

September 2011 Quarterly Activity Report

27 October 2011

Company Snapshot

ASX Code:	PYM
Recent price: <small>(24 October 2011)</small>	\$0.09
Cash on hand:	\$5,876,000
Shares outstanding:	257,841,350
Market Capitalisation:	\$23m
Share price range (12 months):	\$0.06-\$0.27

Production

Quarterly Sales Report (net to Pryme)

Project	September 2011 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
La Salle Parish	0	2,047	0	6,675
Four Rivers	0	1,423	0	4,736
Raven*	14,577	304	44,326	927
Catahoula Lake	0	1,587	0	4,240
Turner Bayou*	1,304	2,964	1,304	12,024
Total	15,881	8,325	45,630	28,600
Total (BOE**)	10,972		36,205	

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

** Natural gas is converted to BOE on the basis of 6 Mcf of natural gas is equivalent to 1 BOE.

Production (cont)

Net average daily production to Pryme for the September quarter was 91 Bbls/day of oil and 174 Mcfd of natural gas (120 BOE/day). This represents a decrease of 7% from the June quarter and is mainly attributable to a decline in production from the Deshotels 20H No.1 well in the Turner Bayou Chalk project. We expect the average daily rate to increase during the December quarter as daily production is increased by the installation of a pump on the Deshotels 20H and the commencement of production from the recently drilled Deshotels 13H.

Turner Bayou Chalk Project

The Turner Bayou project is a significant part of Pryme's exploration portfolio and comprises approximately 80 square miles (50,000 acres) which have been imaged by a proprietary 3D seismic survey. Primary targets are the Austin Chalk formation at 15,300 feet and the Eagle Ford formation at 16,000 feet. Pryme have approximately 9,600 net acres within the Turner Bayou project covering all depths representing up to 30 potential drilling locations in the Austin Chalk.

Deshotels 20H No.1 (40% WI / 30% NRI)

The average daily production rate for this well during the September quarter was 119 Bbls/day and 52 Mcfd (128 BOE/day.) Pryme's net revenue interest share of 30% equates to 36 Bbls/day and 16 Mcfd (39 BOE/day.)

Production from the Deshotels 20H has remained fairly stable despite mechanical issues impeding its effective completion earlier in the year. It is proposed to boost production with the installation of a down hole pump to mechanically lift the oil and natural gas to the surface.

Deshotels 13H No.1 (40% WI / 30% NRI)

The well initially produced erratically around 200 Bbls/day of oil with a similar amount of water. Current production is less than anticipated which may be due to the fact that sections of the horizontal lateral have not yet been acidized. Once the flow rate and pressures have stabilized and the appropriate analysis has been completed, a plan for optimizing well performance will be devised and implemented. This may take several weeks to complete. Pryme will provide updates as progress is made.

Oil and natural gas from the Deshotels 13H No.1 well are sold through the Deshotels 20H No.1 production facility.

Forward Drilling Schedule

The Deshotels 24H No.1 (40% WI / 30% NRI) well will be the third well to be drilled in the Turner Bayou Chalk project. It will be drilled from an extension of the Deshotels 13H No.1 well pad; site preparation has been completed and drilling is scheduled to commence in late November.

In addition to preparing for our third Turner Bayou Chalk project well, the Company is also focused on improving the performance of the recently drilled Deshotels 20H and 13H wells. Although the Deshotels 13H well has not met expectations at this stage, we continue to have confidence that the Turner Bayou project will make a significant contribution to shareholder value.

Regional Austin Chalk Activity

Anadarko Petroleum and other major operators are targeting the Austin Chalk and other formations in proximity to the Turner Bayou project (see map on the following page). This provides an encouraging indication of the project's potential. We remain committed to drilling the third well in this project and are confident that we can achieve better production rates and high ultimate recoveries.

Catahoula Lake Project (50% WI / 37.5% 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. 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.

Sales for the quarter were 1,587 barrels of oil net to Pryme, a 25% increase over the previous quarter due to the successful workover of two wells. Average sales net to Pryme were 17 Bbls/day for the quarter.

LaSalle Parish Project (8% - 21.5% Interest)

