

March 2014 Quarterly Activity Report

30 April 2014

Company Snapshot

ASX Code:	PYM
Recent price: <small>(29 April 2014)</small>	A\$0.025
Cash on hand:	A\$1 million
Shares outstanding:	343,053,990
Market Capitalisation:	A\$9 million
Share price range (12 months):	A\$0.012 – \$0.140

Production

Quarterly Sales Report (net to Pryme)

Project	March 2014 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
Four Rivers*	0	2,440	0	2,440
Raven*	9,910	220	9,910	220
Turner Bayou*	0	1,755	0	1,755
Total	9,910	4,415	9,910	4,415
Total (BOE**)	6,068		6,068	

* 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 March quarter were 48 Bbls/day of oil and 109 Mcf/day of natural gas (67 BOE/day). Both Four Rivers and Raven remained stable throughout the March 2014 quarter representing no decline in sales from the December 2013 quarter. Cash on hand at 31 March 2014 was \$1.0M. Cash receipts from oil and gas sales for the quarter totalled \$0.3 million. Revenue before royalty payments for the quarter totalled \$0.5 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.

Projects

In February this year Pryme entered into an agreement for the acquisition of the Capitola Oil project in the Eastern Shelf of the Permian Basin in Texas. Pryme will earn a 75% WI (56.25% NRI) in all depths to the top of the Cline Shale formation in the 9,333 acres project area (7,000 net acres to Pryme) and a 50% WI (37.5% NRI) in the Cline Shale and deeper formations (4,666 net acres to Pryme in the Cline Shale.) Capitola, which represents the culmination of about two years of project identification and assessment activities, has the potential to transform Pryme into a profitable oil producer and generate great value for shareholders. We expect to start on our first Capitola well in the coming quarter and plan to drill the first five wells of a ten well drilling program through the remainder of 2014.

Capitola is a project that meets all of our new project criteria. It has a risk managed earn-in structure; it offers the prospect of low risk conventional production from several productive horizons, which are accessible through shallow vertically drilled wells (these wells will be drilled in the early stages of the project and are expected to create significant value for the company); and it has great upside with the Cline Shale potential which is already being demonstrated by major E & P companies that surround us.

In addition to being a very good address, the Capitola project area is target rich and provides plenty of scope for significant field development based on multiple primary oil bearing formations.

There have been significant new developments around Capitola during the quarter and Pryme’s acreage is now surrounded by producing or prospective Cline Shale wells as well as vertical wells to test the shallower Canyon Sands and other formations. This activity is a strong endorsement of Pryme’s position in the Capitola Oil project.

Devon Energy (Devon), which is targeting the Cline Shale formation, permitted the Parker 1H well, approximately 3km east of the Capitola acreage, in early April. Devon’s recent success with their Bishop 1H well, which is adjacent to Capitola, led to the permitting of an offset well - the Bishop 2H - in the past fortnight. Other recently permitted Devon wells close to Capitola include the Henderson 1H and the BK Harris 3H wells, both permitted in mid-April, and the Luis 1H well which was permitted in late January. It is estimated that Devon has already invested over US\$50 million in the area so far this year. The privately-owned Gunn Oil Company, which is testing multiple Canyon Sands and deeper objectives to 7,500 feet, has applied for a vertical well permit 1 mile north of Capitola. In addition, Range Resources (NYSE:RRC) as well as a other explorers and producers are also active in and around the Capitola Oil Project acreage with producing and permitted wells.

