

## September 2015 Quarterly Activity and Cashflow Report

### Highlights

Over the past 18 months Pryme's board and management have re-capitalised the company, acquired new projects in areas of high potential, drilled wells, increased production, increased net cash flow, increased reserves and reduced operating costs. In addition, and in response to the prolonged difficult market conditions, the Company streamlined its portfolio and successfully disposed of its interest in the Raven Project and relinquished its obligations at Turner Bayou.

Pryme has certified proven reserves in its Capitola Oil Project, in the Permian Basin in Texas, and initial reserves in its Newkirk Project, in the Mississippi Lime in Oklahoma. Both of these projects have the potential for significant additional upside through further drilling.

- **Pryme is cash flow positive at current oil prices and production rates**
- **Cash position of A\$3.5 million falling within the top 25% of its 185 ASX-listed peer's in the Energy GICS sector**
- **Underpinned by net daily production of 129 BOE/day**
- **4.1 million BOE (proved and probable) reserves net to Pryme demonstrating US\$25 million NPV10 to Pryme based on recent Independent reserve reports**

### Company Snapshot

ASX Code:	PYM
OTCQX Code:	POGLY
Recent price (27 October 2015):	A\$0.007
Cash on hand:	\$3.5 million
Shares outstanding:	1,007,380,397
Options (A\$0.02 exercise 23 July 2016 expiry):	458,340,516
Market Capitalisation:	\$7.0 million
Share price range (12 months):	\$0.004 - \$0.014

### Production

Quarterly Sales Report (net to Pryme)

Project	September 2015 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
Four Rivers	0	1,659	0	5,560
Capitola*	11,399	8,221	24,864	22,022
<b>Total**</b>	<b>11,399</b>	<b>9,880</b>	<b>24,864</b>	<b>27,583</b>
<b>Total (BOE**)</b>	<b>11,780</b>		<b>31,727</b>	

September 2015 quarter average daily sales (net to Pryme)	Increase (decrease) from previous quarter
Oil	<b>108 Bbls (4%)</b>
Natural Gas	<b>125 Mcf (2%)</b>
<b>BOE**</b>	<b>129 BOE (4%)</b>

\* Actual sales for the last month of the quarter may be an estimate based on production data from prior months of production.

\*\* Natural gas is converted to BOE on the basis of 6 Mcf of natural gas is equivalent to 1 BOE and includes oil and gas production from other assets not listed in the table.

Oil production net to Pryme for the September quarter of 2015 declined slightly from the June quarter production by approximately 4%, natural gas production declined 2% over the previous quarter. The decline in production is mainly attributable to the Four Rivers Oil Project largely as a result of several wells being offline for repairs during part of the quarter. The Capitola Oil Project realized very minor decline for the quarter which provides further narrative to the quality of the asset.

