

8 January 2010

Four Rivers Project

LP Minerals No.1 Well Commences

2009 Project Economic Summary

LP Minerals No.1 Well

Drilling of the next well in the Four Rivers Project, the LP Minerals No.1 well in the Louisiana Pacific Prospect, has commenced. The well will be drilled to a depth of 4,500 feet. Drilling and logging are expected to be completed next week.

The LP Minerals No.1 is the first offset well to the Jack Allen No.7 which was drilled and completed in October 2009 and is presently producing at 30 barrels of oil per day. The objective in drilling this well is to intersect the same sands within the Middle Wilcox formation as are producing in the Jack Allen No.7, to expand the extent of the known oil reservoir and to gain structure to the Jack Allen No.7.

2009 Economic Performance of Four Rivers Project

The following table illustrates the key economic metrics of the Four Rivers project to 31 December, 2009.

Significant features of this project are that the success rate is over 50% (producing wells to total wells drilled) and the overall finding and developing cost to date, which includes the cost of dry holes, is US\$16.32 per barrel of proven reserves.

Payback of the total finding and development cost for all wells drilled through 2009, including the cost of the seven dry holes, is estimated to occur in July of 2011 based on the forecast decline curve.

	Number of wells drilled in 2009	P1- Proven Oil Reserves ¹ (bbl)	Estimated Average Daily Production 2010 ² (BOPD)	Finding and Development Cost ³ (US\$)	Finding & Development Cost per Barrel (US\$/bbl)	Future Operating Cost per Barrel ⁴ (US\$/bbl)
Summary						
Dry Holes	7			\$461,806		
Producing Wells	8	110,570	44	\$1,342,556	\$12.14	\$9.37
Total	15	110,570	44	\$1,804,362	\$16.32	\$9.37



Notes:

- 1 Proven Reserves (P1) as at 1 January 2010 plus cumulative prior production. Proven reserves are based on discoveries to date and do not include reserves attributable to proven undeveloped locations (PUD's). Based on recent discoveries, up to 18 additional locations have been identified, which with ongoing evaluation, some or all may be PUD's
- 2 Estimated average daily production for 2010 based on forecast decline curve
- 3 Includes future work over costs for development of oil reserves behind pipe
- 4 Future operating cost per barrel is the average over the life of the reserves and includes estimated future lease maintenance and operating costs. Production taxes, which are based on oil price, have been excluded.

"The financial analysis confirms that the Four Rivers project has met our objective of targeting moderate risk oil prospects with potential for rapid conversion to production if successful. Average operating costs of less than US\$10 per barrel and production and other taxes, which are also under US\$10 per barrel, leave a cash margin of approximately US\$60 per barrel with oil prices at current levels around US\$80 per barrel," said Justin Pettett Pryme's Managing Director. "Drilling in the Four Rivers project will continue through 2010 and we look forward to expanding the number of commercially productive wells this year."

Project Description

Pryme has a 25% Working Interest (18.75 - 20% Net Revenue Interest (NRI)) in the Four Rivers project which extends from Winn, Concordia and Catahoula Parishes in Louisiana to Adams, Jefferson and Wilkinson Counties in Mississippi. The project is targeting multiple "stacked" oil zones throughout the Middle-Wilcox formation and, to a lesser extent, shallow Frio natural gas zones, at depths ranging from approximately 4,000 to 7,000 feet. Wells drilled in the Middle-Wilcox exhibit long production lives with low decline rates after the initial flush oil is produced and relatively steady production is established. They are relatively inexpensive to drill and typically have low operating and on-going maintenance costs.

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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 management team has over 75 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).

The information in this announcement has been reviewed by James A. Stewart (a registered professional Petroleum Geologist in the State of Louisiana and Mississippi in the United States of America) who has over 20 years experience in petroleum geology, drilling, well completions and production operations. Mr Stewart



reviewed this announcement and consents to the inclusion of the geological and engineering descriptions and any estimated hydrocarbons in place or flow rates 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 spe.org.

The estimates of proven reserves for the Four Rivers Project upon which this announcement is based has been compiled by the President of Petro Partners Inc. of Lafayette Louisiana, Kim Galjour, who has over 33 years experience in petroleum engineering. Mr. Galjour holds a Bachelor of Science Degree in Petroleum Engineering from Louisiana State University and has completed two years of graduate study in Business Administration at Nicholls State University. He is a member of Society of Petroleum Engineers, American Petroleum Institute, American Association of Petroleum Geologists and Lafayette Association of Petroleum Landmen. The resource estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, Petroleum Resources Management System, 2007. Further information is available at spe.org. Mr. Galjour has been commissioned as an independent consultant to Pryme and has no interest in Pryme securities nor has any interest in any of the projects in which Pryme is involved.