Half Yearly Report June 2013

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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

Directors' Report

In accordance with a resolution of the directors, the directors present their Report together with the Financial Report of Pryme Energy Limited ("Pryme" or "the Company") and its subsidiaries (together referred to as the Consolidated Entity or "the Group") for the half year ended 30 June 2013 (Period) and the Independent Auditor's Review Report thereon:

Directors

The Directors of Pryme at any time during or since the end of the half year ended 30 June 2013 are:

Executive Directors
Mr Justin Pettett (Managing Director)
Mr Ryan Messer (Chief Operating Officer)

Non-Executive Directors
Mr George Lloyd (Chairman)
Mr Gregory Short

At the Annual General Meeting held on 24 April 2013, Mr George Lloyd was re-elected to the Board in accordance with clause 13.2 of Pryme's Constitution.

Review of Operations

The principal activities of Pryme during the period under review were evaluating, exploring and developing oil and gas prospects and producing oil and gas in the United States of America. There have been no changes in the nature of these activities during the period. In the first half of 2013, $1,603,171 was invested in exploration, evaluation and development activities (2012: $1,212,907). This investment was principally in the completion of the Rosewood 21H well in the Turner Bayou project.

Production

For the half year ended 30 June 2013, cumulative net production for the Company comprised 12,276 barrels of oil and 20,649Mcf of natural gas from the Turner Bayou, LaSalle Parish, Raven, Four Rivers projects (2012: 13,317 barrels of oil and 24,609Mcf of natural gas).

Financial Results

The functional currency for the US operations of the Group is US Dollars. The presentation currency for the Group's accounts is Australian Dollars. All figures quoted in this report are Australian Dollars unless otherwise specified.

Revenue of the Consolidated Entity from production of oil and gas for the half year ended 30 June 2013 was $1,337,388 (2012: $1,477,327). The reduction reflects natural decline in production for Turner Bayou, Lasalle, Four Rivers and Raven. The average oil price received for the 6 months to June 2013 was US$109 per Bbl (2012: US$112 per Bbl) with total revenue from oil sales attributable to the following producing assets: Four Rivers 47%, Turner Bayou 45%, Raven 8%. The average gas price received for the 6 months to June 2013 was US$3.14 per Mcf (2012: US$2.12per Mcf).

For the half year ended 30 June 2013, the Company has recorded a loss from operations of $17,544,706 (2012: $2,439,673). Total Comprehensive Income for the Company for the period was a loss of $15,412,996 (2012: $2,420,107) including a gain of $2,131,710 (2012: $19,566) arising on translation of foreign operations. Included in the loss is an amount of $16 million which relates to the impairment of the Turner Bayou project (see further explanation below).

In 2012, Pryme Oil and Gas LLC, Pryme's Energy Limited's wholly-owned subsidiary which holds Pryme's interest in the Turner Bayou project, 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 is secured against the assets of Pryme Oil and Gas LLC and is non-recourse to the parent company, Pryme Energy Limited, and all other projects and subsidiaries of Pryme.

During the half year ended 30 June 2013, Pryme Oil and Gas LLC commenced a renegotiation of the Term Facility following problems encountered in drilling the Rosewood Plantation 21H well. Notwithstanding the renegotiation of the Term Facility and discussions to farm out an interest in the project to a third party which are currently underway, in the absence of definitive terms for a revised funding arrangement as at 30 June 2013 the carrying amount of the Turner Bayou project has been written down to the amount owing under the Term Facility plus certain accrued project costs. Whilst it is the intention of Pryme Oil and Gas LLC and Macquarie Bank to complete the renegotiation of the Term Facility and resolve the funding shortfall in a manner that preserves value in the Turner Bayou project, the decision by the Company to write down the value of the project is a conservative view recognising that certain covenants under the Term Facility which have been breached could result in Pryme Oil and Gas LLC's interest in the Turner Bayou project being relinquished in settlement of the loan.

For the half year ended 30 June 2013, the Company has recorded negative cash flows from operations of $63,126 (2012: negative $80,768).

Directors' Report (cont.)

