pryme
OIL AND GAS




JUNE 2010 **HALF YEARLY REPORT**

"Successful exploration and development of Pryme's deeper Turner Bayou prospects has the potential to create significant value for shareholders. With success we would expect to multiply Pryme's oil production several times and to substantially increase our 1P and 2P oil reserves."

Justin Pettett, Managing Director

Drilling the SL 502 No.1 from the barge mounted rig in Catahoula Lake, Louisiana

"This is the first well to be drilled with the barge mounted rig in over a decade and we are pleased to report that the refurbished rig performed well - it will be a major component of PLX' future exploration activities. With our own production facilities, flow lines, storage tanks and salt water disposal facilities we are well equipped to quickly bring successful discoveries into production. Catahoula Lake is truly an underexplored area and we are looking forward to continuing exploration success."

Ryan Messer, Chief Operating Officer

Drilling crews working on the barge mounted rig in Catahoula Lake, Louisiana

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Glossary

Bbls/day .... Barrels (of oil) per day

Bbls/month .... Barrels (of oil) per month

Bcf .... Billion Cubic Feet

Bcfe .... Billion Cubic Feet Equivalent

Boe .... Barrels of Oil Equivalent

Mcf..Thousand Cubic Feet

Mcfd..Thousand cubic feet per day

MMcfd .... Million Cubic Feet of Natural Gas per day

NRI .... Net Revenue Interest

Tcf..Trillion Cubic Feet

Tcfe..Trillion Cubic Feet Equivalent

3.28 feet.. Equals 1 metre

Directors' Report

In accordance with a resolution of the directors, the directors present their Report together with the Financial Report of Pryme Oil and Gas Limited (Pryme) and its wholly owned subsidiary Pryme Oil and Gas Inc and its subsidiaries (together referred to as the Consolidated Entity) for the half year ended 30 June 2010 (Period) and the Independent Auditor's Review Report thereon:

Directors

The Directors of Pryme at any time during or since the end of the half year ended 30 June 2010 are:

Executive Directors

Mr Justin Pettett (Managing Director)
Mr Ryan Messer (Chief Operating Officer)

Non-Executive Directors

Mr George Lloyd (Chairman)
Mr Gregory Short (Appointed 21 January 2010)

At the Annual General Meeting held on 19 April 2010, Mr George Lloyd was re-elected to the Board in accordance with clause 13.2 of Pryme's Constitution and Mr Gregory Short was re-elected to the Board in accordance with clause 13.4 of Pryme's Constitution.

Review of Operations

The principal activities of Pryme during the Period under review were acquiring, exploring and developing oil and gas prospects in the United States of America. There have been no changes in the nature of these activities during the Period. In the first half of 2010, $1,675,104 was invested in exploration, evaluation and development activities (2009: $984,820).

Financial Results

Revenue from production of oil and gas of the Consolidated Entity after royalties for the half year ended 30 June 2010 is $1,438,845 (2009: $965,878). This increase in revenue is attributable to both an improvement in oil and gas prices and an increase in production volumes as a result of the investment in the Four Rivers project in 2009 and the acquisition of oil production and additional exploration prospects in the Catahoula Lake project in the first half of 2010. The average oil price for the 6 months to June 2010 was US$78.02 per Bbl (2009: US$47.24 per Bbl) with total revenue from oil sales attributable to the following producing assets: Lasalle 30%, Raven 20%, Four Rivers 40%, Catahoula Lake 10%. The average gas price for the 6 months to June 2010 was $4.29 (2009:$3.39) with total gas production from the Raven for the period totalling 44,997 Mcf.

For the half year ending 30 June 2010 the Company has recorded a loss from operations of A$576,955 (2009: A$1,853,537), a significant improvement on the result for the same period last year reflecting the Company's increased production and improving oil and gas prices.

Total Comprehensive Income for the Company for the period of $258,259 (2009: Loss $5,279,136) includes a gain of $835,214 (2009: Loss $3,425,599) arising on translation of foreign operations which is required to be reported in the Consolidated Statement of Comprehensive Income rather than directly transferred to the Company's foreign currency translation reserve in the balance sheet pursuant to changes in reporting standards.

The functional currency for the US operations of the Group is US Dollars. The presentation currency for the Group's accounts is Australian Dollars.

Directors' Report (cont.)

Exchange differences arising on translation of foreign operations are shown in the Consolidated Statement of Comprehensive Income.

