

# March 2013 Quarterly Activity Report

30 April 2013

## Company Snapshot

<b>ASX Code:</b>	<b>PYM</b>
<b>Recent price:</b> <small>[26 April 2013]</small>	<b>\$0.025</b>
<b>Cash on hand:</b>	<b>\$2,914,000</b>
<b>Shares outstanding:</b>	<b>289,708,568</b>
<b>Market Capitalisation:</b>	<b>\$7m</b>
<b>Share price range (12 months):</b>	<b>\$0.021 - \$0.13</b>

## Production

### Quarterly Sales Report (net to Pryme)

Project	March 2013 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
Four Rivers	0	3,193	0	3,193
Raven *	10,004	181	10,004	181
Turner Bayou	0	2,944	0	2,944
<b>Total</b>	<b>10,004</b>	<b>6,318</b>	<b>10,004</b>	<b>6,318</b>
<b>Total (BOE**)</b>	<b>7,985</b>		<b>7,985</b>	

\* 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.

Average net daily sales to Pryme's account for the March quarter were 69 Bbls/day of oil and 110 Mcfd of natural gas (88 BOE/day). This represents an increase of 2.2% from the December 2012 quarter and is mainly attributable to sales from Turner Bayou for the month of March. The net daily sales for March was 109 BOE.

## Projects

The disappointing performance to date of the Rosewood Plantation 21H well in the Turner Bayou Chalk project has driven a strategic review of Pryme’s business model and investment policy.

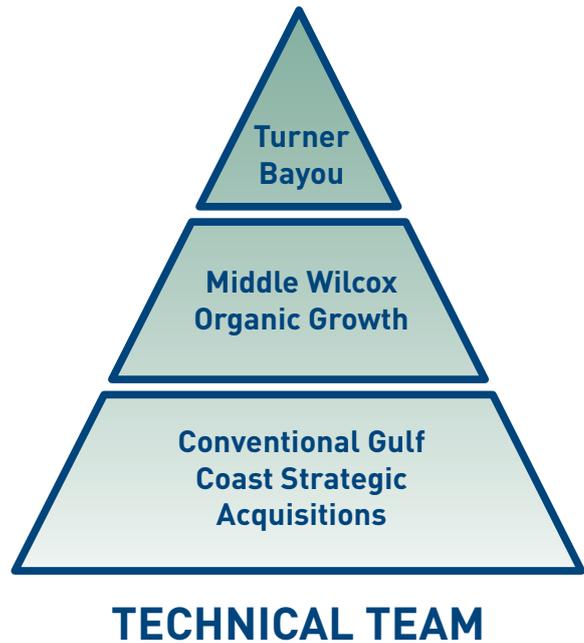
Immediate priorities are determination and, if warranted, implementation of a remediation plan for the Rosewood Plantation 21H well and the renegotiation of the Macquarie Bank Limited non-recourse loan facility.

We remain convinced of the value of the Turner Bayou project and of the merits of enhancing the production from our current three wells as well as optimizing the value of the project as a whole. However, to date the realisation of the technical project risks has been very challenging for a small company with limited resources.

In the Turner Bayou project, Pryme and its partners hold a 25,000 acre leasehold block which is covered by our proprietary 3D seismic survey. In addition to the Austin Chalk formation, the project area contains the Wilcox formation and the Tuscaloosa Marine Shale, both of which are considered very prospective for oil. Opportunities for further exploration of these formations, as well as further development of the Austin Chalk, are being evaluated.

We also intend to augment the exploration upside in Turner Bayou with a mixture of low risk, low cost shallow Middle Wilcox wells in the Four Rivers project area, which covers eastern Louisiana and western Mississippi, and to acquire one or more conventional Louisiana and/or Gulf Coast projects, a number of which have been evaluated over the last six months.

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



## Turner Bayou Chalk Project

### Rosewood Plantation 21H No.1

During the quarter drilling of the Rosewood Plantation 21H No. 1 well in North Bayou Jack Field, Avoyelles Parish Louisiana was completed. The well was drilled to a total measured depth of 19,168 feet (5,842 metres) including a 4,480 foot (1,365 metre) lateral. A number of fracture systems were intersected in the lateral portion of the well resulting in oil being produced to the surface and natural gas being flared at various stages of drilling. A significant oil and natural gas fracture system was intersected in the toe of the lateral near a fault mapped from our 3D seismic survey.

