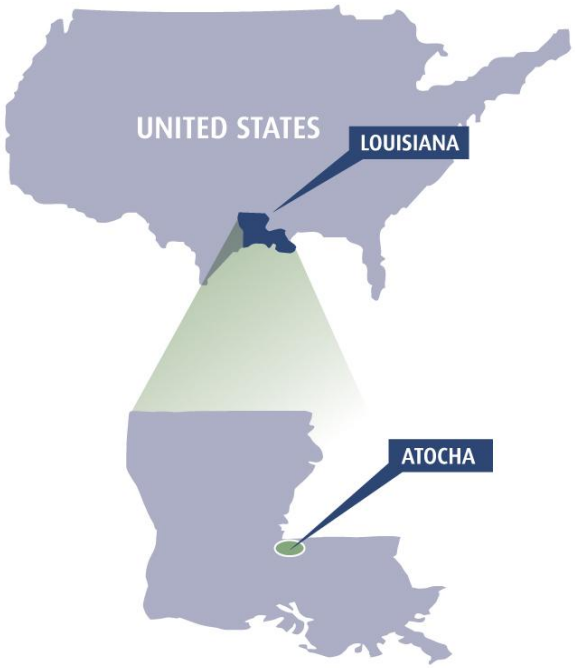
2 October 2009

Farm Out of 50% interest in Atocha Project

Re-entry expected to commence within 30 days

Pryme Oil and Gas Limited (ASX: PYM) (Pryme) is pleased to announce that it has entered into an agreement to farm out a 50% interest in the Atocha Project to Future Corporation Australian Limited (ASX: FUT) (Future Corp).



The Atocha Project, located in East Baton Rouge and East Feliciana Parishes in Louisiana, covers 6,400 contiguous acres within the up-dip fairway of the Tuscaloosa Trend. Pryme has a 100% working interest in Atocha and has spent over US$1.4 million on building its land position, carrying out technical reviews and planning a program to test the project. The project is prospective for oil and gas. A more detailed description of the Atocha Project is appended to this announcement.

The first Atocha prospect will be tested by re-entering an existing well bore, the HM Brian No.1 which was drilled by Shell Oil in 1980, to test a bypassed 125 feet thick pay zone.

On completion of the test of the first Atocha prospect it is intended that Pryme and Future Corp will develop additional prospects for exploration within the highly prospective Atocha project area.

Success in the Atocha Project has the potential to significantly increase earnings and greatly increase the value of Pryme.

The Atocha Project – key points

- Up-dip to the Port Hudson field in the heart of the prolific Tuscaloosa Trend
- 6,400 contiguous acres project area which is close to existing oil and gas infrastructure
- Project area is prospective for oil and gas with a target size of 1.2 Trillion Cubic Feet Equivalent (TCFE) of recoverable gas equivalent for the entire Pryme acreage
- First prospect test
    - Re-entry, to a depth of 17,700 feet, of existing well drilled by Shell Oil

ABN 75 117 387 354
Tel: +61 7 3371 1103 Fax: +61 7 3371 1105
Level 7 320 Adelaide Street GPO Box 111 Brisbane Queensland 4001
BRISBANE – HOUSTON

- Prospect defined by a grid of reprocessed 2D seismic
- Mud log indicates 125 feet of bypassed pay with oil and gas potential
- Work on the re-entry is expected to begin within 30 days
- Prospective for oil and gas with target size up to 28 Billion Cubic Feet Equivalent (BCFE) of recoverable gas equivalent

- Project area has potential for additional prospects

Material terms of the agreement

- Cash reimbursement to Pryme of 50% (approximately US$700,000) of project costs to date
- Future Corp will carry Pryme for a 1/8th (12.5%) proportionate interest though to production on the first prospect test - the re-entry of the HM Brian No.1 well
- Pryme will retain a 3% overriding royalty interest in production from the prospect and, where achievable, and overriding royalty throughout the entire 6,400 acres
- Following the re-entry, drilling and development of all subsequent Atocha project prospects will be on a "heads up" basis

Drilling of the re-entry is scheduled to commence prior to the end of October.

