold through the Deshotels 20H No.1 production facility, the revenue will supplement Pryme's current cash position of \$5.6 million including any prepayments towards well three.

"The Company has sufficient cash to fund its share of the cost of the next Turner Bayou Chalk project well and to continue planned operations at its other projects," said Justin Pettett, Pryme's Managing Director.

Deshotels 24H No.1 Well

The Deshotels 24H No.1 well will be the third well to be drilled in the Turner Bayou Chalk project. It will be drilled from an extension of the Deshotels 13H No.1 well pad; site preparation has been completed and drilling at this stage is scheduled to commence in late November.

"In addition to preparing for our third Turner Bayou Chalk project well, we are also focused on improving the performance of our existing wells," said Ryan Messer, Pryme's Chief Operating Officer. "Even though the Deshotels 13H well has not met expectations at this stage, we continue to have confidence that the Turner Bayou project will make a very significant contribution to shareholder value."

Mr Messer also said that Anadarko Petroleum and other major operators are targeting the Austin Chalk and other formations in proximity to the Turner Bayou project. "This provides an encouraging indication of the project's potential. We remain committed to drilling the third well in this project and are confident that we can achieve better production rates and high ultimate recoveries."

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Competent Person Statement

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.



Flow testing the Deshotels 13H No.1 well in the Turner Bayou Chalk project