Decreases in the Australian Dollar exchange rate relative to the US Dollar increase the Australian Dollar book values of assets and liabilities with an offsetting impact on the Consolidated Statement of Comprehensive Income. Similarly, increases in the exchange rate reduce the Australian Dollar book values of assets and liabilities.

Production

Cumulative net production for the Company for the half year were 13,720 barrels of oil and 44,997Mcf of natural gas from the LaSalle Parish, Raven, Four Rivers and Catahoula Lake Projects (2009: 8,405 barrels of oil and 56,958Mcf of natural gas respectively). Oil production and production revenue is forecast to increase for the 6 months to December 2010 as a result of the acquisition of oil production and recent successful exploration in the Catahoula Lake project.

Exploration and Lease Acquisition

Details of Pryme's exploration activities and leases acquired are specified in the "Projects" section on pages 7 to 10 of the half year report.

Events Subsequent to Reporting Date

- As announced to the ASX on 9 August 2010, drilling of the first well in the Turner Bayou Chalk project in which the Company has a 40% working interest (30% Net Revenue Interest) has commenced.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration has been provided by Pryme's auditor, Moore Stephens. A copy of this declaration is attached to, and forms part of, the Half Year Report for the six months ended 30 June 2010.

Signed in accordance with a resolution of the Board of Directors.

Justin Pettett
Managing Director
Brisbane
26 August 2010

Auditor's Independence Declaration

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Offices

Brisbane
Burdekin
Cairns
Innisfail
Toowoomba
Townsville

Auditor's Independence Declaration
Under Section 307C of the *Corporations Act 2001*
To the Directors of Pryme Oil and Gas Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2010 there have been:

i. no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

Moore Stephens

MOORE STEPHENS

MJ McDonald

Date: 20 August 2010.

Brisbane, Queensland.

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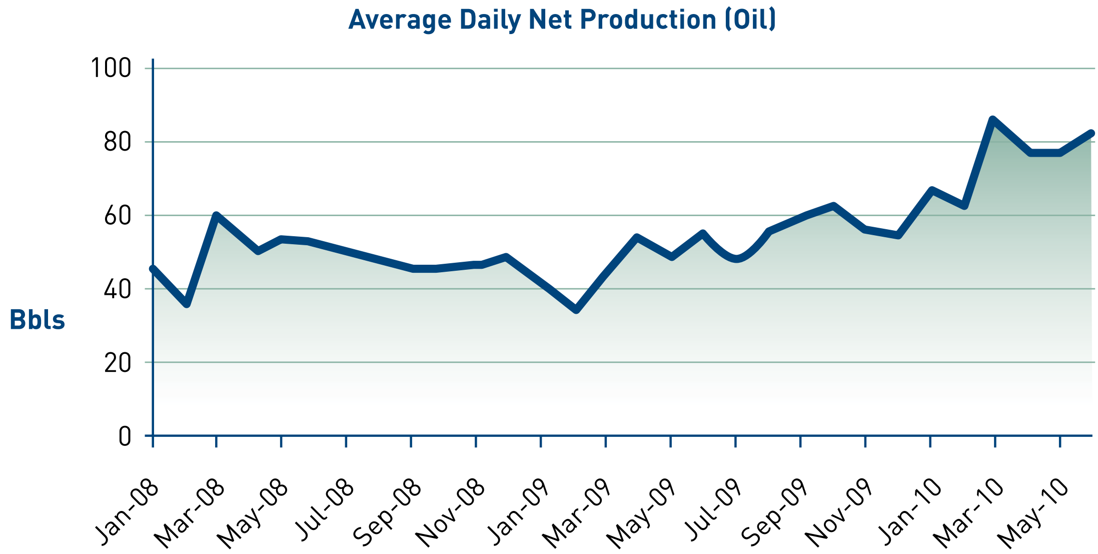
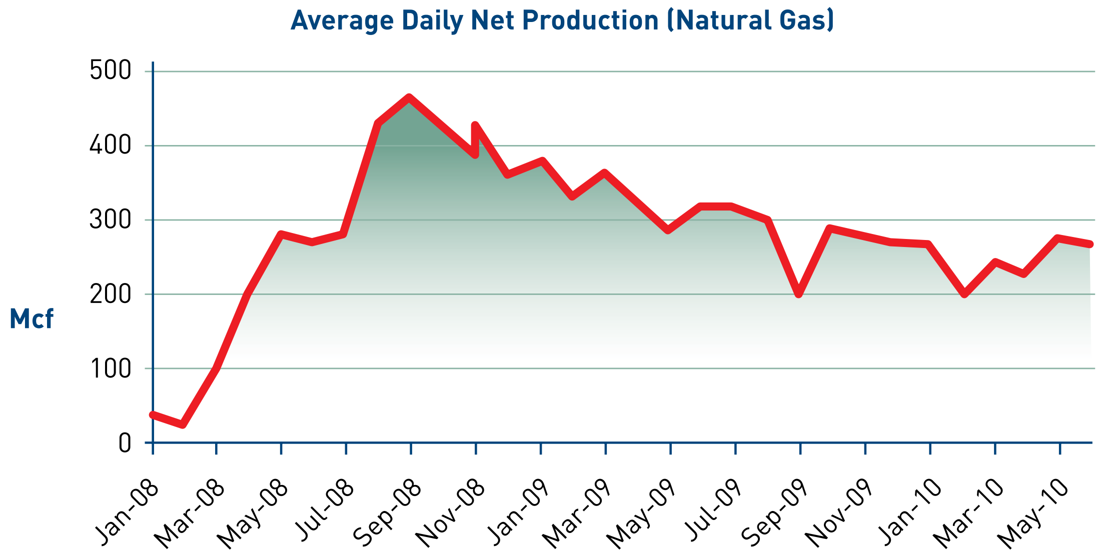
Projects





