

1 March 2011

Turner Bayou Operational Update

Pryme Oil and Gas Limited ("Pryme") provides the following update on operations and production at its Turner Bayou project in Louisiana, USA. Turner Bayou 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 at 3,000 feet, to the Tuscaloosa at 16,200 feet.

Deshotels 20-H No.1 (40% Working Interest / 30% NRI)

Mechanical issues continue to impede the effective completion of the Deshotels 20-H No.1 well in the Turner Bayou Chalk project. Completion crews were unable to run 2 7/8 inch tubing past the damaged liner hanger (located at approximately 15,000 feet) and into the top of the 4 1/2 inch production liner (casing). As a result, the well will be put into production mode and remediation efforts suspended until after the drilling of the next well.

The well has been producing intermittently since early January and has produced approximately 13,000 barrels of oil (3,500 net to Pryme) which have been sold to market at spot prices. Spot prices for oil are currently in excess of US\$100 per barrel. The well is currently being put back into production and once steady state production has been established the details will be announced.

The project focus is now on the drilling of well number two which is expected to spud in early May.

"Turner Bayou is a company transforming project for Pryme. We are confident that the mechanical issues have been addressed for well number two and that the project will create great value for the Company and its shareholders. We will keep shareholders informed on progress and production rates as information comes to hand," said Justin Pettett, Pryme's Managing Director.

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Technical information contained in this report in relation to Turner Bayou was compiled by Pryme and 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 report of the information in the form and context in which it appears.