

Capitola Oil Project Operations Update

HIGHLIGHTS

- Fracture stimulation of Shari Lynn No.1 completed and pump connected
- Capitola Oil Project production steady at 140 Bbls of oil and 180 Mcf of natural gas per day

Pryme Energy Limited (Pryme) is pleased to announce that the fourth well drilled in the Capitola Oil Project, the Shari Lynn No.1 in the Sweetwater acreage block, has been fracture stimulated in the Canyon Sand series interval. The well was stimulated to plan and responded as expected. It is now cleaning up with frack fluid being produced to surface. The Initial Potential (IP) of the well will be determined following the establishment of steady oil production. Pryme has a 100% Working Interest (WI) (75% Net Revenue Interest (NRI)) in the Shari Lynn well which was drilled to a total depth of 5,621 feet (1,713 metres).

“The Shari Lynn is located relatively close to the Mahaffey Bishop well, which continues to exceed production expectations, and could exhibit similar production characteristics,” said Justin Pettett, Pryme’s Managing Director. “The Mahaffey Bishop produced frack fluid back to surface for almost 2 weeks before the appearance of an oil cut. Oil production then continued to build over the following 3 to 4 weeks before reaching a steady flow. The Shari Lynn is in the early stages of this process and we expect to see the first oil cut around the end of next week.”

Current daily production is stable at approximately 140 Bbls of oil (105 barrels of oil net to Pryme) and 180 Mcf of natural gas (135 Mcf of natural gas net to Pryme) from the first 3 Capitola wells. It is expected that the Shari Lynn well will make a significant contribution to Pryme’s oil production.

About the Capitola Oil Project

The Capitola Oil Project is located in an active region of the Eastern Shelf of the Permian Basin just north of the town of Sweetwater, Texas. The project contains a number of shallow, “stacked” formations to depths of 7,500 feet, with established oil production history from vertical wells. The Capitola Oil Project acreage is contained within two contiguous lease blocks referred to as Sweetwater (approx. 7,000 acres) and Claytonville (approx. 2,333 acres) to the north of Sweetwater. Pryme is the operator of the Capitola Oil project.

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Competent Person Statement and Disclaimer

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