

# June 2012

## Quarterly Activity Report

27 July 2012

### Company Snapshot

<b>ASX Code:</b>	<b>PYM</b>
<b>Recent price:</b> <small>(20 July 2012)</small>	<b>\$0.037</b>
<b>Cash on hand:</b>	<b>\$1,060,000</b>
<b>Shares outstanding:</b>	<b>259,360,278</b>
<b>Market Capitalisation:</b>	<b>\$10m</b>
<b>Share price range (12 months):</b>	<b>\$0.021 - \$0.18</b>

## Production

### Quarterly Sales Report (net to Pryme)

Project	June 2012 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
La Salle Parish	0	1,847	0	3,473
Four Rivers	0	1,402	0	2805
Raven *	11,200	263	23,956	576
Turner Bayou*	0	2,873	0	6142
<b>Total</b>	<b>11,200</b>	<b>6,385</b>	<b>23,956</b>	<b>12,996</b>
<b>Total (BOE**)</b>	<b>8,252</b>		<b>16,989</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.

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

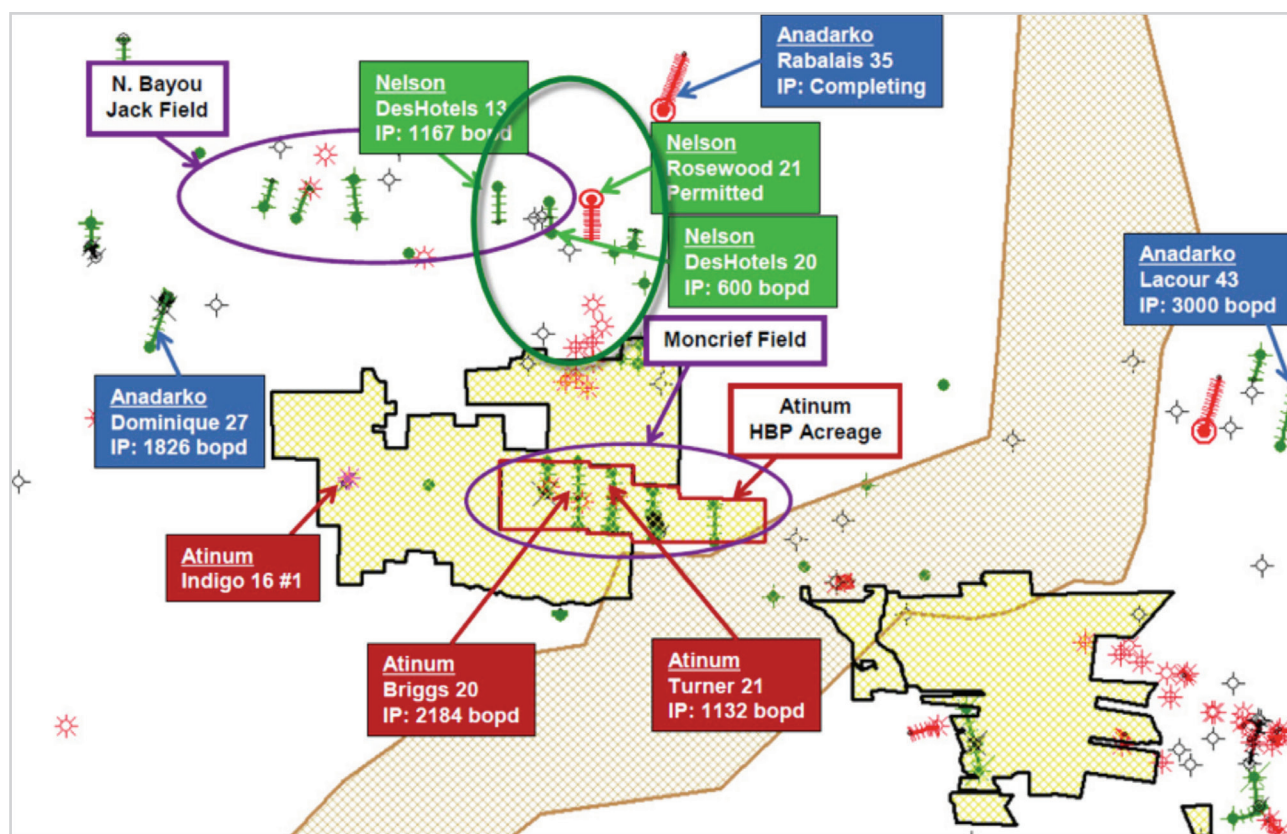
Average net daily sales to Pryme's account for the June quarter were 70 Bbls/day of oil and 123 Mcfd of natural gas (91 BOE/day). This represents a decrease of 6% from the March quarter and is mainly attributable to normal decline across most producing assets.

