

March 2012 Quarterly Activity Report

27 April 2012

Company Snapshot

| | |
|--|------------------------|
| ASX Code: | PYM |
| Recent price: <small>[23 April 2012]</small> | \$0.043 |
| Cash on hand: | \$5,773,000 |
| Shares outstanding: | 259,360,278 |
| Market Capitalisation: | \$11m |
| Share price range (12 months): | \$0.04 - \$0.18 |

Production

Quarterly Sales Report (net to Pryme)

| Project | March 2012 Quarter | | Calendar Year to Date | |
|----------------------|--------------------|-----------------------|-----------------------|-----------------------|
| | Natural Gas (Mcf) | Oil/Condensate (Bbls) | Natural Gas (Mcf) | Oil/Condensate (Bbls) |
| La Salle Parish | 0 | 1,625 | 0 | 1,625 |
| Four Rivers | 0 | 1,394 | 0 | 1,394 |
| Raven * | 12,831 | 267 | 12,831 | 267 |
| Catahoula Lake | 0 | 180 | 0 | 180 |
| Turner Bayou* | 0 | 3,269 | 0 | 3,269 |
| Total | 12,831 | 6,735 | 12,831 | 6,735 |
| Total (BOE**) | 8,874 | | 8,874 | |

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

** 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 March quarter were 74 Bbls/day of oil and 141 Mcfd of natural gas (97 BOE/day). This represents a decrease of 16% from the December quarter and is mainly attributable to the sale of the Catahoula Lake project and the production it represented and, to a lesser extent, normal decline across all producing assets.

Reserves

Pryme's Proven Reserves position at 31 December 2011 is shown in the below table. Reserves have only been categorised as 1P (Proven) and 2P (Probable) at this stage. Work on 3P (Possible) and other resource categories will be updated in the future.

Proven reserves in the Turner Bayou project are based on the area of influence of the Deshotels 20H and 13H wells and reflect the sub-optimal completion of those wells and low levels of production from those wells extrapolated across Proven Undeveloped (PUD) locations. The reserve estimate does not reflect the potential of the project area which is much greater than the area of influence. Improved results from future Turner Bayou wells will significantly impact all reserves categories positively.

| RESERVE CATEGORY | 1P - Proved | | | 2P - Probable | | |
|------------------|--------------|----------------|----------------|----------------|--------------|----------------|
| | Oil MBO | Gas MMCF | Total MBOE | Oil MBO | Gas MMCF | Total MBOE |
| LaSalle | 113.2 | | 113.2 | 3.4 | | 3.4 |
| Four Rivers | 73.1 | | 73.1 | | | |
| Raven | 25.1 | 1,371.4 | 249.9 | | | |
| Turner Bayou | 694.8 | 91.7 | 709.8 | 1,053.4 | 769.6 | 1,179.6 |
| Totals | 906.1 | 1,463.1 | 1,146.0 | 1,056.8 | 769.6 | 1,182.9 |

*MBOE – Oil equivalent expressed in thousands of stock tank barrels (MBO), where one barrel is equivalent to 42 United States gallons
Value per share calculated by dividing current shares on issue into discounted cash flow for each project using an AUD/USD exchange rate of 1.00 from Petro Partners, Inc summary of reserves as at 31 December 2011*

The discounted cash flow valuation of the current 1P and 2P reserves, based on a 10% discount rate, is equivalent to A\$0.32 per share. Existing oil and gas sales from LaSalle, Four Rivers, Raven and Turner Bayou projects will continue to provide the company with reliable monthly income from production.

Turner Bayou Chalk Project

Pryme has a 40% working interest in 24,000 acres (9,600 net acres) in the Turner Bayou Project and is initially targeting development of the Austin Chalk horizon. A total of 30 Austin Chalk well locations are possible within the project area based on a 640 acre well spacing.

Wells drilled to test the Austin Chalk formation within Turner Bayou are located using Pryme's proprietary 3D seismic data, and drilled to approximately 15,000 feet vertical depth and then horizontally for a further 4,000 to 6,000 feet targeting major phase oil. Naturally occurring fracture systems within the chalk 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.

Deshotels 20H No.1 (Before Payout 36% WI / 27% NRI, After Payout 40% WI / 30% NRI)

The average daily production rate for this well during the March 2012 quarter was 67 Bbls/day. Pryme's 27% net revenue interest share equates to 18 Bbls/day of oil.

Production from the Deshotels 20H has remained stable despite mechanical issues impeding its effective completion when drilled in 2011. Installation of a lift system to increase production has been investigated and the partners have also engaged an engineering firm to design a procedure to repair the damaged liner hanger within the well bore to enable the well to be properly completed and brought online appropriately. It is estimated that only 4 of the 17 perforations within the lateral section of the well are currently contributing to production from the well.

The production unit containing the Deshotels 20H well (approximately 1,200 acres) is held by production.

