

December 2013 Quarterly Activity Report

30 January 2014

Company Snapshot

ASX Code:	PYM
Recent price: (24 January 2014)	A\$0.032
Cash on hand:	A\$1,557,000
Shares outstanding:	289,708,568
Market Capitalisation:	A\$9m
Share price range (12 months):	A\$0.012 – \$0.140

Production

Quarterly Sales Report (net to Pryme)

Project	December 2013 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
Four Rivers*	0	2,644	0	11,555
Raven*	9,040	177	40,300	801
Turner Bayou*	0	2,681	0	10,496
Total	9,044	5,504	40,403	22,857
Total (BOE**)	7,011		29,591	

* Actual sales for the last month of the quarter is an estimate based on production data from prior months of production.

** Includes minor amounts of production from additional projects (i.e. Condor)

** 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 December quarter were 60 Bbls/day of oil and 98 Mcfd of natural gas (76 BOE/day). This represents no decline in sales from the September 2013 quarter.

Projects

“Pryme will broaden its project portfolio through 2014 with a strengthened focus on exploration and development in the Four Rivers project area as well as a new shallow oil exploration and development play in West Central Texas,” said Justin Pettett, Pryme’s Managing Director. “We will also continue to evaluate new opportunities with a view to adding them to the portfolio if they meet our technical and economic criteria. We have planned an aggressive drilling program for 2014 with the short term goal of rebuilding the share price to levels prior to the flow test result of the latest well in Turner Bayou.”

Our vision remains to grow Pryme into a top tier independent oil and gas company capable of delivering high returns to shareholders through the exploration and development of high quality US onshore projects.

We will deliver on this vision through the implementation of a strategy focused on projects with significant scalability of production, cash flows and reserves through high quality exploration potential and secondary target upside. We are targeting liquids rich hydrocarbon systems containing “stacked pay” opportunities to maximise the likelihood of success and optimize returns. We will be emphasising emerging unconventional and conventional plays, securing early entry opportunities to avoid the high costs of more mature plays. Wells drilled by Pryme will be shallow to intermediate (less than 8,000 feet (2,438 metres)) depths with liquids rich targets. Where possible, Pryme, with the support of its extensive technical advisory team, will operate the projects and maintain project control through the exploration and development stages.

Turner Bayou Chalk Project

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

An acid workover procedure has been carried out on the Rosewood Plantation 21H well in an attempt to break loose drilling fluids, solids, cuttings and other debris left in the well during drilling. Although, due to the mechanical damage incurred during completion, the well will never produce at targeted levels, it has responded positively to the workover and intermittent low level production has been achieved. It is now proposed to install a lift system (pump unit) to optimize production by smoothing out the erratic well performance and delivering more consistent oil sales. Progress on the lift system installation and the resulting production rates will be announced when available.

The average daily production rate for these wells during the December 2013 quarter was 88 Bbls/day (29 Bbls/day net to Pryme.) Production has remained fairly stable on the Deshotels 13 and 20H wells despite the mechanical issues which impeded their effective completion.

The three production units hold approximately 3,360 acres (1,580 acres net to Pryme) by production plus 16,942 acres (6,759 acres net to Pryme) in undeveloped acreage. Pryme’s acreage is located in Avoyelles Parish, Louisiana.

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 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)

Pryme is the operator of a new drilling program within the Four Rivers project area and earns a 4% carried working interest to the casing point for each well drilled. Pryme may also elect to increase its working interest participation on a prospect by prospect basis. Decisions to increase Pryme’s working interest in any prospect will be based on technical and economic evaluation criteria.

The first of approximately 10 wells to be drilled in this program, the McIntyre No.1, did not penetrate the target formation, the Tuscaloosa oil sands. Pryme did not have any financial exposure to this well. The major

participant in the drilling program is Roundtable Resources LLC of Natchez Mississippi. Roundtable Resources has over 50 man-years of successful exploration and drilling of the shallow Middle-Wilcox oil sands formation in Louisiana and has recently made two greater than one million barrel field discoveries in the region. Pryme has teamed up with Roundtable Resources to provide geological, land and technical expertise through the drilling, completion and production phases of the program.

Fourth quarter oil sales of 2,644 barrels (29 Bbls/day net to Pryme) were 3% lower than for the previous quarter. This is mainly attributable to timing of oil deliveries and normal decline. Pryme has an interest in 1,260 acres (240 acres net to Pryme) located in LaSalle and Catahoula Parishes Louisiana and Jefferson and Wilkinson Counties in Mississippi.

About Four Rivers

The Four Rivers Project extends from Winn, Concordia and Catahoula Parishes in Louisiana to Adams and Jefferson Counties in Mississippi. The project is targeting multiple “stacked” oil zones throughout the Middle-Wilcox formation at depths ranging from approximately 4,000 to 8,000 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.

Raven Project (35% WI / 25.38% NRI)

Fourth quarter sales for the Raven project were 9,040 Mcf of natural gas and 178 barrels of condensate net to Pryme (98 Mcfd and 2 Bbls/day net to Pryme respectively), reflecting 22% decrease in gas sales over the previous quarter and a 20% decrease in condensate sales due to timing of oil sales and minor production facility adjustments. Pryme has an interest in 1,280 acres (440 acres net to Pryme) located in Lincoln Parish, Louisiana.

Financial

Cash on hand at 31 December 2013 was \$1.557 million. Cash receipts from oil and gas sales for the quarter totalled \$0.65 million. Revenue before royalty payments for the quarter totalled \$0.6 million. 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:

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

Glossary

A\$..... Australian Dollars	Mcf..... Thousand cubic feet (of natural gas) per day
US\$..... United States Dollars	NRINet Revenue Interest
Bbls/day.....Barrels (of oil) per day	WIWorking Interest
MMBO..... Million Barrels of Oil	TVD..... Total Vertical Depth
MMBOE..... Million Barrels of Oil Equivalent	TMD..... Total Measured Depth
BOE..... Barrels of Oil Equivalent	MD..... Measured Depth
BOE/day..... Barrels of Oil Equivalent per day	OOIP.....Original Oil in Place
BOE/month..... Barrels of Oil Equivalent per month	3.28 feet..... Equals 1 metre
Mcf..... Thousand cubic feet (of natural gas)	

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 December 2013**

Consolidated statement of cash flows

	Current quarter	Year to date (12 months)
	A\$'000	A\$'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	673	2,628
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(315) - (302) (591)	(2,265) - (915) (2,223)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	39
1.5 Interest and other costs of finance paid	119	(207)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(116)	(54)
Net Operating Cash Flows	(525)	(2,997)
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	- - 2	- - 36
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	34
1.13 Total operating and investing cash flows (carried forward)	(523)	(2,963)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(523)	(2,963)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	931
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	98	1,398
1.17	Repayment of borrowings	-	(11)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	98	2,318
	Net increase (decrease) in cash held	(425)	(645)
1.20	Cash at beginning of quarter/year to date	1,941	2,074
1.21	Exchange rate adjustments to item 1.20	41	128
1.22	Cash at end of quarter	1,557	1,557

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	207
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	7,554	7,554
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	106
4.4 Administration	496
Total	602

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	1,557	1,941
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,557	1,941

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)	-	-	Exercise Price -	Expiry Date -
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	9,521,250	-	\$0.15	30 November 2013
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: 30 January 2014
(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.