



December 2014 Quarterly Activity Report

29 January 2015

Company Snapshot

ASX Code:	PYM
Recent price:	A\$0.007
Cash on hand:	A\$8.4 million
Shares outstanding:	907,380,397
Options: <small>(A\$0.02 exercise 23 July 2016 expiry)</small>	458,340,516
Market Capitalisation:	A\$6.35 million
Share price range (12 months):	A\$0.007 - \$0.035

Production

Quarterly Sales Report (net to Pryme)

Project	December 2014 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
Four Rivers*	0	2,047	0	9,011
Raven*	0	0	26,091	516
Turner Bayou*	0	1,408	0	6,056
Total**	0	3,455	26,091	15,583
Total (BOE**)	3,455		19,932	

* 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 December quarter were 38 Bbls/day of oil. Pryme's remaining legacy project, Four Rivers, has remained relatively stable through 2014. Cash on hand at 31 December 2014 was \$8.4 million which includes proceeds from the sale of the Raven Project during the quarter. Cash receipts from oil and gas sales for the quarter totalled \$0.3 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 December Quarter Pryme successfully sold its interest in the Raven Project. The sale proceeds of A\$6.8 million (US\$5.5 million) represent more than 10 times the carrying value of Pryme's interest in the project. The sale proceeds increased Pryme's total cash balance at the 2014 year end to \$8.4 million.

"Based on the last closing share price at the time of writing this report, the Company is presently valued at about 15% below its \$8.4 million cash backing. The present share price does not reflect the good exploration results from the Capitola Oil Project during the quarter or the value of our existing Four Rivers project and its related oil production in Louisiana," said Justin Pettett, Pryme's Managing Director.

Projects

Capitola Oil Project

The initial Capitola Oil Project three well drilling program was completed during the December 2014 quarter. Pryme plans to drill at least two additional Capitola Oil Project wells during the March 2015 quarter.

Mahaffey Bishop PU1 (100% WI / 75% NRI before payout (75% WI and 56.25% NRI after payout))

During the Christmas holiday period the Capitola Oil Project was affected by unseasonal cold and wet weather (with daily temperatures as low as 13 degrees Fahrenheit (-11 degrees Celsius)) which impeded field operations. As a result, the temporary generator powering the pumping unit on the Mahaffey well operated intermittently reducing the production of frack fluid from the well. At the time of this report the oil production rate was 68 barrels per day (52 net to Pryme.) We expect this rate to increase as frack fluid is produced and the well cleans up. The average rate of increase in oil production for the past week was over 12% per day.

Hope Boles PU1 (100% WI / 75% NRI before payout (75% WI and 56.25% NRI after payout))

The second well to be drilled in the Capitola Oil Project, the Hope Boles PU 1 in the Sweetwater acreage block, reached its total depth of 6,050 feet (1,844 metres). Mud log data collected while drilling, and electric logs run post drilling, indicate that our primary objective, multiple sand packages within the Canyon Sands formation, contains 94 gross and 36 net feet (11 net metres) of oil and gas saturated sandstone. The Hope Boles well also encountered a number of hydrocarbon shows in the Cline Shale as well as in other intervals within the wellbore.

The well was stimulated to plan, with completions in the Canyon Sand and Cline Shale, and responded as expected; oil, gas and frack fluids are currently being produced from both intervals. The Initial Potential (IP) of the well will be determined following the removal of frack fluid from the two intervals.

McCain 189-F1 (100% WI / 75% NRI before payout (75% WI and 56.25% NRI after payout))

The McCain 189-F1, which is located in the Claytonville acreage block, reached its total depth of 7,300 feet (2,225 metres). Mud log data collected while drilling and electric logs run post drilling identified several intervals of oil and gas saturated sandstone aggregating approximately 170 net feet (51 net metres) in the Canyon Sand series. Other intervals with hydrocarbon shows were encountered in the Cline Shale, Palo Pinto and Ellenburger formations which were also targets for this well.

Preparation for the fracture stimulation and completion in the Canyon Sand series and Cline Shale intervals of the McCain 189-F1 is underway; completion is scheduled for later this week. Completion was delayed to

enable a test of the Ellenburger Formation, the deepest of the zones which had hydrocarbon shows. Testing the Ellenburger prior to completion in the main objective intervals was the most cost effective way to determine its productivity. The test in the Ellenburger did not show commercial quantities of hydrocarbons.

Earned Acreage in Capitola and Additional Drilling

Under the terms of the Capitola Oil Project Farmout Agreement (Agreement) Pryme has the option to earn up to a 75% WI in all mineral rights from surface to the top of the Cline Shale (the Shallow Rights) and up to a 50% WI in all other rights including the Cline Shale (the Deep Rights) in the entire 9,333 acres under lease. The interest is progressively earned by Pryme drilling wells and making cash option payments.