Pryme has been approached by a second company which is interested in farming into a 25% working interest in the Atocha project. The proposal is subject to financing. The Board of Pryme will consider this proposal. However, it is the Company's intention that the re-entry of the HM Brian No.1 will proceed as planned and that, regardless of any future proposal to participate in the project, Pryme's final working interest in the Atocha project will be between 25 and 50 percent including its carried working interest.

"We are delighted to welcome Future Corp as a partner in the Atocha Project and look forward to the re-entry work beginning in October," said Justin Pettett Pryme's Managing Director. "The Atocha Prospect presents an opportunity to confirm the production potential of an existing well with approximately 125 feet of by-passed gas and significant upside potential. The resource estimates are representative of estimates for existing producing fields within only five miles of the prospect. With thirty-two years of drilling history in the area, a very large amount of information is available regarding production, reservoir attributes, geophysics, geology, and drilling. Reservoirs across the Tuscaloosa Trend exhibit world class characteristics at attractive depths."

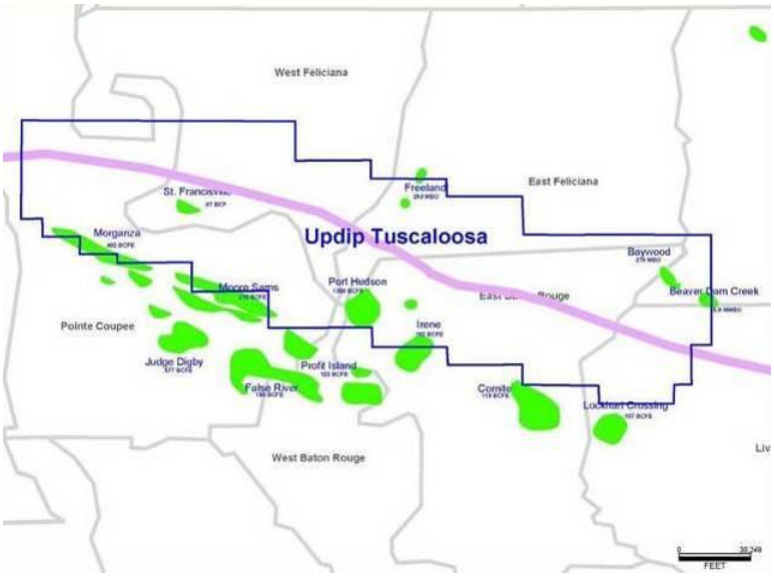
For further information please visit our website at www.prymeoilandgas.com or contact:

Justin Pettett
Managing Director
Pryme Oil and Gas Limited
Telephone: +61 7 3371 1103
Email: justin@prymeoilandgas.com

Ryan Messer
Chief Operating Officer
Pryme Oil and Gas Limited
Telephone: +1 713 401 9806
Email: ryan@prymeoilandgas.com

Pryme Oil and Gas Limited is an Australian oil and natural gas producer and explorer with interests in the U.S., the world's biggest oil market. The company has an exceptional suite of 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), Ryan Messer (Executive Director) and Ananda Kathiravelu (Non Executive Director).

Atocha Project Overview



The Tuscaloosa Trend was discovered in 1975 by Chevron. It has produced over 2.8 Trillion Cubic Feet (TCF) of natural gas and 120 million barrels of condensate over the past 32 years.

Atocha is located five miles north of BP's Port Hudson Field which is the best producing field in the trend. It contains the HM Brian No.1 well which was drilled by Shell Oil in 1980. Petrophysical analysis has concluded that this well contains over 125 feet of bypassed Tuscaloosa pay sand. With the benefit of hindsight and some 30 years of experience in the Tuscaloosa Trend, experts have indicated that a discovery of this calibre would be completed for production.

