



Quarterly Report March 2011

Turner Bayou is a company making project for Pryme. The mechanical issues encountered with the first Turner Bayou Chalk well have been addressed and an improved well design and completion plan are in place to reduce the likelihood of similar problems with our second well. Based on the geological results of the Deshotels 20-H No.1 well, the Company has generated a development model which provides for up to 30 wells to be drilled in the project. Under this model positive net cash flow for the project will be achieved with the completion of the fourth well after which the project is expected to be self-funding. Success in the Turner Bayou project will transform Pryme into a profitable oil and gas producer.

Justin Pettett, Pryme's Managing Director



Oil being sold and gas being flared from the Deshotels 20-H No.1 well in Turner Bayou

Table of Contents

Summary and Highlights 4
 Projects 5
 Appendix 5B 8

Glossary

Bbls/day	Barrels (of oil) per day
Bbls/month	Barrels (of oil) per month
Bcf	Billion Cubic Feet
Bcfe	Billion Cubic Feet Equivalent
BOE	Barrels of Oil Equivalent
Mcf.....	Thousand Cubic Feet
Mcfd.....	Thousand cubic feet per day
MMcfd	Million Cubic Feet of Natural Gas per day
NRI	Net Revenue Interest
Tcf.....	Trillion Cubic Feet
Tcfe.....	Trillion Cubic Feet Equivalent
WI	Working Interest
3.28 feet.....	Equals 1 metre

Corporate Directory

Directors

Mr George Lloyd (Chairman)
 Mr Justin Pettett (Managing Director)
 Mr Ryan Messer (Executive Director)
 Mr Greg Short (Non-Executive Director)

Company Secretary

Ms Swapna Keskar

Registered and Principal Office

Level 7, 320 Adelaide Street
 BRISBANE QLD 4000

Phone: +61 7 3371 1103

Fax: +61 7 3371 1105

Postal Address

GPO Box 111
 BRISBANE QLD 4001

USA Office

1001 Texas Ave.
 Suite 1400
 HOUSTON TX 77002

Phone: +1 713 401 9806

Fax: +1 832 201 0936

Email: info@prymeenergy.com

Website: www.prymeenergy.com

Share Registry

Link Market Services Limited
 Level 15, 324 Queen Street
 BRISBANE QLD 4000

Phone: +61 2 8280 7454

Fax: +61 2 9287 0303

Auditors

PricewaterhouseCoopers
 123 Eagle Street
 BRISBANE Qld 4000

Phone: +617 3257 5000

Fax: +617 3031 9107

Attorneys

Winstead P.C.
 1100 J.P. Morgan Chase Tower
 600 Travis Street
 HOUSTON Texas 77002
 United States of America

Stock Exchanges

Australian Securities Exchange Limited (ASX)

Code: PYM

International OTCQX

Code: POGLY

Australian Company Number

117 387 354

Australian Business Number

75 117 387 354

March 2011 Quarterly Activity Report

28 April 2011

In accordance with Listing Rule 5.2, Pryme Energy Limited, an oil and natural gas producer and explorer operating in the United States, is pleased to report on its activities for the quarter ending 31 March 2011.

MARCH QUARTER HIGHLIGHTS

- First horizontal well in productive Austin Chalk formation brought into production.
- Planning underway to drill second Austin Chalk formation well.
- Funding secured to drill next well in Turner Bayou.

A SMALL CAP GROWTH OPPORTUNITY

ASX Code:	PYM
Recent price:	\$0.15
(20 April 2011)	
Cash on hand:	\$2,160,000
Shares outstanding:	225,057,754
Market Capitalisation:	\$30m
Price range (12 month):	\$0.041-\$0.27



Projects

Quarterly Sales Report (net to Pryme)

Project	March 2011 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
La Salle Parish	0	2,399	0	2,399
Four Rivers	0	1,631	0	1,631
Raven*	15,164	223	15,164	223
Catahoula Lake	0	1,340	0	1,340
Turner Bayou*	Flaring	5,137	Flaring	5,137
Total	15,164	10,730	15,164	10,730

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

LaSalle Parish Project (8% - 21.5% Interest)

The LaSalle Parish project is based on oil production from five fields, the first of which was discovered in 2000.

