

22 August 2012

US\$100m Non-Recourse Debt Facility to Fund Development Turner Bayou Project

HIGHLIGHTS

- **Conditional commitment for non-recourse debt facility to fund Pryme's share of costs in the Turner Bayou project**
- **Bridge loan funding secured for the next Turner Bayou well**
- **Site preparation for the next well is underway**

Pryme Energy Limited (Pryme) is pleased to advise that its wholly-owned subsidiary Pryme Oil and Gas, LLC has executed a Conditional Commitment Letter for a US\$100,000,000 Term Loan Facility (Term Facility) with Macquarie Bank Limited (Macquarie Bank) to fund its share of exploration and development costs for the Turner Bayou project in Louisiana, USA. A \$5 million Bridge Loan Facility has also been provided by Macquarie Bank pending finalisation of the definitive credit agreement and other loan documents in relation to the Term Facility. The Bridge Loan Facility will allow Pryme to fund its share of the next Turner Bayou Austin Chalk well, the Rosewood Plantation 21H.

Both the Term Facility and Bridge Loan Facility (together the Facilities) are secured against the assets of Pryme Oil and Gas LLC only, Pryme's wholly-owned subsidiary which holds Pryme's interest in the Turner Bayou project. The Facilities are non-recourse to the parent company, Pryme Energy Limited, and all other projects and subsidiaries of Pryme. The obligations under the Bridge Loan Facility will be assumed by the Term Facility once it is in place. Closing of the Term Facility is planned for 1 October 2012 and it has a 48 months term. The key terms and conditions of the Facilities are outlined below.

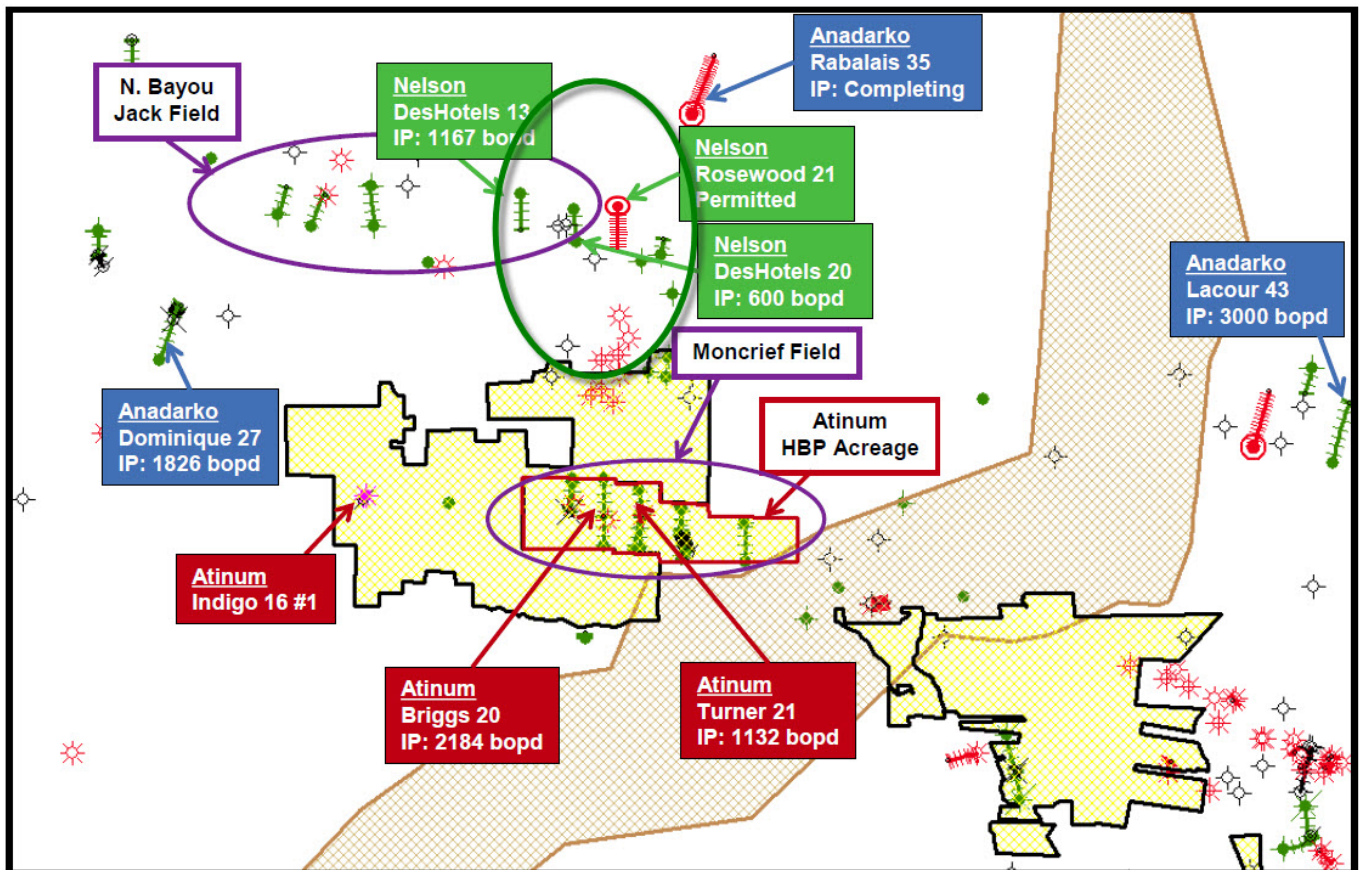
"Now that we have our funding secured, unlocking the significant value of the Turner Bayou project can be accomplished by drilling the next few wells in the project, implementing a low risk completion technique and bringing the wells online without incident. We have established the production potential of wells drilled in the Austin Chalk formation within the Turner Bayou project and we now intend to continue drilling and building a portfolio of producing oil wells," said Justin Pettett, Pryme's Managing Director. "This is a very tough market for junior explorers and a reliable source of funding is one of the key factors determining those who will survive and those who will not. Pryme is now funded for its share of Turner Bayou project expenditure. The provision of the facility will allow Pryme to focus on progressing the project."

