

# September 2014 Quarterly Activity Report

23 October 2014

## Company Snapshot

<b>ASX Code:</b>	<b>PYM</b>
<b>Recent price:</b> (20 October 2014)	<b>A\$0.009</b>
<b>Cash on hand:</b>	<b>A\$3.7 million*</b>
<b>Shares outstanding*:</b>	<b>907,380,397</b>
<b>Options*:</b> (A\$0.02 exercise 23 July 2016 expiry)	<b>458,340,516</b>
<b>Market Capitalisation:</b>	<b>A\$8.1 million</b>
<b>Share price range (12 months):</b>	<b>A\$0.008 - \$0.035</b>

\*Cash position includes approximately US\$400,000 in prepayments made towards the drilling of the first three wells in the Capitola Oil Project

## Production

### Quarterly Sales Report (net to Pryme)

Project	September 2014 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
Four Rivers*	0	2,358	0	6,992
Raven*	7,837	170	26,091	516
Turner Bayou*	0	0	0	3,233
<b>Total**</b>	<b>7,837</b>	<b>2,528</b>	<b>26,091</b>	<b>10,741</b>
<b>Total (BOE**)</b>	<b>3,834</b>		<b>15,090</b>	

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

\*\* Includes minor amounts of production from additional projects (i.e. Condor).

\*\* Natural gas is converted to BOE on the basis of 6 Mcf of natural gas is equivalent to 1 BOE.

## Financial

Average net daily sales to Pryme's account for the September quarter were 28 Bbls/day of oil and 85 Mcf/day of natural gas (42 BOE/day). Both Four Rivers and Raven production have remained relatively stable through the first 9 months of 2014. Cash on hand plus certain drill program pre-payments at 31 September 2014 was \$3.7M. Cash receipts from oil and gas sales for the quarter totalled \$0.4 million. Revenue before royalty payments for the quarter totalled \$0.3 million. Cash receipts may differ to reported revenue due to cash receipts from sales being disbursed net of royalties and the timing of working interest holder distributions by the operator.

## Corporate

During the September Quarter Pryme successfully placed 100% of the shortfall from the Rights Issue announced on 30 June 2014 at \$0.01 per share, raising approximately \$1.2 million, together with 58,340,493 free attaching options on a 1 for 2 basis. The attaching options have an exercise price of 2.0 cents and an expiry date of 23 July 2016.

The placement of the shortfall shares and the attaching options takes Pryme's quoted issued capital to 907,380,397 fully paid ordinary shares and 458,340,516 listed options. The Rights Issue, including the placement of the shortfall shares, raised approximately \$5.2 million before costs and will be primarily used to fund Pryme's initial drilling program in its Capitola Oil Project.

## Projects

### Capitola Oil Project (75% WI / 56.25% NRI)

The initial Capitola Oil Project 3 well drilling program has commenced.

The Mahaffey Bishop PU1 well in the Sweetwater acreage block has been drilled to 6,090 feet (1,856 metres) and production casing has been installed in preparation for completion. The well intersected 34 net feet (10 net metres) of oil and gas saturated sandstone within the A sand of the Canyon Sand formation and mud log and electric log data indicate a number of additional hydrocarbon shows in the Cline Shale and other intervals within the wellbore. Well completion is expected to begin in November.

Drilling of both the McCain 189-F1 and the Hope Boles PU1 wells is currently underway.

The McCain 189-F1 is located in the Claytonville acreage block and has a target depth (TD) of 7,300 feet (2,225 metres). It will be drilled vertically to intersect multiple stacked objectives within the Canyon Sands as well as in the Palo Pinto, Cline Shale, Strawn and Ellenburger formations.

The Hope Boles PU1 well is located in the Sweetwater acreage block, approximately 2 miles south of the Mahaffey Bishop PU1 well, and has a TD of 6,050 feet (1,844 metres). It will be drilled vertically and will intersect multiple stacked objectives including the Canyon Sand series and the Cline Shale along with several other secondary targets.



