

December 2012 Quarterly Activity Report

30 January 2013

Company Snapshot

ASX Code:	PYM
Recent price: <small>(24 January 2013)</small>	\$0.10
Cash on hand:	\$2,074,000
Shares outstanding:	276,402,778
Market Capitalisation:	\$27m
Share price range (12 months):	\$0.021 - \$0.13

Production

Quarterly Sales Report (net to Pryme)

Project	December 2012 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
Four Rivers*	0	3,414	0	13,513
Raven *	10,714	225	46,025	933
Turner Bayou*	0	2,272	0	10,881
Total	10,714	5,911	46,025	25,507***
Total (BOE**)	7,697		33,178	

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

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

*** Includes 180 barrels sold in January from the divested Catahoula Lake Project.

Average net daily sales to Pryme's account for the December quarter were 64 Bbls/day of oil and 117 Mcfd of natural gas (84 BOE/day). This represents a decrease of 4.5% from the September quarter and is mainly attributable to normal decline across most producing assets.

Turner Bayou Chalk Project

Rosewood Plantation 21H No.1 (61.53% Working Interest / 46.15% NRI)

At the time of writing this report, drilling of the Rosewood Plantation 21H No. 1 well in North Bayou Jack Field, Avoyelles Parish Louisiana is continuing at a total measured depth of 18,312 feet (5,581 metres). The planned total measured depth of the well is 20,310 feet (6,190 metres). Drilling is expected to be complete by sometime next week and will be followed by installation of a slotted production liner and production flow testing in late February.

Drilling commenced in mid-October and has taken longer than originally planned due to unstable sands creating unfavourable conditions for running the intermediate casing. To mitigate the risk in running the casing, the vertical portion of the well was deviated from the base of the surface casing, at a depth of approximately 4,000 feet, and re-drilled to the top of the Austin Chalk formation at a depth of 14,900 feet. Additional delays have been attributable to extensive drill rig repairs which are the sole responsibility and cost of the drilling company.

A number fracture systems have been intersected in the lateral portion of the well which have resulted in oil being produced to the surface and natural gas being flared at various stages. We expect to intersect more fractures in the 2,000 feet of lateral which is yet to be drilled.

“We have just made a trip to replace the drill bit and the motor on our bottom hole assembly,” said Justin Pettett, Pryme’s Managing Director. “We expect this drilling assembly to land us at our total measured depth next week. We look forward to flow testing the well as soon as the drill rig leaves and we set up a workover rig to run tubing and test the well.”

Deshotels 20H and 13H Production (40% WI / 30% NRI)

The average daily production rate for these wells during the September 2012 quarter was 90 Bbls/day (27 Bbls/day net to Pryme.) Production from both Deshotels 20H and 13H wells has remained fairly stable despite the mechanical issues which impeded their effective completion.

The production units containing both the Deshotels 20H and 13H wells (approximately 2,160 acres) are held 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 prolific Eagle Ford Shale in South Texas.

Naturally occurring fracture systems within the Austin Chalk formation act as the reservoir and typically do not require stimulation. Pryme has drilled two Austin Chalk wells within Turner Bayou (Pryme 40% WI). The second well, the Deshotels 13H, returned an initial potential rate of 1,167bpd of oil and 600Mcf/d of natural gas despite a sub optimal completion method and resulting mechanical issues adversely impacting realised levels of production.



Natural gas being flared on the Rosewood plantation 21H No.1

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

Fourth quarter oil sales of 3,414 barrels (40 Bbls/day net to Pryme) were 6% lower than for the previous quarter. This is mainly attributable to timing of oil deliveries and normal decline.

Raven Project (35% WI / 25.38% NRI)

Fourth quarter sales for the Raven project were 10,714 Mcf of natural gas and 225 barrels of condensate net to Pryme, reflecting negligible decline in gas sales over the previous quarter and a 27% increase in condensate sales due to the timing of oil deliveries.

Financial

Cash on hand at 31 December 2012 was \$2.1m. Cash receipts from oil & gas sales for the quarter totalled \$0.6m. Revenue before royalty payments for the quarter totalled \$0.7m. Cash receipts may differ to reported revenue due to cash receipts from sales being disbursed net of royalties and the timing of working interest holder distributions by the operator.

For further Company information please visit our website at www.prymeenergy.com or contact:

Justin Pettett
Managing Director
Pryme Energy Limited

Telephone: +61 7 3371 1103
 Email: justin@prymeenergy.com

Ryan Messer
Chief Operating Officer
Pryme Energy Limited

Telephone: +1 713 401 9806
 Email: ryan@prymeenergy.com

Glossary

Bbls	Barrels of oil
Bbls/day	Barrels (of oil) per day
BOE	Barrels of Oil Equivalent
BOE/day	Barrels of Oil Equivalent per day
Mcf.....	Thousand Cubic Feet (of natural gas)
Mcfd.....	Thousand Cubic feet (of natural gas) per day
NRI	Net Revenue Interest
WI	Working Interest
3.28 feet.....	Equals 1 metre

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** **31 December 2012**

Consolidated statement of cash flows

	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	603	2,723
1.2 Payments for (a) exploration and evaluation	(4,196)	(6,435)
(b) development	-	-
(c) production	(166)	(933)
(d) administration	(636)	(2,220)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	49
1.5 Interest and other costs of finance paid	-	(348)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	9	121
Net Operating Cash Flows	(4,384)	(7,043)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(3)	(60)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	1	1,602
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(2)	1,542
1.13 Total operating and investing cash flows (carried forward)	(4,386)	(5,501)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(4,386)	(5,501)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,293	1,293
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	3,883	5,167
1.17	Repayment of borrowings	-	(4,100)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	5,176	2,360
	Net increase (decrease) in cash held	790	(3,141)
1.20	Cash at beginning of quarter/year to date	1,284	5,232
1.21	Exchange rate adjustments to item 1.20	-	(17)
1.22	Cash at end of quarter	2,074	2,074

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	6,500	5,233
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,346
4.2 Development	-
4.3 Production	120
4.4 Administration	504
Total	1,970

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	2,074	1,284
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,074	1,284

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 Preference *securities (description)	N/A			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	276,402,778	276,402,778	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	17,042,500	17,042,500		
7.5 *Convertible debt securities (description)	Nil	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil	-	-	-
7.7 Options (description and conversion factor)			Exercise Price	Expiry Date
7.8 Issued during quarter	9,521,250	-	\$0.15	30 November 2013
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures (totals only)	NA			
7.12 Unsecured notes (totals only)	NA			

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: 30 January 2013
(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.