Geographic Structure

The Atocha project area exhibits multiple down-to-the-basin faults forming three-way closures. This trap style has led to prolific production in several adjacent fields including Morganza (510 BCFE), Moore-Sams (270 BCFE), Comite (119 BCFE), and Moncrief (85 BCFE). In all fields across the trend, faults act as seals even when sand-on-sand contacts exist. The Atocha structure has been defined by a grid of reprocessed 2D seismic which was originally acquired in the late 1970's and early 80's. Most of the data is 12-24 fold and presents excellent results when reprocessed. The seismic data defined the top and bottom of the sand targets and delineated the fault traps. Faults are easily recognized by strong displacements and terminations of seismic wavelets. Interpretation of the 2D seismic clearly defines the location and extent of faulting in the section and along trend.

Geographic Stratigraphy

Two sand packages are targeted in the project area with each of the upper and lower sand targets averaging 250 feet gross thickness. Well log correlations indicate that the upper sand is faulted out in the HM Brian No.1 well which is supported by the seismic data. The HM Brian No.1 only penetrated the lower sand with net thickness of 125 feet and porosity averaging 13%. These reservoir attributes compare favorably with other productive wells in Port Hudson Field. For example, the Amoco Ann-Fitz #1 produced over 60 Billion Cubic Feet (BCF) from coarse grained conglomerates with lower average porosity.

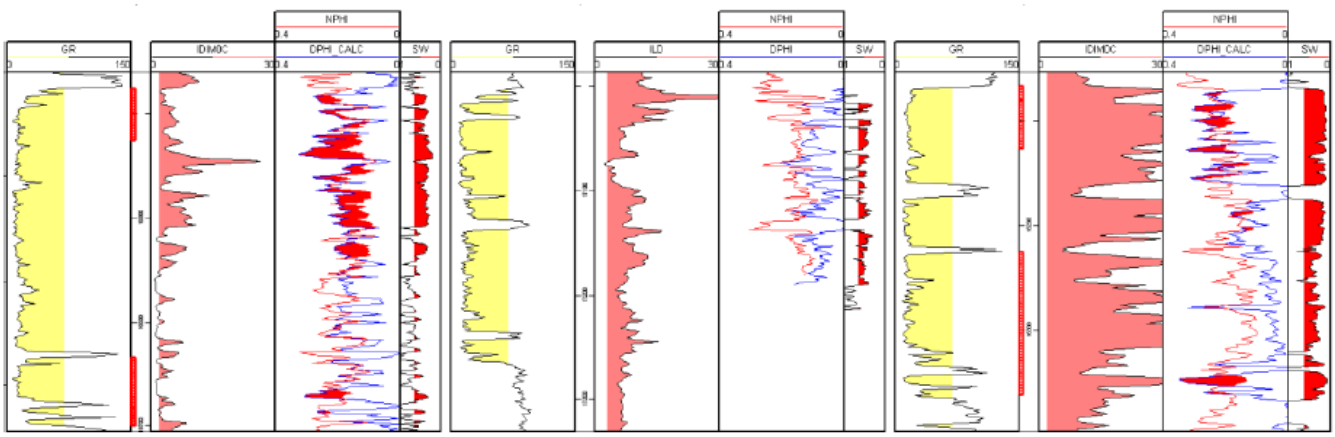
Formation tests were conducted at five depths in the HM Brian No.1 well (see table below). Results indicated a formation pressure of 9,264 pounds per square inch (psi). The target sand was drilled with 12.2 pounds per gallon (ppg) drilling mud while the pressure equates to a 10.5 - 10.7 ppg pressure environment. Technical evaluation has indicated that the formation was drilled 1,450 psi overbalanced which would have tended to force drilling fluids into porous and permeable intervals of the formation. Even in an overbalanced environment, the mudlog indicates a continuous gas show throughout most of the intersection. Near the bottom of the sand, the gas show ends abruptly indicating a possible gas/water contact.

