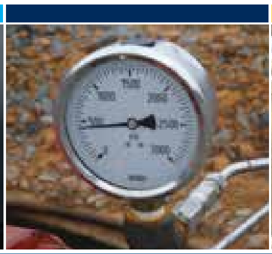
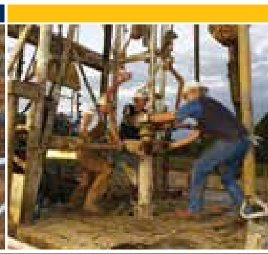


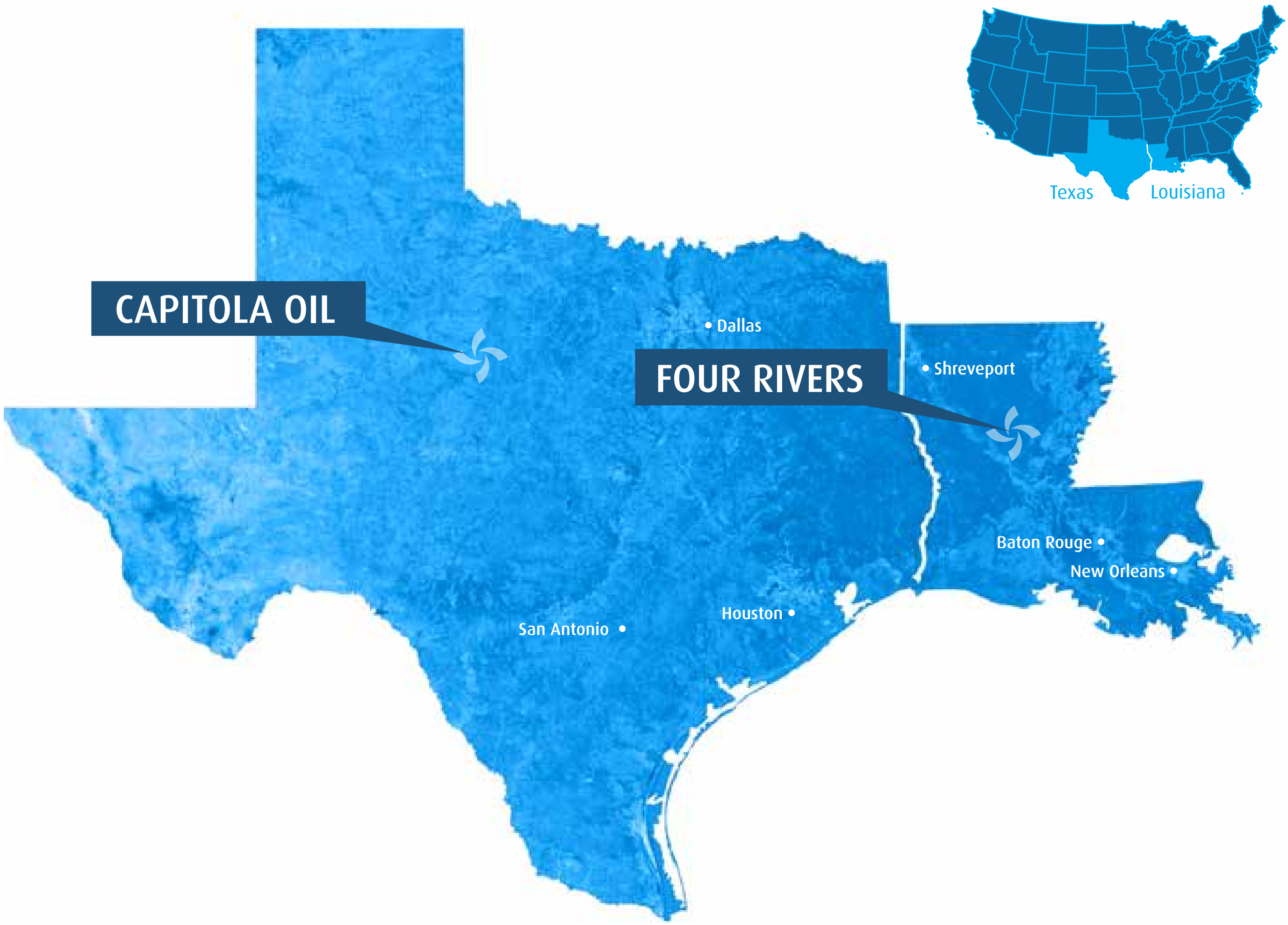


PRYME ENERGY LIMITED
(ABN 75 117 387 354)
AND
CONTROLLED ENTITIES
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

Company Snapshot

ASX Code:	PYM
OTCQX Code:	POGLY
Recent price: (4 March 2015)	$0.007
Shares on Issue:	907,380,397
Options on Issue: (A$0.02 exercise 23 July 2016 expiry)	458,340,516
Cash on hand: (31 December 2014)	$8.4 million
Market Capitalisation: (4 March 2015)	$6.35 million
12 Month Share Price Range:	$0.006 - $0.035



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Glossary

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

Chairman's Report

Dear Shareholder,

Over the past year your company has been recapitalised and has commenced the exploration and development of its Capitola Oil Project along the highly prospective and very active eastern shelf of the Permian Basin in Texas.

The company enters 2015 with a strong balance sheet, including A$8.4 million in cash, an increasing cash flow from operations and a significant interest in a project with very strong conventional oil production potential as well as upside through exploitation of the Cline Shale formation.

In 2014 your management announced the agreement to acquire an interest in the Capitola Oil Project which comprises 9,333 acres in two acreage blocks along the eastern shelf of the Permian Basin in Texas. By the end of the year three wells had been drilled and two of these completed by perforating and stimulating production from prospective hydrocarbon bearing zones. The first of these wells reached its target production level early in 2015 and the second and third wells are in the process of "cleaning up." Notwithstanding the dramatic fall in the price of oil through the second half of 2014, the Capitola wells are now cash flow positive with cash operating costs in the range from US$10 - $12 per barrel.

In 2015 the decision was taken to drill two additional wells in the Capitola Oil Project, and to cap the company's overall working interest in the project at 45% of the shallow rights and 30% of the deep (Cline Shale and below) mineral rights. There are over 200 vertical and over 60 horizontal well locations within the Capitola Oil Project acreage and the company has the right to nominate wells to be drilled and participate in them at a working interest of at least 45% and up to 100% depending on the participation election of its project co-venturers. The early indications of performance suggests that Capitola will be a very good project for Pryme.

Recapitalisation of the company was achieved in three stages. The first two stages comprised rights issues in the first seven months of the year and the placement of the rights issue shortfalls to sophisticated investors. Reflecting the difficult time for capital raisings by junior resources sector companies, the rights issues were made at significant discounts to the share price at the time. However, all shareholders were given the opportunity to invest and the A$6.3 million raised (before costs) enabled the company to fund entry to the Capitola Oil Project.

The third stage of the recapitalisation was the sale of the company's interest in the Raven project for a profit of A$6.2 million. Proceeds from the Raven sale have placed the company in a strong position to maintain and expand operations while oil prices are at current levels or lower. It also enables the company to diversify its oil exploration and development activities within the United States should suitable value-adding opportunities arise.

As in previous years I want to commend our small management team comprising Managing Director, Justin Pettett, Chief Operating Officer, Ryan Messer, and Chief Financial Officer, Sandra Gaffney who have demonstrated a very strong commitment to the business and a dedication to value creation. A considerable amount of management effort goes unnoticed by shareholders. However, the effort and commitment involved over the past year in transitioning the company to its present position should not go un-recognised.

I also want to thank our shareholders, those who subscribed to the 2014 rights issues as well as those who, for whatever reason, did not. We rely on you for support and confidently look forward to rewarding you for your commitment to the Company.

George Lloyd
Chairman

Sales and Operations

Pryme ended 2014 with $8.4 million cash and a major new project which has commenced production and is already demonstrating its value.

The profit for 2014 was $4.97 million (2013: loss of $20.03 million) with the sale of the company's interest in the Raven project for $6.8 million making a strong contribution.

Revenue from oil and gas sales in 2014 was $1.78 million (2013 - $2.6 million) reflecting higher prices on the reduced production of 19,932 barrels of oil equivalent (2013: 29,591 BOE). Oil and gas production was down on 2013 due to the winding up of the Turner Bayou project, the sale of the Raven project and natural decline of our Four Rivers project production. Net cash outflow from operations reduced from just over $500,000 in 2013 to less than $300,000 in 2014. Subject to commodity prices and production rates from newly drilled Capitola wells holding we anticipate becoming cash flow positive later in 2015.

It is expected that the Capitola project will make a major contribution to production in 2015 and subsequent years with daily oil production from the Mahaffey Bishop well alone exceeding the company wide average daily oil production for 2014.

New capital was raised by way of rights issues in March and July and the placement of the July rights issue shortfall to sophisticated investors. The rights issues raised $6.3 million before costs. The new capital funded Pryme's entry into the Capitola Oil Project and enabled it to commence drilling towards the end of the year.

Justin Pettett
Managing Director

Annual Sales Report (net to Pryme)

Project	Calendar Year 2014		Calendar Year 2013	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
Four Rivers*	0	9,011	0	11,555
Raven	26,091	516	40,300	801
Turner Bayou	0	6,056	0	10,496
Total	26,091	15,583	40,403	22,857
Total (BOE)**	**19,932**		**29,591**	

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

** Natural gas is converted to barrels of oil equivalent (BOE) on the basis of 6 Mcf of natural gas is equivalent to 1 BOE.

Average daily sales for the calendar year ending 31 December 2014 were 43 barrels of oil per day (BOPD) (2013: 63 BOPD) and 72 Mcf per day of natural gas (2013: 112 Mcf/day) (55 BOE per day (2013: 82 BOE)). The reduced level of sales for the year is mainly attributable to the discontinuing Turner Bayou project and the sale of Pryme's interest in the Raven Project. The proportion of oil and condensate in the oil and gas sales mix remained stable at 80% oil and 20% natural gas confirming Pryme's bias towards oil production as opposed to natural gas.

Major activities in 2014 included the commencement of drilling in our Capitola Oil Project and the sale of our interest in the Raven Project. Oil sales from Capitola commenced in early 2015, and will grow as wells are commissioned and brought on line. Production from Capitola will boost Pryme's total oil sales to record levels in 2015.

In the 2014 year the management team at Pryme evaluated, farmed into and commenced operations at the Capitola Oil Project which is located along the eastern shelf of the Permian Basin in Texas, an active oil and gas exploration and production region. The Capitola Oil Project has a large number of conventional shallow targets to exploit and also offers upside through the horizontal development potential of a number of formations, including the Cline Shale, which are included in the project acreage. Our objective of targeting liquids rich hydrocarbon systems, containing "stacked pay" opportunities which maximise the likelihood of success and optimize returns, is being realised with the initial wells drilled in this project. Participation in the project provides shareholders with exposure to a low risk conventional project accompanied by high impact exposure to an emerging play.

Projects

Pryme entered the 2015 year with growing oil production, increasing cash flow from production and a strong balance sheet including $8.4 million in cash.

Whilst the relatively low oil price environment will slow the rate of growth, our vision remains to grow Pryme into a top tier independent oil and gas company capable of delivering high returns to shareholders through the exploration and development of high quality onshore projects in the United States.

The board and management team at Pryme are confident that the continued exploration and development of Capitola, along with an adjusted plan of reduced capital expenditure in response to lower commodity prices, will ensure shareholders get the benefit of our increasing production and are adequately exposed to an oil price recovery while valuable cash is conserved.

Capitola Oil Project

The Capitola Oil Project is located in an active oil exploration and production region along 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 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 horizontal development of formations where feasible.

The Capitola Oil Project acreage is contained within two blocks of contiguous leases 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 project.

There are three primary targets in Capitola along with numerous secondary targets. The primary targets, which exist 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 45% Working Interest (WI) in 9,333 acres (4,200 net acres) in all mineral rights from the surface through to the top of the Cline Shale (Shallow Rights) and a 30% WI (2,800 net acres) in all other rights including the Cline Shale (Deep Rights).

The initial Capitola Oil Project three well drilling program was completed during the December 2014 quarter with completions being carried out in December and January, 2015. A fourth well was drilled in February 2015 and a fifth well is scheduled to be drilled.

Earned Acreage in Capitola and Additional Drilling

Under the terms of the Capitola Oil Project Farmout Agreement (Agreement), and upon drilling of its fifth well, Pryme has earned a 45% WI (4,200 net acres) in the Shallow Rights and a 30% WI (2,800 net acres) in the Deep Rights in the entire 9,333 acres under lease.

Due to the limited run time from the initial three well program, and taking into account the current market conditions including the price of oil, Pryme elected to drill the fourth Capitola well and execute a contract for the fifth well to take its interest in the project's mineral rights to the aforementioned levels rather than exercise its option to earn up to a 75% WI in the Shallow Rights and a 50% WI in the Deep Rights as originally intended.

Pryme's 100% WI in the first three wells (the Mahaffey Bishop, the Hope Boles and the McCain) is subject to a 25% back-in after payout in favour of its co-venturers in the Capitola Oil Project. Pryme retains a 100% WI in both the Shari-Lynn and the Fox wells which is not subject to a back-in after payout. In addition, Pryme is able to propose and drill wells within the entire Capitola Oil Project area with a minimum WI of 45% at any time.

"Our focus through the first half of 2015 will be on successfully bringing all Capitola wells into production and optimising their performance," said Justin Pettett, Pryme's Managing Director and CEO.