Exploration Activities

Details of Pryme's exploration activities are specified in the "Projects" section of the half year report.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration has been provided by Pryme's auditor, PricewaterhouseCoopers. A copy of this declaration is attached to, and forms part of, the half year report for the six months ended 30 June 2013.

Signed in accordance with a resolution of the Board of Directors.

Justin Pettett
Managing Director
Brisbane
4 September 2013

Projects

Drilling of the Rosewood Plantation 21H well in the Turner Bayou project was funded by way of a non-recourse credit facility provided by Macquarie Bank Limited. The loan security is limited to the Turner Bayou project assets and the company's other assets, including cash holdings, are excluded. We are presently in discussions with Macquarie over an extension to the maturity date for the loan and other amendments to the credit facility agreement which will allow us to pursue further drilling opportunities in the project. Our relationship with Macquarie is very good and both parties have been working together to achieve their respective goals.

We are currently investigating the acquisition of one or more strategic assets to augment the exploration upside in Turner Bayou.

Our vision remains unchanged; it is to grow Pryme into a high quality independent US oil and gas company capable of delivering high returns to shareholders through the exploration and development of projects throughout the USA.

Site of Rosewood Plantation 21H well Avoyelles Parish, Louisiana

Production

Half Year Sales Report (net to Pryme)

Project	H1 2012		H2 2012		H1 2013	
	Natural Gas (Mcf)	Oil/ Condensate (Bbls)	Natural Gas (Mcf)	Oil/ Condensate (Bbls)	Natural Gas (Mcf)	Oil/ Condensate (Bbls)
Raven	24,609	531	21,908	447	20,649	402
Four Rivers (includes Lasalle)		6,644		7,039		6,177
Turner Bayou		6,142		4,736		5,697
Total	**24,609**	**13,317**	**21,908**	**12,222**	**20,649**	**12,276**
Total (BOE*)	**17,418**		**15,873**		**15,718**	

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

Average net daily sales to Pryme's account for the half year ending June 2013 were 67 Bbls/day of oil and 113 Mcfd of natural gas (86 BOE/day). This represents a slight decrease of 1% from the half year ending December 2012.

Production (cont.)

Throughout the half year we have been working on key items outlined below.

- Continued drilling operations in Turner Bayou
  - Pryme continues to progress discussions with various parties interested in farming into Turner Bayou and funding further drilling activities. This would enable Pryme to retain an interest in the project and share in any upside through successful drilling efforts. Our latest efforts have resulted in some significant interest and we remain optimistic of putting in place arrangements that would fund further exploration and development in the project area in a way that would minimise Pryme's financial exposure while retaining significant equity in ongoing operations.
- Re-negotiation of debt facility terms with Macquarie Bank
  - Negotiations have progressed towards an amendment to the company's non-recourse credit facility. Agreement in principal between the parties includes an extension of the maturity date and other amendments to the credit facility agreement which recognise the present circumstances.

Turner Bayou Chalk Project

- Deshotels 20H and 13H Production (40% WI / 30% NRI)
- Rosewood Plantation 21H No.1 (61.53% WI / 46.15% NRI)

The average daily production rate for these wells during the half year ending June 2013 was 96 Bbls/day (35 Bbls/day net to Pryme.) Production has remained fairly stable despite the mechanical issues which impeded their effective completion.

The three production units hold approximately 3,360 acres by production.

About Turner Bayou

The Turner Bayou project comprises approximately 80 square miles (50,000 acres) which have been imaged by a proprietary 3D seismic survey. Pryme has a 40% working interest in 25,029 acres (10,011 net acres) in the Turner Bayou Project and is initially targeting development of the Austin Chalk horizon. In addition to the Austin Chalk potential of the Turner Bayou project area, exploration drilling within Pryme's Turner Bayou leases has intersected the Tuscaloosa Marine Shale which is analogous to the Eagle Ford Shale in South Texas.