**Financial**

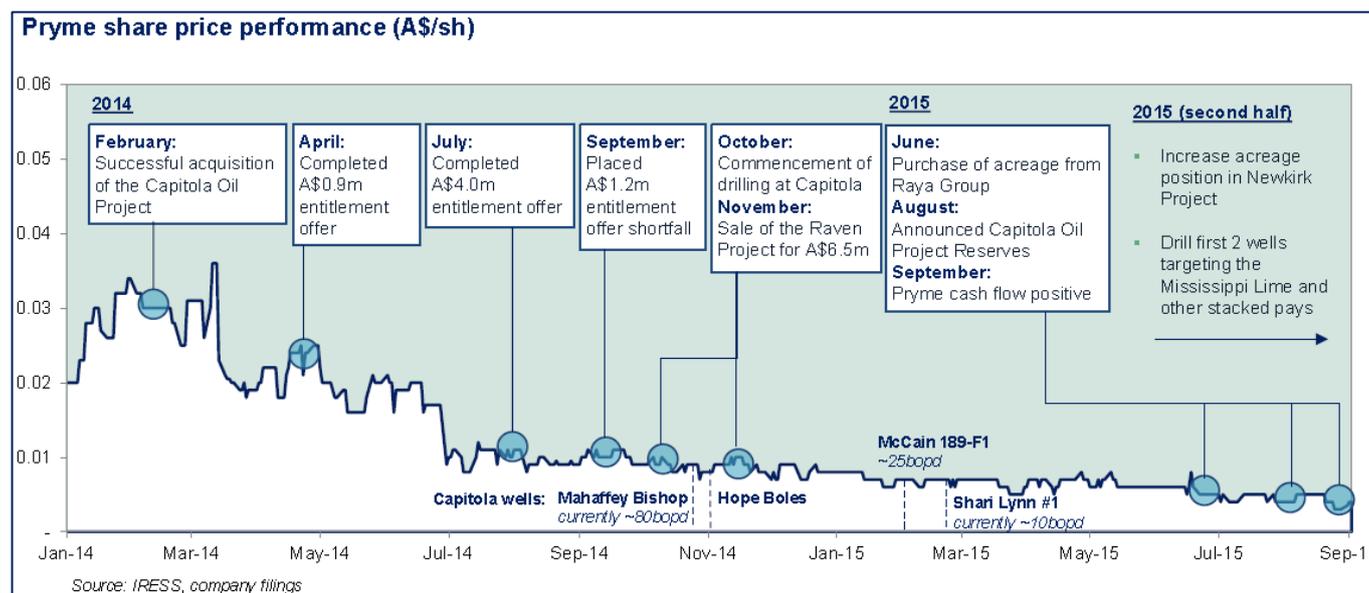
Cash on hand at 30 September 2015 was \$3.5 million. In the present low oil price environment we do not envisage further capital expenditure on the Capitola project over the remainder of the year other than minor expenditures related to optimizing operations and production. The only capital expenditure currently under consideration in the Newkirk Project is the selective acquisition of additional acreage to add to the Company’s holdings.

Cash receipts from oil and gas sales for the quarter totalled \$700,000 reflecting sustained production from the Capitola and Four Rivers projects. Despite low commodity prices, total net cash outflow for the period excluding capital expenditure was \$20,000 with the Company forecasting this to be positive in the December quarter.