*Drilling of the Mahaffey Bishop PU1 well within the Capitola Oil Project*

Pryme is the operator of the Capitola Oil Project. It has a 100% WI before payout (75% NRI) in each of the three initial wells. Upon Pryme recovering 100% of its costs from the net operating cash flow from all three wells its interest will reduce to a 75% WI (56.25% NRI) in each well. Pryme will have a 75% WI (56.25% NRI) in each subsequent Capitola Oil Project well and the project vendors will have 25% WI. Each subsequent well will be drilled on a “heads up” basis with the participants funding their share of drilling and completion costs.

The Capitola Oil Project comprises mineral rights covering 9,333 acres within two blocks. Upon completion of the initial three well drilling program Pryme will also have earned a 30% WI (2,800 net acres) in all mineral rights from the surface through to the top of the Cline Shale and a 20% working interest (1,867 net acres) in all other rights including the Cline Shale.

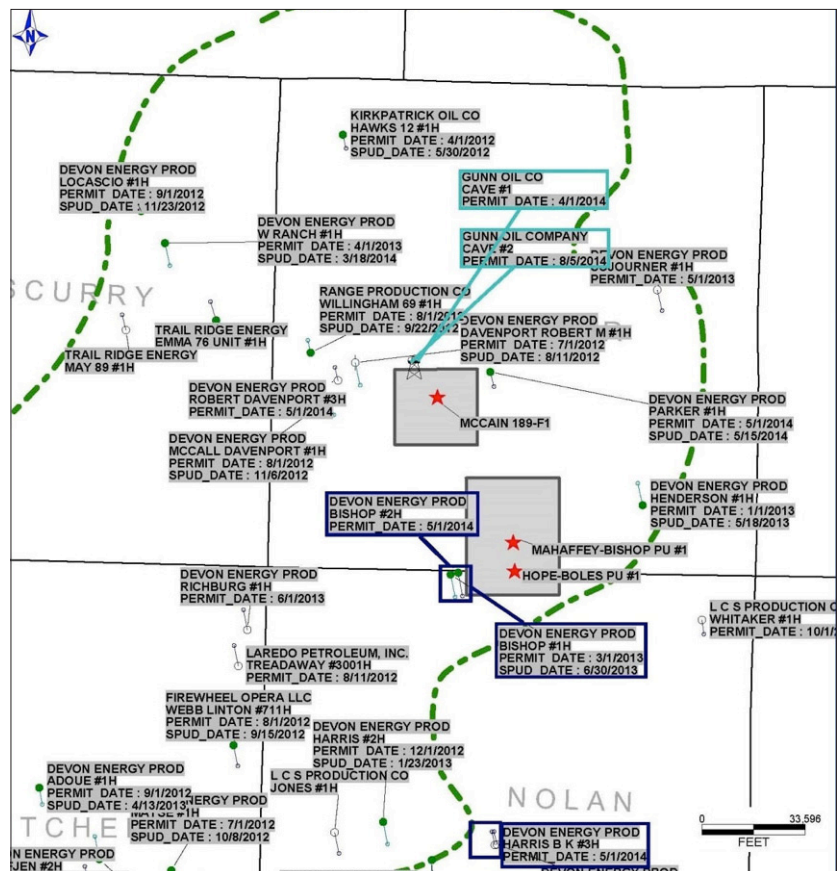
“The results from the Mahaffey Bishop PU1 are as good as we could have hoped for and a positive sign for the future development of the project,” said Justin Pettett, Pryme’s Managing Director and CEO. “The three well initial drilling program will be completed in the first week of November and then focus will move to the stimulation and completion of the wells and bringing them into production.”

**E&P Company exploration activity in vicinity of Capitola Oil Project**

Gunn Oil’s Cave No.1 well has been drilled and is currently undergoing stimulation and completion. The Cave No.1 is located less than one mile north of the Claytonville acreage block; it was drilled vertically through the Canyon Sands, Palo Pinto, Strawn and Ellenburger, formations.

Devon Energy (NYSE:DVN), in addition to its unconventional Cline Shale drilling program, has recently completed and is producing from the BK Harris 3H well, in the Canyon Sands formation, 8 miles south of the Capitola Oil Project. The BK Harris 3H appears to be the first horizontal well drilled in the Canyon Sands formation within the Capitola region and, if successful, could result in additional oil production potential throughout the project area.

“Devon has also permitted a second horizontal Canyon Sands well, the BK Harris 4H, offsetting the BK Harris 3H and approximately 1 mile southwest of it,” said Ryan Messer, Pryme’s Executive Director and COO. “We will continue to monitor this significant development as we execute our vertical well program in Capitola.”