Four Rivers Project (8% - 25% Working Interest)

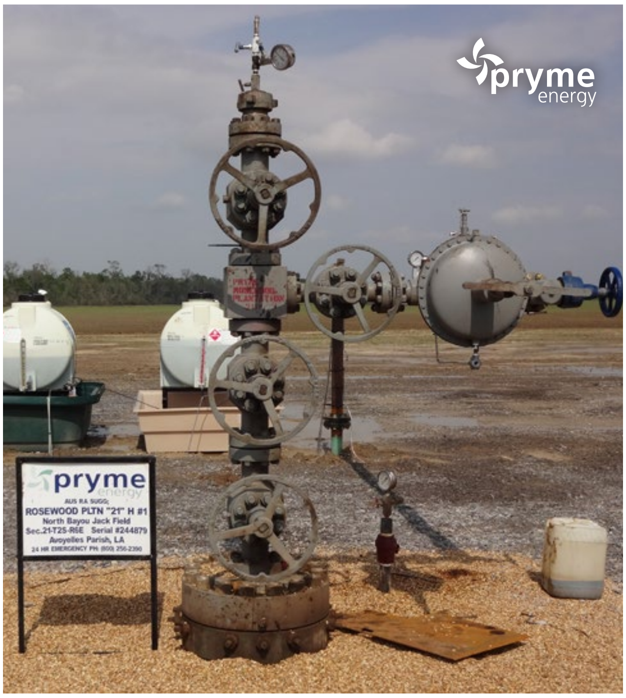
Half year oil sales of 6,177 barrels (34 Bbls/day net to Pryme) were 12% lower than for the previous half year. This is mainly attributable to timing of oil deliveries and normal decline.

About Four Rivers

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 with the potential for rapid conversion to production and typically have low operating and maintenance costs.

Raven Project (35% WI / 25.38% NRI)

Half year sales for the Raven project were 20,649 Mcf of natural gas and 402 barrels of condensate net to Pryme (114mcfd and 2 Bbls/day net to Pryme respectively), reflecting 5.7% decrease in gas sales over the previous half year and a 10% decrease in condensate sales due timing of oil sales.



Auditor's Independence Declaration

Under Section 307C of the *Corporations Act 2001*
To the Directors of Pryme Energy Limited

Auditor's Independence Declaration

As lead auditor for the review of Pryme Energy Limited for the half-year ended 30 June 2013, 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 review; and

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

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

Craig Thomason
Partner
PricewaterhouseCoopers

Brisbane
4 September 2013

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Financials

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2013

		Consolidated Entity	
	Note	30 June 2013	30 June 2012
		$	$
Revenue	2	1,383,664	1,524,094
Production Costs		(434,318)	(622,898)
Gross Profit		949,346	901,196
Audit and accounting fees		(74,184)	(75,991)
Depletion, depreciation and exploration write off expense	6	(17,170,311)	(2,258,563)
Directors' remuneration	3	(300,007)	(298,698)
Directors' remuneration – Share/Option Plan	3	–	(5,484)
Professional consulting fees	3	(158,132)	(276,343)
Employee benefits expense		(130,839)	(213,478)
Legal and secretarial fees		(68,525)	(44,568)
Share registry and listing fees		(20,893)	(21,004)
Travel expenses		(78,969)	(66,352)
Gain on sale of assets		–	202,637
Finance costs		(348,328)	(102,525)
Administration expenses		(143,864)	(180,500)
Loss before income tax		**(17,544,706)**	**(2,439,673)**
Income tax expense		-	-
Loss for the period		**(17,544,706)**	**(2,439,673)**
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Net gain /(loss) on foreign currency translation reserve		2,131,710	19,566
Income tax related to components of other comprehensive income/(loss)		-	-
Total Comprehensive Income/(Loss)		**(15,412,996)**	**(2,420,107)**
Net Profit/(Loss) attributable to members of the parent entity		**(17,544,706)**	**(2,439,673)**
Total Comprehensive Income/(Loss) attributable to members of the parent entity		**(15,412,996)**	**(2,420,107)**
Basic earnings per share from continuing operations – cents per share		(6.1) cents	(0.93) cents
Diluted earnings per share from continuing operations – cents per share		(6.1) cents	(0.93) cents

The accompanying notes form part of these financial statements

Financials (cont.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE HALF YEAR ENDED 30 JUNE 2013