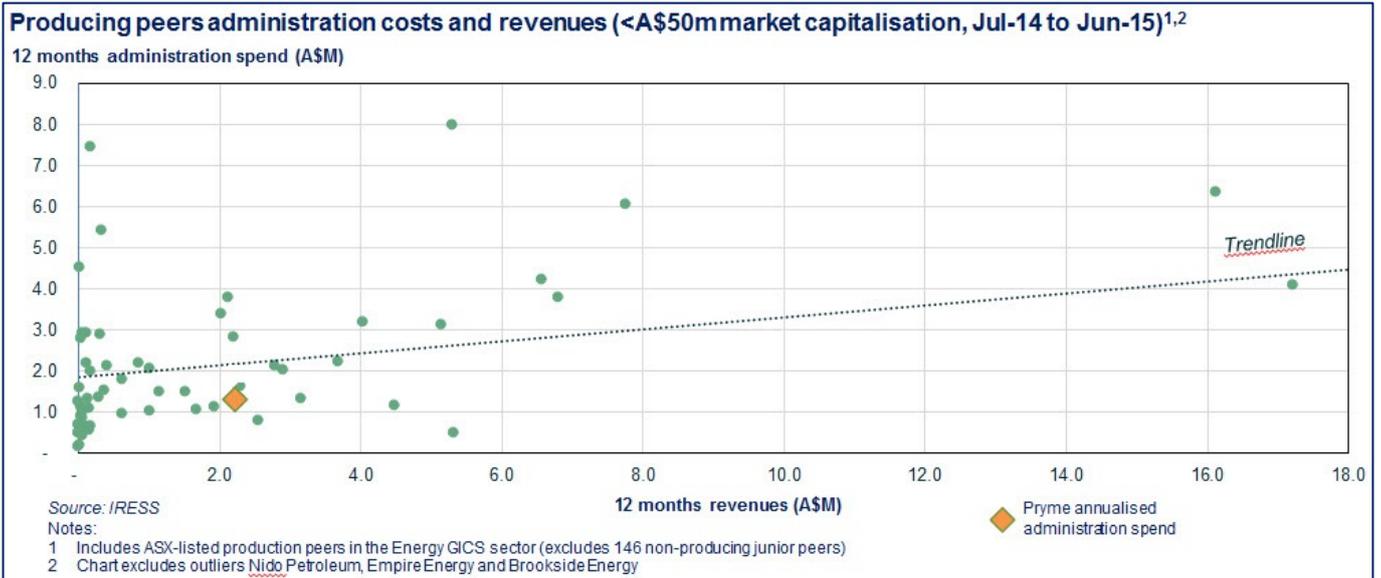
**Corporate**

Over the past 18 months Pryme’s board and management have re-capitalised the company, acquired new projects in areas of high potential, drilled wells, increased production and increased reserves. Through the year, in response to reduced oil prices, the company has reduced board and executive management costs and implemented administrative and operational cost reductions and efficiencies to place the company in a cash flow positive position at current oil prices and production rates. The full effect of these initiatives is expected to be seen during the December 2015 quarter.

The timeline below illustrates the operational deliveries of 2014/2015 and the continued execution on strategy through the remainder of the year. These achievements have placed the Company in a cash flow positive position, delivered a major increase in reserves and provided significant upside potential in its two major projects. During this same period net production rose, peaking at 140 BOE per day and settling at the current rate of 125 BOE per day net (108 Bbls of oil and 125 Mcf of natural gas per day).

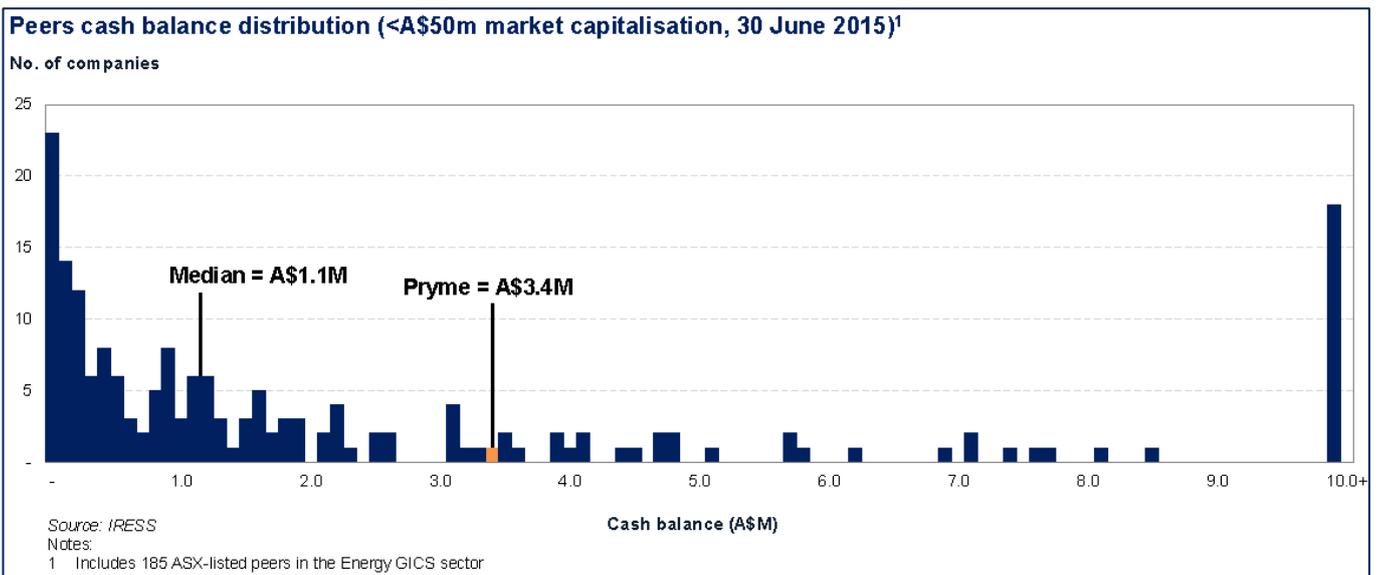


The following slide illustrates Pryme’s cash costs versus revenue relative to its ASX listed peers comprising 210 companies in the Energy GICS sector with market capitalisation of less than \$50 million. Of the 210 comparable companies, Pryme is one of only 23 companies producing maintainable revenue and one of only 16 companies with revenue in excess of cash operating costs. This demonstrates that the Company outperforms more than 92% of comparable companies with respect to prudent cost management and its costs are materially below the average of comparable ASX listed peers in the Energy GICS sector.



