



SEPTEMBER 2007 QUARTERLY REPORT

“Our planned, systematic approach to project selection and management is about to be tested at ‘center stage’. Pryme has a diverse drilling program that should steer the company through exponential growth. This strategy will be measured through the company’s future quarterly cash flow reports. A drilling program is in place to achieve these objectives.”

Justin Pettett
Managing Director

Project Name	2007		2008			
	Q3	Q4	Q1	Q2	Q3	Q4
Turner Bayou	3D shoot results†	Drill 5 Frio wells	Production			
			Drill 5 Frio wells	Production		
				Drill 5 Frio wells	Production	
					Drill Wilcox well	Production
						Drill 5 Frio wells
Raven	Drill CV well†	Production				
		Drill CV well	Production			
			Drill CV well	Production		
				Drill CV well	Production	
					Drill CV well	Production
						Drill CV well
Saline Point*	Drill Wilcox well†					
					Drill Wilcox well	
Kestrel^		Farm out project	Hackberry well drilled			
Condor^			Farm out project	Tuscaloosa well drilled		
Atocha^		Farm out project		Tuscaloosa well		

†This task has been completed.

*This project has a 3 month window each year when the lake is drained to drill with a land rig.

^Assumes these projects are farmed out as shown in the drilling program. The proposed farm out agreements state that a well must be drilled within 6 months of the project being farmed out.

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Glossary

Bbls/day	Barrels (of oil) per day
Bbls/month	Barrels (of oil) per month
Bcf	Billion Cubic Feet
Mcf.....	Thousand Cubic Feet
MMcfd	Million Cubic Feet of Natural Gas per Day
NRI	Net Revenue Interest
Tcf.....	Trillion Cubic Feet
3.28 feet.....	Equals 1 metre

Corporate Directory

Directors

Mr John Dickinson (Chairman)
 Mr Justin Pettett (Managing Director)
 Mr Ryan Messer (Executive Director)
 Mr Ananda Kathiravelu (Non-Executive Director)
 Mr Philip Judge (Non-Executive Director)

Company Secretaries

Mrs Janine Rolfe
 Ms Swapna Keskar

Registered and Principal Office

Level 7, 320 Adelaide Street
 BRISBANE QLD 4000

Phone: +61 7 3371 1103

Fax: +61 7 3371 1105

Postal Address

GPO Box 111
 BRISBANE QLD 4001

USA Office

1001 Texas Ave.
 Suite 1400
 HOUSTON TX 77002

Phone: +1 832 487 8607

+1 866 471 1300 Toll Free

Fax: +1 832 201 0936

Email: info@prymeoilandgas.com

Website: www.prymeoilandgas.com

Auditors

Moore Stephens
 Level 25, 71 Eagle Street
 BRISBANE QLD 4000

Share Registry

Advanced Share Registry Services
 110 Stirling Hwy
 NEDLANDS WA 6009

Phone: +61 8 9389 8033

Fax: +61 8 9389 7871

Solicitors

Steinepreis Paganin
 Lawyers & Consultants
 Level 4, Next Building
 16 Milligan Street
 PERTH WA 6000

Stock Exchanges

Australian Securities Exchange Limited (ASX)

Code: PYM

Code: PYMO

International OTCQX

Code: POGLY

Australian Company Number

117 387 354

Australian Business Number

75 117 387 354

September 2007 Quarterly Activity Report

26 October 2007

In accordance with Listing Rule 5.2, Pryme Oil and Gas Limited, an oil and natural gas producer and explorer operating in the U.S., is pleased to report on its activities and those of its wholly-owned subsidiaries, Pryme Oil and Gas Inc. and Pryme Energy Inc., for the three month quarter ending 30 September 2007.

SUMMARY AND HIGHLIGHTS

- Successful drilling and completion of inaugural Raven project well
- First natural gas sales from Raven project
- Coleman No.8 drilled adding new reserves in LaSalle Parish project
- Saline Point project underway
- 3-D data acquisition at Turner Bayou completed
- Private placement successfully completed

A SMALL CAP GROWTH OPPORTUNITY

ASX Code:	PYM
Recent price: <small>(24 Oct 07)</small>	\$0.34
Cash on hand: <small>(Including the recent \$3.7 million raising)</small>	\$4,656,000
Shares outstanding:	88,804,029
20 Cent Options (June 08):	6,643,000
40 Cent Options (June 08):	41,487,374
60 Cent Options (Dec 09):	7,500,000
Market Cap:	\$30,193,36
Prospective reserves: <small>(Gross, Un-risked)</small>	>1 Tcfe
Price range (12 month)	\$0.32-\$0.66

