



26 July 2013

Dear Shareholders,

Share Price and Company Value

The technical project risks which we have encountered in the Turner Bayou project, particularly the disappointing performance of the recently drilled Rosewood Plantation 21H well, have contributed to a significant drop in share price and a reduction in company value through the June 2013 quarter. This has been exacerbated by a large parcel of shares which was overhanging the market for much of the last quarter. My objective in this letter is to brief shareholders on the present status of our business and the steps we are taking to build value.

In relation to Turner Bayou, your management team remains committed to employing the highest professional standards to the operation of the project. There is significant value to be unlocked from Turner Bayou. 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 exploration of these formations, as well as further development of the Austin Chalk, are being pursued. These include farming out an interest in the project in order to continue drilling operations without additional immediate cost to the company; discussions in this regard are well underway. In addition, we are evaluating remediation strategies for the Rosewood Plantation 21H well.

In relation to the Rosewood Plantation 21H well, based on the well's performance and the records of activities during the drilling program, we have concluded that inappropriate drilling techniques, including, the management of drilling fluids, solids, cuttings and other debris caused the problems encountered. Furthermore, we believe that we have good grounds to seek damages from Signa Engineering Corporation which was engaged to manage the drilling of the well and provide engineering advice. Accordingly we have filed a law suit in Texas seeking damages from Signa on the grounds of breach of contract, negligence, and negligent misrepresentation.

Drilling of the Rosewood Plantation 21H well was funded by way of a non-recourse credit facility provided by Macquarie Bank Limited. The loan security is limited to the Turner Bayou project assets and the company's other assets, including cash holdings, are excluded. We are presently in discussions with Macquarie over an extension to the maturity date for the loan and other amendments to the credit facility agreement which will allow us to pursue further drilling opportunities in Turner Bayou whether targeting the Austin Chalk formation or the shallower Middle Wilcox. Our relationship with Macquarie is very good and both parties have been working together to achieve their respective goals.

We are working 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, and we are also investigating the acquisition of one or more Louisiana and/or Gulf Coast oil projects; a number of these have been evaluated over the past six months.

The large parcel of shares which was overhanging the market has now been sold and I can confirm that our two cornerstone shareholders remain supportive of the company; together they continue to hold over 26% equity ownership in Pryme.

Our vision remains unchanged; it is to grow Pryme into a high quality independent US oil and gas company capable of delivering high returns to shareholders through the exploration and development of projects throughout the USA. We appreciate our shareholders' patience and resolve through this challenging time and look forward to releasing further details on all items outlined above through the ASX as they progress and are finalised.

A handwritten signature in black ink, appearing to read "Justin Pettett", is written over a white background.

Justin Pettett
Managing Director

June 2013 Quarterly Activity Report

26 July 2013

Company Snapshot

ASX Code:	PYM
Recent price: (25 July 2013)	\$0.024
Cash on hand:	\$2,495,000
Shares outstanding:	289,708,568
Market Capitalisation:	\$7m
Share price range (12 months):	\$0.012 – \$0.14

Production

Quarterly Sales Report (net to Pryme)

Project	June 2013 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
Four Rivers*	0	2,987	0	6,181
Raven*	10,565	176	21,152	402
Turner Bayou*	0	3,061	0	6,326
Total	10,565	6,224	21,152	12,909
Total (BOE**)	7,985		16,434	

* 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 June quarter were 68 Bbls/day of oil and 116 Mcfd of natural gas (88 BOE/day). This represents a decrease of 4.8% from the March 2013 quarter and is mainly attributable to a decline in sales from Turner Bayou.

Projects

As reported last quarter, the disappointing performance of the latest well drilled in Turner Bayou, the Rosewood Plantation 21H, led to a strategic review of Pryme's business model and investment policy. Throughout the quarter we have been working on the key items which are outlined below. We expect to have all of the items listed below concluded during the September quarter.