### Turner Bayou Chalk Project

Pryme has a 40% working interest in 25,791 acres (10,316 net acres) in the Turner Bayou Project and is initially targeting development of the Austin Chalk horizon. Up to 30 gross Austin Chalk well locations are possible within the project area based on a 640 acre well spacing.

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 this formation. The Company will continue to monitor this activity and update the market as appropriate.

Wells to test the Austin Chalk formation within Turner Bayou are located using Pryme's proprietary 3D seismic data, 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.



The above map shows recent activity in the Austin Chalk directly surrounding Prymes acreage in Avoyelles Parish Louisiana. Prymes acreage is centred in and around the green oval and wells drilled to date (Deshotels 20H and 13H) are shown in green.

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

The average daily production rate for these wells during the June 2012 quarter was 107 Bbls/day (32 Bbls/day net to Pryme.)

Production from both Deshotels 20H and 13H wells has remained fairly stable despite the mechanical issues encountered which impeded their effective completion. Installation of a lift system on the 20H in the coming months is expected to increase production until such time as the liner hanger is repaired and the well is completed properly.

Over the past 6 months Pryme and its partners have been evaluating side-tracking of the Deshotels 13H well by drilling a new lateral well from the existing vertical well-bore and installing a slotted liner through the oil and natural gas fractures in the Austin Chalk formation. The side-tracked well would by-pass the failed Packers Plus liner system installed in the original lateral drilled from the 13H well-bore. It is intended that work on the side-track will commence after a farm-in partner or additional funding are secured.

The production units containing both the Deshotels 20H and 13H wells (approximately 2,160 acres) are held by production.

#### **Farm Out Arrangements**

During the Quarter the Company was focussed on farming out of a portion of Pryme's interest in Turner Bayou with the aim of raising capital and accelerating the continuing field appraisal and development of the project. Work in this regard is continuing.

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

Second quarter oil sales of 1,847 barrels (20 Bbls/day net to Pryme) were 14% higher 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 and reduced production for the March Quarter.

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

Second quarter sales from the Four Rivers project was 1,402 barrels of oil net to Pryme, which was at the same level as in the previous quarter. Average sales net to Pryme were 15 Bbls/day for the quarter.

The LaSalle Parish and Four Rivers projects target the same Middle Wilcox formation oil sands in LaSalle, Winn, Concordia and Catahoula Parishes in Louisiana and in Adams, Jefferson and Wilkinson Counties in Mississippi. To simplify reporting on the progress of these projects they will be merged and referred to simply as the Four Rivers project. This change will be reflected on Pryme's website in the coming weeks and in future reports to the ASX.

#### **Raven Project (35% WI / 25.38% NRI)**

First quarter sales for the Raven project were 11,200 Mcf of natural gas and 263 barrels of condensate net to Pryme, a 12% decrease in gas sales over the previous quarter due to normal decline and a 1.5% decrease in condensate sales due to the timing of oil deliveries and normal decline.

#### **Financial**

Cash on hand at 30 June 2012 was \$1.1m. Cash receipts from oil & gas sales for the quarter totalled \$0.7m. Revenue before royalty payments for the quarter totalled \$0.8m. Cash receipts are lower 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.

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 2012**

### 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	744	1,505
1.2	Payments for (a) exploration and evaluation	(204)	(1,213)
	(b) development	-	-
	(c) production	(389)	(709)
	(d) administration	(538)	(1,140)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	5	45
1.5	Interest and other costs of finance paid	(348)	(348)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	55	218
<b>Net Operating Cash Flows</b>		<b>(675)</b>	<b>(1,642)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(2)	(59)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	45	1,627
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
<b>Net investing cash flows</b>		<b>43</b>	<b>1,568</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(632)</b>	<b>(74)</b>

# Appendix 5B

## Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(632)	(74)
<b>Cash flows related to financing activities</b>			
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	(4,100)	(4,100)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
<b>Net financing cash flows</b>		<b>(4,100)</b>	<b>(4,100)</b>
<b>Net increase (decrease) in cash held</b>			
1.20	Cash at beginning of quarter/year to date	(4,732)	(4,174)
1.21	Exchange rate adjustments to item 1.20	5,773	5,233
		19	1
1.22	<b>Cash at end of quarter</b>	<b>1,060</b>	<b>1,060</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	230
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	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	-
4.3 Production	173
4.4 Administration	525
<b>Total</b>	<b>998</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	1,060	5,773
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>1,060</b>	<b>5,773</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)	N/A			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	259,360,278	259,360,278	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)	Nil	-	-	-
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)			Exercise Price	Expiry Date
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> (totals only)	NA			
7.12 <b>Unsecured notes</b> (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: 27 July 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.