Deshotels 13H No.1 (40% WI / 30% NRI)

The well is currently producing 60 Bbls/day of oil (18 Bbls/day of oil net to Pryme) on pump. This production rate is below expectation due to mechanical problems sustained during completion of the well and the unsuccessful installation of the Packers Plus production liner. We expect this rate to remain fairly stable, with natural decline, into the future. Definition and optimal production of the oil and gas reserves within the Deshotels 13H production unit will most likely require the drilling of an additional well, or a new lateral from the existing well, in the future. The production unit containing the Deshotels 13H well (approximately 1,000 acres) is held by production.

Rabalais 35 No.1 (8.8% Working Interest / 6.6% NRI)

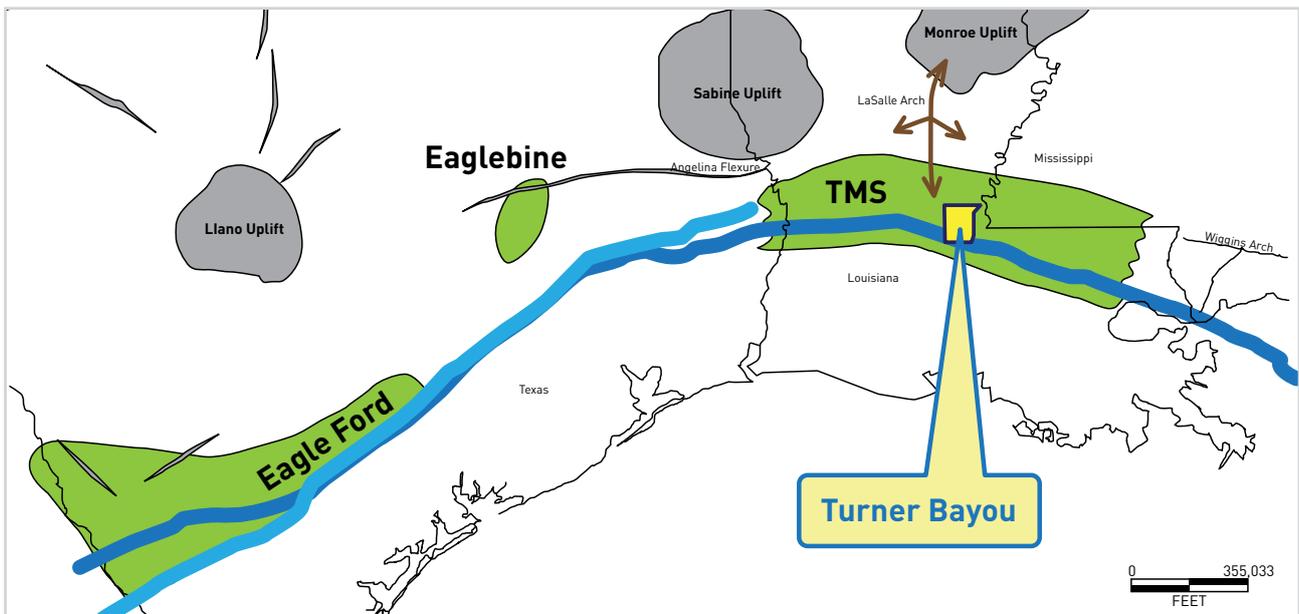
In its announcement of 16 February 2012, Pryme reported that the Rabalais 35 No.1 well, operated by Anadarko Petroleum, was unlikely to produce commercial quantities of oil and natural gas. Anadarko has subsequently advised that the well will be plugged and abandoned.

Whilst the Rabalais 35-1 well result may have defined the northern limit of the prospective portion of the Turner Bayou Austin Chalk project, we remain convinced of the attractive commercial potential of our acreage. Most of our acreage is located along the thin section of the Austin Chalk that is associated with the underlying Edwards Shelf margin. This geological setting is most likely to have the highest fracture intensity. Recent reprocessing of Pryme’s 3D seismic data over the area has reinforced this interpretation,” said Justin Pettett, Pryme’s Managing Director. “Extensive fracturing and oil and gas produced to surface during drilling were observed in both the Deshotels 20H and 13H wells. Had it not been for sub optimal completion techniques and mechanical issues during the completion of both of these wells, higher production rates would have been achieved. Third party engineering studies have confirmed this view.”

Pryme’s working interest in the Rabalais 35 No.1 well is 8.8% (NRI 6.6%) reflecting the small amount of acreage held by Pryme in the drilling unit containing the well. Costs to date have been significantly below budget.

Tuscaloosa Marine Shale

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. Several exploration and production companies operating in proximity to Turner Bayou have achieved encouraging results from tests of these formations. The Company will continue to monitor this activity and update the market as appropriate.



The above map shows the size and location of the estimated play boundary of the Tuscaloosa Marine Shale (TMS) relative to the Eagle Ford shale in South Texas. Pryme’s Turner Bayou project acreage is located in the TMS play boundary.

