

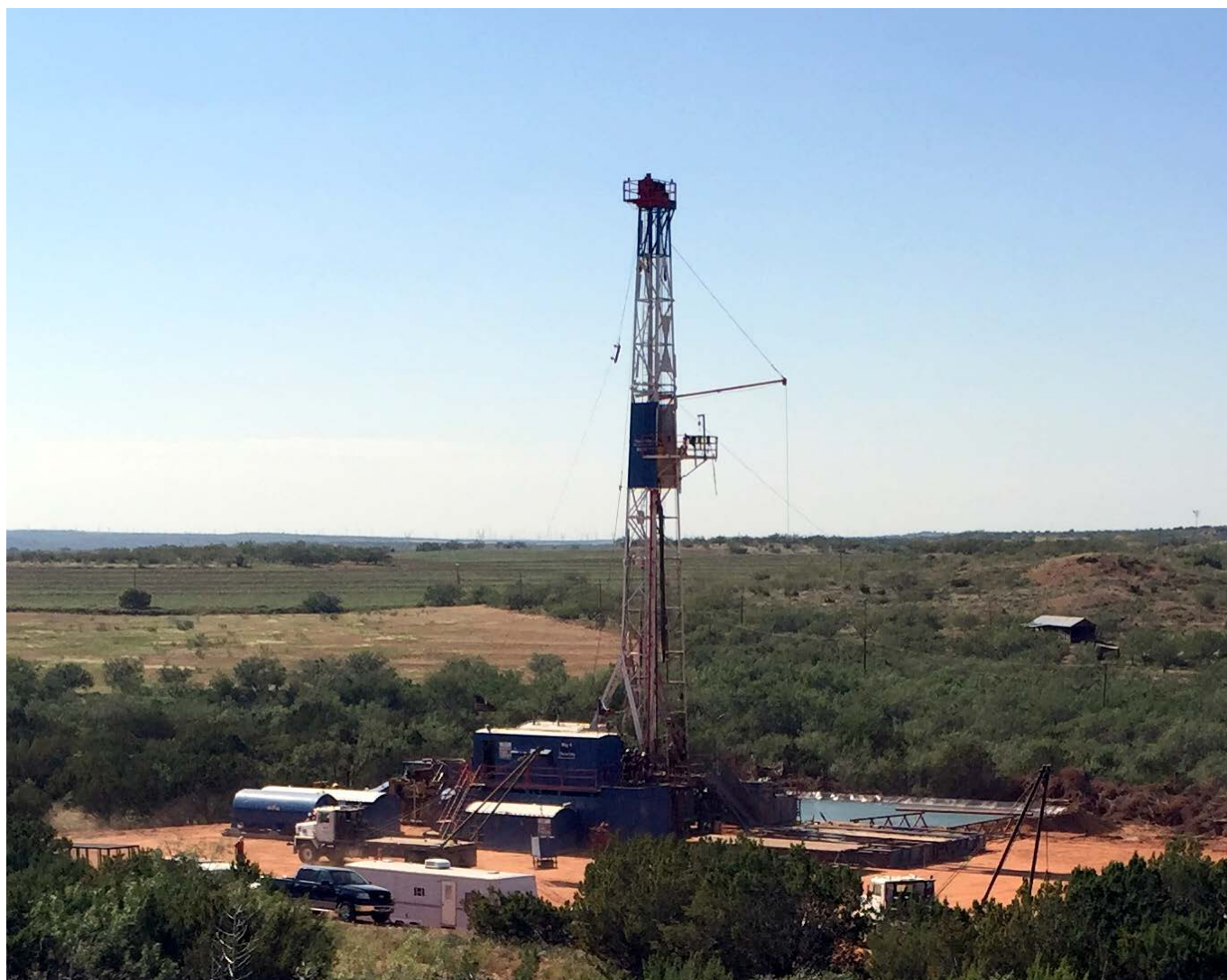
Drilling Underway in Capitola Oil Project Operations Update

HIGHLIGHTS

- Drilling of the first well underway
- Pryme acreage earn-in

Drilling of the Mahaffey Bishop PU1 well in the Sweetwater acreage block within the Capitola Oil Project is underway towards the target depth of 6,100 feet (1,860 metres).

The Mahaffey Bishop PU1 is the first of three Capitola Oil Project wells planned for October. It will be drilled vertically and will intersect multiple stacked objectives including the Canyon Sand series and the Cline Shale along with several other secondary targets.



Drilling of the Mahaffey Bishop PU1 well within the Capitola Oil Project



Earned Acreage

Under the terms of the Capitola Oil Project Farmout Agreement (the Agreement) Pryme will earn a 75% Working Interest (WI) in all mineral rights from surface to the top of the Cline Shale (the Shallow Rights) and a 50% WI in all other rights including the Cline Shale (the Deep Rights). The interest will be progressively earned by Pryme drilling wells and making cash payments which will be initially applied by the project vendors to mineral lease rentals and extensions.

Pryme and the vendors have agreed to amend the Agreement where the effect is such that Pryme has now earned a 7.5% WI (700 net acres) in the Shallow Rights and a 5% WI (467 net acres) in the Deep Rights throughout the entire 9,333 acres prior to drilling. Upon the conclusion of the initial three well drilling program Pryme will have earned a 30% WI (2,800 net acres) in the Shallow Rights and 20% WI (1,867 net acres) in the Deep Rights throughout the 9,333 acres.

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 contiguous lease blocks 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.