Project	1st Half Year 2009		2nd Half Year 2009		1st Half Year 2010	
	Natural Gas (Mcf)	Oil (Bbls)	Natural Gas (Mcf)	Oil (Bbls)	Natural Gas (Mcf)	Oil (Bbls)
LaSalle		6,683		5,422		4,741
Raven	56,950	1,088	49,713	1,057	44,662	966
Four Rivers		630		3,692		5,557
Catahoula Lake						1,753
Total	56,950	8,401	49,713	10,171	44,338	13,017
Total BOE	17,893		18,320		20,338	

**Oil equivalent of natural gas – 6.1MMcf of natural gas equivalent to 1 barrel of oil*

Projects (cont.)

LaSalle Parish Project
(8% - 21.5% Interest)

The LaSalle Parish project is based on oil production from five fields, the first of which was discovered in 2000.

First half oil sales of 4,741 barrels were 12.5% lower than for the previous half year. The decline is mainly attributable to the impact of cold weather and high water levels on operations in addition to normal decline. Average sales net to Pryme was 26 barrels of oil per day for the half year.

Raven Project
(40% Interest / 30% NRI)

Sales from the Raven project for the half year were 44,997 Mcf of natural gas and 966 barrels of condensate, a 10% reduction in gas sales and an 8% reduction in condensate sales over the previous half year. Gas sales for the half year were lower mainly due to natural decline. Oil sales for the quarter were lower due to natural decline as well as a build up of stock towards the end of the half year. Average sales net to Pryme was 250 Mcf of natural gas and 5 barrels of condensate per day for the half year.

Catahoula Lake Project
(25%-50% Interest / 20.25%-37.5% NRI)

Target Formation	Middle Wilcox
Depth *(feet)*	4,500 - 5,000
Reserves* *(Net to Pryme)*	139,200 BOE
Working Interest	25% - 50%
Net Revenue Interest	20% - 37.5%
Dry Hole Cost *(to Pryme)*	~US$100k - $200k per well
Wells to be drilled in 2010	3 - 4

** Pryme's 1P reserves shown in BOE and taken from Pryme's 1 July 2010 Reserves Statement released through the ASX on 16 July 2010. Further information on Pryme's reserves can be found at www.prymeoilandgas.com.*

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.

Barge drilling rig and associated equipment drilling in Catahoula Lake, Louisiana

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 has been established. Ultimate oil recoveries are expected to range from 50,000 to 200,000 barrels for successful wells drilled from land locations and in excess of 250,000 barrels for each successful well drilled from lake locations.

Production platform of the SL 502 No.1 in Catahoula Lake, Louisiana

Catahoula Lake is approximately 30,000 acres in area and, because of the need for specialised exploration equipment, is relatively unexplored.