- Continued drilling operations in Turner Bayou
 - Pryme has progressed discussions with a party interested farming into Turner Bayou and funding drilling of the next well. This would enable Pryme to retain an interest in the project and share in any upside through successful drilling efforts.
 - In addition, a well program and estimated costs for a 13,800 foot vertical well to test the presence of Wilcox and Midcox oil from structural and stratigraphic trapping seen in our proprietary seismic survey have been prepared. This prospect is approximately 1,600 acres in size and could contain a significant oil resource. The prospect is currently being marketed to industry participants on terms whereby Pryme would be free carried through the drilling. Hydrocarbon shows in the Wilcox formation have been identified in each Austin Chalk well drilled in Pryme's Turner Bayou acreage.
 - We remain positive about our efforts to farm out various prospects in Turner Bayou. Our latest efforts have resulted in some significant interest and we will be working hard to put in place arrangements that would fund further exploration and development in the project area in a way that would minimise Pryme's financial exposure while retaining significant equity in ongoing operations.
- Procedure and estimated costs to attempt a remediation of the Rosewood Plantation 21H
 - A procedure and cost estimate to remediate the Rosewood Plantation 21H well has been prepared and is currently being considered by the working interest partners in the well.
- Re-negotiation of debt facility terms with Macquarie Bank
 - Negotiations have progressed towards an amendment to the company's non-recourse credit facility. Agreement in principal between the parties includes an extension of the maturity date and other amendments to the credit facility agreement which recognise the present circumstances.

Turner Bayou Chalk Project

- Deshotels 20H and 13H Production (40% WI / 30% NRI)
- Rosewood Plantation 21H No.1 (61.53% WI / 46.15% NRI)

The average daily production rate for these wells during the June 2013 quarter was 94 Bbls/day (34 Bbls/day net to Pryme.) Production has remained fairly stable despite the mechanical issues which impeded their effective completion.

The three production units hold approximately 3,360 acres 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)

Second quarter oil sales of 2,987 barrels (34 Bbls/day net to Pryme) were 6.4% lower than for the previous quarter. This is mainly attributable to timing of oil deliveries and normal decline.

About Four Rivers

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.

Raven Project (35% WI / 25.38% NRI)

Second quarter sales for the Raven project were 10,565 Mcf of natural gas and 176 barrels of condensate net to Pryme (117mcf and 2 Bbls/day net to Pryme respectively), reflecting 1.5% increase in gas sales over the previous quarter and a 22% decrease in condensate sales due to timing of oil sales.

Financial

Cash on hand at 30 June 2013 was \$2.495m. Cash receipts from oil & gas sales for the quarter totalled \$0.840m. Revenue before royalty payments for the quarter totalled \$0.750m. 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.



Site of Rosewood Plantation 21H well Avoyelles Parish, Louisiana

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)
Mcf.....	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 June 2013**

Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	839	1,389
1.2 Payments for (a) exploration and evaluation	(717)	(1,603)
(b) development	-	-
(c) production	(210)	(361)
(d) administration	(563)	(1,142)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	23
1.5 Interest and other costs of finance paid	(126)	(216)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	7	28
Net Operating Cash Flows	(757)	(1,882)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(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)	-	-
Net investing cash flows	-	(2)
1.13 Total operating and investing cash flows (carried forward)	(757)	(1,884)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(757)	(1,884)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	(11)	932
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	255	1,283
1.17	Repayment of borrowings	(11)	(11)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		233	2,204
Net increase (decrease) in cash held			
1.20	Cash at beginning of quarter/year to date	(524)	320
1.21	Exchange rate adjustments to item 1.20	2,914	2,074
		105	101
1.22	Cash at end of quarter	2,495	2,495

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	7,218	7,218
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	115
4.4 Administration	514
Total	629

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	2,495	2,914
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,495	2,914

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	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	-	-	-	-
7.5 *Convertible debt securities (description)	Nil	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 Options (description and conversion factor)	9,521,250		Exercise Price \$0.15	Expiry Date 30 November 2013
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: 26 July 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.