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

The Mahaffey Bishop PU1 well in the Sweetwater acreage block was drilled to 6,090 feet (1,856 metres) intersecting 34 net feet (10 net metres) of oil and gas saturated sandstone within the A sand of the Canyon Sand formation along with additional hydrocarbon shows in the Cline Shale and other intervals within the wellbore.

Projects (cont.)

The Initial Potential (IP) of the well was recorded as 85 barrels of oil per day (63 barrels net to Pryme) based on the oil production over a 24 hour period. The Mahaffey Bishop well continues to outperform expectations producing consistently over the past four weeks around 90 barrels of oil per day (68 barrels of oil per day net to Pryme). The well is currently producing from the Canyon Sand series with the Cline Shale formation isolated due to excessive water production.

"We are very happy with production from the Mahaffey Bishop and, now that we have begun to build some production history, we are focusing on operational efficiencies," said Mr Pettett, "for example, whilst lifting costs of our three wells combined run at about US$10 per net barrel produced, we expect to reduce these costs significantly through electrifying the pumping units on the Mahaffey Bishop and the McCain 189 wells."

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 indicate that our primary objective, the multiple sand packages within the Canyon Sand formation, contains 94 gross and 36 net feet (11 net metres) of oil and gas saturated sandstone. The Hope Boles well also encountered hydrocarbon shows in the Cline Shale as well as in other intervals within the wellbore.

Performance to date from the Hope Boles has been intermittent with oil production having reached approximately 50 barrels of oil per day and then fluctuating around 10-20 barrels of oil per day (8-15 barrels per day net to Pryme). Production and operability of the well have also been affected by the unseasonably cold weather which has persisted through January and February. Actions to improve the performance of the well have been taken including drilling out the plug which was installed to isolate the Cline Shale from the Canyon Sands to allow oil and gas from both zones to be produced to surface.

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 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, the Palo Pinto and the Ellenburger formations which were also targets for this well.

The well was fracture stimulated and completed in the several Canyon Sands, Palo Pinto Lime, Lower Canyon Sand and the Cline Shale intervals and, by early March 2015, the oil production rate was 65 barrels per day (49 barrels net to Pryme) and an estimated 100 Mcf/day of natural gas and increasing.

"With just over 70% of the frack fluid recovered following the completion, the well's current production gives us optimism about its ultimate performance", said Ryan Messer, Pryme's Executive Director and COO. "We expect production to increase as frack fluid is unloaded from the various open intervals."

Currently we are in the process of laying a gas sales line to a nearby sales point to add an additional revenue stream through the sales of natural gas and its natural gas liquids.

Shari Lynn No.1 (100% WI / 75% NRI)

The Shari Lynn No.1 well, located in the Sweetwater acreage block of the Capitola Oil Project, was drilled to its total depth of 5,621 feet (1,713 metres). Mud log data collected while drilling identified several intervals with oil and gas shows within the Breckenridge Lime and Canyon Sand intervals. Production casing has been cemented in the wellbore in preparation for completion in multiple Canyon Sands. A cased-hole log has been run to tie in the mud log data and to better identify the depths of the hydrocarbon bearing zones for completion. Completion is scheduled to commence in early April 2015.

Projects (cont.)

Drilling of the Shari Lynn #1 well

Fox 7-L4 (100% WI / 75% NRI)

The Fox 7-L4 well, our fifth well to be drilled within the Sweetwater acreage block of the Capitola Oil Project will be drilled to a total depth of 5,600 feet (1,706 metres) and will target the Canyon Sand formation.

"The Shari Lynn is located less than one mile west of the Mahaffey Bishop well and the Fox 7-L4 will be drilled less than one mile north of the Mahaffey Bishop. With good Mahaffey production at over 80 barrels of oil per day, and no decline at this stage, we are encouraged that both the Shari Lynn and Fox wells should be good producers once completed," said Mr Pettett.

Guidance in response to crude oil prices

In response to the low oil price environment we have taken steps to adjust our capital budget and development plans to conserve cash. While these adjustments will slow the planned growth in reserves and production in the near term, the company has a strong cash position of A$8.4 million (predominantly held in US dollars), at 31 December 2014, 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 Capitola Oil Project Agreement, the drilling of future wells is optional and decisions to drill will be taken after consideration of many factors including oil prices and the economic environment.

Projects (cont.)

Landscape in the Capitola Oil Project, Texas

Four Rivers Project (8% - 25% WI)

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.

Pryme's share of oil sales from Four Rivers for the year was 9,011 barrels (25 average BOPD net to Pryme), a 22% decline over the previous year attributable to normal decline. No new wells were added during 2014 and we have not allocated any capital expenditure for Four Rivers during 2015.

Raven Project (35% WI / 25.38% NRI)

During the year the company sold its interest in the Raven Project. The sale proceeds of A$6.5 million (US$5.5 million) represent more than 10 times the carrying value of Pryme's interest in the project and has allowed the company to end the year with a healthy cash balance of A$8.4 million.

The Raven project covered mineral leases in the Cotton Valley and Hosston natural gas trends in Lincoln Parish, Louisiana, within the city limits of the town of Ruston. The project was located within a natural gas fairway of Cotton Valley marine bars which represented the development targets.

Reserves

Pryme is pleased to provide a summary of its independent reserve estimates, effective January 1, 2015. The reserve estimates were determined by the Company's petroleum consultants in the United States, Petro Partners, Inc. (Petro Partners). **The following reserve estimates do not include reserves attributable to the Capitola Oil Project. An announcement of reserves for Capitola is expected to be made at the time of Pryme's June 2015 half year report.**

Petro Partners have estimated the 1P (proved), 2P (probable) and 3P (possible) reserves and future revenue net to Pryme after mineral owner royalty in and related to various properties located in Louisiana and Mississippi. This report is based upon standard definitions set out by the Society of Petroleum Engineers, Petroleum Resources Management System, 2007 for all reserves classifications at prices and costs set forth herein.

As presented in the accompanying detailed projections by reservoir and by reserve category, Petro Partners estimate the net reserves and future net income based on Pryme's interest as of January 1, 2015 outlined below. Future net income is shown in United States Dollars.

Reserve Category	Net Remaining Reserves		Future Net Income (M$)	
	Oil (MBO)	Natural Gas (MMCF)	Undiscounted	NPV10*
Proved (1P)				
Producing	62.6	-	1,528	1,059
Behind Pipe	52.9	-	2,892	1,441
Undeveloped	59.2	-	2,632	1,558
Total Proved (1P)	**174.6**	**-**	**7,052**	**4,058**
Probable (2P)**	1.7	-	65	51
Possible (3P)**	**25.5**	**-**	**1,420**	**430**

* Probable (2P) and possible (3P) reserves have not been discounted for the risk associated with future recovery

** NPV10 means net present value at a 10% discount

Total Proved (1P) reserves as of January 1, 2015 was 174,600 barrels of oil (2013: 679,300 barrels of oil) and 0 Mcf of natural gas (2013: 1,207,200 Mcf of natural gas.) Total Probable (2P) reserves of 1,700 barrels of oil (2013: 806,200 barrels of oil) and 0 Mcf of natural gas (2013: 120,400 Mcf of natural gas.) The reduction in reserves against the 2013 year is attributable to natural decline and to the divestment of the Company's share in its Turner Bayou project and the sale of its interest in Raven. As explained within this report the Company's reserve position at January 1, 2015 does not include the recently drilled Capitola Oil Project. The Company expects to announce its Capitola reserves at the time of the June 2015 half year report.

The following is a table illustrating the reserves for the various project areas of Pryme.

Project	Proved (1P) Net			Probable* (2P) Net			Possible* (3P)		
	Oil (MBO)	Natural Gas (MMCF)	Oil Equivalent (MBOE)**	Oil (MBO)	Natural Gas (MMCF)	Oil Equivalent (MBOE)**	Oil (MBO)	Natural Gas (MMCF)	Oil Equivalent (MBOE)**
Four Rivers	174.6	-	174.6	1.7	-	1.7	25.5	-	25.5
Total	**174.6**	**-**	**174.6**	**1.7**	**-**	**1.7**	**25.5**	**-**	**25.5**

* Probable (2P) and possible (3P) reserves have not been discounted for the risk associated with future recovery

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

Reserves (cont.)

Reserve Methodology and Assumptions

Oil volumes are generally expressed in thousands of stock tank barrels (MBO), where one barrel is equivalent to 42 United States gallons. Gas volumes are expressed in millions of standard cubic feet (MMCF) at 60 degrees Fahrenheit and the contract pressure base.

Net income is determined by deducting from revenue production taxes, mineral royalties, future capital costs and operating expenses. The net present value of future income has been determined at a discount rate of 10%.

Oil and gas prices are based on NYMEX Futures Pricing as at December 31, 2014, starting at US$65.70 per barrel for oil in January 2015 to US$70.30 per barrel in January 2021 and US$2.88 per MCF of natural gas in January 2015, rising to US$5.52 per MCF in December 2022 and constant thereafter. Prices were also adjusted to account for transportation costs, basis difference and gravity where available.

Operating costs are based on actual expenses, as provided by Pryme. Petro Partners did not confirm the accuracy of these expenses. The expense estimates were held constant through the life of the property. Capital costs used were furnished by Pryme.

Reserve estimates were made by performance, pore-volume analysis and analogy methods. The reserves presented in this report are estimates only and should not be construed as being exact quantities. They may or may not be recovered and, if recovered, the revenues, costs, and expenses therefrom may be more or less than the estimated amounts.

Because of governmental policies, uncertainties of supply and demand, and international politics, the actual sales rates and the prices actually received for the reserves, as well as the costs of recovery, may vary from the assumptions included in this report. In addition, estimates of reserves may increase or decrease as a result of future operational decisions, mechanical problems, the price of oil and gas and / or economic limits due to the latter.

All reserve estimates have been carried out in accordance with sound engineering principles and generally accepted industry practice. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering data and all conclusions only represent informed professional judgments.

The titles to the properties have not been examined by Petro Partners, nor has the actual degree or type of interest owned been independently confirmed. The data used in the estimates were obtained from Pryme and from other sources which provide publicly accessible data and are considered accurate.

Reserve Certification

The information in this report has been compiled by the President of Petro Partners Inc. of Lafayette Louisiana, Kim Galjour, who has over 38 years experience in petroleum engineering. Mr. Galjour holds a Bachelor of Science Degree in Petroleum Engineering from Louisiana State University and has completed two years of graduate study in Business Administration at Nicholls State University. He is a member of Society of Petroleum Engineers, American Petroleum Institute, American Association of Petroleum Geologists and Lafayette Association of Petroleum Landmen.

Mr Galjour consents to the inclusion of the estimated hydrocarbons in place in the form and context in which they appear. The resource estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, Petroleum Resources Management System, 2007. Further information is available at www.spe.org.

Mr. Galjour has been commissioned as an independent consultant to Pryme and has no interest in Pryme securities nor has any interest in any of the projects in which Pryme is involved.

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 31 December 2014
Petroleum Tenement	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	16,942 acres expired (6,779 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)	30%
			Deep Rights** 9,333 acres (1,867 acres acquired)	9,333 acres (1,867 acres)	20%

Notes:

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

** Under the terms of the Capitola Oil Project Farmout Agreement Pryme has the right to earn up to a 45% WI in all mineral rights from surface to the top of the Cline Shale (the Shallow Rights) and up to a 30% WI in all other rights including the Cline Shale (the Deep Rights) in the entire 9,333 acres under lease. Further details about the updated farm in terms can be found in this 2014 Annual Report or the Company's December 2014 quarterly report.

Fracture stimulation of the Mahaffey Bishop PU1

Corporate Governance Statement

Pryme's Board of Directors believes there is a strong link between high standards of corporate governance and equity performance. We are committed to operating in accordance with Pryme's corporate governance policies in all aspects of our business.

We believe that good corporate governance is about conducting business in a transparent and ethical way that enhances value for all of our stakeholders. We expect all Pryme personnel to demonstrate high ethical standards and respect for others. We operate in an open, honest and collaborative fashion with all stakeholders and our corporate integrity is of the greatest importance.

The Board is responsible for the corporate governance of the group. The Board's guiding principle is that it acts honestly, conscientiously and fairly, in accordance with the law and in the interests of Pryme's shareholders, personnel and other stakeholders.

Pryme ensures, wherever possible, that its practices are consistent with the Second Edition of the Australian Securities Exchange (ASX) *Corporate Governance Council's Principles and Recommendations* as amended in June 2010 (ASX Principles). In certain circumstances, due to the size and stage of development of Pryme, it may not be practicable or necessary to implement the ASX Principles in their entirety. Pryme's statement of conformity to the ASX Principles is set out below, areas of divergence are noted. Pryme will report against the Third Edition of the ASX Principles in the next financial year.

Principle 1 – Lay solid foundations for management and oversight

The Board's key responsibility is the creation, enhancement and protection of long-term shareholder value within an appropriate risk framework. Pryme's commitment to governance and the Board's role, responsibilities and conduct are contained in the Board Charter which has been approved by the Board and is published on the Pryme website, www.prymeenergy.com, under the Corporate Governance tab. The Board Charter is reviewed and amended from time to time as appropriate.

The Board establishes the strategic direction and policy framework within which the day-to-day business of the Company is managed. Management's role is to manage Pryme in accordance with the direction and delegations of the Board and the Board is responsible for overseeing the activities of management in carrying out these delegated duties.