Pryme Oil and Gas Limited owns 50% of Ptyme Lake Exploration ('PLX') which, in turn, owns a 50% Working Interest (36.5% NRI) in 7,676 mineral acres within Catahoula Lake and its surrounds, and a 100% Working Interest (75% NRI) in 320 mineral acres within Catahoula

Projects (cont.)

Lake together with associated oil production, handling and storage facilities. PLX also owns a 50% interest in the drilling barge, service barges, crew boats and associated equipment which are required to drill and operate on Catahoula Lake. This equipment provides Pryme with a significant competitive advantage over other explorers over the entire area of the lake, almost all of which is prospective.

Total oil sales for the half year were 1,753 barrels of oil (17 barrels per day net to Pryme) from existing production. Oil sales will increase significantly during the September quarter due to a successful discovery in late June with the State Lease 502 No.1 well.

PLX Management inspecting core samples taken from the SL 502 No.1 Catahoula Lake, Louisiana

The State Lease 502 No.1 well is the first Catahoula Lake project well to be drilled from PLX's barge rig. It was drilled to a depth of 4,280 feet and intersected approximately 35 feet of net oil pay across multiple Middle Wilcox sands. The well was tied into production facilities in mid July and initially flowed in excess of 100 bbls/day. It is expected to produce at a long term stabilized rate around 50 bbls/day bringing current PLX production on Catahoula Lake up to approximately 100 bbls/day. PLX's Net Revenue Interest (NRI) in the State Lease 502 No.1 well is 75% (100% Working Interest).

The US Army Corps of Engineers commenced the scheduled draining of Catahoula Lake in the first week of July. Drilling in the area of the lake with a land-based rig is planned to commence in September at the rate of one well per month through to the end of the year. Drilling from the barge-mounted rig is planned to resume in February 2011.

Pryme Energy LLC, the wholly owned subsidiary and operating arm of Pryme Oil and Gas Inc., is the operator of the State Lease 502 No.1 well.

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

Pryme has a 25% Working Interest (18.75 - 20% Net Revenue Interest (NRI)) in the Four Rivers project which extends from Winn, Concordia and Catahoula Parishes in Louisiana to Adams, Jefferson and Wilkinson Counties in Mississippi. The project is targeting multiple "stacked" oil zones throughout the Middle-Wilcox formation and, to a lesser extent, shallow Frio natural gas zones, at depths ranging from approximately 4,000 to 7,000 feet.

First half year sales from the Four Rivers project was 5,557 barrels of oil net to Pryme, a 50% increase over sales for the previous half year due mainly to successful exploration efforts and more wells being brought into production. Average sales net to Pryme was 30 barrels of oil per day for the half year.

Pryme's Middle Wilcox exploration efforts for 2010 will be concentrated on the Catahoula Lake project and will target the same Wilcox age objectives as the Four Rivers project although in a much less densely drilled environment.

Turner Bayou 3D Seismic Project

Target Horizon	**Austin Chalk (Oil)**
Depth *(total measured depth in feet)*	~20,000 feet
Reserves* *(Net to Pryme)*	614,900 BOE
Ownership Interest	52%
Turner Bayou Chalk Project WI	40%**
Net Revenue Interest	30%
Dry Hole Cost *(net to Pryme on initial well)*	~US$2.2m
Planned Spud Date	August 2010

** Pryme's 1P reserves shown in BOE and taken from Pryme's 1 July 2010 Reserves Statement released through the ASX on 16 July 2010. Further information on Pryme's reserves can be found at www.prymeoilandgas.com.*

*** The cost of exploration of the deeper Turner Bayou prospects is much higher than for the shallow prospects and Pryme has farmed out to other explorers a portion of its working interest in the deep prospects to mitigate risk and reduce expenditure.*

Projects (cont.)

Turner Bayou is one of Pryme's high value projects. Pryme has a 52% working interest (39% NRI) in the project which comprises approximately 80 square miles (50,000 acres) which have been imaged by a proprietary 3D seismic survey. Primary targets are contained within six prospective formations ranging in depth from the Frio formation at 3,000 feet, to the Tuscaloosa formation at 18,000 feet.

Drilling in the Austin Chalk, Avoyelles Parish, Louisiana

Successful exploration and development of the Turner Bayou project prospects has the potential to create significant value for shareholders.

Pryme has drilled a number of shallow Frio/Miocene wells within anomalies identified from the 3D seismic survey; these have been shut-in as potential producers.