First quarter oil sales of 2,399 barrels (27 Bbls/day net to Pryme) were 15% higher than for the previous quarter. This is mainly attributable to the Coleman No. 1 well, which has maintained a higher production rate than anticipated.

Raven Project (35% Interest / 25.38% NRI)

First quarter sales for the Raven project were 15,164 Mcf of natural gas and 223 barrels of condensate net to Pryme, a 7% reduction in gas sales over the previous quarter, mainly due to normal decline and fewer days in the quarter, and a 44% reduction in condensate sales due to the timing of oil deliveries and normal decline.

Catahoula Lake Project (25% Interest / 20.25% NRI)

The Catahoula Lake project is located in LaSalle, Rapides, and Grant parishes, Louisiana and is targeting multiple "stacked" oil zones throughout the Middle-Wilcox formation at depths ranging from 4,500 to 5,500 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. Ultimate oil recoveries are expected to range from 50,000 to 200,000 barrels for each successful well drilled from land locations and in excess of 250,000 barrels for each successful well drilled from lake locations.

The Catahoula Lake project stalled during 2010 as the result of the bankruptcy of our then joint venture partner

and operator. As a result, Pryme assumed responsibility for putting the equipment into a safe operable condition and drilling its first well on the lake.

Sales for the quarter were 1,340 barrels of oil net to Pryme, a 9% reduction over the previous quarter. Average sales net to Pryme were 15 Bbls/day for the quarter. The C-11 well will be brought back on line during May and should significantly increase production.

The Catahoula Lake interest of our previous joint venture partner, together with additional Catahoula Lake production in which Pryme did not own an interest, were acquired by Sanchez Resources, LLC ("Sanchez") towards the end of 2010. Pryme has reached agreement in principle with Sanchez to merge both parties' Catahoula Lake assets, appoint Sanchez as operator and function as an integrated joint venture. The remainder of 2011 will be spent on detailed geological interpretation of the lake based on the information from nearby exploration, both onshore and on the lake, which has been carried out over the past 60 years. We also plan to pick some of the low hanging fruit in the form of workovers of existing wells and drilling at least one new well in an onshore location on the edge of the lake before year end. When the lake becomes available for barge rig exploration in early 2012 we expect to have a comprehensive exploration program ready to go.

Sanchez has a 37 year history exploring for and developing oil and natural gas in the South Texas and Gulf Coast basins and provides the personnel and technical resources necessary to effectively manage exploration and development projects. It controls over 250,000 acres in a wide range of productive basins, including conventional and non-conventional oil and natural gas properties, and is well-diversified in terms of risk and geology. Sanchez employs approximately 80 people, placing a heavy emphasis on geologic, geophysical, and engineering expertise.

Projects (cont.)

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

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 and, to a lesser extent, shallow Frio natural gas zones, 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 and typically have low operating and on-going maintenance costs.

Second quarter sales from the Four Rivers project was 1,631 barrels of oil net to Pryme, a 22% reduction over sales for the previous quarter. Average sales net to Pryme was 18 Bbls/day for the quarter. The reduced sales were mainly attributable to normal decline, timing of oil deliveries and a reduced contribution from the Jack Allen 7 well. During the June Quarter the Jack Allen 7 well will be recompleted in another zone due to uneconomic production from the originally perforated zone.

Turner Bayou 3D Seismic Project

The Deshotels 20-H No.1 well (40% working interest net to Pryme), in Pryme’s Turner Bayou Chalk project in the North Bayou Jack Field, is the first deep well to be drilled within the Turner Bayou 3D seismic survey. The well was drilled to a depth of 16,400 feet (5,000 metres) vertically with a 3,755 feet (1,144 metre) horizontal leg through the Austin Chalk formation which is predominantly oil bearing in this region. The well location was confirmed using high resolution 3D seismic data from a survey carried out in 2007 and data from surrounding well bores.