Forward Drilling Schedule

Planning is underway to drill the next Austin Chalk well before the end of June, 2012.

Catahoula Lake Project (50% WI / 37.5% NRI)

Pryme successfully negotiated the sale of its interest in the Catahoula Lake project in LaSalle, Rapides and Grant parishes, Louisiana to the Sanchez Oil and Gas Group. The sale proceeds of US\$1.625m provided a modest profit over the carrying value of the project.

“Catahoula Lake has provided valuable income for the Company over the past few years. However, the funds realised through the sale will assist Pryme to focus on its flagship oil project, Turner Bayou, and also to pursue other exploration opportunities with greater prospectivity,” said Justin Pettett, Pryme’s Managing Director.

LaSalle Parish Project (8% - 21.5% Interest)

First quarter oil sales of 1,625 barrels (18 Bbls/day net to Pryme) were 15% lower than for the previous quarter. This is mainly attributable to saltwater facility repairs in Routh Point Field which halted production from that field for 30 days.

Raven Project (35% WI / 25.38% NRI)

First quarter sales for the Raven project were 12,831 Mcf of natural gas and 267 barrels of condensate net to Pryme, a 7% decrease in gas sales over the previous quarter due to normal decline and a 21% increase in condensate sales due to the timing of oil deliveries and normal decline. The US is currently seeing record low gas prices for this time of year which have had a negative impact on project revenue.

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

First quarter sales from the Four Rivers project was 1,394 barrels of oil net to Pryme, a 7% decrease in sales from the previous quarter. Average sales net to Pryme was 15 Bbls/day for the quarter.

Financial

Cash on hand at 31 March 2012 was \$5.7m. Cash receipts from oil & gas sales for the quarter totalled \$0.8m. Revenue before royalty payments for the quarter totalled \$0.7m. Cash receipts are higher than the reported revenue due to cash receipts from sales being disbursed net of royalties and the timing of working interest holder distributions by the operator.

Subsequent to the end of the Quarter, pursuant to the terms of an unsecured convertible note facility with Belmont Park Investments Pty Ltd, Pryme repaid in full the outstanding amount of A\$4 million plus interest. The Company is now debt free.

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

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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 March 2012**

Consolidated statement of cash flows

| | Current quarter | Year to date (3 months) |
|---|-----------------|----------------------------|
| | \$A'000 | \$A'000 |
| Cash flows related to operating activities | | |
| 1.1 Receipts from product sales and related debtors | 761 | 761 |
| 1.2 Payments for (a) exploration and evaluation | (1,009) | (1,009) |
| (b) development | - | - |
| (c) production | (320) | (320) |
| (d) administration | (601) | (601) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 40 | 40 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (provide details if material) | 163 | 163 |
| | | |
| Net Operating Cash Flows | (966) | (966) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | (57) | (57) |
| 1.9 Proceeds from sale of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | 1,581 | 1,581 |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (provide details if material) | - | - |
| | | |
| Net investing cash flows | 1,524 | 1,524 |
| 1.13 Total operating and investing cash flows (carried forward) | 558 | 558 |

Appendix 5B

Mining exploration entity quarterly report

| | | | |
|---|--|--------------|--------------|
| 1.13 | Total operating and investing cash flows (brought forward) | 558 | 558 |
| Cash flows related to financing activities | | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | - |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other (provide details if material) | - | - |
| Net financing cash flows | | - | - |
| Net increase (decrease) in cash held | | 558 | 558 |
| 1.20 | Cash at beginning of quarter/year to date | 5,232 | 5,232 |
| 1.21 | Exchange rate adjustments to item 1.20 | (17) | (17) |
| 1.22 | Cash at end of quarter | 5,773 | 5,773 |

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 | 244 |
| 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 | - |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|--------------|
| 4.1 Exploration and evaluation | 551 |
| 4.2 Development | - |
| 4.3 Production | 215 |
| 4.4 Administration | 548 |
| Total | 1,304 |

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 | 5,773 | 5,773 |
| 5.2 Deposits at call | - | - |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 5,773 | 5,773 |

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.

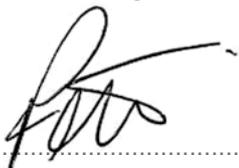
| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|--------------|---------------|---|--|
| 7.1 Preference *securities (description) | N/A | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 *Ordinary securities | 257,841,350 | 257,841,350 | Various | Fully Paid |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 *Convertible debt securities (description) | 14,917,467 | - | \$0.30 | - |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options (description and conversion factor) | | | Exercise Price | Expiry Date |
| 7.8 Issued during quarter | - | - | - | - |
| 7.9 Exercised during quarter | - | - | - | - |
| 7.10 Expired during quarter | 500,000 | | \$0.15 | 20 January 2012 |
| 7.11 Debentures (totals only) | NIL | | | |
| 7.12 Unsecured notes (totals only) | NIL | | | |

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: 27 April 2012

(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.