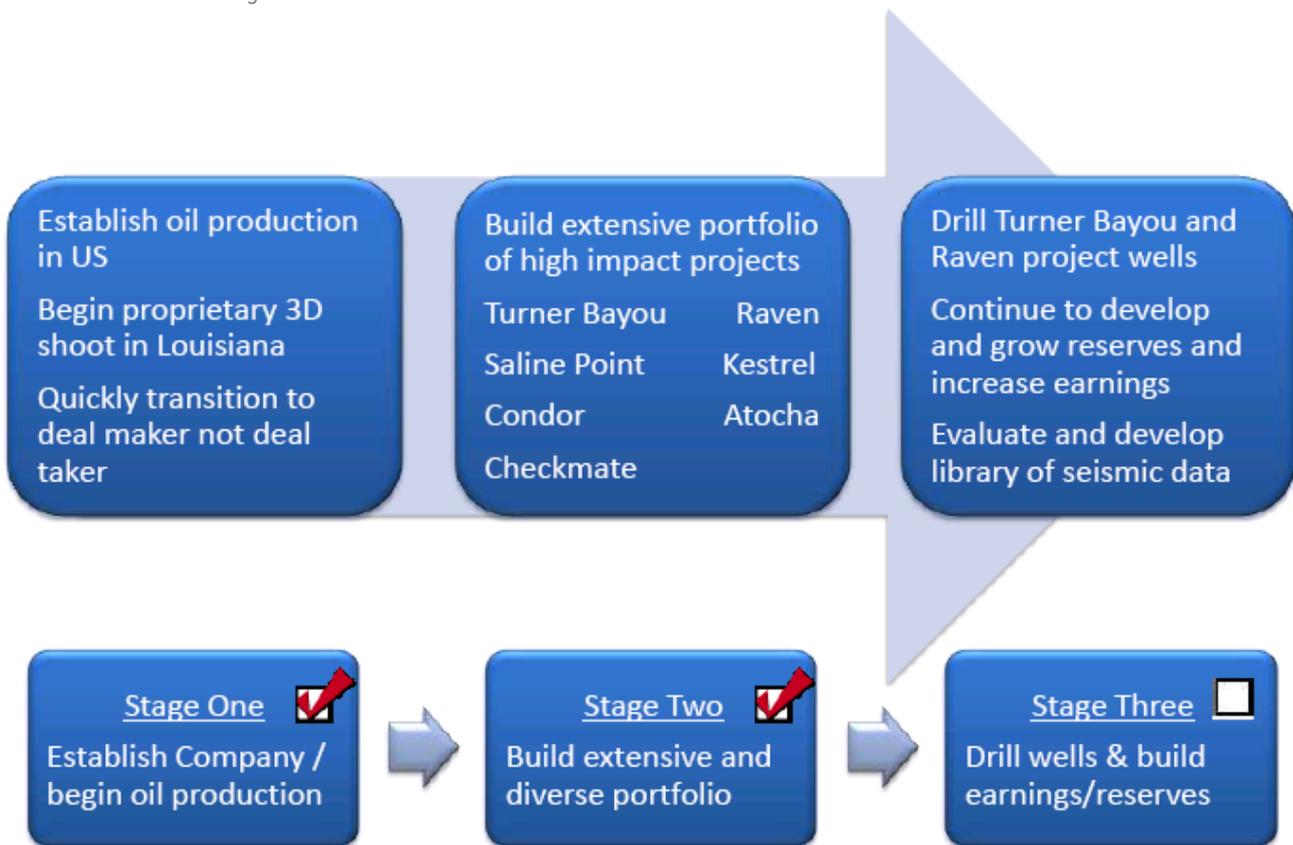


Projects

Clear Strategic Objective

A\$300 to A\$500 million market capitalisation in three to five years.

The below diagram shows a staged approach in order to achieve our above goal with stages one and two already having been achieved and stage three imminent.



LaSalle Parish Project (8% - 21.5% Interest)

Six of the wells had their down-hole pump assemblies replaced and/or rebuilt to enhance production and output from the wells in the Routh Point Field. These work overs are expected to increase production and subsequently revenues in the coming months. With the recent completion of the Coleman No.8, one additional drilling location has been identified that is expected to be drilled in the next 60-90 days subject to weather conditions.

