



**31 August 2010**

## **Placement and Rights Issue**

Pryme Oil and Gas Limited ("Pryme or the Company") has raised \$1,700,000 by way of a private placement and is pleased to announce a 1 for 8 non-renounceable rights issue providing the opportunity for eligible shareholders to acquire additional shares in the Company.

"Drilling of the first well, the Deshotels 20-H No.1, in the Turner Bayou Chalk project is underway. This is potentially the greatest value adding project to be undertaken by the Company. The capital raising, which incorporates the placement and the rights issue, has been undertaken to ensure that through this period the Company maintains a sufficient capital buffer to meet any unexpected calls on capital in addition to normal working capital requirements," said Justin Pettett, Pryme's Managing Director. "Importantly, the Board of Directors recognise the support and loyalty of Pryme's shareholders and have structured the capital raising to incorporate the rights issue at the same price as the placement. The timing of the rights issue is such that shareholders will have the opportunity to see more advanced results from the drilling of the well prior to the closing date for subscription to the issue. The opportunity to purchase additional shares in Pryme is open to all eligible shareholders of the Company as at the record date which is expected to be 14 September 2010."

### **Placement**

Under the private placement, 21.25 million fully paid ordinary shares (equivalent to approximately 11% of Pryme's issued capital) will be issued at \$0.08 per share, to raise A\$1,700,000. The placement shares are expected to be issued on or about 6 September 2010.

The number of new shares to be issued under the placement is below the 15% limit available to the Company under Listing Rule 7.1. Accordingly, the Company does not intend to obtain shareholder approval for the issue.

### **Rights Issue**

In addition to the placement, Pryme advises that it intends to complete its capital raising program by undertaking a 1 for 8 non-renounceable rights issue at the same pricing as under the placement (\$0.08 per share) to raise a further A\$2,000,513.

The rights issue will provide an opportunity for all eligible shareholders to acquire additional fully paid ordinary shares in the Company. Shares issued pursuant to the placement will be eligible to participate in the rights issue.

The Record Date for the rights issue is expected to be 14 September 2010. The rights issue will be offered to all Pryme shareholders who are registered at 7.00pm (AEST) on the Record Date and whose address in the register of members of the Company is in Australia or New Zealand.

Shares to be issued under the rights issue will rank equally with existing shares and Pryme will apply for official quotation of the new shares on the Australian Securities Exchange (ASX). The Directors are



not proposing that the rights issue be underwritten but reserve the right to issue the shortfall at their discretion.

The Company expects to be in a position to provide all details required under the Listing Rules regarding the proposed rights issue within the next 7 days.

The funds to be raised by the private placement and the rights issue are primarily to ensure that the Company remains well funded through the drilling and, if warranted, completion of the Deshotels 20-H No.1 well in the Turner Bayou Chalk project so that, in addition to funding normal working capital requirements:

- i. If a decision is taken to commence a second Turner Bayou Chalk project well prior to significant revenue flows from a successful Deshotels 20-H No.1 well, Pryme will be able to participate at its current working interest level;
- ii. In the event of cost overruns on the Deshotels 20-H No.1 well, the Company can continue to fund its proportionate share; and
- iii. The Company can continue with its planned land-based drilling program on the periphery of Catahoula Lake once the water level has been lowered to a level permitting access to drill locations.

The combined effect of the private placement and a fully subscribed rights issue will be the raising of up to A\$3,700,513 by issuing a maximum of 46,256,417 new shares, to take the issued capital of the Company to 225,057,754 fully paid ordinary shares.

### **Deshotels 20-H No.1 Well Description**

The Deshotels 20-H No.1 well in the North Bayou Jack Field is the first deep well to be drilled within the Turner Bayou 3D seismic survey. The well will be drilled to a depth of 15,380 feet (4,688 metres) vertically with a 4,500 foot (1,372 metre) horizontal leg through the Austin Chalk formation which is predominantly oil bearing in this region.

The vertical leg of the well is designed to achieve a full depth penetration of the Austin Chalk formation and the horizontal leg will be drilled directionally from the vertical wellbore. The objective in drilling the horizontal leg is to increase the likelihood of intersecting a number of oil bearing fractures within the Austin Chalk formation and thereby maximise the likelihood of oil production at commercial levels. While not without technical risk, the drilling of horizontal wells at depth has benefited from significant technological advances in recent times and is a well accepted approach to exploring and producing from formations which are not easily accessible with conventional vertical drilling or where, as is the case with the Austin Chalk formation, one horizontal well can achieve results which would otherwise require multiple vertical wells.

Drilling of the Deshotels 20-H No.1 well commenced in early August 2010 and, at 31 August, the well has reached a vertical depth of 14,075 feet (4,209 metres.) Drilling progress to date has been good with no unexpected problems. Drilling of the 4,500 foot horizontal leg of the well is expected to commence



in approximately 2 weeks and be completed by early to mid October. The timing of drilling the well may change depending on progress, particularly with the horizontal leg. If the well is successful it is expected that it will be completed as a producing well towards the end of October or in early November. Pryme will continue to keep shareholders informed as the well progresses.

The dryhole cost of the Deshotels 20-H No.1 well is presently estimated to be US\$6.4 million; Pryme's share of this is US\$2.56 million. The cost to complete a successful well is presently estimated to be \$1.5 million (Pryme's share \$0.6 million). Due to the challenges of drilling deep wells with horizontal legs there is potential for costs to overrun.

Pryme's working interest in the Deshotels 20-H No.1 well is 40%, equivalent to a 30% net revenue interest (NRI).

### **Turner Bayou Chalk Project Description**

Turner Bayou is one of Pryme's high value projects. It is located in Avoyelles Parish, Louisiana. Pryme has a 40% interest in the Turner Bayou Chalk project area, which is contained within the Turner Bayou 3D seismic survey, and a 52% interest in the balance of Turner Bayou. The Turner Bayou project 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 formation at 3,000 feet, to the Tuscaloosa formation at 18,000 feet.

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*Pryme Oil and Gas Limited is an Australian oil and natural gas producer and explorer with interests in the Gulf States of the U.S. The company has oil and gas exploration projects focused on Louisiana, the fifth-largest oil-producing state in the U.S. These projects are funded in part by existing cash flow. Pryme's board of directors and management team has over 100 years of energy industry experience and has uniquely focused local knowledge, underscored by the proven track records of its managers and directors. Directors of the company are George Lloyd (Non Executive Chairman), Justin Pettett (Managing Director) and Ryan Messer (Executive Director) and Greg Short (Non Executive Director).*