Board members are committed to spending sufficient time to enable them to carry out their duties as Directors of Pryme. Candidates for Directorship must confirm that they have the necessary time to devote to their Board position prior to appointment. Non-executive Directors receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

Executives are provided with a formal job description and an employment contract describing their term of appointment, duties, rights, responsibilities and rights on termination. Executives are subject to a formal performance review process on an annual basis. The focus of the review is to measure performance against qualitative and quantitative key performance indicators which, where appropriate, are linked to long term incentive components of each executive's remuneration package. This ensures objectives are aligned to Pryme's business plan. The formal performance review process was undertaken during 2014.

Executives also undergo an induction program to gain an understanding of Pryme's financial position, its strategies, operations and risk management framework and the respective roles of the Board and management.

In addition to its executive management team, Pryme engages technically experienced consultants with valuable knowledge and experience in petroleum engineering, oil and gas leasing, land management and geology.

Principle 2 – Structure the Board to add value

Pryme currently has four Directors, two of whom are Executive Directors, Mr Justin Pettett who is the Managing Director and Chief Executive Officer and Mr Ryan Messer who is the Chief Operating Officer. The Chairman, Mr George Lloyd, and Mr Gregory Short are Independent Non-executive Directors. There is a clear division of responsibility between the Chairman and the Chief Executive Officer.

Pryme does not comply with ASX Principle 2.1 which requires that a majority of the Board should be Independent. The Board believes that, given the size of the Company, the nature of its operations and the ability of all incumbent directors to bring an independent judgement to bear in Board deliberations, a four member Board comprising at least two independent directors is appropriate for the Company in its present stage of development.

Corporate Governance Statement (cont.)

It is intended that the composition of the Board be balanced, with Directors possessing an appropriate mix of skills, experience, expertise, qualifications and contacts relevant to Pryme's business. The qualifications, experience and tenure of the Directors are set out in the 2014 Directors' Report. The Board Charter and the Remuneration & Nomination Committee Charter outline in more detail the procedure for the selection and appointment of new directors.

The Board considers that independent decision-making is critical to effective governance. Independent directors are those who have the ability to exercise their duties unfettered by any business or other relationships and are willing to express an objective opinion. The independence of Non-executive Directors is assessed annually by the Board against the definition outlined in the Board Charter. It is the approach and attitude of each Non-Executive Director which is critical to determining independence and this must be considered in relation to each Director while taking into account all relevant factors, which may include whether the Non-executive Director:

(a) holds less than five percent of the voting shares of Pryme (in conjunction with their associates) and is not an officer, or otherwise associated directly with a holder of more than five percent of the voting shares of Pryme;

(b) has within the last three years been employed in an executive capacity by Pryme or another group member, or has been a Director after ceasing to hold any such employment;

(c) has within the last three years been a principal of a material professional adviser or a material consultant to Pryme or another group member, or an employee materially associated with the service provided. In this context, the relationship with the professional adviser or consultant shall be deemed to be material if payments from Pryme exceed 10% of Pryme's annual expenditure to all professionals and consultants or exceed 10% of the recipient's annual revenue for advisory or consultancy services;

(d) is a material supplier or customer of Pryme or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer. In this context, the relationship with the supplier or customer shall be deemed to be material if annual payments to or from that supplier or customer exceed 10% of the annual consolidated gross revenue of either Pryme or that supplier or customer; and

(e) has a material contractual relationship with Pryme or other group member other than as a Director of Pryme.

The Pryme Constitution states that at each Annual General Meeting (AGM) one-third of the Directors (excluding the Managing Director) and any Director who has held office for three or more years since their last election are required to retire from office. Any Director appointed by the Board since the previous AGM must stand for election at the next AGM. Retiring Directors are eligible for re-election.

New Directors undergo an induction process in which they are given a full briefing on Pryme. Where possible, this includes meetings with key executives, tours of the operating sites (if practicable), and provision of an induction package containing key corporate information and presentations.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. This includes education concerning key developments in the Company and in the industry and environment in which the Company operates.

Each Director has the right of access to all Pryme information and to Pryme's executives. Further, the Board collectively and each Director individually, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at Pryme's expense, up to specified limits, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

The Board has established a Remuneration & Nomination Committee which is primarily responsible for determining remuneration, establishment of recruitment policies and procedures, reviewing the performance of Directors and senior executives and reviewing the composition and competencies of the Board. The Committee Charter sets out the responsibilities and functions of the Committee in detail. The Charter is reviewed annually and is available on the Company's website.

Given the small number of Directors, the Committee is comprised of both the Non-executive Directors, with the Committee Chairman being Mr George Lloyd, an independent Director. As such, the Company does not wholly comply with ASX Principle 2.4 and 8.2 which recommend that the Committee comprise of at least three members with majority of them being independent. However given the size of the Company and the stage of its development, the Board considers the Committee to be of sufficient size and independence to perform its functions effectively.

Corporate Governance Statement (cont.)

Details of the Committee members' attendance at Committee meetings are set out in the 2014 Directors' Report.

The Board typically carries out a Board performance assessment on an annual basis where the performance of the Chairman is reviewed and assessed by the other Directors, and the Chairman reviews and assesses the performance of the other Directors.

During the year under review, the Board conducted a self-assessment. This included a discussion on Board processes, role and duties of the Board, business operations, and areas for development. The outcomes of this self-assessment have formed the basis for a series of initiatives to enhance the Board's performance and effectiveness.

The Board conducts formal strategy sessions as appropriate to provide the opportunity for Directors and management to review operations and consider proposed future activities. It is proposed to conduct a formal strategy session is 2015. Given the size of the Board and management team there are also frequent opportunities for less formal strategy discussions.

Principle 3 – Promote ethical and responsible decision-making

The Board has adopted a Code of Conduct and Ethics which is published on the Company's website. The Board, senior executives and all employees are committed to implementing and complying with the Code. The Code requires that the Company and its employees, consultants, contractors, advisors and all other people when they represent Pryme operate to the highest standards of ethical behaviour, honesty and fairness in relationships with stakeholders. Stakeholders include employees, contractors, clients, customers, suppliers, joint venture partners, shareholders, government authorities, regulators, creditors and the community as whole.

It is in the best interests of Pryme for all personnel to immediately report any observance of a breach of the Code. All personnel are requested to report immediately any circumstances which may involve a breach of this Code to the Company Secretary, the Managing Director or the Chairman.

Any breach of applicable laws, accepted ethical commercial practices or other aspects of the Code of Conduct and Ethics will result in disciplinary action.

The Company has adopted a Securities Trading Policy in line with the ASX Listing Rules and Guidance Note to regulate dealings by the Company's directors, employees and all other people when they represent Pryme.

Consistent with the legal prohibitions on insider trading contained in the Corporations Act, all Pryme personnel are prohibited from trading in Pryme's securities while in possession of material non–public information. Material non-public information is information, which a reasonable person would expect to have a material effect on the price or value of Pryme's securities. The policy allows Pryme personnel, and their related parties, to buy or sell shares only during board sanctioned windows which include the six weeks period commencing the first trading day after the announcement of the Appendix 5B, the full year results, the half year results; the date of the AGM and such other dates as the Board determines. Trading outside the permitted windows is allowed only in exceptional circumstances with the prior written approval of the Board at least two business days prior to any proposed trade.

Any transaction with Pryme shares conducted by Directors is notified to the ASX. Each Director has entered into an agreement with the group to provide information to enable Pryme to notify the ASX of any share transactions within five business days.

A copy of the Securities Trading Policy is available on the Corporate Governance section of the Company's website and has also been lodged with the ASX.

Given the size and scale of operations of the Company, the Board has decided not to adopt a Diversity Policy at this stage. Accordingly, the Board has not yet set any measurable objectives for achieving gender diversity.

The percentage of women employees in the whole organisation, senior management and the Board are as follows:

- Whole organisation: 41%
- Senior Management: 33%
- Pryme Board: NIL

Corporate Governance Statement (cont.)

Principle 4 – Safeguard integrity in financial reporting

The Board has established an Audit Committee, comprising the two Non-executive Directors, which is primarily responsible for determining the reliability and integrity of financial information to be included in the financial statements, accounts and other reports of Pryme, for ensuring the independence of external auditors and for financial risk management.

Mr George Lloyd, the Chairman of the Board, is also Chairman of the Audit Committee. As such, the Company does not comply with ASX Principle 4.2 which recommends that the Chairman of the Board not be the Chairman of the Audit Committee and that the Committee consist of at least three members. However, the Board considers Mr Lloyd, who is an independent director, is the most appropriately qualified of all incumbent Directors to be charged with this responsibility. The Board also considers the size of the Committee to be appropriate for the size and scale of the Company at this time.

The Audit Committee operates in accordance with its Charter which has been approved by the Board and is published on Pryme's website. The Charter is reviewed regularly to ensure that it conforms to market practices. Importantly, at its absolute discretion, the Committee, or its members, may meet outside of a Committee Meeting with the external auditors of Pryme.

Details of the Committee members' attendance at Committee meetings are set out in the 2014 Directors' Report.

The Audit Committee is responsible for reviewing the nomination, performance and independence of the external auditors. Candidates for the position of external auditor of Pryme must be able to demonstrate complete independence from Pryme and an ability to maintain independence throughout the engagement period. Further, the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis. Other than this mandatory criteria the Board may select an external auditor based on criteria relevant to the business of Pryme such as experience in the industry in which Pryme operates, references, cost and any other matters deemed relevant by the Board.

The Board reviews the performance and independence of the external auditor on an annual basis. At the time of the half-year review and full-year audit of the Pryme financial statements, the external auditor formally presents to the Audit Committee a certificate confirming their independence. The external auditor's independence statement is included in the Audit Committee Report to the Board.

Principle 5 – Make timely and balanced disclosure

Pryme fully supports the continuous disclosure regime and its current practice is consistent with the Principles. Pryme has in place mechanisms to ensure that:

(a) all investors have equal and timely access to material information concerning Pryme; and

(b) all announcements released by Pryme are factual, presented in a clear and balanced way, do not omit any material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Pryme has a Board approved Continuous Disclosure Policy for ensuring compliance with ASX Listing Rule disclosure requirements. The Board has designated Pryme's Managing Director, with the assistance of the Company Secretary, as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

In accordance with the ASX Listing Rules, Pryme immediately notifies the ASX of information:

1. concerning Pryme that a reasonable person would expect to have a material effect on the price or value of Pryme's shares; and

2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of Pryme's shares.

Upon confirmation of receipt from the ASX, Pryme posts all information disclosed in accordance with this policy on its website in an area accessible by the public.

A copy of the Continuous Disclosure Policy is available on the Pryme website.

To enhance clarity and balance in reporting, and to enable investors to make an informed assessment of Pryme's performance, financial results are accompanied by a commentary.

Corporate Governance Statement (cont.)

Principle 6 – Respect the rights of shareholders

The Board is committed to communicating with shareholders regularly and clearly.

Pryme is committed to:

- communicating effectively with shareholders through releases to the market via ASX, Pryme's website, information mailed to shareholders and general meetings of shareholders;
- giving shareholders ready access to balanced and understandable information about Pryme and corporate proposals; and
- making it easy for shareholders to participate in general meetings of Pryme.

The Annual Report, Half-Year Report, Annual General Meeting and specific investor briefings are all important communication forums. The group encourages shareholders to attend and participate at general meetings to ensure accountability. Pryme welcomes questions from shareholders at any time and these will be answered within the confines of information that is already in the public domain and is not market sensitive. The external auditor attends the AGM and is available to answer any questions with regard to the conduct of the audit and the corresponding report.

Shareholder communication is conducted in accordance with the Pryme Continuous Disclosure Policy and Shareholder Communication Policy, both of which are published on the Pryme website.

Pryme also makes available various communication avenues for shareholders to make enquiries of Pryme.

The following documents that address corporate governance are available within the Corporate Governance section of Pryme's website:

- Corporate Governance Statement
- Board Charter
- Audit Committee Charter
- Remuneration and Nomination Committee Charter
- Code of Conduct and Ethics
- Continuous Disclosure Policy
- Risk Management Policy
- Shareholder Communications Policy
- Securities Trading Policy
- Environmental Management, Health and Safety Policy

Where possible, Pryme will arrange for advance notification to shareholders of significant group briefings. Presentations to be made at such briefings, which contain information not previously released to shareholders, will be released via the ASX and published on the Company's website. The Company will also keep a summary record (for internal use) of the issues discussed at briefings with investors and analysts.

Principle 7 – Recognise and manage risk

The Board is responsible for establishing and reviewing policies on risk management and internal control and acknowledges the importance of effective risk management to the long term success of Pryme. Pryme has a Board approved Risk Management Policy, published on the website, that assists the group in identifying and managing risk in accordance with best practice.

Corporate Governance Statement (cont.)

The Board has implemented the following control framework:

Financial reporting: A comprehensive budget is approved by the Board. Monthly results are reported against budget and revised forecasts are prepared regularly;

Special functional reporting: The Board has identified a number of key areas which are subject to regular reporting to the Board such as safety, environmental, insurance and operational matters; and

Investment appraisal: The Board has set clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements. Capital expenditure and revenue commitments that exceed a delegated authority will require prior Board approval. Procedures have been established to ensure business transactions are properly authorised and executed. Compliance with these procedures may be scrutinised by the external auditor.