The Company has established a cash balance that will cover the initial drilling in the Newkirk Project in Oklahoma as well as provide it with the ability to take advantage of the depressed market by inexpensively expanding its acreage inventory at Newkirk.

Of its 185 ASX-listed peer's in the Energy GICS sector with a market capitalisation of less than A\$50 million, Pryme's cash balance is in the top 25%. Pryme predominantly holds its cash in US\$.



“Pryme is well placed in the current environment to invest in its two high quality assets located in the Permian Basin, Texas and in the Mississippi Lime, Oklahoma. The board and management team are focused on disciplined capital management while preserving the appropriate flexibility to pursue growth opportunities where they will create value for shareholders,” said Justin Pettett, Pryme’s Managing Director.

**Capitola Oil Project – Fisher and Nolan Counties, Texas**

Production during the quarter remained steady with the previous 30 day average daily production rate at 107 Bbls of oil (80 barrels of oil net to Pryme) and 207 Mcf of natural gas (155 Mcf of natural gas net to Pryme). The Mahaffey Bishop and McCain wells continue to produce at levels around their initial production rates with little decline in production quarter on quarter. The Company finds itself in the fortunate position of having production and cash flow from its efforts throughout 2014 and early 2015 in order to weather low commodity prices and soft capital markets. Drilling at Capitola has been suspended pending an improvement in oil prices.

## Capitola Oil Project Reserve Report

Pryme released details of its Capitola Oil Project 1P and 2P certified Reserves effective July 1, 2015 during the quarter. The estimates only apply to approximately 16% of the Capitola Oil Project's 9,333 gross acres (based on 37 wells using 40 acre spacing) with more extensive reserve estimates to be made after further field development.

In Summary, the Capitola Oil Project 1P and 2P Reserves net to Pryme are estimated to be 1.1 million barrels of oil equivalent with a NPV10 of US\$12.1 million based on price estimates ranging from US\$57.74 per barrel in 2015 to US\$65.85 per barrel in 2019 and thereafter.

The Reserves estimates shown below include 1P (Proved) and 2P (Probable) Reserves; they do not include 3P and contingent resource categories. Future net income to Pryme attributable to the Reserves has also been estimated and is shown in the table below.

The Reserves and future income estimates were determined by Hickman McClaine & Associates, Inc. (Hickman McClaine), Registered Engineers in the state of Texas, in accordance with the Society of Petroleum Engineers, 2007 Petroleum Resources Management System. Further details on the methodology and assumptions used can be found in the Company's announcement through the ASX titled Capitola Oil Project Reserves dated 13 August 2015.

Capitola Oil Project						
Reserve Category	# Wells	Net Remaining Reserves (1 July, 2015)			Future Net Income (US\$)	
		Oil (MBO)	Natural Gas (MMCF)	Oil Equivalent (MBOE)**	Undiscounted (000's)	NPV10* (000's)
<b>Proved (1P)</b>						
Producing	4	131	183	161	\$5,198	\$3,780
Undeveloped	10	190	319	242	\$4,232	\$2,084
<b>Proved (1P)</b>	<b>14</b>	<b>321</b>	<b>502</b>	<b>404</b>	<b>\$9,430</b>	<b>\$5,864</b>
<b>Probable (2P)</b>	<b>23</b>	<b>552</b>	<b>1,038</b>	<b>723</b>	<b>\$14,640</b>	<b>\$6,189</b>
<b>Total</b>	<b>37</b>	<b>874</b>	<b>1,541</b>	<b>1,126</b>	<b>\$24,070</b>	<b>\$12,053</b>

\* NPV10 means net present value at a 10% discount  
\*\* Natural gas is converted to BOE on the basis of 6.1 Mcf of natural gas is equivalent to 1 BOE.  
Further details and assumptions on the Capitola Oil Project Reserves can be found in the Company's announcement dated 13 August, 2015.

## 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 7,500 feet, with established oil production history from vertical wells. 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 has a 100% WI (75% NRI) in the initial four wells and units drilled in the project and a 37.5% WI in the shallow rights of the undeveloped acreage (25% WI in the deep rights).