Drilling of the first well to test the Austin Chalk formation, the Deshotels 20-H No.1 well in North Bayou Jack Field, commenced in August 2010 and is expected to take approximately 7 to 9 weeks to complete. Pryme's working interest in the well is 40%, equivalent to a 30% net revenue interest (NRI).

The well will be drilled to a depth of 15,380 feet vertically with a 4,500 foot horizontal lateral.

The Deshotel 20-H No.1 well will target oil on trend with previous commercial oil discoveries from vertical intersections of the Austin Chalk formation. The prospect location has been confirmed with high resolution 3D seismic data from a survey carried out in 2007.

Atocha Project (25% Interest)

The Atocha Project, located in East Baton Rouge and East Feliciana Parishes in Louisiana, covers 6,400 contiguous acres within the up-dip fairway of the Tuscaloosa Trend. The Tuscaloosa Trend was discovered in 1975 by Chevron, it has produced over 2.8 Trillion Cubic Feet (TCF) of natural gas and 120 million barrels of condensate over the past 32 years.

A geologist with specialised local experience has been engaged to reprocess and interpret the seismic data covering Pryme's Atocha project area. Further updates on Atocha will be made once this process is complete.

Financials

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR TO 30 JUNE 2010

		Consolidated Entity	
	Note	30 June 2010	30 June 2009
		$	$
Revenue	2	1,870,815	999,952
Audit and Accounting fees		(72,450)	(91,923)
Depletion, depreciation and exploration write off expense		(528,841)	(1,643,847)
Directors remuneration	3	(188,584)	(178,414)
Directors remuneration – Share/Option Plan	3	(31,181)	(20,493)
Professional Consulting Fees	3	(207,685)	(245,944)
Employee benefits expenses		(336,489)	(122,841)
Legal and secretarial fees		(44,136)	(45,709)
Production Costs		(332,640)	(264,463)
Provision for doubtful debts		(382,647)	-
Share registry and listing fees		(23,440)	(12,991)
Travel expenses		(119,584)	(60,293)
Other expenses		(179,360)	(154,977)
Share of net loss of associate		(733)	(11,594)
Loss before income tax		**(576,955)**	**(1,853,537)**
Income tax expense		-	-
(Loss)/Profit for the period		**(576,955)**	**(1,853,537)**
Other Comprehensive Income			
Net gain /(loss) foreign currency translation reserve		835,214	(3,425,599)
Income tax related to components of other comprehensive income		-	
Total Comprehensive Income		**258,259**	**(5,279,136)**
Profit/(Loss) attributable to members of the parent entity		**(576,955)**	**(1,853,537)**
Total comprehensive income attributable to members of the parent entity		**258,259**	**(5,279,136)**
Basic earnings per share from continuing operations - cents per share		(0.32) cents	(1.7) cents
Diluted earnings per share from continuing operations- cents per share		(0.32) cents	(1.7) cents

The accompanying notes form part of these financial statements.

Financials (cont.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	Consolidated Entity 30 June 2010 $	Consolidated Entity 31 December 2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		4,202,918	5,454,607
Trade and other receivables	6	763,878	1,237,778
Other current assets		259,790	49,177
TOTAL CURRENT ASSETS		5,226,586	6,741,562
NON-CURRENT ASSETS			
Investment accounted for using the equity method	7	9,278,780	8,623,033
Property, plant and equipment		774,096	442,901
Land		29,182	
Working Interest	8	11,434,564	10,552,905
TOTAL NON-CURRENT ASSETS		21,516,622	19,618,839
TOTAL ASSETS		26,743,208	26,360,401
CURRENT LIABILITIES			
Trade and other payables		271,088	182,243
TOTAL CURRENT LIABILITIES		271,088	182,243
NON-CURRENT LIABILITIES		-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		271,088	182,243
NET ASSETS		26,472,120	26,178,158
EQUITY			
Issued capital	9	36,399,647	36,399,647
Reserves		(1,412,060)	(2,282,977)
Accumulated losses		(8,515,467)	(7,938,512)
TOTAL EQUITY		26,472,120	26,178,158

The accompanying notes form part of these financial statements.