	Note	Consolidated Entity 30 June 2013 $	Consolidated Entity 31 December 2012 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,495,498	2,074,453
Trade and other receivables	5	388,310	352,283
Other current assets		79,781	49,697
TOTAL CURRENT ASSETS		**2,963,589**	**2,476,433**
NON-CURRENT ASSETS			
Property, plant and equipment		35,572	40,191
Working Interest	6	14,270,583	24,912,419
TOTAL NON-CURRENT ASSETS		**14,306,155**	**24,952,610**
TOTAL ASSETS		**17,269,744**	**27,429,043**
CURRENT LIABILITIES			
Trade and other payables		2,634,479	469,464
Borrowings	7	7,218,893	5,097,691
TOTAL CURRENT LIABILITIES		**9,853,372**	**5,567,155**
NON-CURRENT LIABILITIES			
Provisions		145,780	109,988
TOTAL NON-CURRENT LIABILITIES		**145,780**	**109,988**
TOTAL LIABILITIES		**9,999,152**	**5,677,143**
NET ASSETS		**7,270,592**	**21,751,900**
EQUITY			
Issued capital	8	46,124,547	45,160,032
Reserves		(3,724,163)	(5,823,046)
Accumulated losses		(35,129,792)	(17,585,086)
TOTAL EQUITY		**7,270,592**	**21,751,900**

The accompanying notes form part of these financial statements

Financials (cont.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2013

	Note	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Options Reserve	Total
		$	$	$	$	$
Balance at 1 January 2012		**43,817,369**	**(13,762,203)**	**(5,431,836)**	**99,770**	**24,723,100**
Total Comprehensive Loss for the half year		**-**	**(2,439,673)**	**19,566**	**-**	**(2,420,107)**
Transactions with owners in the capacity as owners						
Share issue costs		(200)	-	-	-	(200)
Long Term Incentive Plan		65,479	-	-	(59,477)	6,002
Transfer from retained earnings		-	13,500	-	(13,500)	-
Balance at 30 June 2012		**43,882,648**	**(16,188,376)**	**(5,412,270)**	**26,793**	**22,308,795**
Balance at 1 January 2013		**45,160,032**	**(17,585,086)**	**(5,871,470)**	**48,424**	**21,751,900**
Total Comprehensive Loss for the half year		**-**	**(17,544,706)**	**2,131,710**	**-**	**(15,412,996)**
Share issue - Placement		987,223	-	-	-	987,223
Share issue costs		(55,535)	-	-	-	(55,535)
Long Term Incentive Plan		65,479	-	-	(59,477)	6,002
Transfer from retained earnings		-	32,827	-	(32,827)	-
Balance at 30 June 2013		**46,124,547**	**(35,129,792)**	**(3,739,760)**	**15,597**	**7,270,592**

The accompanying notes form part of these financial statements

Financials (cont.)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2013

	Note	Consolidated Entity	
		30 June 2013	30 June 2012
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,389,107	1,505,415
Payments to suppliers and employees		(1,475,031)	(1,631,409)
Interest received		22,798	45,226
Net cash (used in)/provided by operating activities		**(63,126)**	**(80,768)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,956)	(58,812)
Payments for working interest		(1,603,171)	(1,212,907)
Proceeds from sale of working interest		-	1,627,077
Net cash provided by/(used in) investing activities		**(1,605,127)**	**355,358**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue (net of share issue costs)		931,688	(200)
Payment of interest and finance fees		(216,062)	(448,230)
Proceeds/(Repayment of) borrowings/convertible notes	7	1,271,904	(4,000,000)
Net cash (used in)/provided by financing activities		**1,987,530**	**(4,448,430)**
Net (decrease)/increase in cash held		319,277	(4,173,840)
Cash at beginning of period		2,074,453	5,232,537
Effect of exchange rate movement		101,768	1,278
Cash at end of period		**2,495,498**	**1,059,975**

The accompanying notes form part of these financial statements

Financials (cont.)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2013

NOTE 1: BASIS OF PREPARATION

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2012 and any public announcements made by Pryme Energy Limited ("Pryme" or "the Company") and its controlled entities ("Consolidated Entity") during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those in the annual financial report for the year ended 31 December 2012. The Company has adopted a number of Australian Accounting Standards and Interpretations that are mandatory for reporting periods beginning on or after 1 January 2013. The adoption of these standards did not have any impact on the current period or any previous period and is not likely to affect future periods.