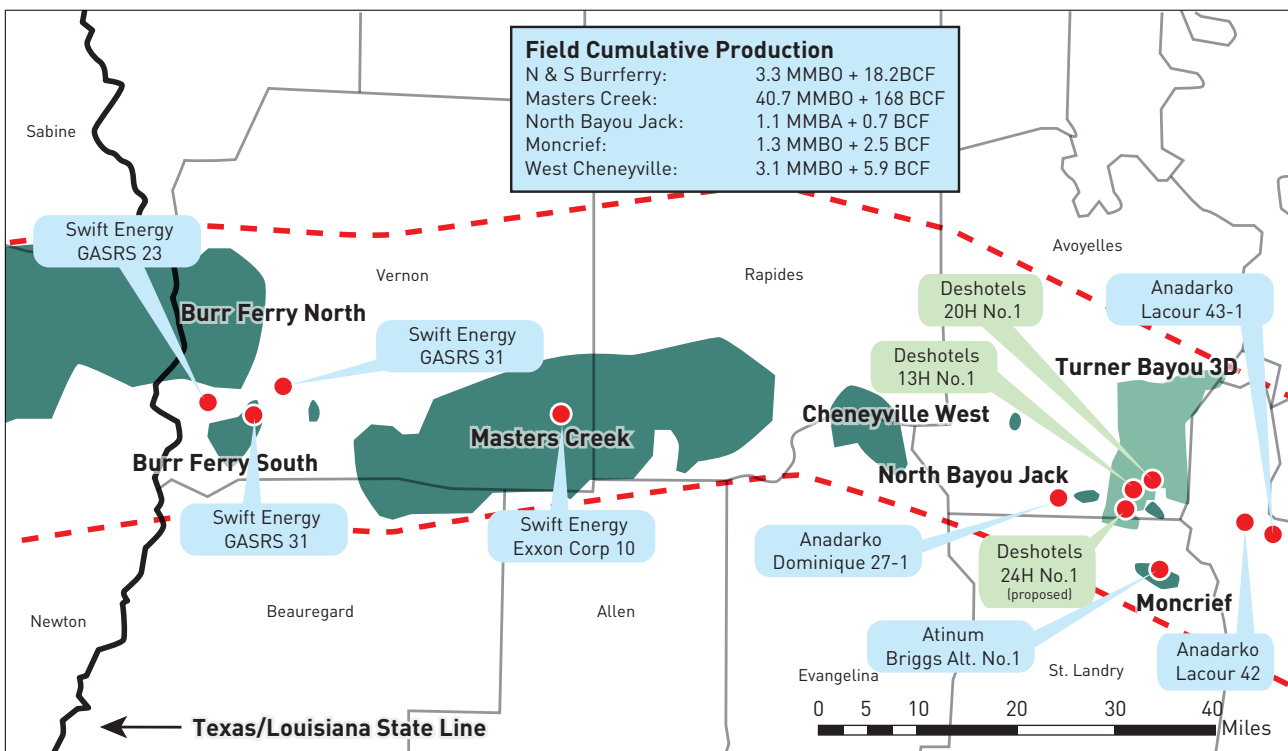
Second quarter oil sales of 2,047 barrels (27 Bbls/day net to Pryme) were 8% lower than for the previous quarter. This is mainly attributable to normal decline and the timing of oil deliveries.

Raven Project (35% WI / 25.38% NRI)

Second quarter sales for the Raven project were 14,577 Mcf of natural gas and 304 barrels of condensate net to Pryme, a 1% increase in gas sales over the previous quarter and a 15% reduction in condensate sales due to the timing of oil deliveries.

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

Second quarter sales from the Four Rivers project was 1,423 barrels of oil net to Pryme, a 15% reduction in sales from the previous quarter. Average sales net to Pryme was 16 Bbls/day for the quarter. The decrease in sales is mainly due to normal decline and the offline status of the Jack Allen No 7 well. The Jack Allen well was recompleted at the end of the quarter and is expected to contribute to increased average daily production during the December quarter.



Austin Chalk Regional on trend drilling activity

Financial

Cash on hand at 30 September 2011 totalled \$5.9m. Cash receipts from oil & gas sales for the quarter totalled \$1.1m. Revenue before royalty payments for the quarter totalled \$0.8m. Cash receipts are higher than the 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:

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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** **30 September 2011**

Consolidated statement of cash flows

	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	1,149	3,017
1.2 Payments for (a) exploration and evaluation	(1,831)	(5,525)
(b) development	-	-
(c) production	(249)	(618)
(d) administration	(550)	(1,719)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	46	83
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	102	179
Net Operating Cash Flows	(1,334)	(4,585)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(30)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	15	15
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	13	(15)
1.13 Total operating and investing cash flows (carried forward)	(1,321)	(4,600)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,321)	(4,600)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	3,915	3,895
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	4,000
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		3,915	7,895
Net increase (decrease) in cash held			
1.20	Cash at beginning of quarter/year to date	2,594	3,295
1.21	Exchange rate adjustments to item 1.20	3,242	2,562
		40	19
1.22	Cash at end of quarter	5,876	5,876

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	220
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	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,303
4.2 Development	-
4.3 Production	246
4.4 Administration	420
Total	1,969

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	5,876	3,242
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	5,876	3,242

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	257,841,350	257,841,350	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues	32,230,168	32,230,168	\$0.125	Fully Paid
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 *Convertible debt securities (description)	14,917,467	-	\$0.30	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	14,917,467	-	\$0.30	-
7.7 Options (description and conversion factor)	500,000	-	<i>Exercise price</i> \$0.15	<i>Expiry date</i> 20 January 2012
7.8 Issued during quarter	NIL	-	-	-
7.9 Exercised during quarter	NIL	-	-	-
7.10 Expired during quarter	NIL	-	-	-
7.11 Debentures (totals only)	NIL			
7.12 Unsecured notes (totals only)	NIL			

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: 27 October 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.