Low risk development with exploration upside	Exciting emerging Cline Shale play upside
Oil prolific Permian Basin, Texas	Exciting, burgeoning Texas shale play 140 mi long and 70 mi wide
9,333 acres within existing, proven oil fields*	Analysts estimate it to be larger than the Bakken Shale in North Dakota and the Eagle Ford Shale in South Texas combined
Lower risk/lower cost vertical production wells – Step-out and down spacing opportunities from wells drilled in known proven sands	Early mover advantage for Pryme
Multi-stacked reservoir – target 10 potential productive intervals	Area of strong activity: Devon Energy, Apache, Range Resources and Laredo Petroleum
Lower risk/lower cost vertical production wells	Pryme acreage offset to Devon Energy’s best producing Cline Shale well in region (Bishop 1H)
Potential to drill 200+ wells on 40 acre spacing over time	Recent Devon wells in close vicinity to Capitola a strong endorsement: Bishop 2H well (1 mi), Parker 1H well (2 mi), and BK Harris 3H well (8 mi)
Secondary water/gas flood recovery opportunity in Claytonville	



* Sweetwater field has produced approx. 4.5 MMbbl of oil; Claytonville field has produced 1.5 MMbbl of oil; over 150 previous well bores within Pryme’s Capitola acreage.

Turner Bayou Chalk Project

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

We are close to completing our exit from the Turner Bayou project and hope to be in a position to make an announcement about this within the next few weeks. The expected near term resolution, if delivered, will result in minimal continuing exposure to Turner Bayou.

The average daily production rate for the Turner Bayou wells during the March 2014 quarter was 58 Bbls/day (19 Bbls/day net to Pryme.) Production has remained fairly stable for the Deshotels 13 and 20H wells despite the mechanical issues which impeded their effective completion.

The three Turner Bayou 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.

About Turner Bayou

The Turner Bayou project is located in Avoyelles Parish, Louisiana, and 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. Further wells in this project are scheduled to be drilled in the coming quarter.

The March 2014 quarter oil sales of 2,440 barrels (27 Bbls/day net to Pryme) were 7% 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 ongoing maintenance costs.

Raven Project (35% WI / 25.38% NRI)

March 2014 quarter sales for the Raven project were 9,910 Mcf of natural gas and 220 barrels of condensate net to Pryme (108 Mcfd and 2.4 Bbls/day net to Pryme respectively), reflecting an 11% increase in gas sales over the previous quarter and a 64% increase in condensate sales due to timing of oil sales and higher overall gas production. Pryme has an interest in 1,280 acres (440 acres net to Pryme) located in Lincoln Parish, Louisiana.