Going Concern

The Consolidated Entity recorded a loss of $17,544,706 for the half year. The operating cash outflow for the half year is $63,126. The loss for the half year includes non cash depletion of $1,190,160 and a non cash impairment writedown of $15,998,133 relating to the Turner Bayou project which has been recorded because Pryme Oil and Gas LLC, a wholly-owned subsidiary of Pryme Energy Limited, is in breach of certain loan covenant arrangements in relation to the Term Loan Facility (Term Facility) entered into with Macquarie Bank Limited (Macquarie Bank) to fund its share of exploration and development costs for the Turner Bayou project in Louisiana, USA. During the half year ended 30 June 2013, Pryme Oil and Gas LLC commenced a renegotiation of the Term Facility following the breach. In the absence of definitive terms for a revised funding arrangement as at 30 June 2013, the carrying amount of the working interest in the Turner Bayou project has been written down to $9.3m which equates to the amount owing under the Term Facility of $7.2m plus accrued project costs of $2.1m. Refer to Note 6.

It is the intention of Pryme Oil and Gas LLC and Macquarie Bank to renegotiate the Term Facility and resolve the funding shortfall in a manner that enables Pryme to maintain an interest in the Turner Bayou project. Consistent with other oil and gas exploration companies, Pryme intends to continue to fund its future exploration activities as required which may be by way of (or some combination of) the following:

- Entering in to arrangements to farm out or sell existing projects/assets;
- Negotiating new debt facilities; and/or
- Raising capital from new/existing shareholders

The Consolidated Entity has net current liabilities of $6,889,783 at 30 June 2013. However, this amount includes $7,218,893 in relation to the Term Facility that is non-recourse to the parent company, Pryme Energy Limited, and all other projects and subsidiaries of Pryme. In addition, net current liabilities include an accrual for costs of $2,132,875 relating to the Rosewood 21H well drilled in the Turner Bayou project. Liability for these costs is limited to the Turner Bayou project assets owned by Pryme Oil and Gas LLC. After adjusting for these liabilities, the Consolidated Entity has net current assets of $2,461,985.

Based on Pryme's cashflow projections, the Company has sufficient cash reserves to pay its debts as and when they become due and payable regardless of whether Pryme continues to own and operate the Turner Bayou project or if it is relinquished in settlement of the Macquarie Bank Term Facility. Accordingly, the interim report has been prepared on a going concern basis.

At the date of this report, 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 at 30 June 2013. 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.

New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial

Financials (cont.)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2012

NOTE 1: BASIS OF PREPARATION (continued)

statements. Pryme is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the entity.

AASB 2012-3 Amendments to Australian Accounting Standard – Offsetting Financial Assets and Financial Liabilities and AASB 2012-2 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014 and 1 January 2013 respectively)

In June 2012, the AASB approved amendments to the application guidance in AASB 132 Financial Instruments: Presentation, to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from 1 January 2014. They are unlikely to affect the accounting for any of the entity's current offsetting arrangements. However, the AASB has also introduced more extensive disclosure requirements into AASB 7 which will apply from 1 January 2013. When they become applicable, the Group will have to provide a number of additional disclosures in relation to its offsetting arrangements. The Group intends to apply the new rules for the first time in the financial year commencing 1 January 2014.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 , AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective for annual reporting periods beginning on or after 1 January 2015]

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 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.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and are not available for early adoption. The *Corporations Act 2001* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

AASB 2012-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)

The AASB has made small changes to some of the disclosures that are required under AASB 136 *Impairment of Assets*. These may result in additional disclosures if the Group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The Group intends to apply the amendment from 1 July 2014.