Financials (cont.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Issued Capital Ordinary	Accumulated Loss	Foreign Exchange Reserve	Option Reserve	Total
		$	$	$	$	$
Balance at 1.01.2009		29,902,450	(4,113,613)	3,386,523	445,351	29,620,711
Shares issued during the period		-	-	-	-	-
Share issue costs		-	-	-	-	-
Options issued during the period		-	-	-	21,982	21,982
Options expired/relinquished – expensed in prior year		-	377,851	-	(377,851)	-
Loss attributable to members		-	(5,279,136)	-	-	(5,279,136)
Adjustments from translation of foreign controlled entities		-	3,425,599	(3,425,599)	-	-
Balance at 30.06.2009		**29,902,450**	**(5,589,299)**	**(39,076)**	**89,482**	**24,363,557**
Balance at 1.01.2010		36,399,647	(7,938,512)	(2,305,516)	22,539	26,178,158
Shares issued during the period		-	-	-	-	-
Share issue costs		-	-	-	-	-
Options expensed during the period		-	-	-	35,703	35,703
Loss attributable to members		-	258,259	-	-	258,259
Adjustments from translation of foreign controlled entities		-	(835,214)	835,214	-	-
Balance at 30.06.2010		36,399,647	(8,515,467)	(1,470,302)	58,242	26,472,120

The accompanying notes form part of these financial statements.

Financials (cont.)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR TO 30 JUNE 2010

	Consolidated Entity	
	30 June 2010	30 June 2009
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,332,564	991,483
Payments to suppliers and employees	(1,705,345)	(1,118,906)
Interest received	103,152	34,071
Net cash provided by (used in) operating activities	(269,629)	(93,352)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of work interest	-	-
Purchase of equity accounted investment	(294,535)	28,673
Purchase of property, plant and equipment	(359,053)	(12,291)
Payment for working interest	(1,675,104)	(984,821)
Repayment of working interest loan	1,342,026	-
Net cash provided by (used in) investing activities	(986,666)	(968,439)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares & options (net of share issue cost)	-	-
Net cash provided by financing activities	-	-
Net increase (decrease) in cash held	(1,256,295)	(1,061,791)
Cash at beginning of period	5,454,607	2,963,925
Effect of exchange rate movement	4,606	(17,978)
Cash at end of period	4,202,918	1,884,156

The accompanying notes form part of these financial statements.

Financials (cont.)

NOTE 1: BASIS OF PREPARATION

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2009 and any public announcements made by Pryme Oil and Gas Limited (Pryme) and its controlled entities (consolidated entity) during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001.*

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those in the annual financial report for the year ended 31 December 2009.

The half year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

	Consolidated Entity	
	30 June 2010	30 June 2009
	$	$
NOTE 2: REVENUE FROM ORDINARY ACTIVITIES		
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Oil and Gas revenue	1,438,845	965,878
Other income – interest	141,506	34,074
Other income – operating income	290,464	-
	1,870,815	999,952

Financials (cont.)

NOTE 3: DIRECTORS' REMUNERATION

Total Directors' remuneration of $406,500 (2009: $403,927) comprises:

- $188,584 (2009: $178,415) which was paid in cash or cash equivalents as salary to directors;
- $186,735 (2009: $205,019) which was paid in cash or cash equivalents for consulting services to entities of which Directors hold beneficial entitlements; and
- $31,181 (2009: $20,493) which is attributable to the expensing of Performance Rights and Restricted Stock Units granted pursuant to the Pryme Oil and Gas Long Term Incentive Plan. In accordance with Australian Accounting Standard AASB2 – Share-Based Payment (AASB2) the securities will be expensed over the performance period of the security, from the date of the grant and despite the fact that attaching transparent performance hurdles are yet to be achieved.

NOTE 4: DIVIDENDS

There were no ordinary dividends declared or paid during the period under review (2009: $Nil).

NOTE 5: SEGMENT REPORTING

Business Segment

The consolidated entity operates predominantly in the exploration and development of properties in the US for the production of oil and gas.

Geographic Segment

30 June 2010

Geographic segment	AUS	USA	Elimination	Consolidated
Income	744,578	1,767,663	(641,426)	1,870,815
Depletion & depreciation and exploration expenditure written off	3,109	525,732	-	528,841
Segments results before tax	80,634	(657,589)	-	(576,955)
Income tax	-	-	-	-
Assets	35,441,080	23,248,017	(31,945,889)	26,743,208
Liabilities	64,863	32,151,997	(31,945,772)	271,088

30 June 2009

Geographic segment	AUS	USA	Elimination	Consolidated
Income	544,834	965,881	(510,763)	999,952
Depletion & depreciation	3,293	1,640,554	-	1,643,847
Segments results before tax	(2,861)	(5,304,575)	3,453,899	(1,853,537)
Income tax	-	-	-	-
Assets	28,814,659	23,019,026	(27,230,144)	24,603,541
Liabilities	75,668	27,394,336	(27,230,120)	239,984

Financials (cont.)