## Newkirk Project – Kay County, Northern Oklahoma

Pryme holds a 100% Working Interest and 81.25% Net Revenue interest in 2,320 net acres located in Kay County, Oklahoma. In addition, a Joint Operating Agreement between Empire Energy Limited (ASX: EEG) which was executed in July 2015 allows for joint development of new oil and gas wells in the project on a 50/50 basis. Empire and Pryme hold a combined 7,257 net acres of contiguous leases. Additional leases are under negotiation within an Area of Mutual Interest within Noble and Kay Counties.

The focus in Newkirk through the remainder of the year will be to expand the area under control if cost-effective

and, subject to improvement in commodity prices, to drill low-cost, low risk, vertical wells in the Mississippi Lime utilising completion methods successfully developed by other operators in the region over the past 5 years. The board and management of Pryme have extensive experience in the drilling and development of vertical wells throughout the Mississippi Lime, Oklahoma and are confident that Newkirk will provide shareholders with exposure to significant upside in a proven basin.

“Low commodity prices have enabled Pryme’s management to inexpensively access development opportunities which would not otherwise be available. We expect these to generate significant value for the company moving forward,” said George Lloyd, Pryme’s Chairman.

#### Newkirk Project Reserves Report

Pryme released details of its Newkirk Project 2P Reserves effective July 1, 2015 during the quarter.

In Summary, the Newkirk Project 2P Reserves net to Pryme are estimated to be 2.8 million barrels of oil equivalent with a NPV10 of US\$10.7 million based on price estimates ranging from US\$57.74 per barrel in 2015 to US\$65.85 per barrel in 2019 and thereafter. The estimates apply to Pryme’s 2,320 net acres (based on 116 wells using 40 acre spacing) with more extensive reserve estimates to be made after further field development.

The Reserves estimates shown below include 2P (Probable) Reserves; they do not include 1P (Proven) or 3P (Possible) and contingent resource categories. Future net income to Pryme attributable to the Reserves has also been estimated and is shown in the table below.

The Reserves and future income estimates were determined by Pinnacle Energy Services LLC (Pinnacle), Registered Engineers in the state of Oklahoma, in accordance with the Society of Petroleum Engineers, 2007 Petroleum Resources Management System. Further details on the methodology and assumptions used can be found in the Company’s “Capitola Oil Project Reserves” announcement to the ASX dated 18 September 2015.

Newkirk Project						
Reserve Category	# Wells	Net Remaining Reserves (1 July, 2015)			Future Net Income (US\$)	
		Oil (MBO)	Natural Gas (MMCF)	Oil Equivalent (MBOE)**	Undiscounted (000's)	NPV10* (000's)
Proved (1P)						
Producing						
Undeveloped						
Proved (1P)						
Probable (2P)	116	1,403	8,925	2,866	\$41,585	\$10,758
<b>Total</b>	<b>116</b>	<b>1,403</b>	<b>8,925</b>	<b>2,866</b>	<b>\$41,585</b>	<b>\$10,758</b>

\* NPV10 means net present value at a 10% discount  
 \*\* Natural gas is converted to BOE on the basis of 6.1 Mcf of natural gas is equivalent to 1 BOE.  
 Further details and assumptions on the Newkirk Project Reserves can be found on slides 16 and 17 of this presentation.

#### About the Newkirk Project

Among the significant tight oil plays in the United States, one of the Mississippi Lime’s distinguishing traits is its lower-cost, shallower nature. Production per well in this play, which straddles the Oklahoma and Kansas border along the Nemaha Ridge, may sometimes average less than other plays, but countering these lower production numbers are the advantages of lower well costs and increased access to infrastructure all within a stacked pay environment. The Mississippi Lime remains one of the United States more active plays after North Dakota’s Bakken, Texas’ Eagle Ford, and the Permian Basin. It’s one of several plays that have helped turn around U.S. crude oil production.

Pryme has entered the play with 2,320 net acres and an operating agreement with an established operator to further develop the project on a 50/50 basis. The initial wells will be drilled vertically through stacked pay

environments to approximately 5,000 feet utilising completion methods successfully developed by other operators in the region over the past 5 years.