The strategy for this project is to maintain and where possible increase oil production to take advantage of US\$80 per barrel oil prices.

Turner Bayou 3D Seismic Project (52% Interest)

Pryme is pleased to advise that the 3-D shoot has been completed and its geologists and geophysicists have been reviewing the data. Whilst this project is behind schedule due primarily to weather delays, Pryme is pleased to report that it has been worth the wait with positive results being identified already.

The data is of a very high quality which is to be expected from 2007-vintage seismic, as opposed to data shooting and acquisition methods used in the more recent past. From an initial reconnaissance of the information Pryme has been able to identify more than thirty shallow anomalies or "bright spots" as they are commonly known in the industry. A number of deeper targets have been identified and are being further evaluated for drilling in 2008. Exploitation of the shallower objectives in this area typically exceeds

Projects (cont.)

80% success rate using 3-D seismic technology. Flow rates (post initial flush production) are usually in a range of 200Mcf - 500Mcf per day per well and have a reserve value from 0.5 to 1Bcf each. It is expected that the number of these seismic anomalies will increase through further evaluation of the data and prospects will be high graded in preparation to drill.

A pipeline right-of-way is currently being planned and negotiated. A drilling rig contractor is being scheduled to begin the drilling program during November. The first group of ten wells will be drilled in pods of five back-to-back and through to the end of Q1 of 2008 as illustrated in the program timeline at the beginning of this report.

Pryme's strategy is to develop the shallower Frio/Miocene targets initially to increase earnings and develop its infrastructure and then to revisit the deeper horizons to 16,000 feet. Pryme's working interest and potential net risked valuations for this project can be found in the latest company presentation dated 25 September 2007, which is available from the Pryme website.

Raven Project (40% Interest)

The first well in the Raven Project, the Spinks-Middlebrooks #11-1, reached planned total depth of 10,830 feet and was successfully logged. Several intervals were identified that correlate with the gas shows during the drilling phase. The operator perforated and hydraulically fractured all three potential zones from the electric log. As a result the well is currently flowing natural gas into the sales line from the upper most zone, but its producing rate has not yet stabilised. The closest analog to this interval is a well that produced 2.7Bcf from a two foot section.

Site clearing and location preparation is currently under way for the second well, which is scheduled to be drilled in the second week of November. This well has been re-positioned closer to the thicker part of the sand fairway to the Spinks Middlebrooks #11-1, which we hope will result in an even better outcome. When three wells have been drilled, we will be in a position to have a reservoir study completed and PUDs (proved undeveloped reserves) booked net to Pryme, along with Proved, Producing reserves.

This is the second of a minimum ten well program to be drilled in this project. Pryme has planned to have one well drilled every quarter, per the drilling program.

Saline Point Project (26.96% Interest)

The initial test well (State Lease 19234 No.1) in this oil exploration project was drilled in early September 2007 and was logged showing oil in three of the primary objective

Middle-Wilcox sands. Through further core analysis it was determined that these sands did not have commercial potential in that wellbore. The geology was re-mapped for further definition and a second location derived targeting oil shows encountered in the No.1 well. A second test well is scheduled to be drilled at the end of October.

This project is located in the southern portion of Catahoula Lake in LaSalle Parish, Louisiana. The project will target in excess of 2 million barrels of oil from the upper sands of the Wilcox formation and is located near Catahoula Lake and South Catahoula Lake fields which are prolific oil producing regions.

Atocha Project (100% Interest)

Over 5,600 acres have been leased in this project to date. Pryme is currently in discussions with a company that wishes to farm in this project. The farm-out terms for the size and cost of the project include reimbursement of all costs, a cash fee and a carried working interest in the area of mutual interest. Further details of Atocha and the potential value for Pryme will be announced once the transaction has been consummated.

Kestrel Project (Farm out*)

Kestrel has been fully leased and is currently being marketed to third parties. Interest in the project has been expressed by several mid-sized oil and gas companies reviewing the data for a second time with their technical teams. Depending upon the current processing of Kestrel's seismic data in defining the "AVO" attribute, Pryme expects that the degree of interest in Kestrel will be enhanced.

Condor Project (Farm out*)

The project is currently being reviewed by a select group of deep Tuscaloosa formation operators.