Flow back and production testing began in early March and, while the initial response



*Green oil being produced while drilling the Rosewood Plantation 21H well in Turner Bayou*

from the well was promising, it became evident that the well was not performing as predicted and additional testing and investigation were required. Testing included the installation of a device to measure and record bottom hole pressures. The device was set vertically above the packer, at a depth of 14,595 feet (4,448 metres), and left in place for approximately 2 weeks before the well was tied into production facilities.

The pressure data has helped to determine the extent of damage (heavy drilling fluid and cuttings that remain in the heel or other segments of the lateral and impede flow) to the formation surrounding the lateral. This data is now being used as a basis for establishing the next steps towards rectifying the issue in an effort to increase the productivity and recovery from the well.

### **Production (40-61% WI / 27-46% NRI)**

The average daily production rate for these wells during the March 2013 quarter was 90 Bbls/day (30 Bbls/day net to Pryme.) Production from the two Deshotels wells has remained fairly stable despite the mechanical issues which impeded their effective completion.

The three production units containing the Rosewood Plantation 21H and the Deshotels 20H and 13H wells (approximately 3,360 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 Eagle Ford Shale in South Texas.

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

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.



*Typical pumping unit on a Four Rivers well*

First quarter oil sales of 3,193 barrels (35 Bbls/day net to Pryme) were 6.2% lower than for the previous quarter. This is mainly attributable to timing of oil deliveries and normal decline.

During the March quarter management evaluated a number of opportunities to re-engage in exploration drilling in the Middle Wilcox trend. Four Rivers has remained a stable oil producing project for the company and, together with the company's leverage from existing relationships with extensive geological and land experience in the Four Rivers area, we expect to grow production and revenues from this area over the longer term.

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

First quarter sales for the Raven project were 10,004 Mcf of natural gas and 181 barrels of condensate net to Pryme, reflecting negligible decline in gas sales over the previous quarter and a 33% decrease in condensate sales due to timing of deliveries.

## Financial

Cash on hand at 31 March 2013 was \$2.9m. 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.

During the quarter \$987,000 was raised through a private placement of 12.34 million new ordinary shares, at a price of \$0.08 per share (the Placement). The Placement was the second and final part of an issue of shares made in December 2012 and represents the balance of the securities available for issue under the Company's 15% issue capacity in accordance with ASX Listing Rule 7.1.

Proceeds from the Placement will be utilised for general working capital requirements.



Rosewood Plantation 21H well head

For further Company information please visit our website at [www.prymeenergy.com](http://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 2013**

### Consolidated statement of cash flows

	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	549	549
1.2 Payments for (a) exploration and evaluation	(886)	(886)
(b) development	-	-
(c) production	(151)	(151)
(d) administration	(579)	(579)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	10
1.5 Interest and other costs of finance paid	(90)	(90)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	22	22
<b>Net Operating Cash Flows</b>	<b>(1,125)</b>	<b>(1,125)</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)	(2)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
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>(2)</b>	<b>(2)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,127)</b>	<b>(1,127)</b>

# Appendix 5B

## Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,127)	1,127
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	942	942
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,028	1,028
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
<b>Net financing cash flows</b>		<b>1,970</b>	<b>1,970</b>
<b>Net increase (decrease) in cash held</b>			
1.20	Cash at beginning of quarter/year to date	2,074	2,074
1.21	Exchange rate adjustments to item 1.20	(3)	(3)
1.22	<b>Cash at end of quarter</b>	<b>2,914</b>	<b>2,914</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	227
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	6,500
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	132
4.4 Administration	516
<b>Total</b>	<b>648</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	2,914	2,074
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>2,914</b>	<b>2,074</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.

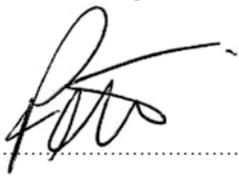
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference *securities</b> (description)	N/A			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	289,708,568	289,708,568	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	12,340,289	12,340,289	\$0.08	Fully paid
7.5 <b>*Convertible debt securities</b> (description)	Nil	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> (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 <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: 30 April 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.