

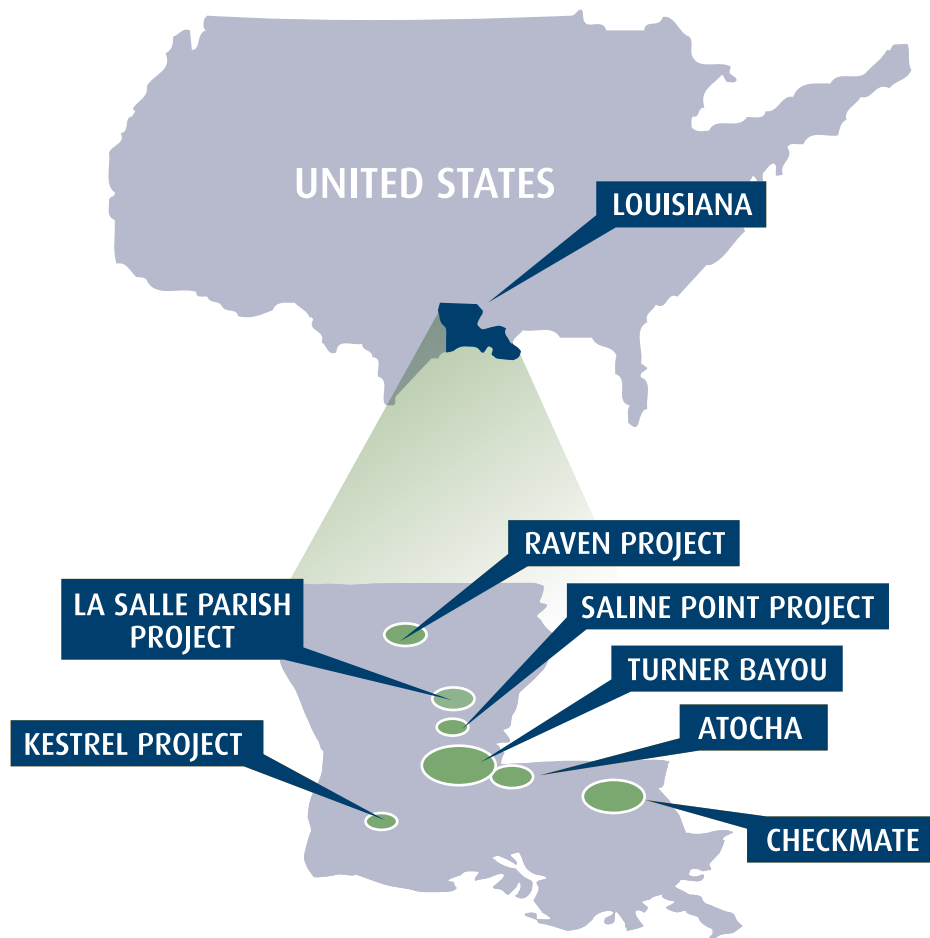
SEPTEMBER 2008 QUARTERLY REPORT

“The last quarter has seen unprecedented volatility in global financial markets, dramatic weakening of the Australian currency and a decline in the prices for oil and natural gas. During these challenging times, Pryme remains focused on building earnings and reserves, and it continues its commitment to this strategy for the benefit of shareholders.

Pryme currently enjoys US dollar revenue from oil and natural gas production from the LaSalle Parish and Raven projects and its cash position is strong in relation to its planned expenditure. The Company is continuing to focus on drilling its high priority exploration targets and success will result in significant production increases in the short to medium term. In addition, the Company is working towards farming out its deeper Turner Bayou prospects and the Atocha Project which could result in significant cash payments as well as the retention of carried interests in future production.

Pryme is in a strong position to grow on solid fundamentals of improving financial performance and growing reserves.”

**Justin Pettett**  
Managing Director



# Table of Contents

Summary and Highlights ..... 4  
 Projects ..... 5  
 Appendix 5B ..... 8

## Glossary

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

## Corporate Directory

### Directors

Mr George Lloyd (Chairman)  
 Mr Justin Pettett (Managing Director)  
 Mr Ryan Messer (Executive Director)  
 Mr Ananda Kathiravelu (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

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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

Link Market Services Limited  
 Level 12, 300 Queen Street  
 BRISBANE QLD 4000

**Phone:** +61 2 8280 7454  
**Fax:** +61 2 9287 0303

### Depository for ADR

Bank of New York  
 101 Barclay Street  
 NEW YORK NY 10286

### Solicitors

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

### Stock Exchanges

Australian Securities Exchange Limited (ASX)  
**Code:** PYM

International OTCQX  
**Code:** POGLY

### Australian Company Number

117 387 354

### Australian Business Number

75 117 387 354

# September 2008 Quarterly Activity Report

31 October 2008

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 for the quarter ending 30 September 2008.

