



# Quarterly Report June 2011

We are now drilling the horizontal leg of our second Austin Chalk well and are confident of intersecting a similar oil bearing fracture network to that encountered in the first well. At least twelve oil and gas bearing fracture zones were intersected in the horizontal leg of the Deshotels 20H No.1; they were accompanied by significant oil and gas shows, which were produced to the surface during drilling, and confirmed the prospectivity of the Austin Chalk formation within the project area.

Justin Pettett, Pryme's Managing Director

As was the case with the initial well in this project, the Deshotels 13H No.1 is being drilled slightly under balance and, as a result, we expect to see oil and natural gas returns at the surface as we drill through the fractured sections of the chalk. We will keep investors up to date during drilling of the horizontal leg which is expected to be completed by early August.

Ryan Messer, Pryme's Executive Director



*Natural gas being flared from the Deshotels 20-H No.1 well in Turner Bayou*

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## Glossary

Bbls/day ..... Barrels (of oil) per day  
 Bbls/month ..... Barrels (of oil) per month  
 Bcf ..... Billion Cubic Feet  
 Bcfe ..... Billion Cubic Feet Equivalent  
 BOE ..... Barrels of Oil Equivalent  
 Mcf ..... Thousand Cubic Feet  
 Mcfd ..... Thousand cubic feet per day  
 MMcfd ..... Million Cubic Feet of Natural Gas per day  
 NRI ..... Net Revenue Interest  
 Tcf ..... Trillion Cubic Feet  
 Tcfe ..... Trillion Cubic Feet Equivalent  
 WI ..... Working Interest  
 3.28 feet ..... Equals 1 metre

## 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

### Registered and Principal Office

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**Phone:** +617 3257 5000

**Fax:** +617 3031 9107

### Attorneys

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 HOUSTON Texas 77002  
 United States of America

### 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

# June 2011 Quarterly Activity Report

26 July 2011

In accordance with Listing Rule 5.2, Pryme Energy Limited, an oil and natural gas producer and explorer operating in the United States, is pleased to report on its activities for the quarter ending 30 June 2011.

## JUNE QUARTER HIGHLIGHTS

- Drilling of the second Austin Chalk formation well, the Deshotels 13H No.1, underway
- Construction of the flow line from the Turner Bayou production facilities to the main gas sales pipeline has been completed
- Non renounceable rights issue to raise \$4m

## A SMALL CAP GROWTH OPPORTUNITY

<b>ASX Code:</b>	PYM
<b>Recent price:</b>	<b>\$0.145</b>
(25 July 2011)	
<b>Cash on hand:</b>	<b>\$3,242,000</b>
<b>Shares outstanding:</b>	<b>225,611,182</b>
(30 June 2011)	
<b>Market Capitalisation:</b>	<b>\$32m</b>
<b>Price range (12 month):</b>	<b>\$0.045-\$0.27</b>



# Projects

## Quarterly Sales Report (net to Pryme)

Project	June 2011 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
La Salle Parish	0	2,228	0	4,628
Four Rivers	0	1,682	0	3,312
Raven*	14,375	402	29,657	669
Catahoula Lake	0	1,271	0	2,653
Turner Bayou*	Flaring	3,925	Flaring	9,111
<b>Total</b>	<b>14,375</b>	<b>9,508</b>	<b>29,657</b>	<b>20,373</b>

\*Actual sales for the first two months of the quarter and an estimate based on production data for the last month of the quarter.

### LaSalle Parish Project (8% - 21.5% Interest)

The LaSalle Parish project is based on oil production from five fields, the first of which was discovered in 2000.

Second quarter oil sales of 2,228 barrels (27 Bbls/day net to Pryme) were 7% lower than for the previous quarter. This is mainly attributable to normal decline.

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

Second quarter sales for the Raven project were 14,375 Mcf of natural gas and 402 barrels of condensate net to Pryme, a 5% reduction in gas sales over the previous quarter, mainly due to normal decline, and a 180% increase in condensate sales due to the timing of oil deliveries and a slight increase in condensate production.

### Four Rivers Project (25% Interest / 18.75% - 20% NRI)

The Four Rivers project extends from Winn, Concordia and Catahoula Parishes in Louisiana to Adams, Jefferson and Wilkinson Counties in Mississippi. The project is targeting multiple "stacked" oil zones throughout the Middle-Wilcox formation at depths ranging from 4,000 to 7,000 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 on-going maintenance costs.

