

December 2011 Quarterly Activity Report

30 January 2012

Company Snapshot

ASX Code:	PYM
Recent price: <small>(27 January 2012)</small>	\$0.08
Cash on hand:	\$5,232,000
Shares outstanding:	259,360,278
Market Capitalisation:	\$20m
Share price range (12 months):	0.06-\$0.27

Production

Quarterly Sales Report (net to Pryme)

Project	December 2011 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
La Salle Parish	0	1,918	0	8,592
Four Rivers	0	1,514	0	6,338
Raven *	13,964	175	57,790	1,060
Catahoula Lake	0	1,653	0	5,893
Turner Bayou*	1,143	1,924	2,521	13,948
Total	15,107	7,184	60,311	35,831
Total (BOE**)	9,701		45,883	

* 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.

Net average daily production (from sales) to Pryme for the December quarter was 78 Bbls/day of oil and 164 Mcfd of natural gas (105 BOE/day). This represents a decrease of 11% from the September quarter and is mainly attributable to both the Deshotels 20H and 13H wells in the Turner Bayou Chalk project being offline during the quarter for work overs and testing.

Austin Chalk Initial Potential Rates

Operator	Well	Oil (bopd)	Gas (mcf/d)	Water (bwpd)
Anadarko Petroleum	Lacour 43-1	3,000	2,500	600
Atinum Operating, Inc	Briggs Alt. No.1	2,184	6,795	3,276
Nelson Energy	Deshotels 13H No.1	1,167	644	350
Anadarko Petroleum	GASRS 5 No.1	1,073	12,663	5,465
Anadarko Petroleum	Dominique 27 No.1	753	1,151	1,484
Nelson Energy	Deshotels 20H No.1	600	458	0
Anadarko Petroleum	GASRS 18 No.1	500	7,000	6,672
Anadarko Petroleum	GASRS 16 No.1	203	1,127	259

Table 1: Louisiana Department of Natural Resources www.sonris.com
 Nelson Energy as operator denotes Pryme owned wells

Austin Chalk Regional Trend Map and Project Location

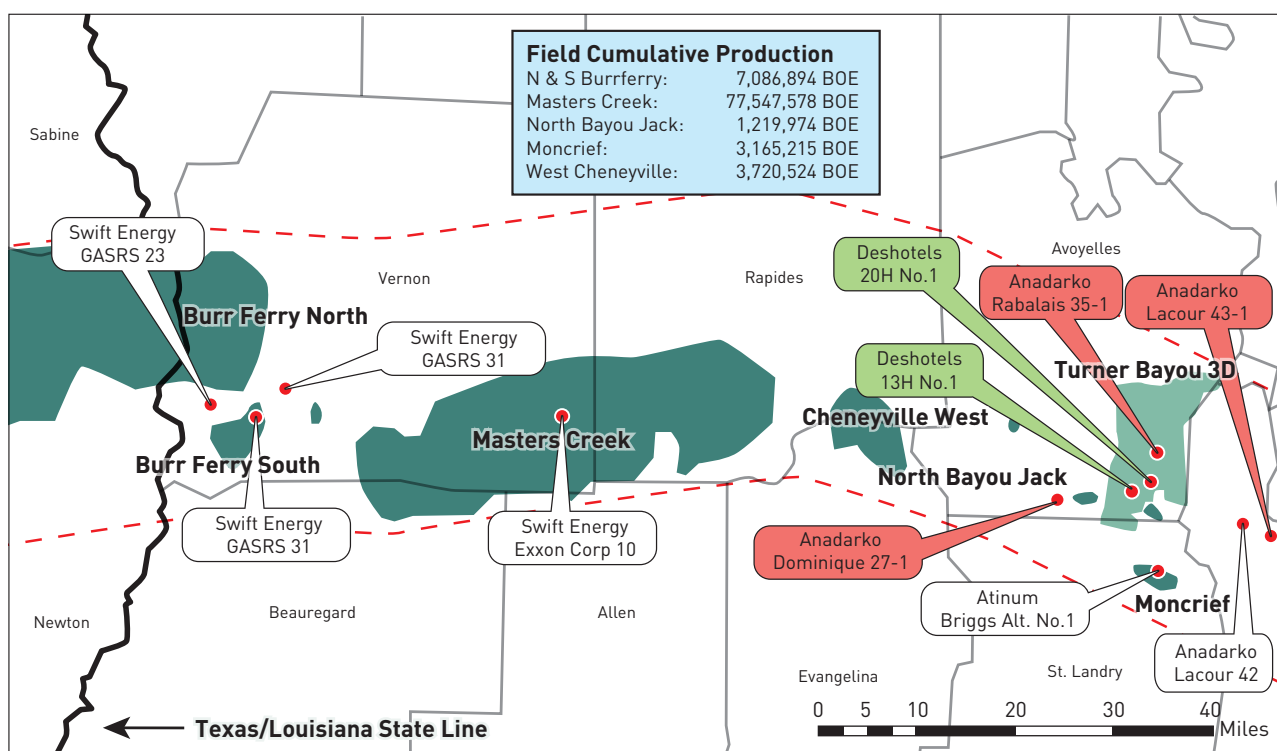


Figure 1

Turner Bayou Chalk Project

Pryme has a 40% working interest in 24,000 acres (9,600 net acres) in the Turner Bayou Project and is initially targeting development of the Austin Chalk horizon. A total of 30 Austin Chalk well locations are possible within the project area based on a 640 acre well spacing.