As Pryme has drilled the first three Capitola wells Pryme has earned a 30% WI (2,800 net acres) in the Shallow Rights and a 20% WI (1,867 net acres) in the Deep Rights. Further drilling in Capitola is scheduled to begin later this week with the drilling of the Shari Lynn #1 to 5,400 feet (1,646 metres) through the stacked Canyon Sand series. A fifth well is planned to be drilled later in early March.

Pryme has earned the right to drill up to five wells before exercising the next option and making any payments to the Capitola Oil Project vendors. The next option payment of US\$750,000 is due on February 1, 2015. Due to the limited run time from the initial three well program, the pressure of drilling four new wells before August and taking into account the current market conditions including the price of oil, Pryme does not intend to exercise its option to earn additional interest in the leases. As a result Pryme will limit the interest it can earn in the project to a 45% WI (4,200 net acres) in the Shallow Rights and a 30% WI (2,800 net acres) in the Deep Rights on drilling of the fifth well.

“Our focus through 2015 will be on optimising our existing production, including our newly drilled Capitola wells and preserving our cash balance while oil prices are low,” said Mr Pettett. “Under the Agreement Pryme is able to propose and drill wells at a minimum working interest of 45% at any time.”



Pumping unit on Mahaffey Bishop well in Capitola Oil Project

Guidance in response to crude oil prices

Mr Pettett commented on Pryme's response to the low oil price environment as follows, "we have taken steps to adjust our capital budget and development plans to preserve cash in response to the drop in oil prices. While these adjustments will slow the planned growth in reserves and production in the near term, the company retains a strong cash position of A\$8.4 million (predominantly held in US dollars) and remains focused on adding reserves and production from the already drilled and planned Capitola Oil Project wells."

Production from the Capitola Oil Project is expected to be cashflow positive at current oil prices. The estimated cash operating costs are in the range US\$10 – US\$12 per net oil barrel (net of mineral owner royalty) and the estimated finding cost (total costs to drill, stimulate and complete a typical vertical Capitola Oil Project well) is approximately US\$18 per net oil barrel (based on the assumption of an estimated ultimate recovery of 73,000 barrels of oil per well).

Under the terms of the Agreement the continued drilling of wells is optional for Pryme and decisions to drill wells will be taken after consideration of many factors including oil prices and the economic environment.

Four Rivers Project (8% - 25% WI)

The December 2014 quarter oil sales of 2,047 barrels (22 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.