Drilling Operations Underway on Next Well

The next Turner Bayou project well to be drilled is the Rosewood Plantation 21H. Permitting of both the Rosewood Plantation 21H and a second well, the Deshotels 24H, have been completed and site preparation for the Rosewood Plantation 21H is now underway. Drilling is planned to commence in the next 3-4 weeks subject to rig availability. The wells are located near the initial Turner Bayou wells, the Deshotels 13H and 20H, which were drilled by Pryme and its partners. This area is covered by the recently re-interpreted 3D seismic survey which indicates that it has the highest fracture intensity, and hence oil prospectivity, in the Austin Chalk formation within the project area.

Well completion techniques have been thoroughly evaluated over the past 6 months and the proposed technique to be applied to the next well is expected to reduce the likelihood of mechanical problems such as those which prevented the Deshotels 13H and 20H wells from producing to their full potential.

"We are confident of eliminating mechanical issues similar to those experienced with the Deshotels 13H and 20H wells because we will not be completing the wells in the same way," said Ryan Messer, Pryme's Executive Director and Chief Operating Officer. "We will be completing the well with a more traditional approach which includes running a slotted or perforated liner in the horizontal section of the well. In this way we will avoid damaging the formation by pumping cement into open fractures or creating problems due to packer failures such as we had on the previous two completions. The changes made in engineering and the application of technology to keep the lateral in zone should greatly increase the recoveries of the wells while reducing mechanical risk."



The above map shows recent activity in the Austin Chalk directly surrounding Pryme's acreage in Avoyelles Parish Louisiana. Pryme's acreage is centred in and around the green oval and wells drilled to date (Deshotels 20H and 13H) are shown in green. The Rosewood Plantation 21 H well is also shown.