Due to the size and scale of operations of Pryme, there is no separate internal audit function. The Executive Directors and the Chief Financial Officer presently carry out an internal audit to analyse and give an appraisal of the adequacy and effectiveness of Pryme's risk management and internal control system. This internal audit is independent of the external auditor. The risk management and internal control system will be reviewed by the Board at least annually. In addition, the Board reviews and discusses current and emerging material risks at each Board Meeting.

Management is responsible for designing and implementing the risk management framework. Management identifies and reviews the major risks impacting each area of the business and develops strategies to effectively mitigate these risks. To date, at the time the Board approves the half and full-year results, the Managing Director, Chief Operating Officer and the Chief Financial Officer have represented to the Audit Committee and the Board that, to the best of their knowledge:

- the statement given in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control; and
- Pryme's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

As recommended by the ASX Principles, Management will report to the Board on the effectiveness of Pryme's management of its material business risks with respect to future reporting periods.

Principle 8 – Remunerate fairly and responsibly

As described previously, the Remuneration & Nomination Committee has been established to review all remuneration and performance related matters of Pryme and to operate in accordance with its Charter. As also previously noted, the Committee composition does not fully comply with Recommendation 8.2 which recommends that the Committee is comprised of at least three members with majority of them being independent. However given the size of the Company and the stage of its development, the Board considers the Committee to be of sufficient size and independence to perform its functions effectively.

The Committee will assist the Board in fulfilling its responsibilities with respect to establishing appropriate remuneration levels and incentive policies for employees.

All directors are invited to attend Committee meetings; however, "interested" directors do not vote on related matters. Senior executives are not directly involved in determining their remuneration.

Corporate Governance Statement (cont.)

In relation to remuneration issues, the Board has established a policy to ensure that it remunerates fairly and responsibly. The remuneration policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated directors and employees. The structure of executive remuneration is distinctly different to that of Non-executive Directors which is detailed in the Remuneration Report. The policy is designed for:

(a) decisions in relation to the constituents of executive and Non-executive remuneration policy;

(b) decisions in relation to executive remuneration packages;

(c) decisions in relation to merit recognition arrangements and termination arrangements; and

(d) ensuring that any equity-based executive remuneration is made in accordance with the thresholds set in plans approved by shareholders.

The Pryme Personnel Securities Trading Policy states that executives are not permitted to enter into transactions in financial products, securities or derivatives which limit the economic risk of participating in unvested entitlements under equity-based remuneration schemes.

The Remuneration Report for the 2014 year and further details about the Remuneration Policy of Pryme are set out in the 2014 Directors' Report.

Directors' Report

In accordance with a resolution of directors, the directors present their report together with the Financial Report of Pryme Energy Limited (Pryme) and its wholly owned subsidiaries (together referred to as the Consolidated Group) for the financial year ended 31 December 2014 and the Independent Audit Report thereon. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

1. Directors

The directors of Pryme at any time during or since the end of the financial year are:

George Lloyd – Chairman

Independent Non–Executive Director (Appointed 29 January 2008)

Mr Lloyd has a Bachelors degree in Engineering Science (Industrial Engineering) as well as a Masters degree in Business Administration, both from the University of New South Wales. He is also a graduate of the Stanford Executive Program, Stanford University, California. He is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australasian Institute of Mining and Metallurgy.

He has more than 30 years senior management experience in the resources and energy sectors, with a focus on business development, corporate strategy, mergers and acquisitions and exploration management. He is the Chairman of AWR Lloyd Limited, an Asian-based corporate finance and strategy advisor to the energy, mining and metals industries in the Asia-Pacific region.

He also holds, or has held, directorships in the following ASX listed companies:

- Ausenco Limited (Non-Executive Director, appointed May 2005; Chairman, appointed May 2013); and
- Cape Alumina Limited (Chairman, appointed January 2009, retired December 2014).

Justin Pettett - Managing Director and Chief Executive Officer

Executive Director (Appointed 1 December 2005)

Mr Pettett is a co-founder of Pryme and has broad experience as a public company director and with positions in senior management.

Mr Pettett has over 20 years experience at a Managing Director and CEO level of medium sized businesses, the last 14 specifically in the oil and gas industry focused primarily in the United States. He has drilled over 140 wells in Louisiana and Texas, resulting in the discovery of new oil fields. He has also participated in the drilling of conventional natural gas wells in Oklahoma and co-managed the development of a 27 well coal bed methane field.

Mr Pettett has widespread experience and knowledge from a field level through to the board room covering many facets of the energy industry including acquisitions and development, financial analysis, business development, investor relations, capital raising and financial and administrative management.

Mr Pettett is an associate member of the American Association of Petroleum Geologists and a member of the Australian Institute of Company Directors.

With the exception of Pryme, Mr Pettett has not served as a director of any Australian listed entity in the last three years.

Ryan Messer – Executive Director and Chief Operating Officer

Executive Director (Appointed 1 December 2005)

Mr Messer, a co-founder of Pryme, graduated from the University of Central Florida with a degree in Business Administration, majoring in Marketing and Finance.

Mr Messer has 14 years of executive management level experience in oil and gas exploration and production. His main focus has been in the area of oil and gas production economics, managing field and land rig operations as well as certain engineering based operations gained from managing several mid-sized US oil and gas projects and over 140 tests. Previous to this he was responsible for the management of a CBM development play in the Cherokee Basin, Oklahoma and the building of its midstream infrastructure.

Directors' Report (cont.)

Mr. Messer has a wide range of experience out of the field including acquisitions and divestment, business development, presenting technical information, project management and building technical teams.

With the exception of Pryme, Mr Messer has not served as a director of any Australian listed entity in the last three years.

Gregory Short

Independent Non – Executive Director (Appointed 21 January 2010)

Mr Short holds a Bachelor's degree in Geology from the University of New England and is a Graduate of the Australian Institute of Company Directors.

Mr Short is a geologist with over 40 years experience in petroleum exploration, initially as a production and operations geologist then rapidly advancing to supervisory and management positions. His experience includes 15 years overseas in senior exploration management positions in the USA, Europe and Africa. In the USA he was responsible for all of Exxon's petroleum exploration activities which included onshore and offshore GulfCoast exploration.

Mr Short has a strong technical grounding in exploration, development and production geoscience, exploration operations, joint venture management, government relations, budgeting, contract and project management, and people management.

He also holds directorships in the following ASX listed companies:

- MEO Australia Limited (Non-Executive Director, appointed July 2008);
- Po Valley Energy (Non-Executive Director, appointed July 2010); and
- Metgasco Limited (Non-Executive Director, appointed August 2013).

2. Company Secretary

Swapna Keskar (MCom, LLB) is a company secretary of a number of unlisted entities. She is a member of the Governance Institute of Australia, the Institute of Company Secretaries and Administrators, UK and the Institute of Company Secretaries of India.

3. Principal Activities

The principal activities of the Consolidated Group during the year under review were evaluating, exploring and developing oil and gas prospects in the United States of America. There have been no changes in the nature of these activities during the year. Details of Pryme's exploration activities are specified in the "Projects" section of the annual report. During the year $5,154,503 (2013: $2,265,727) was invested in exploration, evaluation and development activities. This investment was principally in the Capitola project acquired during the year.

4. Review of Operations and Financial Results

A review of, and information about, the Consolidated Group's operations, including the results of those operations and changes in its state of affairs during the year together with the information about the financial position of the Consolidated Group appears in the 2014 Annual Report. There are no other significant changes in the state of affairs of the Consolidated Group.

Total revenue of the Consolidated Entity (including discontinuing operations) for the year ended 31 December 2014 was $1,781,173 (2013: $2,602,872) as per Note 3 in the Financial Statements. This includes a decrease in oil and gas revenue reflecting natural decline in production across all projects, lower commodity prices and the sale of the Raven project effective 1 August 2014. The average oil price received for the year was US$94 per Bbl (2013: US$105 per Bbl) with total revenue from oil sales attributable to the following producing assets: Four Rivers 54% (2013: 49%), Turner Bayou 37% (2013: 45%), Raven 9% (2013: 6%). The average gas price received for the year was US$4.47 per Mcf (2013: US$3.23 per Mcf).

For the year ended 31 December 2014, the Company has recorded a profit from operations of $4,972,860 (2013: Loss $20,034,093) including a gain on sale of $6.2 million in relation to the sale of the Raven project. Total Comprehensive Income for the Company for the period was $6,069,182 (2013: Loss $17,785,610) including a gain of $1,096,322 (2013: $2,248,483) arising on translation of foreign operations.

For the year ended 31 December 2014, the Company has recorded negative cash flows from operations of $287,021 (2013: negative $523,533).

Directors' Report (cont.)

5. Events Subsequent to Reporting Date

In the opinion of the directors, there has not arisen in the interval between the end of the financial year and the date of the report any matter or circumstance that has significantly affected, or may significantly affect the Consolidated Group's operations, results or the state of affairs in future financial years.

6. Likely Developments

The Consolidated Group intends to continue its principal activities of acquiring, exploring and developing oil and gas prospects in the United States of America. The strategies and objectives of the Consolidated Group are reviewed and discussed in greater detail in the 2014 Annual Report.

Certain information about the likely developments in, and expected results of, the operations of the Consolidated Group in future years, the strategies of the Consolidated Group and its prospects for future financial years has been omitted from this Directors' Report because disclosure of the information is likely to result in unreasonable prejudice to the implementation and execution of the Consolidated Group's business strategies.

7. Environmental Regulations and Performance

The Consolidated Group has various permits and licenses to operate in the United States of America. There have been no significant known breaches of the Consolidated Group's licence or permit conditions. Furthermore, no government agency has notified the Consolidated Group of any environmental breaches during the period ended 31 December 2014.

8. Dividends

No dividend was paid, recommended for payment or declared during the year under review.

9. Options and Rights

Unissued Shares Under Option

As a result of the Rights Issue and the Adjusting Offer announced via the prospectus lodged with the ASX on 30 June 2014, and subsequent to shareholder approval at the Extraordinary General Meeting held on 06 August 2014, the Company issued 400,000,023 $0.02 options with an expiry date of 23 July 2016. On 10 September 2014, the Company issued an additional 58,340,493 $0.02 options attached to the shortfall shares placed. The options have an expiry date of 23 July 2016. Accordingly, the unissued shares under option at the date of this report are as follows:

	Date of Issue	Held at 1 Jan 2013	Granted	Exercised	Expired	Held at the 31 December 2014	Vested during the year	Vested and exercisable as at 31 December 2014
Rights issue and Adjusting Offer	6 Aug 2014	-	400,000,023	-	-	400,000,023	-	-
Shortfall	10 Sep 2014	-	58,340,493	-	-	58,340,493	-	-

Directors' Report (cont.)

Unlisted Options that vest subject to achievement of performance conditions (Management Options)

At the Extraordinary General Meeting on 6 August 2014, shareholders approved the issue of 90,738,040 unlisted options to employees of the Company subject to the achievement of certain performance conditions related to the Capitola project.

	Exercise Date	Number of Unlisted Options
Management Options	23 July 2016	90,738,040
Total		**90,738,040**

The Management Options will vest in tranches subject to the achievement of the following Performance Conditions related to the Capitola project, and will convert into ordinary fully paid shares in the capital of the Company on a one-for-one basis at an exercise price of 2 cents with an expiry date of 23 July 2016:

- Tranche 1 - (25% of total available Management Options vest) – 200 barrels of oil equivalent (BOE)/day in production
- Tranche 2 - (25% of total available Management Options vest) – 1.0 million (MMBOE) of 2P reserves
- Tranche 3 - (25% of total available Management Options vest) – 2.0 MMBOE of 2P reserves
- Tranche 4 - (25% of total available Management Options vest) – 700 BOE/day in production

10. Directors' Meetings

The number of meetings of the Board and of each Board Committee held during the year (while each Director was a Director or committee member) and the number of meetings attended by each director are set out below:

	Board Of Directors		Audit Committee (#)		Remuneration& Nomination Committee(##)	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
George Lloyd	15	15	2	2	2	2
Justin Pettett	15	14	2(#)	2(#)	2(##)	1(##)
Ryan Messer	15	13	2(#)	2(#)	2(##)	0(##)
Greg Short	15	15	2	2	2	2

Committee comprises Non-Executive Directors, although Executive Directors are invited to attend Audit Committee Meetings.

Committee comprises Non-Executive Directors, although Executive Directors were invited to attend this Remuneration & Nomination Committee Meeting.

11. Directors' Interests

Particulars of directors' interests in securities as at 31 December 2014 are as follows:

Director	Ordinary Shares	Entitlement to Ordinary Shares[1]	Management Options[2]	American Depository Receipts
Justin Pettett	12,929,725	-	36,295,216	-
Ryan Messer	11,130,095	-	36,295,216	37[3]
George Lloyd	16,251,432	1,500,000		-
Greg Short	5,160,000	1,290,000		-

[1] Options acquired under the Rights Issue and Adjusting Offer via the prospectus lodged with the ASX on 30 June 2014. These options were acquired on the same basis as all other shareholders.

[2] The Management Options will vest in tranches subject to the achievement of specified Performance Conditions. None of the performance conditions have been satisfied at the date of this Report.

[3] Equivalent to 11,100 ordinary shares.

Other than as stated above in relation to Rights Issue Options and Managements Options approved during the year, there are no contracts to which a director is a party or under which a director is entitled to a benefit that confer a right for the director to call for shares in Pryme.

Directors' Report (cont.)