*Prymes Sweetwater acreage block (southern area in grey) and Claytonville acreage block (northern area in grey) with local horizontal activity, primarily driven by Devon Energy*

**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 6,000 feet, with established production history from vertical wells. These overlie the Cline Shale formation which is the subject of an emerging resource play of national significance. Pryme’s value creation strategy is to develop the shallower, well-defined targets using advanced drilling, completion and stimulation technology, and to exploit the emerging Cline Shale resource play as the major US E&P companies which surround Pryme’s acreage demonstrate its value.

There are three primary targets in Capitola along with numerous secondary targets. The primary targets, which persist throughout our acreage, are the Breckenridge Lime at 4,500 feet deep, the Canyon Sand series at approximately 5,200 feet in depth and the Cline Shale at 6,000 feet deep. Pryme is earning a 75% working interest in 9,333 acres (7,000 net acres) in all mineral rights from the surface through to the top of the Cline Shale and a 50% working interest (4,666 net acres) in all other rights including the Cline Shale.

The Capitola Oil Project acreage is contained within two lease blocks, each contiguous and referred to as Sweetwater (approx. 7,000 acres) and Claytonville (approx. 2,333 acres) to the north of Sweetwater. Pryme is the operator of the Capitola Oil project.

### Capitola Primary Targets

Well Characteristics	Potential Locations*	Well Costs (USD)**	BOE/day IP Range	EUR (BOE)	Estimated NPV10## Per Well (Mid-Case#)
Breckenridge Lime Canyon Sands	Up to 200	\$850,000-\$950,000	60-140	50,000-140,000	US\$1.1 million
Cline Shale	Up to 60	\$6,600,000	120-710	100,000-600,000	US\$3.4 million

\*Based on 40 acre spacing for vertically drilled wells and 160 acre spacing for horizontally drilled wells.

\*\*Well costs include drilling, stimulation and completion costs including surface facilities and production equipment.

#Mid-case for Breckenridge Lime Canyon Sands based on 87BOE/day IP and 87,000BOE EUR. Cline Shale based on 340BOE/day IP and 376,000BOE EUR.

##Net present value with a 10% discount net to Pryme using typical production curves from actual production a US\$90 per barrel oil price and US\$4 Mcf natural gas price flat for the life of the well.

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

The September 2014 quarter oil sales of 2,358 barrels (26 Bbls/day net to Pryme) were marginally lower than the previous quarter. This is mainly attributable to natural decline 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.

#### About Four Rivers

The Four Rivers Project extends from Winn, Concordia and Catahoula Parishes in Louisiana to Adams and Jefferson Counties in Mississippi. The project is targeting multiple "stacked" oil zones throughout the Middle-Wilcox formation at depths ranging from approximately 4,000 to 8,000 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 ongoing maintenance costs.

### Raven Project (35% WI / 25.38% NRI)

September 2014 quarter sales for the Raven project were 7,837 Mcf of natural gas and 170 barrels of condensate net to Pryme (86 Mcfd and 2 Bbls/day net to Pryme respectively.) Pryme has an interest in 1,280 acres (440 acres net to Pryme) located in Lincoln Parish, Louisiana.

### Turner Bayou Chalk Project

- Deshotels 20H and 13H Production (40% WI / 30% NRI)
- Rosewood Plantation 21H No.1 (61.53% WI / 46.15% NRI)

As announced on 26 May 2014, Pryme's wholly owned subsidiary Pryme Oil and Gas LLC (Pryme LLC) has entered into an agreement to sell its interest in the Turner Bayou project. We anticipate that closing will occur in due course.

The three producing wells in this project hold approximately 3,360 acres (1,580 acres net to Pryme) by production plus approximately 16,942 acres (6,759 acres net to Pryme) in undeveloped acreage.