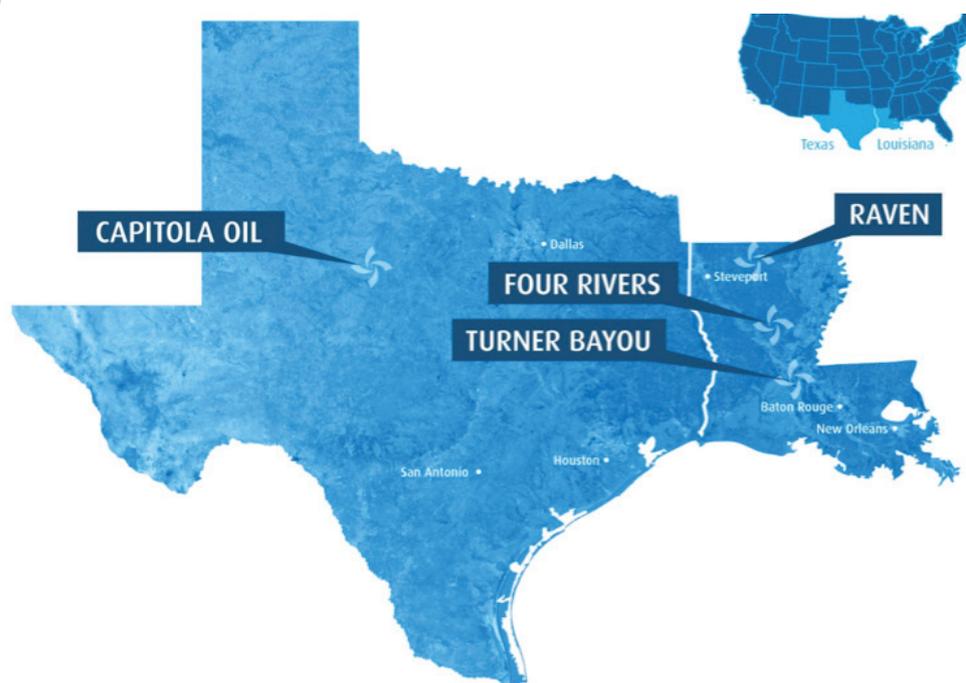
Oil and Gas Tenements

Project	Location	Interest acquired or disposed of during the quarter	Total acres (net to Pryme)	Interest held as at 31 March 2014
Raven	Lincoln Parish, Louisiana	-	1,280 acres (440 acres)	35%
Four Rivers	LaSalle and Catahoula Parishes, Louisiana; Jefferson & Wilkinson Counties, Mississippi	-	1,260 acres (240 acres)	19%
Turner Bayou*	Avoyelles Parish, Louisiana	-	20,302 acres (8,339 acres)	40%
Capitola**	Nolan and Fisher Counties, Texas	75% WI secured through farm in agreement from surface to the top of the Cline Shale	9,333 acres (7,000 acres)	75%
		50% WI secured through farm in agreement from the top of the Cline Shale deeper	9,333 acres (4,666 acres)	50%

*The Company's share of the Turner Bayou assets are pledged as security to Macquarie Bank for a non-recourse credit facility.

**On 6 February 2014 Pryme entered into a farm in agreement to earn a share of 9,333 acres in the Capitola Oil project. An assignment of acreage will be earned by Pryme upon it drilling the first well in the project. The assignment of acreage will be retained by Pryme by meeting certain drilling obligations through to February 1, 2016. Further details about the farm in terms can be found in the Company's announcement on Capitola dated February 11, 2014.

Pryme Project Location



Corporate

In March Pryme announced funding initiatives to raise A\$5.9 million which is largely earmarked for the Capitola project. The approach taken was to offer new shares to existing shareholders by way of a rights issue and then to place the rights issue shortfall with new investors. Under the rights issue the company raised A\$896,908 through the issue of 44,845,422 new shares. We have engaged Helmsec Global Capital (Helmsec) to assist in the placement of the 250,863,146 shortfall shares. Helmsec is an Asia-Pacific focused capital markets and advisory firm with an extensive network of institutional and sophisticated investors and a long history of supporting growing resources sector companies. The Company and Helmsec are in discussions with a number of institutional and professional investors that have expressed a strong interest in subscribing for the shortfall shares.

For further Company information please visit our website at www.prymeenergy.com or contact:

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Glossary

A\$.....	Australian Dollars	Mcf.....	Thousand cubic feet (of natural gas) per day
US\$.....	United States Dollars	NRI	Net Revenue Interest
Bbls/day	Barrels (of oil) per day	WI	Working 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 March 2014**

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	313	313
1.2 Payments for (a) exploration and evaluation	(596)	(596)
(b) development	-	-
(c) production	(110)	(110)
(d) administration	(357)	(357)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	4
1.5 Interest and other costs of finance paid	37	(37)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(238)	(238)
Net Operating Cash Flows	(545)	(545)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
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	-	-
1.13 Total operating and investing cash flows (carried forward)	(545)	(545)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(545)	(545)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	(15)	(15)
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		(15)	(15)
Net increase (decrease) in cash held			
1.20	Cash at beginning of quarter/year to date	(560)	(560)
1.21	Exchange rate adjustments to item 1.20	1,557	1,557
		(22)	(22)
1.22	Cash at end of quarter	975	975

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	201
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	116
4.4 Administration	491
Total	607

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	975	975
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	975	975

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	295,708,568	295,708,568	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	6,000,000	6,000,000	\$0.02	\$0.02
7.5 *Convertible debt securities (description)	-	-	-	-
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	-	-	-	-
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 April 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.