12. Remuneration Report

The directors of Pryme present the Remuneration Report prepared in accordance with Section 300A of the Corporations Act, Accounting Standard AASB 124 Related Party Disclosures and Principle 8 of the ASX Corporate Governance Principles and Recommendations.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act. This remuneration report forms part of the Directors' Report.

Remuneration Policies and Practices

The Remuneration and Nomination Committee and the Board regularly review the remuneration policies and practices of Pryme to ensure that it remunerates fairly and responsibly. The remuneration policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated directors and employees.

Non-Executive Director Remuneration

The Non-Executive Directors are remunerated as described below.

Fees

Non-executive director fees are determined within an aggregate directors' fee pool limit, which will be periodically approved by shareholders at a general meeting. The current limit is $300,000. During the year ended 31 December 2014, $157,560 (2013: $210,744) of the fee pool was used. In 2013, the non-executive directors proposed a temporary reduction to their fees during the year as one of a number of initiatives to conserve cash. The proposal was accepted by the Board and this arrangement continued during the 2014 year.

Retirement Benefits

Non-executive directors do not receive retirement benefits.

Superannuation

Where applicable, Pryme pays Australian resident non-executive directors the statutory superannuation guarantee contribution.

Executive Remuneration

At Pryme, Executive Remuneration may consist of several components:

- Total Remuneration (TR) = Fixed Remuneration (FR) + Short Term Incentive (STI) + Long Term Incentive (LTI)
- STI and LTI are the 'at risk' portions of remuneration.
- STI may be paid in cash or shares and reflects the achievement of a number of short term goals established on an annual basis.
- LTI may be delivered in an equity award(s) which is granted upon the satisfaction of performance conditions/key performance drivers which underpin long term sustainable growth for the Company.
- The Board may also determine to pay a bonus in cash or shares in circumstances of outstanding performance not otherwise appropriately rewarded.
- The Remuneration Committee will review the delivery and structure of at risk remuneration from time to time and report to the board. Such a review may include, but not be limited to, changing the proportion of Total Remuneration which is at risk, the payment of Short Term and Long Term Incentives and the proportion of the at risk remuneration between Short Term and Long Term Incentive.

Directors' Report (cont.)

Total Reward Mix

The amount of TR at risk is generally expressed as a proportion of FR and is related to the agreement on remuneration struck between the Company and the executive, the Company's expectations of executive performance and the executive's position in the Company. However, in the case of the Chief Operating Officer, the amount of TR at risk is the same as the amount of the Chief Executive Officer's TR at risk irrespective of the relative levels of FR. The proportion of FR will generally not change on a year to year basis but may be reviewed and modified by the Board.

The mix of STI and LTI offered to executives will depend on their position in the Company. Generally LTI will only be available to the senior executive team; STI may be made available to employees below the senior executive team.

As a general guideline, for members of the senior executive team who receive both STI and LTI, the maximum proportion of at risk remuneration that may be payable as STI is 40%.

Fixed Remuneration

FR (including the superannuation levy payable as employer contribution (where applicable)) is set with reference to market data, reflecting the scope of the role and the performance of the person in the role.

At-Risk Remuneration

Clear and focused performance targets for management are critical to the success of the Company. Nevertheless, the financial position and performance of the Company in any year is paramount to the board's decision whether or not to offer either or both of the at-risk components of the TR in any given year. For the 2014 year, no LTI goals were established and no LTI equity delivered.

Relationship between Policy and Pryme's Performance

Having regard to the prevailing financial position and performance of the Company at the appropriate time, the Board believes that remuneration arrangements for employees should typically incorporate an "at-risk" component which is performance related and rewards employees for the achievement of goals which contribute to shareholder wealth. Such arrangements should both incentivise and reward employees for out-performance and are designed to put a portion of executive remuneration "at-risk" and provide reasonable levels of incentives to key executives to encourage and reward performance that adds value to the Company for all Shareholders.

Specifically, the value to Shareholders will be readily measurable only if targets that align to Pryme's strategy are met. The Board believes that multiple tests set with specific regard to the key drivers of the Company at the time, if achieved, will demonstrably aid the creation of shareholder value.

Pryme's exploration, evaluation and development activities are expected to deliver results over an extended period of time and the Company's remuneration policy provides for incentives related to the successful execution of these activities. As a result, the relationship between the Company's remuneration policy and the Company's short term performance will not be immediately apparent on a year-to-year basis. This is expected to be the case in relation to earnings as the Company does not expect to record significant profit growth until additional revenues are derived from the increased oil and gas production which is expected to result from the current development programs.

Anti-Hedging Policy

Pryme personnel are not permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under a Pryme equity-based remuneration scheme.

As part of Pryme's due diligence undertaken at the time of half-year and full-year results, Pryme equity plan participants are required to confirm that they have not entered into any such prohibited transactions.

Continuous Improvement

Pryme will continually review all elements of its remuneration philosophy to ensure that they are appropriate from the perspectives of governance, disclosure, reward and market conditions.

Directors' Report (cont.)

REMUNERATION SUMMARY

		SHORT TERM			POST EMPLOYMENT	TOTAL	Proportion of Remuneration Performance Related
		CASH, SALARY & FEES	RELATED PARTY FEES	STI[1]	SUPERANNUATION		
		$	$		$	$	%
NON-EXECUTIVE DIRECTORS							
George Lloyd	2014	-	105,000		-	**105,000**	-
	2013	-	143,474		-	**143,474**	-
Greg Short	2014	48,055	-		4,505	**52,560**	-
	2013	61,650	-		5,620	**67,270**	-
EXECUTIVES							
Justin Pettett	2014	361,726	-	45,216	18,279	**425,221**	11
	2013	362,797	-		16,921	**379,718**	-
Ryan Messer	2014	165,671	127,215	33,266	-	**326,152**	10
	2013	155,838	119,665		-	**275,503**	-
TOTAL	**2014**	**653,934**	**232,215**		**22,784**	**908,933**	
	2013	**580,285**	**263,139**		**22,541**	**865,965**	

[1] During the year a STI was paid to executive directors which was re-invested in to the company via their full participation in the March 2014 rights issue.

OPTIONS AND RIGHTS AS REMUNERATION

At the Extraordinary General Meeting on 6 August 2014, shareholders approved the issue of 90,738,040 unlisted options to employees of the Company subject to the achievement of certain performance conditions related to the Capitola project.

The Management Options will vest in tranches subject to the achievement of the following Performance Conditions related to the Capitola project, and will convert into ordinary fully shares in the capital of the Company on a one-for-one basis at an exercise price of 2 cents with an expiry date of 23 July 2016:

- Tranche 1 - (25% of total available Management Options vest) – 200 barrels of oil equivalent (BOE)/day in production
- Tranche 2 - (25% of total available Management Options vest) – 1.0 million (MMBOE) of 2P reserves
- Tranche 3 - (25% of total available Management Options vest) – 2.0 MMBOE of 2P reserves
- Tranche 4 - (25% of total available Management Options vest) – 700 BOE/day in production

None of the performance conditions have been satisfied at the date of this Report.

Directors' Report (cont.)

SUMMARY OF KEY CONTRACTS TERMS

The key contract and other terms of the executives are set out below:

Contract Details	Justin Pettett – Chief Executive Officer (CEO) and Managing Director (MD)	Ryan Messer – Chief Operating Officer (COO)
Term	On-going	On-going
Termination notice period and payments	**Termination as per CEO Agreement:** **By Pryme** • For cause - 1 months' notice or salary in lieu (if convicted of any indictable criminal offence, termination shall be immediate). • For illness, injury or insanity - 9 months' notice or salary in lieu. • For convenience - 12 months' notice paid in lieu. • For redundancy - 12 months' notice + 1 months' salary for each completed year of service. **By the CEO** • For convenience - 3 months' written notice. • Immediately, with payment of annual and long service leave and 6 months' salary, if Pryme commits a serious or persistent breach of the Agreement. **Termination as per the MD Appointment Letter:** • Notice for termination as Director paid in lieu of notice in proportion to notice paid under the Agreement on termination as Chief Executive Officer. • No redundancy payment as Managing Director.	**Termination by Pryme** • For cause - 1 months' notice or salary in lieu (if convicted of any indictable criminal offence, termination shall be immediate). • For illness, injury or insanity - 9 months' notice or salary in lieu. • For convenience - 12 months' notice paid in lieu. • For redundancy - 12 months' notice + 1 months' salary for each completed year of service. **Termination by the COO:** • For convenience - 3 months' written notice. • Immediately, with payment of annual and long service leave and 6 months' salary, if Pryme commits a serious or persistent breach of the Agreement.
	Annual Leave payment: On termination, the CEO is entitled to payment in lieu of the annual leave owing to him.	**Annual Leave payment:** On termination, the COO is entitled to payment in lieu of the annual leave owing to him.
	Conditions to Payments No payment is to be made where such payment is contrary to the *Corporations Act 2001* or Listing Rules of the Australian Securities Exchange (as applicable).	**Conditions to Payments** No payment is to be made where such payment is contrary to the *Corporations Act 2001* or Listing Rules of the Australian Securities Exchange (as applicable).

Directors' Report (cont.)

13. Indemnification and Insurance of Officers and Auditors

Directors, executives and the company secretary are indemnified by Pryme against liability incurred in their capacity as an officer of Pryme or a related body corporate to the maximum extent permitted by law. Pryme has not paid any premiums in respect of any contract insuring the directors of Pryme against a liability for legal costs.

Ryan Messer, in his capacity as an employee and director of Pryme Oil and Gas Inc, is indemnified in circumstances where he is called on to provide a personal guarantee of commitments by the Company provided that the commitment of the Company or Subsidiary was incurred with the written approval of Pryme.

Pryme has not paid any premiums in respect of any contract insuring its auditor against a liability incurred in that role as an auditor of Pryme. In respect of non-audit services, PricewaterhouseCoopers have the benefit of an indemnity to the extent they reasonably rely on information provided by Pryme which is false, misleading or incomplete. No amount has been paid under this indemnity during the financial year ending 31 December 2014 or to the date of this Report.

14. Non-Audit Services

Details of the amounts paid to the auditor of Pryme for audit and non-audit services provided during the year are set out in Note 6 to the financial statements. The directors are satisfied that:

(a) the non-audit services provided during the financial year by PricewaterhouseCoopers as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act; and

(b) any non-audit services provided during the financial year by PricewaterhouseCoopers as the external auditor did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

   i. PricewaterhouseCoopers services have not involved partners or staff acting in a managerial or decision making capacity within Pryme or in the processing or originating of transactions; and

   ii. the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The auditor's independence declaration under section 307C of the Corporations Act set out in the Annual Report forms a part of the Annual Financial Report for the year ended 31 December 2014.

15. Proceedings on behalf of the Consolidated Group

During the year under review and in the interval between the end of the financial year and the date of the report, the Consolidated Group has made no application for leave under section 237 of the Corporations Act.

16. Corporate Governance

The directors aspire to maintain the highest possible standards of Corporate Governance. Pryme's Corporate Governance Statement is contained in the Annual Report.

This report is signed in accordance with a resolution of the directors.

Justin Pettett
Managing Director
Brisbane, Queensland
31 March 2015

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Pryme Energy Limited for the year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pryme Energy Limited and the entities it controlled during the period.

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
31 March 2015

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Consolidated Group	
		2014 $	2013 $
Revenue	3	979,543	1,264,853
Production Costs	3	(331,893)	(465,449)
Gross Profit		647,650	799,404
Other income	3	295,536	-
Accounting and Audit Fees		(147,837)	(164,997)
Depreciation, amortisation and exploration write offs	3	(328,167)	(369,994)
Directors Remuneration		(677,366)	(602,827)
Professional Consulting Fees		(273,190)	(362,462)
Employee Benefits Expense		(271,681)	(252,439)
Travel and Accommodation Expenses		(224,795)	(130,216)
Administration expenses		(489,864)	(564,076)
Gain/(Loss) on Sale of Assets		-	(37,916)
Finance Expenses		(2,842)	-
Profit/(Loss) before income tax		**(1,472,556)**	**(1,685,523)**
Income tax expense	4	-	-
Profit/(Loss) for the year from continuing operations		**(1,472,556)**	**(1,685,523)**
Profit / (Loss) attributable to discontinued operations	3	6,445,416	(18,348,570)
Profit / (Loss) for the period		**4,972,860**	**(20,034,093)**
Other Comprehensive Income			
Items that may be reclassified to profit or loss:			
Net gain/(loss) foreign currency translation reserve		1,096,322	2,248,483
Income tax related to components of other comprehensive income/(loss)		-	-
Total Comprehensive Income/(Loss) for the year		**6,069,182**	**(17,785,610)**
Profit/(Loss) from continuing operations attributable to ordinary equity owners of the company		(1,472,556)	(1,685,523)
Profit/(Loss) for the period attributable to ordinary equity owners of the company		4,972,860	(20,034,093)
Total Comprehensive Income/(Loss) attributable to ordinary equity owners of the company		6,069,182	(17,785,610)
Basic earnings per share from continuing operations	7	(0.3)	(0.6)
Diluted earnings per share from continuing operations	7	(0.3)	(0.6)
Basic earnings per share	7	0.9	(7.0)
Diluted earnings per share	7	0.7	(7.0)