## Oil and Gas Tenements

Project	Location	Interest acquired or disposed of during the quarter	Total acres (net to Pryme)	Interest held as at 30 June 2014
Raven	Lincoln Parish, Louisiana	-	1,280 acres (440 acres)	35%
Four Rivers	LaSalle and Catahoula Parishes, Louisiana; Jefferson & Wilkinson Counties, Mississippi	-	1,260 acres (240 acres)	19%
Turner Bayou*	Avoyelles Parish, Louisiana	Disposed 3,360 acres (1,344 acres)	16,942 acres (6,759 acres)	40%
Capitola**	Nolan and Fisher Counties, Texas	75% WI secured through farm in agreement from surface to the top of the Cline Shale	9,333 acres (7,000 acres)	75%
		50% WI secured through farm in agreement from the top of the Cline Shale deeper	9,333 acres (4,666 acres)	50%

**Notes:**

\*The Company's share of the Turner Bayou assets are pledged as security to Macquarie Bank for a non-recourse credit facility.

\*\*On 6 February 2014 Pryme entered into a farm in agreement to earn a share of 9,333 acres in the Capitola Oil project. An assignment of acreage will be earned by Pryme upon it drilling the first well in the project. The assignment of acreage will be retained by Pryme by meeting certain drilling obligations through to February 1, 2016. Further details about the farm in terms can be found in the Company's announcement on Capitola dated February 11, 2014.

For further Company information please visit our website at [www.prymeenergy.com](http://www.prymeenergy.com) or contact:

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## Glossary

A\$.....	Australian Dollars	Mcf.....	Thousand cubic feet (of natural gas) per day
US\$.....	United States Dollars	NRI .....	Net Revenue Interest
Bbls/day .....	Barrels (of oil) per day	WI .....	Working Interest
MMBO.....	Million Barrels of Oil	TVD .....	Total Vertical Depth
MMBOE .....	Million Barrels of Oil Equivalent	TMD .....	Total Measured Depth
BOE .....	Barrels of Oil Equivalent	MD .....	Measured Depth
BOE/day.....	Barrels of Oil Equivalent per day	OOIP .....	Original Oil in Place
BOE/month.....	Barrels of Oil Equivalent per month	3.28 feet.....	Equals 1 metre
Mcf.....	Thousand cubic feet (of natural gas)		

# Appendix 5B

## Mining 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

**Name of entity** **ABN** **Quarter ended ("current quarter")**  
**Pryme Energy Limited** **75 117 387 354** **30 September 2014**

### Consolidated statement of cash flows

	Current quarter	Year to date (9 months)
	A\$'000	A\$'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	412	1,283
1.2 Payments for (a) exploration and evaluation	(1,712)	(2,830)
(b) development	-	-
(c) production	(154)	(509)
(d) administration	(432)	(1,664)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	17
1.5 Interest and other costs of finance paid	(18)	(81)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(142)	354
<b>Net Operating Cash Flows</b>	<b>(2,036)</b>	<b>(3,430)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,036)</b>	<b>(3,430)</b>

# Appendix 5B

## Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,036)	(3,430)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	4,694	5,585
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>4,694</b>	<b>5,585</b>
	<b>Net increase (decrease) in cash held</b>	<b>2,658</b>	<b>2,155</b>
1.20	Cash at beginning of quarter/year to date	1,022	1,557
1.21	Exchange rate adjustments to item 1.20	41	9
1.22	<b>Cash at end of quarter</b>	<b>3,721</b>	<b>3,721</b>

### Payments to directors of the entity and associates of the directors

### Payments to 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	187
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	N/A

### 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

# Appendix 5B

## Mining exploration entity quarterly report

### 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	7,816	7,816
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	93
4.4 Administration	513
<b>Total</b>	<b>606</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	3,721	1,022
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3,721</b>	<b>1,022</b>

### Changes in interests in mining 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	-	-	-	-



# 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 *securities</b> (description)	N/A			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	907,380,397	907,380,397	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	562,926,407	562,926,407	\$0.01	\$0.01
7.5 <b>*Convertible debt securities</b> (description)	Nil	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> (description and conversion factor)	458,340,516	-	Exercise Price \$0.02	Expiry Date 23 July 2016
7.8 Issued during quarter	458,340,516	-	\$0.02	23 July 2016
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> (totals only)	NA			
7.12 <b>Unsecured notes</b> (totals only)	NA			

# Appendix 5B

## Mining exploration entity quarterly report

### 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:  ..... Date: 23 October 2014

(Director)

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 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, 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 1022: Accounting for Extractive Industries* and *AASB 1026: 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.