**Proposed farm out terms net to Pryme is 1%-2.5% override and 8% carried interest. These are yet to be finalised.*

Corporate

Private Placement Successfully Completed

In line with Pryme’s growth strategy, the Board of Pryme announced the completion of a placement of 11,562,500 fully-paid ordinary shares in the capital of Pryme at \$0.32 per share to two independent Queensland based sophisticated investors, Messers Ian McCauley and John Rawlins, on 22 October 2007.

Ian McCauley and John Rawlins have significant experience operating and investing in the Australian resources industry with both men having held senior executive positions with some of Australia’s major resource companies. In 2003, with the merger of their privately owned Yarrabee Coal Company with Aulron Energy Limited (now Felix Resources Limited (Felix)), both gentlemen were appointed as non-executives directors to the Felix board with Ian elected Felix chairman. Within three and a half years of the merger, Felix grew from a market capitalised entity of \$30 million to one with over \$1.0 billion of market capitalisation. Ian

McCauley has also held previous positions with the global oil producer Shell, including Chairman’s representative for Queensland.

RMM Capital, also of Brisbane, facilitated the placement for Pryme and will provide ongoing financial advisory support and assistance to the Company.

The Board is delighted with the addition to the Company’s register of two cornerstone investors and looks forward to focusing on moving ahead with the Company’s US growth strategy.

The additional funds will allow Pryme to move forward unabated towards the drilling and development of the Turner Bayou and Raven Projects. Drilling of the first of a group of five Frio wells (3,000 – 4,500 feet objective) in Turner Bayou is scheduled to begin in November. The surface location is currently being prepared for the second well in the Raven Project, which is also expected to be drilled during November.

Building Blocks of Growth and New Opportunities

Below is a diagram outlining the key foci of the Pryme team when evaluating new opportunities.



For further company information please visit our website at www.prymeoilandgas.com or contact:

Justin Pettett
 Managing Director
 Pryme Oil and Gas Limited
 Telephone: +61 7 3371 1103
 Email: justin@prymeoilandgas.com

Ryan Messer
 President
 Pryme Oil and Gas Inc
 Telephone: +1 678 840 2348
 Email: ryan@prymeoilandgas.com

Appendix 5B

Mining exploration entity quarterly report

Name of entity	ABN	Quarter ended ("current quarter")
Pryme Oil and Gas Limited	75 117 387 354	30 September 2007

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	387	1,189
1.2	Payments for (a) exploration and evaluation	(1,278)	(6,026)
	(b) development	-	-
	(c) production	(36)	(133)
	(d) administration	(564)	(1,562)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	20	81
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(1,471)	(6,451)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	(27)
	(b) equity investments	-	-
	(c) other fixed assets	(1)	(1)
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)	(28)
1.13	Total operating and investing cash flows (carried forward)	(1,472)	(6,479)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,472)	(6,479)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		2,955
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)	(23)	(231)
	Net financing cash flows	(23)	2,724
	Net increase (decrease) in cash held	(1,495)	(3,755)
1.20	Cash at beginning of quarter/year to date	2,458	4,786
1.21	Exchange rate adjustments to item 1.20	(7)	(75)
1.22	Cash at end of quarter	956	956

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	195
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	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,000
4.2 Development	-
Total	2,000

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	956	2,458
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	956	2,458

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	N/A			
6.2 Interests in mining tenements acquired or increased	N/A			

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	N/A	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	77,041,529	66,907,529	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	50,000	50,000	\$0.39	Fully Paid
7.5 *Convertible debt securities (description)	N/A			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options Unlisted Options Listed Options Unlisted Options	6,843,000 41,487,374 7,500,000	- 41,487,374 -	<i>Exercise price</i> 20¢ 40¢ 60c	<i>Expiry date</i> 30 June 2008 30 June 2008 31 December 2009
7.8 Issued during quarter Listed Options Unlisted Options	900,000 7,500,000	900,000 -	20¢ 60¢	30 June 2008 31 December 2009
7.9 Exercised during quarter	N/A			
7.10 Expired during quarter	N/A			
7.11 Debentures (totals only)	N/A			
7.12 Unsecured notes (totals only)	N/A			

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 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 26 October 2007

(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 Accounting 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.



ABN 75 117 387 354
Tel: +61 7 3371 1103 Fax: +61 7 3371 1105
Level 7 320 Adelaide Street GPO Box 111 Brisbane Queensland 4001
www.prymeoilandgas.com

BRISBANE - HOUSTON