## SUMMARY AND HIGHLIGHTS

- Third Raven well (Patterson 16 No. 1) producing natural gas and condensate
- Preparation to drill fourth Raven well underway
- Marketing efforts intensify as farm-out agreement with Promesa Limited expires
- Preparing to drill in Turner Bayou

## A SMALL CAP GROWTH OPPORTUNITY

<b>ASX Code:</b>	<b>PYM</b>
<b>Recent price:</b>	<b>\$0.10</b>
(30 October 08)	
<b>Cash on hand:</b>	<b>\$4,539,000</b>
<b>Shares outstanding:</b>	<b>111,056,732</b>
<b>20 Cent Options (Jun 09):</b>	<b>2,118,000</b>
<b>40 Cent Options (Dec 09):</b>	<b>500,000</b>
<b>Market Capitalisation:</b>	<b>\$11.1m</b>
<b>Price range (12 month):</b>	<b>\$0.08-\$0.57</b>



Flaring the Patterson well in the Raven Project

# Projects

## Quarterly Sales Report (net to Pryme)

Project	September Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
La Salle Parish	0	3,664	0	12,043
Raven *	32,090	690	56,829	1,210
<b>Total</b>	<b>32,090</b>	<b>4,354</b>	<b>56,829</b>	<b>13,253</b>

\* This figure includes actual sales for the first two months of the quarter and an estimate based on production data from the operator for the last month in the quarter.

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

Third quarter oil sales averaged approximately 1,220 Bbls/month (40 Bbls/day net to Pryme) showing some decline over the previous quarter.

This project remains an important contributor to the Company's cash flow.

### Turner Bayou 3D Seismic Project (52% Interest / 39% Net Revenue Interest (NRI))

<b>Target Formation</b>	Frio
<b>Depth (feet)</b>	4,000 - 5,000
<b>Potential* (100% basis)</b>	0.3 - 1.0Bcf
<b>Working Interest</b>	52%
<b>Net Revenue Interest</b>	39%
<b>Dry Hole Cost (to Pryme)</b>	US\$185,000 / well
<b>Wells to be drilled in Q4</b>	2

\*Potential is un-risked and a gross figure to the 100% working interest. To calculate the net potential to Pryme, multiply the potential by the net revenue interest percentage. Costs shown are dry hole costs attributable to Pryme's interest only. If the well is successful further completion costs will be required.

Pryme and its partners in the Turner Bayou Project are planning to drill one or more additional shallow wells over the next 30-60 days. The sequence of these tests will be determined by the timing for selection of well locations and by site preparation. Two locations have been determined and site preparation for the first well is under way. Drilling is scheduled to commence as soon as a drilling rig becomes available. Information from the first two wells will be used in determining the plans for drilling of subsequent prospects.

Lease holdings in Turner Bayou have been significantly increased during the year and Pryme and its partners now have over 9,500 net mineral acres leased to protect their position.

The evaluation of deeper anomalies in the area of the Turner Bayou 3D seismic survey has resulted in the identification of a number of prospects at depths between 8,100 feet and 18,000 feet. The higher priority of these are Eocene, Lower Cretaceous and Austin Chalk prospects.

We are continuing to promote the farm-out of these deeper Turner Bayou prospects and are in discussions with several potential participants. Typical farm-out terms would include an up-front cash payment and a carried working interest through to completion. A farm-out on these terms enables the Company to reduce its risk, recover part of its investment in generating and acquiring the prospects, and to share in the upside from successful exploration.

### Raven Project (40% Interest / 30% NRI)

<b>Target Formation</b>	Cotton Valley
<b>Depth (feet)</b>	10,000
<b>Potential* (100% basis)</b>	2.0 - 4.0Bcf
<b>Working Interest</b>	40%
<b>Net Revenue Interest</b>	30%
<b>Dry Hole Cost (to Pryme)</b>	US\$500,000
<b>Wells drilled in Q4</b>	1

\*Potential is un-risked and a gross figure to the 100% working interest. To calculate the net potential to Pryme, multiply the potential by the net revenue interest percentage. Costs shown are dry hole costs attributable to Pryme's interest only. If the well is successful further completion costs will be required.

