



September 2012 Quarterly Activity Report

31 October 2012

Company Snapshot

ASX Code:	PYM
Recent price: <small>[26 October 2012]</small>	\$0.077
Cash on hand:	\$1,284,000
Shares outstanding:	259,360,278
Market Capitalisation:	\$20m
Share price range (12 months):	\$0.021 – \$0.105

Production

Quarterly Sales Report (net to Pryme)

Project	September 2012 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
La Salle Parish	0	2,537	0	6,204
Four Rivers	0	1,118	0	3,915
Raven*	10,916	177	35,524	709
Turner Bayou*	0	2,467	0	8,609
Total	10,916	6,299	35,524	19,437
Total (BOE**)	8,118		25,358	

* 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 September quarter were 69 Bbls/day of oil and 120 Mcfd of natural gas (89 BOE/day). This represents a decrease of 4.3% from the March quarter and is mainly attributable to normal decline across most producing assets.

Turner Bayou Chalk Project

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 hydraulic fracture. 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.

US\$100m Non-Recourse Debt Facility to Fund Development

During the Quarter Pryme's wholly-owned subsidiary, Pryme Oil and Gas LLC, executed a Conditional Commitment Letter for a US\$100,000,000 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. In addition, Macquarie Bank provided a \$5 million Bridge Loan Facility to enable Pryme to fund its share of the third Turner Bayou well, the Rosewood Plantation 21H No.1.

Both the Term Facility and Bridge Loan Facility (together the Facilities) are secured against the assets of Pryme Oil and Gas LLC only and are non-recourse to the parent company as well as its other projects and subsidiaries. The obligations under the Bridge Loan Facility will be assumed by the Term Facility once it is in place. Closing of the Term Facility was originally planned for 1 October 2012. However, unforeseen delays in this process have pushed this timing out 30 days to 1 November 2012. The key terms and conditions of the Facilities are outlined in the Australian Securities Exchange announcement of 22 August 2012.

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

Drilling of the Rosewood Plantation 21H No. 1 well in North Bayou Jack Field, Avoyelles Parish Louisiana has commenced and is currently at a depth of 7,540 feet (2,300 metres). The well will be drilled to a vertical depth of 14,919 feet (4,550 metres) into the top of the Austin Chalk and the intermediate casing will then be run and cemented in place. This will be followed by drilling of the planned 5,000 foot (1,524 metre) lateral, at a total vertical depth of 15,380 feet (4,687 metres), through naturally occurring oil bearing fracture systems within the Austin Chalk formation. Drilling of the well is expected to take approximately 60 days with flow testing and connection to production facilities planned for mid-December.

Pryme increased its working interest in the Rosewood Plantation 21H to 61.53% (46.15% net revenue interest) through securing additional working interest from non-consenting parties. In accordance with the terms of the Turner Bayou joint operating agreement, Pryme will receive 100% of net revenues attributable to the non-consenting interest until it has recovered 300% of the costs of drilling, completing and bringing the well into production attributable to that interest. Following this, Pryme's participating interest in the well will revert to its 40% working interest.



Drilling begins on the Rosewood plantation 21H well

“We have established the production potential of wells drilled in the Austin Chalk formation within the Turner Bayou project and we propose to continue drilling and building a portfolio of producing oil wells,” said Justin Pettett, Pryme’s Managing Director. “We are confident that our new engineering team, with the benefit of lessons from past experiences and our simplified completion procedure, will deliver a successful completion unlocking the value of the project for the company and its shareholders.”

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

The average daily production rate for these wells during the September 2012 quarter was 91 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. Remediation proposals for the 20H and 13H wells, which include installation of a lift system for the 20H and side-tracking the existing 13H well lateral, have been put on hold until drilling and completion of the Rosewood Plantation 21H has been completed.

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

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

Third quarter oil sales of 3,655 barrels (40 Bbls/day net to Pryme) were 6% higher than for the previous quarter. This is mainly attributable to several wells that were recompleted in oil bearing sands behind pipe.

Raven Project (35% WI / 25.38% NRI)

Third quarter sales for the Raven project were 10,916 Mcf of natural gas and 177 barrels of condensate net to Pryme, an 8% decrease in gas sales over the previous quarter due to normal decline and a 19% decrease in condensate sales due to the timing of oil deliveries and normal decline.

Financial

Cash on hand at 30 September 2012 was \$1.3m. Cash receipts from oil & gas sales for the quarter totalled \$0.6m. Revenue before royalty payments for the quarter totalled \$0.6m. 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:

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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** **30 September 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	614	2,119
1.2 Payments for (a) exploration and evaluation	(1,027)	(2,239)
(b) development	-	-
(c) production	(154)	(767)
(d) administration	(443)	(1,584)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	47
1.5 Interest and other costs of finance paid	-	(348)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(9)	113
Net Operating Cash Flows	(1,018)	(2,659)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	1	(58)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(25)	1,601
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(24)	1,543
1.13 Total operating and investing cash flows (carried forward)	(1042)	(1,116)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1042)	(1,116)
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	1,284	1,284
1.17	Repayment of borrowings	-	(4,100)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		1,284	(2,816)
Net increase (decrease) in cash held			
1.20	Cash at beginning of quarter/year to date	242	(3,932)
1.21	Exchange rate adjustments to item 1.20	1,060	5,233
		(18)	(17)
1.22	Cash at end of quarter	1,284	1,284

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	229
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	5,000	1,333
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	3,100
4.2 Development	-
4.3 Production	155
4.4 Administration	507
Total	3,762

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	1,284	1,060
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,284	1,060

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	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 *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	-	-	-	-
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: 31 October 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.