Second quarter sales from the Four Rivers project was 1,682 barrels of oil net to Pryme, a 3% increase over sales for the previous quarter. Average sales net to Pryme was 18.4 Bbls/day for the quarter. The slight increase in sales is mainly due to the timing of oil deliveries. The Jack Allen

well is still in non-producing status due to unitization work that needs to be completed before the well is re-completed in a shallower sand.

### Catahoula Lake Project (25% Interest / 20.25% NRI)

The Catahoula Lake project is located in LaSalle, Rapides and Grant parishes, Louisiana and is targeting multiple "stacked" oil zones throughout the Middle-Wilcox formation at depths ranging from 4,500 to 5,500 feet. Ultimate oil recoveries are expected to range from 50,000 to 200,000 barrels for each successful well drilled from land locations and in excess of 250,000 barrels for each successful well drilled from lake locations.

Sales for the quarter were 1,271 barrels of oil net to Pryme, a 5% reduction over the previous quarter. Average sales net to Pryme were 14 Bbls/day for the quarter.

The C-11 well was worked over and brought back on line at the end of June. The C-10 well was also worked over during the quarter and recompleted in a shallower sand. Both wells will contribute to increased oil sales in the next quarter.

The remainder of 2011 will be spent on detailed geological interpretation of the lake based on information from nearby onshore and offshore exploration which has been carried out over the past 60 years. The 2011 plan also includes drilling at least one new well in an onshore location on the edge of the lake. When the lake becomes available for barge rig exploration in early 2012 we expect to have a comprehensive exploration program prepared.

## Projects (cont.)

### Turner Bayou 3D Seismic Project

Drilling of the second well in the Turner Bayou Chalk project, the Deshotels 13H No.1 well in North Bayou Jack Field, commenced during the quarter and, at the date of this report, had reached a total vertical depth of 15,000 feet (4,572 metres) in the upper portion of the Austin Chalk formation. The vertical section of the well was logged and the intermediate string of casing cemented in place before drilling of the 4,000 foot (1,220 metres) horizontal section was commenced.

At the time of writing this report the horizontal section of the well has encountered hydrocarbon bearing fractures and oil and gas can be seen in the drilling returns at the surface.

The Deshotels 20H No.1, the first well to be drilled in the Turner Bayou Chalk project, is currently producing well below expectations at 120 barrels BBls/day and approximately 90 Mcf per day of natural gas. Pryme and its partners plan to remediate the Deshotels 20H No.1 following the drilling and completion of the current well.

Exploration and leasing activities in the vicinity of Turner Bayou are increasing. Anadarko Petroleum, one of the world's largest independent oil and gas exploration and production companies, commenced drilling its first Austin Chalk well on trend and near Turner Bayou on 14 June 2011. The Dominique 27-1 (see map at the end of this report) is being drilled to a vertical depth 16,500 feet (5,030 metres) and a total measured depth of 23,200 feet (7,070 metres.) The well is currently drilling at 15,910 feet (4,850 metres.)

Anadarko has also permitted several additional wells on trend with Turner Bayou which indicates its strong interest in the area.

Construction of the flow line from the Turner Bayou production facilities to the main gas sales pipeline has been completed and natural gas sales from the Deshotels 20H No.1 commenced in July. Natural gas sold from the Turner Bayou Chalk project is expected to attract a premium to reference market gas prices because of the high natural gas liquids (condensate) content. The Deshotels 20H No.1 production and sales facilities have been designed to service both the Deshotels 20H No.1 and the Deshotels 13H No.1 wells.