NOTE 2: REVENUE FROM ORDINARY ACTIVITIES

	Consolidated Entity	
The following revenue items are relevant in explaining the financial performance for the interim period:	30 June 2013 $	30 June 2012 $
Oil and Gas revenue	1,337,388	1,477,327
Other income – interest	22,798	45,226
Other income – operator fees	23,478	1,541
	1,383,664	1,524,094

Financials (cont.)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2012

NOTE 3: DIRECTORS' REMUNERATION

Total Directors' remuneration of $435,124 (2012: $438,293) comprises:

- $300,007 (2012: $298,698) which was paid in cash or cash equivalents as salary to directors;
- $135,117 (2012: $134,111) which was paid in cash or cash equivalents for consulting services to entities of which directors hold beneficial entitlements; and
- In 2012 $5,484 was expensed in relation to Performance Rights and Restricted Stock Units granted pursuant to the Pryme Energy Long Term Incentive Plan. In accordance with Australian Accounting Standard AASB2 – Share-Based Payment (AASB2) the securities will be expensed over the performance period of the security, from the date of the grant and despite the fact that attaching transparent performance hurdles are yet to be achieved. Currently there is no Long Term Incentive Plan in place for 2013.

NOTE 4: DIVIDENDS

There were no ordinary dividends declared or paid during the period under review (2012: $Nil).

NOTE 5: RECEIVABLES

	Consolidated Entity	
	30 June 2013	**31 December 2012**
	$	**$**
CURRENT		
Trade receivables	251,444	216,845
Other	136,866	135,438
	388,310	**352,283**

Financials (cont.)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2013

NOTE 6: WORKING INTEREST

	Consolidated Entity	
	30 June 2013	31 December 2012
	$	$
Exploration expenditure capitalised		
Exploration and evaluation phases	8,278,906	7,033,221
Less impairment write off	(4,749,439)	-
Production phase	34,104,726	26,904,048
Less accumulated depletion	(11,582,403)	(9,024,850)
Less impairment write off	(11,781,207)	-
	14,270,583	24,912,419

In 2012, Pryme Oil and Gas LLC, Pryme's Energy Limited's wholly-owned subsidiary which holds Pryme's interest in the Turner Bayou project, executed a Term Facility with Macquarie Bank to fund its share of exploration and development costs for the Turner Bayou project in Louisiana, USA. The Term Facility is secured against the assets of Pryme Oil and Gas LLC and is non-recourse to the parent company, Pryme Energy Limited, and all other projects and subsidiaries of Pryme.

During the half year ended 30 June 2013, Pryme Oil and Gas LLC commenced a renegotiation of the Term Facility following problems encountered in drilling the Rosewood Plantation 21H well. Notwithstanding the renegotiations and discussions currently underway to farm out and interest in the project to a third party, in the absence of definitive terms for a revised funding arrangement as at 30 June 2013, the carrying amount of the Turner Bayou project has been written down to $9.3m which equates to the amount owing under the Term Facility of $7.2m plus accrued project costs of $2.1m. Whilst it is the intention of Pryme Oil and Gas LLC and Macquarie Bank to renegotiate the Term Facility and resolve the funding shortfall in a manner that preserves the value in the Turner Bayou project, the decision by the Company to write down the value of the project is a conservative view in recognition that certain covenants under the Term Facility have been breached that could result in Pryme's interest in the Turner Bayou project being relinquished in settlement of the loan and accrued costs.

Financials (cont.)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2013

NOTE 7: BORROWINGS

		Consolidated Entity	
		30 June 2013	31 December 2012
		$	$
Non-Recourse Debt Facility	(a)	7,218,893	5,097,691
Total Borrowings – Current		7,218,893	5,097,691

(a) In 2012, Pryme Oil and Gas LLC, Pryme's Energy Limited's wholly-owned subsidiary which holds Pryme's interest in the Turner Bayou project, executed a Term Facility with Macquarie Bank to fund its share of exploration and development costs for the Turner Bayou project in Louisiana, USA. The Facility is secured against the assets of Pryme Oil and Gas LLC and is non-recourse to the parent company, Pryme Energy Limited, and all other projects and subsidiaries of Pryme.