Production from the Grable 15 No. 1 well and the Patterson 16 No.1 well averaged 799 and 857 Mcf per day of gas and 20 and 13 barrels per day of condensate respectively.

The fourth well to be drilled in the Raven Project is scheduled for late this year. The route of the gas gathering line will be selected and the necessary permits secured prior to preparing the location for the drilling rig. Resolution of the route and permitting will determine the actual timing for drilling this well.

## Projects (cont.)

### Saline Point Project (24% Interest / 18% NRI)

<b>Target Formation</b>	Wilcox
<b>Depth (feet)</b>	5,000
<b>Potential* (100% basis)</b>	300 – 600 MBbls
<b>Working Interest</b>	24%
<b>Net Revenue Interest</b>	18%
<b>Dry Hole Cost (to Pryme)</b>	\$130,000
<b>Wells drilled in Q4</b>	1

*\*Potential is un-risked and a gross figure to the 100% working interest. To calculate the net potential to Pryme, multiply the potential by the net revenue interest percentage. Costs shown are dry hole costs attributable to Pryme's interest only. If the well is successful further completion costs will be required.*

Drilling of the third Saline Point well is planned to commence during before year's end, if not early 2009, depending on access to the location. It will test the potential for a number of stacked oil-bearing reservoirs. The location has been determined from well log information from the two previous wells and places the new well at the optimum structural location.

### Up Dip Tuscaloosa Project (100% Interest / JV with Amelia)

<b>Target Formation</b>	Tuscaloosa
<b>Depth (feet)</b>	17,700
<b>Potential* (100% basis)</b>	30 – 48 Bcfe
<b>Working Interest</b>	25%
<b>Net Revenue Interest</b>	23.75%
<b>Dry Hole Cost (to Pryme)</b>	Free carry

*\*Potential is un-risked and a gross figure to the 100% working interest. To calculate the net potential to Pryme multiply the potential by the net revenue interest percentage. Working interest and net revenue interest shown are the terms currently being offered to potential far-in partners and are subject to change. If the well is successful further completion costs will be required.*

Pryme has previously announced a joint venture with Promesa Limited with the objective of exploring the project area. As announced on 29 September 2008, due to adverse market conditions, Promesa was unable to raise sufficient capital within the required timeframe to satisfy all conditions precedent for the joint venture to become effective. As a result, Pryme is pursuing other farm-out options with potential participants in Australia and in the United States.

The project area is defined as an Area of Mutual Interest (AMI) of approximately 1,800 square kilometres (700 square

miles) in central Louisiana. The AMI includes 6,400 acres in East Baton Rouge and East Feliciana Parishes over which Pryme holds the mineral rights and which are on trend with the prolific Tuscaloosa Trend. The Tuscaloosa Trend was discovered in 1975 by Chevron. It has produced over 2.8 Tcf of natural gas and 120 million barrels of condensate over the past 32 years.

Exploration will commence in the Atocha Prospect which is the most advanced prospect in the AMI. Atocha is located five miles north of BP's Port Hudson Field which is the best producing field in the trend. The Port Hudson Field is a salt-cored anticline from which approximately 800 Bcf of gas and 90 million barrels of condensate (1.3 Tcf equivalent of natural gas) have been produced to date. The primary targets of the Atocha Prospect are over 17,000 feet deep and are analogous to producing formations in Port Hudson Field.

The first exploration well in Atocha will be the re-entry of a well which was drilled by a major oil company in 1980 when the Tuscaloosa Trend was relatively undeveloped and its production characteristics were unknown. Petrophysical analysis indicates that the well to be re-entered potentially contains over 100 feet of natural gas bearing sands. This section will be tested, and if completed as a producing well, will deliver gas into the nearby sales pipeline network.

Considerable preparatory work for the re-entry of the Atocha well has been completed and it is intended that the re-entry will commence as soon as a farm-in partner is secured.

The terms of the farm-out that are being offered include:

- Cash reimbursement of Pryme's costs of the project to date;
- A carried working interest through to production in the re-entry well in the Atocha Prospect;
- Pryme will turn (or offer) a 75% net revenue interest (except where landowner royalties do not allow this) in the Atocha prospect and acreage leased to date throughout the AMI; and
- Rights to fund further leasing and development activities throughout the AMI at cost.

