

Second Well in Capitola Reaches Total Depth Completion Underway

HIGHLIGHTS

- 36 net feet of oil and gas saturated sandstone within primary target
- Hydrocarbon shows encountered in Cline Shale and other intervals
- McCain 189-F1 well currently drilling through 5,900 feet towards its target depth

Pryme Energy Limited (Pryme) is pleased to announce that the second well to be drilled in the Capitola Oil Project, the Hope Boles PU 1 in the Sweetwater acreage block, has 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, the B, C and D Sand Complex within the Canyon Sands formation, contains 94 gross and 36 net feet (11 net metres) of oil and gas saturated sandstone. Like the Mahaffey Bishop well recently drilled to its north, the Hope Boles well also encountered a number of hydrocarbon shows in the Cline Shale as well as in other intervals within the wellbore. Cores were taken from these various intervals for further evaluation. Production casing is currently being run and will be cemented in the wellbore in preparation for completion.

Drilling of the third Capitola Oil Project well, the McCain 189-F1 in the Claytonville acreage block, continues towards its target depth of 7,300 feet (2,225 metres). The well is expected to be logged and cased next week.

“We are delighted with another great drilling result in our Capitola Oil Project with good shows in both of the primary targets, the Canyon Sands and Cline Shale,” said Justin Pettett, Pryme’s Managing Director and CEO. “Completion of the Mahaffey Bishop and Hope Boles wells will commence in November with first oil production from both wells expected early in December. We are strongly encouraged by the data acquired and are confident that both wells will make a significant contribution to the project.”



Logging of the Hope Boles PU1 well within the Capitola Oil Project



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 Sands 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 contiguous lease blocks 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.

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Competent Person Statement and Disclaimer

Technical information contained in this presentation in relation to the projects of the Company have been reviewed by Mr Greg Short, BSc. Geology (Hons), a Director of Pryme who has more than 33 years’ experience in the practise of petroleum geology. Mr Short consents to the inclusion in this presentation of the information in the form and context in which it appears.