Depth	Hydrostatic Pressure	Formation Pressure	Pressure Gradient (psi/foot)	Pore Pressure Equivalent Mud weight	Mud weight	Mud Pressure Gradient Equivalent	Overbalanced (psi)	Indicated Permeability (md)	Sample
17019	10700	Mud set; no seal							
17074	No pressure	No pressure						1-1	
17075	10762	9264	0.543	10.5 ppg	12.2 ppg	0.630	1498	1-1	1 quart mud
17076.5	10739							Tight	
17082.5	10764	9338	0.547	10.7 ppg	12.2 ppg	0.630	1426	1-1	

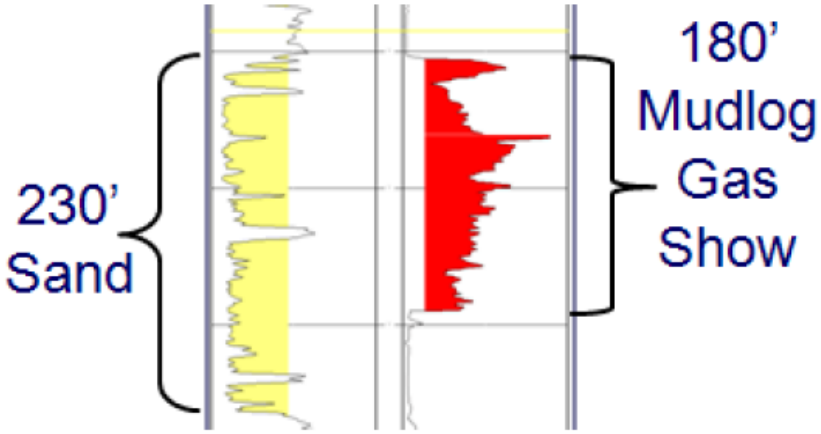
Formation test results of the HM Brian et al No.1 well

Target resource

The Atocha structure consists of six separate fault blocks defined by 2D seismic. The three most structurally high blocks were used in target resource estimates; these cover a total 6,400 acres in prospective area. For the purposes of target resource size estimation a combined net sand thickness of 250 feet was used (125 feet each for upper/lower sands) and a 50% net-to-gross ratio was applied. The recovery factor of 750 Thousand Cubic Feet Equivalent (MCFE) per acre foot which was used is lower than the known recovery factor at Port Hudson, however, the formation tests and sidewall cores indicated lower permeabilities than at Port Hudson. Utilizing these parameters, a potential total of 1.2 TCFE of recoverable gas equivalent is estimated. The drive mechanism is most likely to be water as in the Port Hudson Field. Although hydrocarbon charge is anticipated through most of the aggregate structure, the bulk of the reserves are likely to be concentrated in the up-dip portions of the individual fault blocks, along the trapping faults.



Multi-well log analysis: Amoco Bickham Jr. analogue (left), HM Brian No.1 well to be re-entered (middle) and Amoco Ann-Fritz No.1 analogue (right)



HM Brian No.1 re-entry well gamma ray log and mudlog gas show

Analogues to Atocha and the Prolific Tuscaloosa Trend

Atocha exists up-dip to 3.5 TCFE of natural gas produced to date in the deep Tuscaloosa Trend. A major depositional fairway creates the Atocha prospect in this target interval. This play resembles the deep gas basin in Canada where Elmsworth Field was discovered and 15 TCF was eventually proven years after seventy-five well bores had penetrated the section and the gas accumulation had not been recognized. The geologic model for Atocha is also similar to that of Double A Wells Field in Polk County, Texas. This field has produced over 550 BCF from a Woodbine (Tuscaloosa age) stratigraphic trap across 15,000 acres.

Leasehold, Access and Infrastructure

The prospect is close to existing gas pipeline and oil transportation networks. Site conditions are ideal and access to the site is from a main road (see below well site and nearby production facilities).

Associated gas produced in the Tuscaloosa trend typically has an energy content in the range 1,100 Btu to 1,600 Btu per cubic foot.

The geological information in this announcement has been reviewed by Stanley R. Clowers (a professional Petroleum Geologist residing in the State of Texas in the United States of America) who has over 40 years domestic and international experience in petroleum geology, drilling, well completions and production operations. Mr. Clowers 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 generally conform to the guidelines and definitions set out by the Society of Petroleum Engineers, further information on which is available at www.spe.org.