A discovery in the Atocha Project has the potential to significantly increase earnings and greatly increase the valuation of Pryme.

## Projects (cont.)

### **Kestrel Project (100% Interest / JV with Wave Exploration)**

Kestrel is a Hackberry Sands Project located in Calcasieu Parish Louisiana and has been generated by processing 3D seismic data. The project area has been fully leased and is currently being marketed to third parties. The project is located on 320 acres.

It is proposed that Kestrel be drilled to a depth of 13,500 feet, targeting four "Hackberry" natural gas and condensate bearing sands.

### **Checkmate (100% Interest / JV with Amelia Resources)**

The Checkmate Project is a joint venture with Amelia Resources LLC to develop regional exploration prospects throughout an area of mutual interest covering over 5,000 square miles in the "Florida Parishes" of eastern Louisiana.

All work including the reprocessing and re-interpretation of seismic data in this project has been put on hold so that the management of Pryme can focus on its current inventory of prospects. A substantial library of seismic data has been accumulated for Pryme to use at a later date.

For further Company information please visit our website at [www.prymeoilandgas.com](http://www.prymeoilandgas.com) or contact:

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# Appendix 5B

## Mining exploration entity quarterly report

<b>Name of entity</b>	<b>ABN</b>	<b>Quarter ended ("current quarter")</b>
Pryme Oil and Gas Limited	75 117 387 354	30 September 2008

### Consolidated statement of cash flows

	Current quarter	Year to date (9 months)	
	\$A'000	\$A'000	
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	933	1,902
1.2	Payments for (a) exploration and evaluation	(1,574)	(3,992)
	(b) development	-	-
	(c) production	(57)	(219)
	(d) administration	(544)	(1,507)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	95	280
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	<b>Net Operating Cash Flows</b>	<b>(1,147)</b>	<b>(3,536)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	(202)	(1,333)
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	860
	(b) equity investments	-	-
	(c) other fixed assets	(2)	(9)
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	<b>Net investing cash flows</b>	<b>(204)</b>	<b>(482)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(1,351)</b>	<b>(4,018)</b>



# Appendix 5B

## Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,351)	(4,018)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	41	7,095
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)	-	(402)
	<b>Net financing cash flows</b>	<b>41</b>	<b>6,693</b>
	<b>Net increase (decrease) in cash held</b>	<b>(1,310)</b>	<b>2,675</b>
1.20	Cash at beginning of quarter/year to date	5,812	1,855
1.21	Exchange rate adjustments to item 1.20	37	9
1.22	<b>Cash at end of quarter</b>	<b>4,539</b>	<b>4,539</b>

### 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	212
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	1,000
4.2 Development	-
<b>Total</b>	<b>1,000</b>

### 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	4,539	5,438
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4,539</b>	<b>5,438</b>

### 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 <b>Preference *securities</b> (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 <b>*Ordinary securities</b>	111,056,732	111,056,732	Various	Fully Paid
7.4 Changes during quarter (a) Increases through option exercises (Refer 7.9 below) (b) Decreases through returns of capital, buy-backs	2,575,000 1,100 -	2,575,000 1,100 -	20c 40c -	Fully Paid Fully Paid -
7.5 <b>*Convertible debt securities</b> (description)	N/A			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b>			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted Options	2,118,000	-	20¢	30 June 2009
Unlisted Options	500,000	-	40¢	31 December 2009
7.8 Issued during quarter Unlisted Options Listed Options	- -	- -	- -	- -
7.9 Exercised during quarter Unlisted Options Listed Options	2,575,000* 1,100*	- 41,487,374	20c 40c	30 June 2008 30 June 2008
7.10 Expired during quarter			<i>Expiry date (effective date)</i>	<i>Expiry date (effective date)</i>
Unlisted Options	1,175,000	-	20c	30 June 2008
Listed Options	41,486,274	41,487,374	40c	30 June 2008
7.11 <b>Debentures</b> (totals only)	N/A			
7.12 <b>Unsecured notes</b> (totals only)	N/A			


\* Shares were issued during the Quarter upon receipt of exercise monies which were received during Quarter 2 (\$374,000).

# 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:** 31 October 2008  
 (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.





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BRISBANE - HOUSTON