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	Consolidated Group	
		2014	2013
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	8,439,536	1,556,605
Trade and other receivables	9	670,372	367,957
Other current assets		36,737	33,232
TOTAL CURRENT ASSETS		**9,146,645**	**1,957,794**
NON-CURRENT ASSETS			
Property, plant and equipment	10	10,190	26,628
Working Interest	13	9,361,084	12,991,469
TOTAL NON-CURRENT ASSETS		**9,371,274**	**13,018,097**
TOTAL ASSETS		**18,517,919**	**14,975,891**
CURRENT LIABILITIES			
Trade and other payables	14	1,899,984	2,374,202
Borrowings	14	-	7,553,988
TOTAL CURRENT LIABILITIES		**1,899,984**	**9,928,190**
NON-CURRENT LIABILITIES			
Provisions		76,312	149,773
TOTAL NON-CURRENT LIABILITIES		**76,312**	**149,773**
TOTAL LIABILITIES		**1,976,296**	**10,077,963**
NET ASSETS		**16,541,623**	**4,897,928**
EQUITY			
Issued capital	15	51,348,970	46,140,094
Reserves	16	(2,161,028)	(3,622,987)
Accumulated losses		(32,646,319)	(37,619,179)
TOTAL EQUITY		**16,541,623**	**4,897,928**

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2014

	Note	Ordinary Share Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Options Reserve $	Total $
Consolidated Group						
Balance at 1 January 2013		**45,160,032**	**(17,585,086)**	**(5,871,470)**	**48,424**	**21,751,900**
Total Comprehensive Profit/ (Loss) for the year		**-**	**(20,034,093)**	**2,248,483**	**-**	**(17,785,610)**
Transactions with owners in the capacity as owners:						
Shares issued during the year		987,223	-	-	-	987,223
Share capital raising cost		(39,988)	-	-	(15,597)	(55,585)
Transfer from options reserve to share capital		32,827	-	-	(32,827)	-
Balance at 31 December 2013		**46,140,094**	**(37,619,179)**	**(3,622,987)**	**-**	**4,897,928**
Total Comprehensive Profit/ (Loss) for the year		**-**	**4,972,860**	**1,096,322**	**-**	**6,069,182**
Transactions with owners in the capacity as owners:						
Shares issued during the year		6,055,629	-	-	-	6,055,629
Share capital raising cost		(846,753)	-	-	159,548	(687,205)
Options issued during the year		-	-	-	206,089	206,089
Balance at 31 December 2014		**51,348,970**	**(32,646,319)**	**(2,526,665)**	**365,637**	**16,541,623**

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 DECEMBER 2014

	Note	Consolidated Group	
		2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,020,923	2,628,345
Payments to suppliers and employees		(2,652,942)	(2,984,832)
Other receipts		552,027	-
Interest received/(paid)		(207,029)	(167,046)
Net cash provided by (used in) operating activities	20(a)	**(287,021)**	**(523,533)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of working interest, property, plant and equipment		6,822,130	35,534
Purchase of property, plant and equipment		-	(2,013)
Payment for working interest		(5,154,503)	(2,265,727)
Net cash provided by (used in) investing activities		**1,667,627**	**(2,232,206)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		5,454,513	931,638
Proceeds from borrowings		-	1,179,501
Net cash provided by (used in) financing activities		**5,454,513**	**2,111,139**
Net increase (decrease) in cash held		6,835,119	(644,600)
Cash at beginning of financial year		1,556,605	2,074,453
Effect of exchange rate movement		47,812	126,752
Cash at end of financial year	8	**8,439,536**	**1,556,605**

The above statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"), Urgent Issues Group Interpretations and the Corporations Act 2001.

This financial report covers the consolidated financial statements and notes of Pryme Energy Limited and controlled entities ('the Company', 'Consolidated Group' or 'Group'). Pryme Energy Limited is a listed public company, incorporated and domiciled in Australia. The Company is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The financial statements and notes also comply with International Financial Reporting Standards.

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2014 affected any of the amounts recognised in the current period or any prior period.

Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Consistent with other oil and gas exploration companies, Pryme raises capital to fund its exploration activities as required. Accordingly the financial report has been prepared on a going concern basis in the belief that the Company will realise its assets and settle its liabilities in the normal course of business for at least the amount stated in the financial report. The ability of the Company to continue as a going concern and meet its debts and commitments as they fall due is dependent upon the Company securing sufficient capital which may be in the form of (or some combination of) the following:

- Entering in to arrangements to farm out or sell existing projects/assets;
- Establishing new debt funding; and/or
- Extending existing debt funding or
- Raising equity from new/existing shareholders

The directors believe that the Company will be successful in securing sufficient capital and accordingly have prepared the report on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report as at 31 December 2014. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Accounting Policies

(a) Principles of Consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 11 to the financial statements.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries are consistent with those adopted by the parent entity.

Joint Arrangements

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement.

A jointly controlled entity is a corporation, partnership or other entity in which each participant holds an interest. A jointly controlled entity operates in the same way as other entities, controlling the assets of the joint venture, earning its own income and incurring its own liabilities and expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Group recognises its proportionate interest in the assets, liabilities, revenues and expenses of joint operations within each applicable line item of the financial statements. Details of the Group's joint operations are set out in Note 12.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of offset exists and it is intended net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of setoff exists, the deferred tax assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liabilities will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office Equipment	25%
Other Equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Each area of interest is limited to a size related to a known or probable petroleum resource. Currently the Group operates in multiple areas of interest in the State of Louisiana and is generally defined by lease boundaries.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining equipment and facilities, waste removal, and rehabilitation of the site in accordance with clauses of the petroleum permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Leases

Leases of property plant and equipment where the group as lessee has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the period of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) Financial Instruments

Recognition and Initial Measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition
Financial assets are derecognised when the rights to receipt of cash flows have expired or have been transferred and the group has transferred substantially all of the risks and rewards of ownership. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss
Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. They are included in current assets except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

iii. Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial Liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment
At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are shown in the Statement of Comprehensive Income and disclosed in the group's foreign currency translation reserve in the Statement of Financial Position.

(i) Employee Benefits

Short term obligations
Liabilities for salary and wages, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits.

Long term obligations
Liabilities for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of estimated future cash outflows to be made for those benefits. The obligations are presented as current liabilities if there is not an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Equity-settled compensation
The group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are included in current liabilities except for those with maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(m) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable. Amounts received are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group uses the sales method to account for sales of crude oil and natural gas revenues. Under this method, revenues are recognised based on volumes of oil and gas sold to purchasers. The group recognises revenue when it can be reliably measured, it is probable that the future economic benefits will flow to the entity.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) EPS

(i) Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the amounts used in determination of basic earnings per share to take in to account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors.

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits and accrued expenses. Segment assets and liabilities do not include deferred income taxes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(r) Trade Receivables

All trade and other debtors are recognised at fair value. Collectability is reviewed on an ongoing basis. A provision for doubtful debts is made where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate. The amount of any provision is recognised in the income statement. Trade receivables are due for settlement no more than 30-60 days from the date of recognition.

(s) Trade Payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are included in current liabilities except for those with maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

(t) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

Critical Accounting Estimates and Assumptions

The directors evaluate estimates and assumptions incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use and fair value less cost to sell calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Exploration expenditure for each area of interest is carried forward as an asset based on the provisions in AASB 6 Exploration for and Evaluation of Mineral Resources. Exploration expenditure which fails to meet at least one of the conditions outlined in AASB 6 is written off. Expenditure is not carried forward in respect of any area of interest unless the Company's rights of tenure to that area of interest are current. The ultimate recoupment of exploration and evaluation expenditure is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area.

Restoration Obligations

The Company estimates the future removal costs of production facilities and wells at the time of installation of the assets. In most instances, restoration occurs many years in to the future. This requires assumptions regarding removal date, future environmental legislation, methodology for estimating costs and specific discount rates to determine the present value of these cash flows.

Reserves Estimates

Estimates of proven and probable oil and gas reserves require interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reserves can impact asset carrying values, provisions for restoration and the recognition of any deferred tax assets due to changes in expected future cash flows. Reserve estimates are prepared based on standard definitions set out by the Society of Petroleum Engineers, Petroleum Resources Management System, 2007 for all reserves classifications by an independent and appropriately qualified reserve engineer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 2: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 *Financial Instruments* (effective for annual reporting periods beginning on or after 1 January 2017)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting. The standard is not applicable until 1 January 2017 but is available for early adoption. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Group does not have any such liabilities. The Group currently does not have any hedging arrangements.

Amendments to AASB 11 Accounting for Acquisitions in Joint Operations (effective 1 January 2016)

In August 2014, the IASB made limited scope amendments to AASB 11 Joint arrangements to explicitly address the accounting for the acquisition of an interest in a join operation. The amendments require the investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments apply from 1 January 2016 and will therefore not affect any of the amounts currently recognised in the financial statements.

Revenue from Contracts with Customers (effective 1 January 2017)

The AASB has issued a new standard for the recognition of revenue in December 2014. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer with the notion of control replacing the existing notion of risks and rewards. The group has not yet considered the effect of the new rules on its revenue recognition policies. The Group intends to apply the amendment from 1 January 2017.

notes continued onto the next page →

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 3: REVENUE, EXPENDITURE AND DISCONTINUED OPERATIONS

REVENUE

	Consolidated Group	
	2014	**2013**
	$	**$**
The following revenue items are relevant in explaining the financial performance for the period:		
Oil and Gas revenue – continuing operations	948,515	1,201,102
Interest	31,028	40,273
Operator fees	-	23,478
Total Revenue continuing operations	**979,543**	**1,264,853**
Oil and Gas revenue – discontinued operations	801,630	1,338,019
Total Revenue for the period	**1,781,173**	**2,602,872**
Other income – bankruptcy settlement proceeds*	295,536	-
Total Other Income	**295,536**	-

* In 2010 a third party operator of Pryme's Four Rivers project filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. This amount represents bankruptcy settlement proceeds received by Pryme during the year.

EXPENDITURE

	Consolidated Group	
	2014 **$**	**2013** **$**
Production costs – continuing operations	331,893	465,449
	331,893	465,449
Depreciation and amortisation	16,728	30,588
Depletion of working interest – continuing operations	311,439	339,406
Total Depreciation, Amortisation and Write-offs	**328,167**	**369,994**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

DISCONTINUED OPERATIONS

As announced to the ASX on 12 November 2014 the Company sold its interest in the Raven project. Financial information relating to the discontinued operation is set out below.

	Consolidated Group	
	2014	2013
	$	$
Revenue	147,742	206,145
Expenses	(111,159)	(610,554)
Profit / (Loss) before income tax	**36,583**	**(404,409)**
Income tax expense	-	-
Profit / (Loss) after income tax	**36,583**	**(404,409)**
Gain on sale attributable to discontinued operation	6,247,911	-
Total Profit/(Loss) for the period attributable to discontinued operation	**6,284,494**	**(404,409)**
Net cash inflow / (outflow) from operations	63,768	189,031
Net cash inflow / (outflow) from investing	6,822,130	35,535
Net cash inflow / (outflow) from financing	-	-
Net increase / (decrease) in cash	**6,885,898**	**224,566**

During the year, pursuant to the terms of the non-recourse Term Facility (see Note 14), it was agreed with Macquarie Bank that the company's portion of net operating cash flows of the Turner Bayou project would be applied to the non-recourse debt obligations under the facility including any interest. Financial information relating to the discontinuing operations in Turner Bayou is as follows:

	Consolidated Group	
	2014	2013
	$	$
Revenue	653,888	1,131,875
Other income*	219,158	-
Expenses	(827,346)	(19,076,036)
Profit / (Loss) before income tax	**45,700**	**(17,944,161)**
Income tax expense	-	-
Profit / (Loss) after income tax	**45,700**	**(17,944,161)**
Gain on sale attributable to discontinued operation	115,222	-
Total Profit/(Loss) for the period attributable to discontinued operation	**160,922**	**(17,944,161)**
Net cash inflow / (outflow) from operations	429,142	217,888
Net cash inflow / (outflow) from investing	(1,300,132)	(2,121,467)
Net cash inflow / (outflow) from financing	(64,959)	1,179,501
Net increase / (decrease) in cash	**(935,949)**	**(724,078)**

* During the year, the Company entered in to a purchase and sale agreement related to the Turner Bayou assets. As the sale did not proceed, the Company retained the non refundable deposit of $219,158 paid by the prospective purchaser.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 4: INCOME TAX EXPENSE

	Consolidated Group	
	2014 $	**2013 $**
a. The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)		
— consolidated group	1,491,858	(6,010,228)
Add:		
—Non-allowable items	102,828	17,603
Less:		
—Tax deductible equity raising costs	(63,133)	(41,537)
—Other deductible amounts	(636,196)	(18,000)
	(895,357)	(6,052,162)
Current year tax losses not recognised	895,357	6,052,162
Income tax expense	-	-
The applicable weighted average effective tax rates are as follows:	0%	0%
b. Net deferred tax assets not brought to account:		
Unused tax losses for which no deferred tax asset has been recognised	18,573,271	20,250,543
Potential tax benefit @ 30%	5,571,981	6,075,163

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Components of Key Management Personnel Compensation

	2014 $	**2013 $**
Short-term employee benefits	886,149	843,424
Post-employment benefits	22,784	22,541
	908,933	865,965

Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 6: AUDITORS' REMUNERATION

	Consolidated Group	
	2014 $	2013 $
Remuneration of the auditor of the Group for:		
PricewaterhouseCoopers		
- auditing or reviewing the financial report	80,000	91,900
- taxation services	5,610	17,150
	85,610	109,050

NOTE 7: EARNINGS PER SHARE

		Consolidated Group	
		2014 $	2013 $
a.	Reconciliation of earnings to profit or loss		
	Profit/(Loss) for the year	4,972,860	(20,034,093)
	Earnings used to calculate basic EPS	4,972,860	(20,034,093)
		No.	No.
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	558,071,673	287,871,722
	Weighted average number of options outstanding	191,193,551	8,712,596
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	749,265,224	296,584,318

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2014 $	2013 $
Cash at bank and in hand	6,247,224	551,657
Short-term bank deposits	2,192,312	1,004,948
	8,439,536	1,556,605

The effective interest rate on short-term bank deposits was 2.02% (2013: 2.85%).