(b) In 2011, the Company completed a funding agreement with its major shareholder, Belmont Park Investments Pty Ltd (BPI), to raise $4.0 million through an unsecured convertible note facility. The terms of the facility provided for repayment on the date falling 12 months after initial drawdown with interest payable at a rate of 9.381% per annum and a facility fee equal to 2.5% of the principal. On 10 April 2012, the Company repaid the borrowings in full including applicable interest and fees.

NOTE 8: ISSUED CAPITAL

	Consolidated Entity	
	30 June 2013	31 December 2012
	$	$
Fully paid ordinary shares	48,620,212	47,600,161
Capital raising costs	(2,495,665)	(2,440,129)
	46,124,547	45,160,032
Number of ordinary shares on issue at the end of the period:	289,708,568	276,402,778

NOTE 9: CONTINGENT LIABILITIES & COMMITMENTS

There has been no change in contingent liabilities since the last annual reporting date 31 December 2012.

Financials (cont.)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2013

NOTE 10: SEGMENT REPORTING

Operating Segments — Geographical Segments

The Group comprises the following two operating segments defined geographically:

- Core operations comprising the exploration, development and production of oil and gas projects in the US; and
- Administrative operations undertaken in Australia to support the exploration, development and production of oil and gas projects in the US, which includes the recharging of such costs via management fees.

	Australia	United States of America	Eliminations	Total
2013	**$**	**$**	**$**	**$**
Income				
Oil and Gas Revenue	-	1,337,388	-	1,337,388
Intercompany Management Fee	669,727	-	(669,727)	-
Other	22,798	23,478	-	46,276
Expenditure				
Production Expenses	-	(434,318)	-	(434,318)
Depletion, depreciation and exploration expenditure written off	(2,419)	(17,167,892)	-	(17,170,311)
Employee Related Expenses	(350,984)	(79,862)	-	(430,846)
Intercompany Management Fee	-	(669,727)	669,727	-
Intercompany Loan Provision	(27,147,986)	-	27,147,986	-
Other	(298,791)	4,927,609	(5,521,713)	(892,895)
Segment result	**(27,107,655)**	**(12,063,324)**	**21,626,273**	**(17,544,706)**
Assets	18,359,809	15,652,782	(16,742,847)	17,269,744
Liabilities	(175,044)	(53,714,831)	43,890,723	(9,999,152)
2012	**$**	**$**	**$**	**$**
Income				
Oil and Gas Revenue	-	1,477,327	-	1,477,327
Intercompany Management Fee	1,035,640	-	(1,035,640)	-
Other	45,226	1,541	-	46,767
Expenditure				
Production Expenses	-	(622,898)	-	(622,898)
Depletion, depreciation and exploration expenditure written off	(3,689)	(2,254,874)	-	(2,258,563)
Employee Related Expenses	(200,028)	(86,328)	-	(286,356)
Intercompany Management Fee	-	(1,035,640)	1,035,640	-
Other	(638,595)	(107,449)	(49,906)	(795,950)
Segment result	**238,554**	**(2,628,321)**	**(49,906)**	**(2,439,673)**
Assets	43,272,871	23,576,043	(43,123,443)	23,725,471
Liabilities	(206,998)	(44,333,023)	43,123,345	(1,416,676)

Directors' Declaration

In the directors' opinion:

(a) The financial statements and notes set out on pages 8 to18 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the 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 30 June 2013 and of its performance for the half-year ended on that date, and

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

This declaration is made in accordance with a resolution of the directors.

Justin Pettett
Managing Director

Brisbane
4 September 2013

Auditor's Review Report

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pryme Energy Limited, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Pryme Energy Limited and its controlled entities (the consolidated entity). The consolidated entity comprises Pryme Energy Limited and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performance by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pryme Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Auditor's Review Report (cont.)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pryme Energy Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Pryme Energy Limited for the half-year ended 30 June 2013 included on Pryme Energy Limited's website. We have not been engaged to report on the integrity of this website. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this website.

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Thomason | Brisbane

Partner | 4 September 2013

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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International OTCQX
Code: POGLY

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Australian Business Number
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