Oil and Gas Tenements

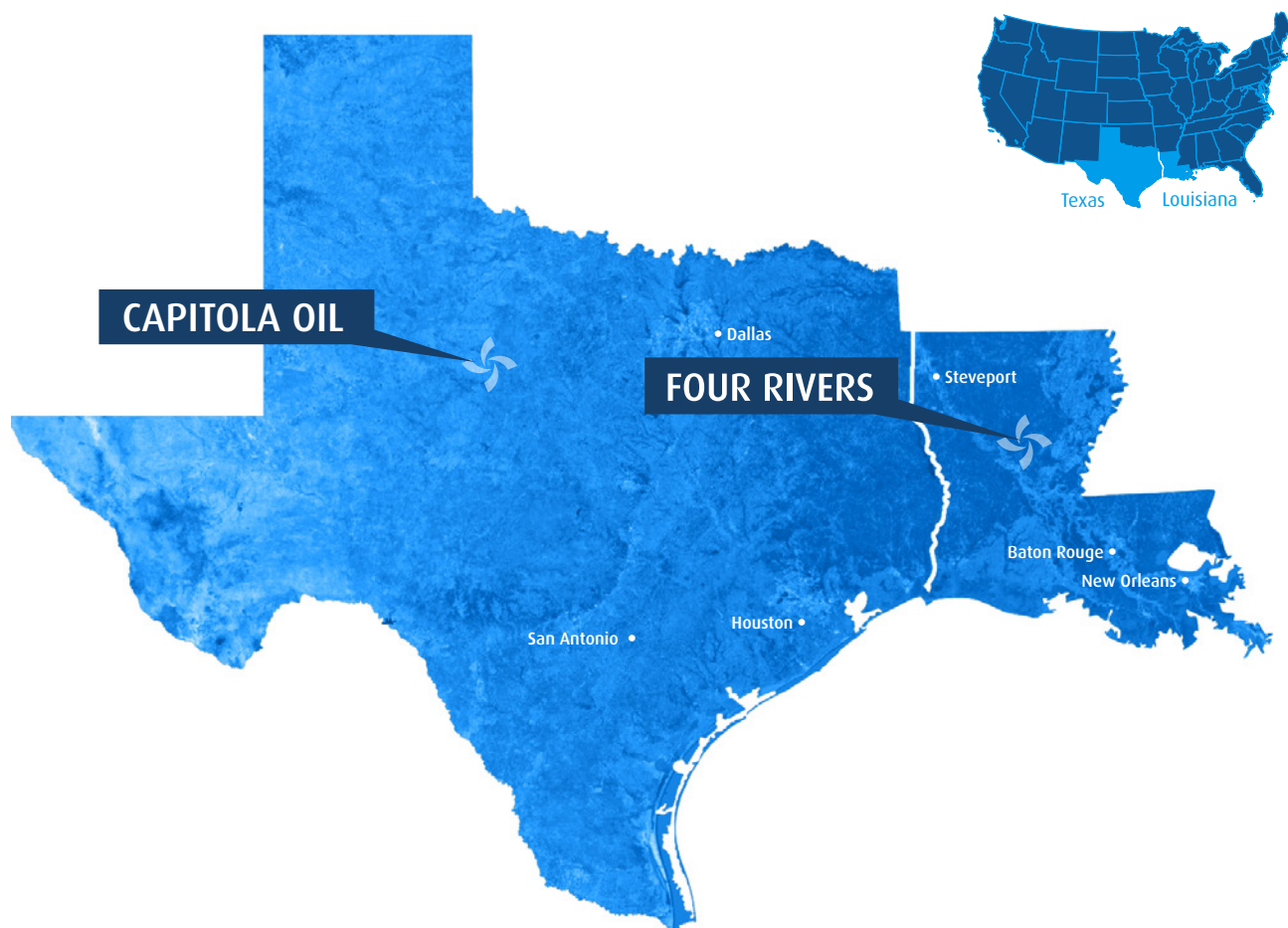
Project	Location	Interest acquired or disposed of during the quarter (net to Pryme)	Total acres (net to Pryme)	Interest held as at 30 June 2014
Raven	Lincoln Parish, Louisiana	Disposed 1,280 acres (440 acres)	-	-
Four Rivers	LaSalle and Catahoula Parishes, Louisiana; Jefferson & Wilkinson Counties, Mississippi	-	1,260 acres (240 acres)	19%
Turner Bayou*	Avoyelles Parish, Louisiana	13,582 acres expired (5,199 acres)	3,360 acres (1,560 acres)	40%-62%
Capitola**	Nolan and Fisher Counties, Texas	Shallow Rights** 9,333 acres (2,800 acres acquired)	9,333 acres (2,800 acres)	75%
		Deep Rights** 9,333 acres (1,867 acres acquired)	9,333 acres (1,867 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 the Capitola Oil Project Farmout Agreement (Agreement) to earn a share of 9,333 acres in the Capitola Oil project. Under the terms of the Agreement Pryme has the right to earn up to a 75% WI in all mineral rights from surface to the top of the Cline Shale (the Shallow Rights) and up to a 50% WI in all other rights including the Cline Shale (the Deep Rights) in the entire 9,333 acres under lease. The interest may be progressively earned by Pryme drilling wells and making cash option payments. Further details about the farm in terms can be found in the Company's announcement on Capitola dated February 11, 2014.

Pryme Project Location



For further Company information please visit our website at 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** **31 December 2014**

Consolidated statement of cash flows

	Current quarter	Year to date (12 months)
	A\$'000	A\$'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	737	2,021
1.2 Payments for (a) exploration and evaluation	(2,334)	(5,164)
(b) development	-	-
(c) production	(417)	(925)
(d) administration	(405)	(2,070)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	31
1.5 Interest and other costs of finance paid	(157)	(237)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	551	903
Net Operating Cash Flows	(2,012)	(5,441)
Cash flows related to investing activities		
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	6,822	6,822
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	6,822	6,822
1.13 Total operating and investing cash flows (carried forward)	4,810	1,381

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	4,810	1,381
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	(130)	5,454
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)	-	-
Net financing cash flows		(130)	5,454
Net increase (decrease) in cash held			
1.20	Cash at beginning of quarter/year to date	4,680	6,835
1.21	Exchange rate adjustments to item 1.20	3,721	1,557
		39	48
1.22	Cash at end of quarter	8,440	8,440

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	190
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 (Non-recourse loan secured only by Turner Bayou assets)	8,571	8,571
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,479
4.2 Development	-
4.3 Production	94
4.4 Administration	517
Total	2,090

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	8,440	3,721
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	8,440	3,721

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 Preference *securities (description)	N/A			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	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	-	-	-	-
7.5 *Convertible debt securities (description)	Nil	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 Options (description and conversion factor)	458,340,516	-	Exercise Price \$0.02	Expiry Date 23 July 2016
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures (totals only)	NA			
7.12 Unsecured notes (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: 29 January 2015

(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.