Mechanical issues impeded the effective completion of the Deshotels 20-H No.1 well. Completion crews were unable to

run 2 7/8 inch tubing past a damaged liner hanger (located approximately 15,000 feet deep) and into the top of the 4 1/2 inch production liner. The well was put into production during the quarter and remediation efforts have been suspended until after the drilling of the next well.

The well is currently producing at around 200 Bbls/day of oil and 150 Mcfd of natural gas. Natural gas is being flared onsite until such time as construction of the flow line to the main gas sales pipeline is complete. Based on well production characteristics to date we expect this rate of production to remain fairly flat, it is not indicative of expected production from Austin Chalk wells drilled in Turner Bayou.

The drilling of the Deshotels 20-H No.1 has reduced the geological risk of our Turner Bayou exploration program and provided valuable support to our seismic interpretation of the Austin Chalk formation within the project area.

Anadarko Petroleum Corporation (NYSE: APC) has leased a large amount of acreage to the west of and contiguous to leases held by Pryme and its partners in the Turner Bayou Chalk project. The interest in our immediate area from one of the world’s largest independent oil and gas exploration and production companies is encouraging and provides support for our strategy of exploring the Austin Chalk and deeper plays within our leases. The acreage map, on page 7, illustrates the known Anadarko acreage position in relation to the approximate lease position of Pryme and its partners. It is possible that Anadarko’s acreage position is larger than illustrated as leases are not filed as public record.

Whilst Anadarko’s lease position is significant, we believe that, based on our interpretation of our 3D seismic survey and the results from the Deshotels 20-H No.1 well, we have secured the heart of the play.

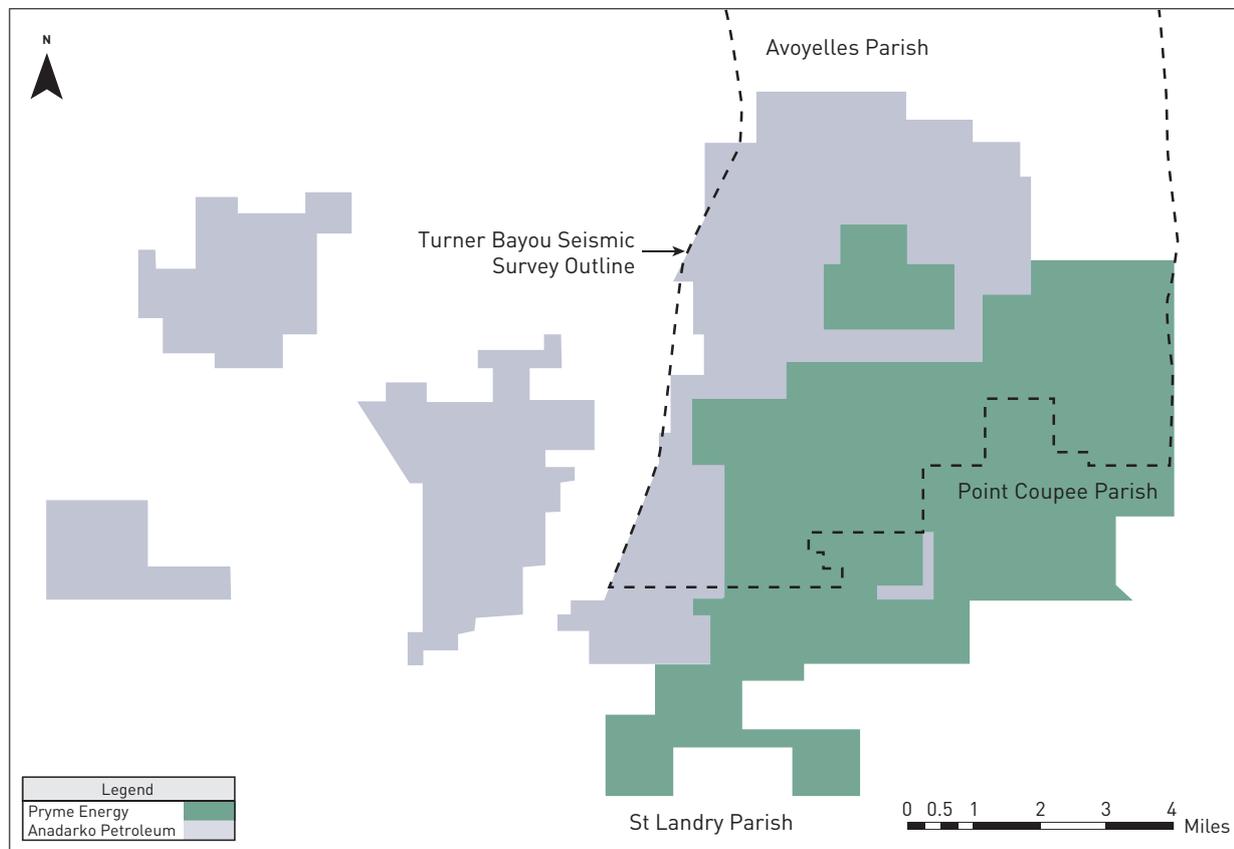
The project focus is now on drilling well number two which is expected to spud in early May.