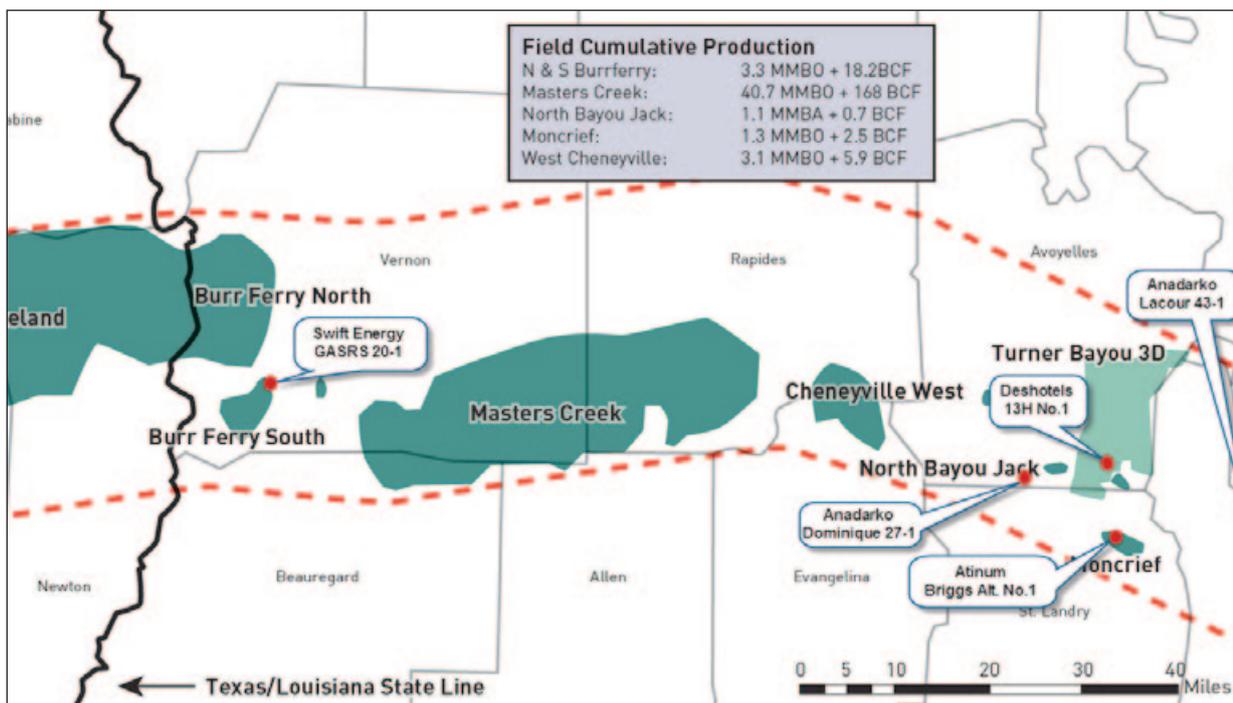
*Deshotels 20H No.1 Production Well Head*

# Corporate

## CAPITAL RAISING

During the Quarter, Pryme announced a non-renounceable rights issue (Rights Issue). Under the Rights Issue eligible shareholders were offered 1 new share in Pryme for every 7 fully paid ordinary shares held at the Record Date, at a price of \$0.125 per share. The Company expects to issue 32,230,168 new shares and raise approximately \$4 million under the Rights Issue.

The additional funds, after the expenses of the Rights Issue and normal working capital requirements, will be used primarily to ensure that, in the event of cost overruns on the Deshotels 13H No.1 well in the Turner Bayou Chalk project, the Company can continue to fund its proportionate share.



On trend drilling activity around Turner Bayou

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

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# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

**Name of entity** **ABN** **Quarter ended ("current quarter")**  
**Pryme Energy Limited** **75 117 387 354** **30 June 2011**

### Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	1,133	1,868
1.2 Payments for (a) exploration and evaluation	(2,284)	(3,694)
(b) development	-	-
(c) production	(184)	(369)
(d) administration	(581)	(1,169)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	21	36
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(5)	78
	<b>(1,901)</b>	<b>(3,251)</b>
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(3)	(27)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	<b>(3)</b>	<b>(27)</b>
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	<b>(1,904)</b>	<b>(3,278)</b>

# Appendix 5B

## Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,904)	(3,278)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	(21)
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	3,000	4,000
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>3,000</b>	<b>3,979</b>
	<b>Net increase (decrease) in cash held</b>	<b>1,096</b>	<b>701</b>
1.20	Cash at beginning of quarter/year to date	2,160	2,562
1.21	Exchange rate adjustments to item 1.20	(14)	(21)
1.22	<b>Cash at end of quarter</b>	<b>3,242</b>	<b>3,242</b>

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

### Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	228
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	N/A

### Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

# Appendix 5B

## Mining exploration entity quarterly report

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	4,000,000	757,435
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,168
4.2 Development	-
4.3 Production	203
4.4 Administration	447
<b>Total</b>	<b>1,818</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,242	2,160
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3,242</b>	<b>2,160</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	-	-	-	-

# Appendix 5B

## Mining exploration entity quarterly report

### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference *securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			N/A	
7.3 <b>*Ordinary securities</b>	225,611,182	225,611,182	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 <b>*Convertible debt securities</b> (description)	14,917,467	-	\$0.30	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	14,917,467	-	\$0.30	-
7.7 <b>Options</b> (description and conversion factor)	-	-	<i>Exercise price</i> -	<i>Expiry date</i> -
Unlisted Options	500,000		\$0.15	20 January 2012
Listed Options	-	-	-	-
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> (totals only)			N/A	
7.12 <b>Unsecured notes</b> (totals only)			N/A	

# Appendix 5B

## Mining exploration entity quarterly report

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  ..... Date: 26 July 2011

(Director)

Print name: Justin Pettett

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.





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