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	8,439,536	1,556,605
	8,439,536	1,556,605

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated Group 2014 $	Consolidated Group 2013 $
CURRENT		
Trade receivables	594,230	219,118
	594,230	219,118
Other receivables:		
- GST receivable	14,149	7,962
- Operating bond	61,993	140,877
	670,372	367,957

There are no balances past due.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group 2014 $	Consolidated Group 2013 $
PLANT AND EQUIPMENT		
Office Equipment:		
At cost	14,360	60,708
Accumulated depreciation	(10,770)	(50,929)
	3,590	9,779
Other Equipment:		
At cost	30,652	45,863
Accumulated depreciation	(24,052)	(29,014)
	6,600	16,849
TOTAL		
At cost	45,012	106,571
Accumulated depreciation	(34,822)	(79,943)
	10,190	26,628

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Office Equipment	Other Equipment	Total
	$	$	$
Consolidated Group:			
Balance at 1 January 2013	17,928	22,263	40,191
Foreign currency movement	1,230	2,275	3,505
Additions	2,013	-	2,013
Disposals	-	-	-
Depreciation expense	(11,392)	(7,689)	(19,081)
Balance at 31 December 2013	9,779	16,849	26,628
Foreign currency movement	-	290	290
Additions	-	-	-
Disposals	-	-	-
Depreciation expense	(6,189)	(10,539)	(16,728)
Balance at 31 December 2014	3,590	6,600	10,190

NOTE 11: CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest (%)*	
		2014	2013
Subsidiaries of Pryme Energy Limited:			
Pryme Oil and Gas Inc	US	100%	100%
- Pryme Energy LLC	US	100%	100%
- Trident Minerals LLC	US	100%	100%
- Pryme Royalty Holdings LLC	US	100%	100%
- Pryme Mineral Holdings LLC	US	100%	100%
- Pryme Oil and Gas LLC	US	100%	100%
- TOC LLC**	US	100%	100%

** Percentage of voting power is in proportion to ownership*
*** Incorporated 19 November 2013*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 12: INTERESTS IN JOINT ARRANGEMENTS

Set out below are the jointly controlled arrangements of the group as at 31 December 2014 for the purpose of oil and gas exploration and production.

The arrangements are classified as joint operations as, under the relevant join operating agreements, the group has a direct right to it's proportionate share of the jointly held assets, liabilities, revenues and expenses as described in note 1(a).

The principal place of business and the Group's proportionate working interest in the assets, liabilities, revenues and expenses of the Group's joint operations held under the applicable joint operating agreements are recognised within each applicable line item of the financial statements. The percentage working interest in particular wells varies across projects as indicated.

Name of Project	Note	Place of Business	Working Interest (%)	
			2014	2013
Four Rivers		US	8-25%	8-25%
Capitola (a)		US	30-45%	–
Raven (b)		US	–	35%
Turner Bayou	14	US	40-62%	40-62%

(a) The Company acquired its working interest in the Capitola project under an agreement entered into in February 2014 and subsequently amended to reflect renegotiation of certain terms of the farmout agreement.

(b) As announced to the ASX on 12 November 2014 the company sold its working interest in the Raven project effective 1 August 2014.

NOTE 13: WORKING INTEREST

	Notes	Consolidated Group	
		2014 $	2013 $
Exploration Expenditure Capitalised:			
- Exploration and evaluation phases		3,982,985	8,549,741
- Less impairment write off		–	(4,888,609)
- Less Turner Bayou discontinued operation	3	(3,982,985)	–
- Capitola project		5,255,479	–
Production phase:		15,541,527	33,707,852
- Less accumulated depletion		(6,674,534)	(12,251,091)
- Less impairment write off		–	(12,126,424)
- Less Turner Bayou discontinued operation	3	(4,114,948)	–
- Less Raven sale		(646,440)	–
Total Working Interest		9,361,084	12,991,469

Exploration expenditure capitalised during the year relates to the Capitola project which comprises 9,333 mineral acres located in an active region of the Cline Shale resource play in the Eastern Shelf of the Permian Basin, Texas USA.

Under the terms of the Capitola Oil Project Farmout Agreement (as amended), the Company has earned the right to drill up to 5 wells in the project. As a result of drilling the first 3 wells as at 31 December 2014, the Company has earned a 30% working interest (2800 net acres) in all mineral rights from surface to the top of the Cline Shale (the Shallow Rights) and a 20% working interest (1,867 net acres) in all other rights including the Cline Shale (the Deep Rights). In addition, the Company has the right to drill an additional two wells. Drilling of these wells will result in the Company increasing its interest to a 45% WI in the Shallow Rights and a 30% WI in the Deep Rights.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 14: CURRENT LIABILITIES

	Consolidated Group	
	2014 **$**	**2013** **$**
Trade and other payables	1,749,672	2,244,632
Provisions	140,312	129,570
Non-recourse debt facility	–	7,553,988
Total Current Liabilities	**1,889,984**	**9,928,190**

(a) In 2012, Pryme Oil and Gas LLC, a wholly-owned subsidiary of Pryme Energy Limited, executed a Term Loan Facility (Term Facility) with Macquarie Bank Limited (Macquarie Bank) to fund its share of exploration and development costs for the Turner Bayou project in Louisiana, USA. The Term Facility was secured against the assets of Pryme Oil and Gas LLC, which solely comprise Pryme's interest in the Turner Bayou project, and was non-recourse to the parent company, Pryme Energy Limited, and all other projects and subsidiaries of Pryme. During the year ended 31 December 2013, the carrying amount of the Turner Bayou project was written down in recognition that certain covenants under the Term Facility were breached. It was agreed between the parties in 2014 that Pryme's portion of the net operating cash flows from operations of the Turner Bayou project were to be applied to the non-recourse debt obligations under the facility including any interest. The risks and rewards associated with the interest in Turner Bayou are retained by Macquarie Bank and accordingly the non-recourse loan has been measured to nil and the excess of the carrying value of the non-recourse debt over the working interest recorded as a gain related to discontinued operations (see Note 3).

NOTE 15: ISSUED CAPITAL

	Consolidated Group	
	2014 **$**	**2013** **$**
907,380,397 (2013: 289,708,568) fully paid ordinary shares	54,675,841	48,620,212
Capital raising costs	(3,326,871)	(2,480,118)
	51,348,970	46,140,094

a. Ordinary shares	**No. of Shares**	**No. of Shares**
At the beginning of reporting period	289,708,568	276,402,778
Shares issued during the year		
- 7 January 2013	-	965,502
- 22 February 2013	-	12,340,288
- 14 March 2014	6,000,000	-
- 16 April 2014	47,345,422	-
- 4 June 2014	1,400,000	-
- 23 July 2014	94,086,255	-
- 28 July 2014	339,500,157	-
- 6 August 2014	12,659,010	-
- 10 September 2014	116,680,985	-
At reporting date	907,380,397	289,708,568

As announced to the ASX on 11 February 2014, the Company agreed to issue 6,000,000 shares at $0.02 as part consideration of the acquisition of the Capitola project. In addition, during the period ending 30 June 2014 the Company issued 2,500,000 shares at $0.02 in lieu of lead manager fees in relation to the Rights Issue completed and announced to ASX on 16 April 2014. Under the Rights Issue, an additional 46,245,422 shares were issued at $0.02.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

As announced to the ASX on 22 July 2014, the Company completed an Adjusting Offer and a Renounceable Rights Issue. As a result of the Rights Issue and the Adjusting Offer announced via the prospectus lodged with the ASX on 30 June 2014, and subsequent to shareholder approval at the Extraordinary General Meeting held on 06 August 2014, the Company issued total additional shares of 446,245,422. 116,680,985 shortfall shares from the Rights Issue announced on 30 June 2014 were placed on 10 September 2014.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

On 1 January 2013 965,502 performance rights and restricted stock units shown above vested and converted to ordinary shares on a one-for-one basis on 7 January 2013. On 22 February 2013 the Company completed a placement of 12,340,288 new shares at a price of $0.08 per share.

b. Options	**Consolidated Group**	
	Number of Options 2014	**Number of Options 2013**
15 cent options		
At the beginning of the period	-	9,521,250
- Less 15 cent options expired 30 November 2013	-	(9,521,250)
Total 15 cent options	-	-
2 cent options		
At the beginning of the period	-	-
- Add 2 cent options issued 6 August 2014	400,000,023	-
- Add 2 cent options issued 10 September 2014	58,340,493	-
Total 2 cent options	458,340,516	-

As a result of the Rights Issue and the Adjusting Offer announced via the prospectus lodged with the ASX on 30 June 2014, and subsequent to shareholder approval at the Extraordinary General Meeting held on 06 August 2014, the Company issued 400,000,023 $0.02 options with an expiry date of 23 July 2016. On 10 September the Company issued an additional 58,340,493 $0.02 options attached to the shortfall shares placed. The options have an expiry date of 23 July 2016.

An additional 90,738,040 unlisted options were conditionally approved to employees of the Company subject to the achievement of certain performance conditions related to the Capitola project.

Capital risk management

The group's objectives when managing capital are to safeguard their ability to fund experations and continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

The group's capital comprises equity as decribed in the statement of financial position. There are no externally imposed capital requirments. Management monitors the group's capital by assessing financial risks and adjusting its capital structure in response to changes to these risks in the market. Responses to these changes include management of share issues.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 16: RESERVES

a. Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

b. Option Reserve

The option reserve recognises the value of options issued as described in Note 16 (b) which have not been exercised.

	Consolidated Group	
	2014	**2013**
	$	**$**
Foreign Currency Translation Reserve	(2,526,665)	(3,622,987)
Option Reserve	365,637	-
	(2,161,028)	(3,622,987)

NOTE 17: CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	2014	**2013**
	$	**$**
a. Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable – minimum lease payments		
- not later than 12 months	7,696	16,731
- between 12 months and 5 years	-	6,192
- Greater than 5 years	-	-
	7,696	22,923
b. Capital Expenditure Commitments contracted for		
Expenditure on working interest	446,854	-
	446,854	-
Payable:		
- not later than 12 months	446,854	-
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
	446,854	-

NOTE 18: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets as at 31 December 2014 (2013: Nil)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 19: SEGMENT REPORTING

	Australia	United States of America	Eliminations	Total
2014	**$**	**$**	**$**	**$**
Income				
Oil and Gas Revenue	-	948,515	-	948,515
Intercompany Management Fee	1,336,419	-	(1,336,419)	-
Other	30,425	4,539,701	(4,243,562)	326,564
Expenditure				
Production Expenses	-	(331,893)	-	(331,893)
Depletion, depreciation and exploration expenditure written off	(3,620)	(324,547)	-	(328,167)
Employee Related Expenses	(738,386)	(210,660)	-	(949,046)
Intercompany Management Fee		(1,336,419)	1,336,419	-
Other	(615,181)	(523,348)	-	(1,138,529)
Segment result	**9,657**	**2 ,761,349**	**(4,243,562)**	**(1,472,556)**
Profit/(Loss) attributable to discontinued operations	-	6,445,416	-	6,445,416
Profit/(Loss) for the period	**9,657**	**9,206,765**	**(4,243,562)**	**4,972,860**
Assets	20,324,954	16,294,627	(18,101,662)	18,517,919
Liabilities	221,926	50,681,010	(48,926,640)	1,976,296

	Australia	United States of America	Eliminations	Total
2013	**$**	**$**	**$**	**$**
Income				
Oil and Gas Revenue	-	1,201,102	-	1,201,102
Intercompany Management Fee	1,293,026	-	(1,293,026)	-
Other	39,645	6,846,586	(6,822,480)	63,751
Expenditure				
Production Expenses	-	(465,449)	-	(465,449)
Depletion, depreciation and exploration expenditure written off	(5,349)	(364,645)	-	(369,994)
Employee Related Expenses	(689,964)	(165,302)	-	(855,266)
Intercompany Management Fee	-	(1,293,026)	1,293,026	-
Intercompany Loan Provision	(30,825,100)	-	30,825,100	-
Other	(585,770)	(673,897)	-	(1,259,667)
Segment result	**(30,773,512)**	**5,085,369**	**24,002,620**	**(1,685,523)**
Profit/(Loss) attributable to discontinued operations	-	18,348,570	-	18,348,570
Profit/(Loss) for the period	**(30,773,512)**	**(13,263,201)**	**24,002,620**	**(20,034,093)**
Assets	14,720,112	13,944,810	(13,689,031)	14,975,891
Liabilities	201,255	54,390,727	(44,514,019)	10,077,963

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 20: CASH FLOW INFORMATION

	Consolidated Group	
	2014 $	2013 $
a. Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax		
Loss after income tax	4,972,860	(20,034,093)
Non-cash flows in profit		
Depreciation, depletion and amortisation	583,230	2,960,788
(Gain)/Loss on sale of assets	(6,363,132)	37,916
Impairment Intercompany Loan	-	15,998,133
Interest accrued	126,183	242,921
Changes in assets and liabilities		
(Increase)/decrease in trade and term receivables	(32,869)	70,636
(Increase)/decrease in prepayments	(3,505)	38,249
Increase/(decrease) in trade payables and accruals	430,212	161,917
Cashflow from (used in) operations	**(287,021)**	**(523,533)**

b. Credit Standby Arrangements with Banks

Other than the loan arrangements referred to in Note 14, there are no credit or standby arrangements with financiers as at 31 December 2014 (2013: Nil)

NOTE 21: EVENTS AFTER BALANCE SHEET DATE

In the opinion of the directors, there has not arisen in the interval between the end of the financial year and the date of the report any matter or circumstance that has significantly affected, or may significantly affect the Consolidated Group's operations, results or the state of affairs in future financial years.