Production facilities at Turner Bayou

Projects (cont.)

Anadarko Leases in Turner Bayou Project Vicinity (Turner Bayou Lease Map)



CORPORATE

During the Quarter, Pryme completed a funding agreement with its major shareholder, Belmont Park Investments Pty Ltd (BPI), to raise A\$4.0 million through an unsecured convertible note facility.

The funds will be used to fund Pryme’s interest in the Turner Bayou Chalk project and, in particular, the Company’s share of drilling costs for the second well in this project. Drilling of the second well is planned to begin in May.

The convertible note facility is in two parts:

- the first tranche of A\$2.5 million involves the issue of a A\$2.5 million convertible note (Convertible Note 1) which must be fully drawn down by 30 May 2011 and has a term of 12 months following first drawdown. The note may be converted in part or in full into fully paid ordinary shares of the Company at a price of 30 cents per share,
- the second tranche of A\$1.5 million involves a loan from BPI (BPI Loan), which must also be drawn down by 30 May 2011. Subsequent to the end of the Quarter, shareholders approved the replacement of the BPI Loan with a A\$1.5 million convertible note (Convertible Note 2) on the same terms as Convertible Note 1.

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

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 2010**

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	735	735
1.2 Payments for (a) exploration and evaluation	(1,410)	(1,410)
(b) development	-	-
(c) production	(185)	(185)
(d) administration	(589)	(589)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	15
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	83	83
	(1,351)	(1,351)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(24)	(24)
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)	-	-
	(24)	(24)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(1,375)	(1,375)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,375)	(1,375)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	(20)	(20)
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,000	1,000
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		980	980
Net increase (decrease) in cash held			
1.20	Cash at beginning of quarter/year to date	2,562	2,562
1.21	Exchange rate adjustments to item 1.20	(7)	(7)
1.22	Cash at end of quarter	2,160	2,160

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	4,000,000	1,000,000
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,326
4.2 Development	-
4.3 Production	258
4.4 Administration	414
Total	2,998

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	2,160	2,562
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,160	2,562

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)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			N/A	
7.3 *Ordinary securities	225,057,754	225,057,754	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)	9,323,417	-	\$0.30	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	9,323,417	-	\$0.30	-
7.7 Options (description and conversion factor)	-	-	<i>Exercise price</i> -	<i>Expiry date</i> -
Unlisted Options	500,000		\$0.15	20 January 2012
Listed Options	-	-	-	-
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures (totals only)			N/A	
7.12 Unsecured notes (totals only)			N/A	

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: 28 April 2011

(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.



BRISBANE - HOUSTON

ABN: 75 117 387 354

Tel: +61 7 3371 1103 | Fax: +61 7 3371 1105

Level 7 320 Adelaide Street Brisbane Qld 4000 Australia | GPO Box 111 Brisbane Qld 4001

www.prymeenergy.com