Recent successful wells in and around Turner Bayou are detailed in Table 1 and Figure 1 below. Pryme plans to spud its fourth well in the Austin Chalk prior to April 30, 2012.

In addition to the Austin Chalk potential of the Turner Bayou project area, exploration drilling has intersected the Eagle Ford Shale and Tuscaloosa Marine Shale formations within Pryme’s Turner Bayou leases. Several exploration and production companies operating in proximity to Turner Bayou have achieved encouraging results from tests of these formations. The Company will continue to monitor this activity and update the market as appropriate.

Rabalais 35 No.1 (8.8% Working Interest / 6.6% NRI)

The Rabalais 35 No.1, which is being drilled and operated by Anadarko Petroleum, is the third well in which Pryme has participated in the Turner Bayou project. The well was drilled to a total measured depth of 20,370 feet (6,208 metres) including a lateral of 6,183 feet (1,884 metres). Drilling was terminated short of the targeted 7,000 feet (2,130 metres) lateral length due to hole conditions leading to increased torque on the drill string.

Tubing has been run in the vertical section of the well and a three and a half inch slotted production liner installed in the horizontal leg. This completion technique is different to that which was adopted for the Deshotels 20H and 13H wells and has been successfully demonstrated in a number of recent Austin Chalk wells which have been drilled by Anadarko.

At the time of writing this report, the Rabalais 35 No.1 well was flowing back completion fluids and drilling mud. Flow back of these fluids is expected to be completed by the end of January at which time the hydrostatic head (load) will be off the formation and the well can be flow tested for production.

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

The average daily production rate for this well during the December quarter was 77 Bbls/day and 9 Mcfd (78 BOE/day.) Pryme's 30% net revenue interest share equates to 23 Bbls/day of oil and 1 Mcfd/day (23 BOE/day) of natural gas.

Production from the Deshotels 20H well has remained fairly stable despite mechanical issues impeding its effective completion in 2011. A gas lift system is being evaluated to assist in producing oil and natural gas to the surface.

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

An artificial lift system (pump jack and rods) has been installed on the Deshotels 13H well in order to optimize well performance over the long term. The well's performance will be monitored over the coming week and updated production rates will be announced in due course.

Forward Drilling Schedule

Planning is underway to drill a fourth Austin Chalk well prior to April 30, 2012.



Pumping Unit on Deshotels 13H well

**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 1,653 barrels of oil net to Pryme, a 4% increase over the previous quarter due to the successful workover of two wells completed in the previous quarter. Average sales net to Pryme were 18 Bbls/day for the quarter.

**LaSalle Parish Project
(8% - 21.5% Interest)**

Fourth quarter oil sales of 1,918 barrels (27 Bbls/day net to Pryme) were 6% 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)

Fourth quarter sales for the Raven project were 13,963 Mcf of natural gas and 175 barrels of condensate net to Pryme, a <1% decrease in gas sales over the previous quarter due to normal decline and a 33% reduction in condensate sales due to the timing of oil deliveries and normal decline. The US is currently seeing record low gas prices for this time of year, which have had a negative impact on project revenue.

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

Fourth quarter sales from the Four Rivers project was 1,514 barrels of oil net to Pryme, a <1% increase in sales from the previous quarter. Average sales net to Pryme was 16 Bbls/day for the quarter.

Financial

Cash on hand at 31 December 2011 totalled \$5.2m. Cash receipts from oil & gas sales for the quarter totalled \$0.8m. Revenue before royalty payments for the quarter totalled \$1.0m. 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** **31 December 2011**

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	824	3,842
1.2 Payments for (a) exploration and evaluation	(738)	(6,264)
(b) development	-	-
(c) production	(251)	(869)
(d) administration	(526)	(2,246)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	51	134
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	5	185
Net Operating Cash Flows	(636)	(5,221)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(7)	(37)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	48	63
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	41	26
1.13 Total operating and investing cash flows (carried forward)	(595)	(5,195)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(595)	(5,195)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	29	3,866
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		(29)	7,866
Net increase (decrease) in cash held			
1.20	Cash at beginning of quarter/year to date	(624)	2,671
1.21	Exchange rate adjustments to item 1.20	5,876	2,562
		(20)	(1)
1.22	Cash at end of quarter	5,232	5,232

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	221
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	1,410
4.2 Development	-
4.3 Production	235
4.4 Administration	518
Total	2,163

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	5,232	5,876
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	5,232	5,876

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 (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: 30 January 2012

(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.