Key Terms of the Facilities

The key terms of the Bridge Loan Facility (Borrower – Pryme Oil and Gas LLC):

- An amount of US\$5,000,000 in unconditionally committed funds to be used toward: (a) the drilling of one new well in the Turner Bayou Chalk project, (b) working capital, and (c) other costs associated with the closing of this transaction.
- Interest payable on the Bridge Loan Facility is LIBOR + 6.00% per annum payable monthly in arrears.
- Maturity of the Bridge Loan Facility is twelve (12) months from closing if Macquarie Bank does not offer to enter into the Term Facility on or before 1 October 2012. The Bridge Loan Facility will be repaid by and replaced by the Term Facility (see below) upon Macquarie Bank and Pryme closing the Term Facility.
- Pryme will assign to Macquarie Bank a Net Profits Interest (NPI) equal to 25% of Pryme's Working Interest in Turner Bayou. The NPI will be burdened by proportionate production and capital costs and commences on the earlier of Maturity of the Term Facility (48 months) or loan repayment.
- If Macquarie Bank does not offer to enter into the Term Facility the NPI will be restored to Pryme and, on maturity, the Bridge Loan Facility will be repaid with an amount to provide a 15% internal rate of return to Macquarie Bank.
- Customary affirmative and negative covenants as well as representations and warranties.

The key terms of the Term Facility (Borrower – Pryme Oil and Gas LLC):

- An amount of US\$100,000,000 in uncommitted funds into two tranches. Tranche A of US\$15,000,000 in unconditionally committed funds at closing will be used toward: (a) repayment of the Bridge Loan Facility, (b) drilling two new wells in the Turner Bayou Chalk project, and (c) other costs associated with the closing of the transaction. Tranche B of US\$85,000,000 is uncommitted and will be used to fund the further expenditure to develop Pryme's share of the Turner Bayou project.
- Interest payable on the Term Facility is LIBOR + 6.00% per annum payable monthly in arrears.
- Maturity on the Term Facility is forty-eight (48) months from closing.
- The NPI assigned to Macquarie Bank under the Bridge Loan Facility (see above) will remain in place after repayment of the Bridge Loan Facility. The NPI will be burdened by proportionate production and capital costs and will commence on the earlier of the Maturity of the Term Facility (48 months) or loan repayment.
- Customary affirmative and negative covenants as well as representations and warranties.



About the Turner Bayou Chalk Project

Pryme has a 40% working interest in 25,791 acres (10,316 net acres) in the Turner Bayou Project and is initially targeting development of the Austin Chalk horizon. Up to 30 gross Austin Chalk well locations are possible within the project area based on a 640 acre well spacing.

In addition to the Austin Chalk potential of the Turner Bayou project area, exploration drilling within Pryme's Turner Bayou leases has intersected the Tuscaloosa Marine Shale which is analogous to the prolific Eagle Ford Shale in South Texas. Several exploration and production companies operating in proximity to Turner Bayou have achieved encouraging results from tests of this formation. The Company will continue to monitor this activity and update the market as appropriate.

Wells to test the Austin Chalk formation within Turner Bayou are located using Pryme's proprietary 3D seismic data, drilled to approximately 15,000 feet vertical depth and then horizontally for a further 4,000 to 6,000 feet targeting major phase oil. Naturally occurring fracture systems within the chalk act as the reservoir and typically do not require stimulation. Pryme has drilled two Austin Chalk wells within Turner Bayou (Pryme 40% WI). The second well, the Deshotels 13H, returned an initial potential rate of 1,167bpd of oil and 600Mcf/d of natural gas despite a sub optimal completion method and resulting mechanical issues.

Additional Information on Pryme Website

Additional information on Pryme and on the Turner Bayou project is available on the Company's website at www.prymeenergy.com. In particular, shareholders are directed to a recent presentation and webcast by Pryme's Managing Director, Justin Pettett. You can access this webcast by [clicking here](#). Alternatively you can access the webcast by clicking the Boardroom Radio link on the lower right hand corner of the Pryme website Home Page.

For further information please contact:

Justin Pettett
Managing Director
Pryme Energy Limited
Telephone: +61 7 3371 1103

Ryan Messer
Chief Operating Officer
Pryme Energy Limited
Telephone: +1 713 401 9806

Website: www.prymeenergy.com

ASX Code: PYM

OTCQX Code: POGLY

Competent Person Statement and Disclaimer

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.

This report contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by nature and no assurance can be given by Pryme that its expectations, estimates and forecast outcomes will be achieved.