NOTE 22: RELATED PARTY TRANSACTIONS

	Consolidated Group	
	2014 $	2013 $
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transactions with related parties:		
Key Management Personnel	3,753	21,002

Amounts totalling $3,753 (2013: $21,002) were paid to associates of Mr J Pettett for graphic design related services.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 23: FINANCIAL RISK MANAGEMENT

a. Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries and leases.

i. Treasury Risk Management

Senior executives of the group regularly analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The executive's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis.

ii. Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest Rate Risk

The Company has limited exposure to interest rate risk as the Company is paying a fixed rate in cash with the balance which is set based on LIBOR + 6.00% being capitalised in to a non-recourse loan. As the group has fixed rate borrowings, the group's profit and cash flows are substantially independent of changes in market interest rates.

Foreign Currency Risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's presentation currency. The group considers there to be immaterial risk exposure from these transactions. The group is also exposed to fluctuations in foreign currencies arising from the loans advanced by the Australian based parent entity (denominated in AUD) to its United States based subsidiaries. Foreign currency gains/losses are recorded by the subsidiaries and eliminated on consolidation via the foreign currency translation reserve.

Liquidity Risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funds from capital raising are maintained for future expenditure on working interest.

Credit Risk

The maximum exposure to credit risk is the carrying amount of receivables, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Receivables are held with predominantly with un-rated entities.

Credit risk is managed on a group basis. It arises from exposures to customers as well as through deposits with financial institutions.

The group manages credit risk by actively assessing the rating quality and liquidity of counter parties including:

- only utilising banks and financial institutions with an 'A' rating;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under arrangements entered into by the consolidated group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

b. Financial Instruments composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period and maturity, as well as management's expectations of the settlement period for all other financial instruments. As such amounts may not reconcile to the balance sheet.

2014	Average Interest Rate	Variable Interest Rate	Non Interest Bearing Less than 90 days	Total
		$	$	$
CONSOLIDATED				
Financial Assets:				
Cash and cash equivalents	2.02%	2,203,254	6,236,282	**8,439,536**
Receivables	-	-	670,372	**670,372**
Financial Liabilities:				
Trade and other payables	-	-	(1,749,672)	**(1,749,672)**
Total		**2,203,254**	**5,156,982**	**7,360,236**

2013	Average Interest Rate	Variable Interest Rate	Non Interest Bearing Less than 90 days	Total
		$	$	$
CONSOLIDATED				
Financial Assets:				
Cash and cash equivalents	2.85%	1,556,605	-	**1,556,605**
Receivables	-	-	367,957	**367,957**
Financial Liabilities:				
Trade and other payables	-	-	(2,244,632)	**(2,244,632)**
Borrowings	6.27%	(7,553,988)	-	**(7,553,988)**
Total		**(5,997,383)**	**(1,876,675)**	**(7,874,058)**

c. Net Fair Values

The net fair values of:

- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value. Where the loan is repayable within one year the cashflows are undiscounted and approximate fair value.
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

Financial assets where the carrying amount exceeds net fair values have not been written down as the consolidated group intends to hold these assets to maturity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 24: PARENT INFORMATION

The following information has been extracted from the books and records of the parent, Pryme Energy Limited, and has been prepared in accordance with Accounting Standards.

STATEMENT OF COMPREHENSIVE INCOME	Parent Entity	
	2014 $	2013 $
Total (Loss) / Profit	9,657	(30,773,512)
Total Comprehensive Income	9,657	(30,773,512)

STATEMENT OF FINANCIAL POSITION	2014 $	2013 $
ASSETS		
Current Assets	2,220,431	1,024,601
Non Current Assets	18,104,523	13,695,511
TOTAL ASSETS	20,324,954	14,720,112
LIABILITIES		
Current Liabilities	221,926	201,255
TOTAL LIABILITIES	221,926	201,255
EQUITY		
Issued capital	51,348,970	46,140,094
Reserves	365,637	-
Accumulated losses	(31,611,579)	(31,621,236)
TOTAL EQUITY	20,103,028	14,518,858

The 2013 total loss of $30,773,512 includes a provision of $30,825,100 against the intercompany loan with the parents' 100% owned US subsidiary. The intercompany loan is eliminated on consolidation and therefore has no effect on the financial statements of the group.

NOTE 25: COMPANY DETAILS

The registered office and principal place of business of the company is:

Pryme Energy Limited
Level 7, 320 Adelaide Street
Brisbane QLD 4000

The principal place of business of the US subsidiaries is:

Pryme Oil and Gas Inc
3500 Washington Ave, Suite 200
Houston, Texas 77007
United States of America

Directors' Declaration

1. In the opinion of the Directors of Pryme Energy Limited (Pryme):

   (a) the Financial Statements and Notes as set out on pages 30 to 56 are in accordance with the Corporations Act 2001, including:

      i. complying with Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting requirements; and

      ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance as represented by the results of its operations and its cash flows for the year ended on that date; and

   (b) the remuneration disclosures that are included on pages 24 to 27of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and

   (c) there are reasonable grounds to believe that Pryme will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 31 December 2014.

Signed in accordance with a Resolution of the Directors:

Justin Pettett
Managing Director

Brisbane, Queensland.
31 March 2015

Independent Auditor's Report

Independent auditor's report to the members of Pryme Energy Limited

Report on the financial report

We have audited the accompanying financial report of Pryme Energy Limited (the company), which comprises the statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Pryme Energy Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Independent Auditor's Report

pwc

Auditor's opinion

In our opinion:

(a) the financial report of Pryme Energy Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards including the Australian Accounting Interpretations, the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with the International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 24 to 26 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Pryme Energy Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
31 March 2015

Shareholder Information

AS AT 26 FEBRUARY 2015

Shareholder Information required by the Australian Securities Exchange Limited (ASX) Listing Rules and not disclosed elsewhere in the Report is set out below.

1. Substantial shareholders

The number of securities held by substantial shareholders and their associates as notified to the Company on 17 November 2014 are set out below:

Fully paid Ordinary Shares

Name	Number	%
Evo Fund and Evo Investment Advisors Ltd	53,159,782	5.8586

2. Number of security holders and securities on issue

Pryme has issued the following equity securities:

- 907,380,397 fully paid ordinary shares held by 1,545 shareholders;
- 458,340,516 $0.02 listed options held by 245 option holders; and
- 90,738,040 $0.02 unlisted Management Options held by 3 option holders.

3. Voting rights

Ordinary shares

The voting rights attached to ordinary shares are that on a show of hands, every member present, in person or proxy, has one vote and upon a poll, each share shall have one vote.

Listed Options and Unlisted Management Options

The holders of Listed Options and Unlisted Management Options do not have any voting rights on the Listed Options and Unlisted Management Options held by them.

4. Distribution of security holders

Quoted securities

(a) Fully paid ordinary shares

Category	Fully paid Ordinary shares		
	Holders	Shares	%
1 - 1,000	68	29,066	0.00
1,001 - 5,000	183	568,431	0.06
5,001 - 10,000	212	1.811,219	0.20
10,001 - 100,000	571	23,340,827	2.57
100,001 and over	511	881,630,854	97.16
Total	**1,545**	**907,380,397**	**100.00**

(b) $0.02 Listed Options

Category	$0.02 Listed Options expiring 23 July 2016		
	Holders	Shares	%
1 - 1,000	1	450	0.00
1,001 - 5,000	22	58,479	0.01
5,001 - 10,000	15	109,365	0.02
10,001 - 100,000	57	2,135,995	0.47
100,001 and over	150	456,036,227	99.50
Total	**245**	**458,340,516**	**100.00**

Shareholder Information

Unquoted securities

Category	$0.02 Unlisted Management Options		
	Holders	Shares	%
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	0	0	0.00
100,001 and over	3	90,738,040	100.00
Total	**3**	**90,738,040**	**100.00**

5. Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of ordinary shares is 975. 83,334 shares comprise a marketable parcel at the Pryme closing share price of $0.006.

The number of option holders holding less than a marketable parcel of $0.02 Listed Options is 137. 500,000 Listed Options comprise a marketable parcel at the Pryme closing options price of $0.001.

6. Unquoted securities

90,738,040 $0.02 Unlisted Management Options have been issued to three holders and remain unvested and unexercised. Details of holders of 20% or more of the Management Options are as follows:

Name	No. of $0.02 Unlisted Management Options	%
Justin Pettett	36,295,216	40.00
Ryan Messer	36,295,216	40.00
Sandra Gaffney	18,147,608	20.00

7. On market buy-back

There is no current on market buy-back.

Shareholder Information

8. Twenty largest shareholders of quoted equity securities

(a) Fully paid ordinary shares

Details of the 20 largest shareholders by registered shareholding are:

	Name	No. of shares	%
1	BNP Paribas Nominees Pty Ltd (BNP Paribas LDN UK BCH DRP)	55,159,782	6.08
2	Panorama Ridge Pty Ltd	39,644,920	4.37
3	Belmont Park Investments Pty Ltd	35,014,214	3.86
4	Bond Street Custodians Pty Limited (Willow –V21664 A/C)	30,000,000	3.31
5	Kobia Holdings Pty Ltd	22,214,991	2.45
6	Grant James Prince	19,887,866	2.19
7	Jojeto Pty Ltd (Lloyd Super Fund A/C)	16,251,432	1.79
8	Jaclyn Stojanovski +Chris Retzos + Susie Retzos (Retzos Executive S/F A/C)	14,853,132	1.64
9	Pettett Pty Limited	13,129,725	1.45
10	Anthony Rispoli	12,340,394	1.36
11	Mark John Bahen + Margaret Patricia Bahen (Superannuation Account)	11,790,003	1.30
12	GHJC Pty Limited	11,250,000	1.24
13	Sourcerock Investments LLC	11,130,095	1.23
14	Blu Bone Pty Ltd	11,000,000	1.21
15	Forstu Pty Ltd (Barlow Superfund A/C)	10,257,572	1.13
16	Philip John Coulson	10,000,000	1.10
17	Craig MacBride	10,000,000	1.10
18	Colbern Fiduciary Nominees Pty Ltd	9,675,757	1.07
19	Yelbor Investments Pty Limited	9,598,752	1.06
20	Talex Investments Pty Ltd	9,000,000	0.99
	Total for Top 20	**362,198,635**	**39.92**

b) $0.02 Listed Options

Details of the 20 largest option holders by registered holding are:

	Name	No. of shares	%
1	BNP Paribas Nominees Pty Ltd (BNP Paribas LDN UK BCH DRP)	34,580,006	6.08
2	Propel Holdings Ltd	20,000,020	4.36
3	Jaclyn Stojanovski +Chris Retzos + Susie Retzos (Retzos Executive S/F A/C)	16,176,566	3.53
4	Emmanuel Marie Anthony	15,180,000	3.31
5	Bond Street Custodians Pty Limited (Willow –V21664 A/C)	15,000,000	3.27
6	Kobia Holdings Pty Ltd	15,000,000	3.27
7	Peter Andrew Proksa	15,000,000	3.27
8	Grant James Prince	14,943,934	3.26
9	Colbern Fiduciary Nominees Pty Ltd	10,537,879	2.30
10	Tarecq Aldaoud	10,000,000	2.18
11	Castle Bailey Pty Ltd (D&S Bailey Family A/C)	10,000,000	2.18
12	Mark John Bahen + Margaret Patricia Bahen (Superannuation Account)	9,895,002	2.16
13	Blu Bone Pty Ltd	9,895,002	2.16
14	ASC Resources Ltd	9,243,752	2.02
15	Dragoslav Jevtic + Nicole Jevtic	9,000,000	1.96
16	Forstu Pty Ltd (Barlow Superfund A/C)	8,000,000	1.75
17	John Charles Vassallo + Sean James Vassallo (Vassallo Family S/F A/C)	8,000,000	1.75
18	Merrill Lynch (Australia) Nominees Pty Limited	7,395,002	1.61
19	Yondro Pty Ltd	6,932,814	1.51
20	Neil William Strong	6,547,501	1.43
	Total for Top 20	**251,327,478**	**54.83**

Corporate Directory

Directors
Mr George Lloyd (Chairman)
Mr Justin Pettett (Managing Director)
Mr Ryan Messer (Executive Director)
Mr Greg Short (Non-Executive Director)

Chief Financial Officer
Sandra Gaffney

Company Secretary
Ms Swapna Keskar

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Stock Exchanges
Australian Securities Exchange Limited (ASX)
Code: PYM

International OTCQX
Code: POGLY

Australian Company Number
117 387 354

Australian Business Number
75 117 387 354





pryme energy

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