#### Four Rivers Project (8% - 25% WI)

The September 2015 quarter oil sales of 1,658 barrels (18 Bbls/day net to Pryme) were lower than the previous quarter. This is mainly attributable to the lack of sales from several wells which were down due to repairs; the wells have been repaired since then and are back in production. Pryme has an interest in 1,260 acres (240 acres net to Pryme) located in LaSalle and Catahoula Parishes Louisiana and Jefferson and Wilkinson Counties in Mississippi.

#### Oil and Gas Tenements

Project	Location	Interest acquired or disposed of during the quarter net to Pryme	Total acres owned net to Pryme	Working Interest held as at 30 September 2015
Newkirk	Kay and Noble Counties, Oklahoma	-	2,320 acres	50%
Capitola	Nolan and Fisher Counties, Texas	-	3,500 acres (Shallow Rights)	100% in each well 37.5% in the undeveloped acreage
		-	2,334 acres (Deep Rights)	25% in the undeveloped acreage
Four Rivers	LaSalle and Catahoula Parishes, Louisiana; Jefferson & Wilkinson Counties, Mississippi	-	240 acres	19% average in each well

For further information please contact:

#### Justin Pettett

Managing Director

Pryme Energy Limited

Telephone: +61 7 3371 1103

Website: [www.prymeenergy.com](http://www.prymeenergy.com)

#### Ryan Messer

Chief Operating Officer

Pryme Energy Limited

Telephone: +1 713 401 9806

ASX Code: PYM      OTCQX Code: POGLY

#### Glossary

\$	Australian Dollars	Mcf	Thousand cubic feet (of natural gas)
US\$	United States Dollars	Mcfd	Thousand cubic feet (of natural gas) per day
Bbls/day	Barrels (of oil) per day	MMcf	Million cubic feet of natural gas
MBO	Thousand barrels of oil	NRI	Net revenue interest
MMBO	Millions barrels of oil	WI	Working interest
MBOE	Thousand barrels of oil equivalent	TVD	Total vertical depth
MMBOE	Millions barrels of oil equivalent	TMD	Total measured depth
BOE	Barrels of oil equivalent	MD	Measured depth
BOE/day	Barrels of oil equivalent per day	3.28 feet	Equals 1 metre
EUR	Estimated Ultimate Recovery		

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10; 01/05/2013

Name of entity

Pryme Energy Limited

ABN

75 117 387 354

Quarter ended ("current quarter")

30 September 2015

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	673	1,717
1.2 Payments for (a) exploration & evaluation	(634)	(4,601)
(b) development	-	-
(c) production	(373)	(959)
(d) administration	(384)	(1,449)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	23
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(42)	(63)
<b>Net Operating Cash Flows</b>	<b>(754)</b>	<b>(5,332)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(17)
1.9 Proceeds from sale of:		
(a) prospects	99	99
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	(200)
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>99</b>	<b>(118)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(655)</b>	<b>(5,450)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(655)	(5,450)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(655)	(5,450)
1.20	Cash at beginning of quarter/year to date	3,955	8,440
1.21	Exchange rate adjustments to item 1.20	242	552
1.22	<b>Cash at end of quarter</b>	3,542	3,542

**Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	224
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
4.3 Production	-
4.4 Administration	-
<b>Total</b>	<b>200</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,542	3,955
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>3,542</b>	<b>3,955</b>

### Changes in interests in mining tenements and petroleum tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference</b> <b>*securities</b> ( <i>description</i> )				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			NA	
7.3 <b>*Ordinary securities</b>	1,007,380,397	1,007,380,397	Various	Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	100,000,000	100,000,000		
7.5 <b>*Convertible debt securities</b> ( <i>description</i> )	Nil	-	-	
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> ( <i>description and conversion factor</i> )	458,340,516		<i>Exercise price</i> \$0.02	<i>Expiry date</i> 23 July 2016
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> ( <i>totals only</i> )	NA			
7.12 <b>Unsecured notes</b> ( <i>totals only</i> )	NA			

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



.....  
(Director/~~Company secretary~~)

Date: 28 October 2015

Print name: JUSTIN PETTETT

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==