	Consolidated Entity	
	30 June 2010	31 December 2009
	$	$
NOTE 6: RECEIVABLES		
CURRENT		
Trade receivables	1,136,286	1,204,399
Provision for Doubtful Debts	(387,751)	-
Other	15,343	33,379
	763,878	1,237,778

On May 21, 2010 TriDimension Energy, L.P. ('TriDimension") and Axis Onshore, L.P. ("Axis"), filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. TriDimension and Axis are affiliate companies associated with the Company's investment in the Catahoula Lake project owning 50% of the barge rig and certain leasehold assets. During the period, the Company incurred costs in relation to refurbishing the barge rig on behalf of Axis and PLX. The amount owing from Axis in this regard is $387,751.

NOTE 7: INVESTMENTS ACCOUNTED USING EQUITY METHOD

	30 June 2010	31 December 2009
Opening balance at 1 January 2010 (2009: 1 Jan 2009)	8,623,033	10,369,973
New investments during the period	290,099	494,719
Share of associated entities loss	(733)	(19,273)
Foreign exchange fluctuations	366,381	(2,222,386)
Closing balance at 30 June 2010 (2009: 31 December 2009)	9,278,780	8,623,033

NOTE 8: WORKING INTEREST

	30 June 2010	31 December 2009
Exploration expenditure capitalised		
Exploration and evaluation phase	616,696	2,127,925
Less exploration costs written off	-	(1,128,523)
Production phase	13,949,965	12,044,983
Less accumulated depletion	(3,402,386)	(2,750,753)
Intangible exploration costs capitalised	270,289	1,652,584
Less intangible exploration costs written off	-	(1,393,311)
	11,434,564	10,552,905

NOTE 9: ISSUED CAPITAL

	30 June 2010	31 December 2009
Fully paid ordinary shares	38,409,345	38,409,345
Capital raising cost	(2,009,698)	(2,009,698)
	36,399,647	36,399,647
Number of ordinary shares on issue at the end of the half year:	178,801,337	178,801,337

Financials (cont.)

NOTE 10: CONTINGENT LIABILITIES & COMMITMENTS

There has been no change in contingent liabilities since the last annual reporting date 31 December 2009, except for the following:

The Company may from time to time be involved with various litigation and claims that arise in the normal course of business

NOTE 11: EVENTS SUBSEQUENT TO REPORTING DATE

As announced to the ASX on 9 August 2010, drilling of the first well in the Turner Bayou Chalk project in which the Company has a 40% working interest (30% Net Revenue Interest) has commenced.

Financials (cont.)

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 11 to18.
    a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Act 2001*; and
    b. give a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director ....

Justin Pettett

Dated this 26th day of August 2010

Auditor's Review Report

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Offices

Brisbane
Burdekin
Cairns
Innisfail
Toowoomba
Townsville

PRYME OIL AND GAS LIMITED ABN 75 117 387 354
AND CONTROLLED ENTITIES

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF
PRYME OIL AND GAS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pryme Oil and Gas Limited and controlled entities, which comprises the condensed statement of financial position as at 30 June 2010, the condensed statement of comprehensive income, the condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The company's and controlled entities' directors are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporation Act 2001* including giving a true and fair view of the company's and controlled entities' financial position as at 30 June 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*. As the auditor of Pryme Oil and Gas Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Chartered Accountants
NUMBER ONE IN NUMBERS
charter financial planning

Liability limited by a scheme approved under Professional Standards Legislation
The Queensland firm is not a partner or agent of any other Moore Stephens firm
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ACCOUNTANTS & ADVISORS

Matters Relating to the Electronic Presentation of the Financial Report

This review report relates to the financial report of the consolidated entity for the half-year ended 30 June 2010 included on the website of Pryme Oil and Gas Limited. The directors of company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Pryme Oil and Gas Limited and controlled entities on 20 August 2010, would be in the same terms if provided to the directors as at the date of this review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pryme Oil and Gas Limited and controlled entities is not in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's and controlled entities' financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*.

Moore Stephens

MOORE STEPHENS
Chartered Accountants

MJ McDonald

Brisbane Qld

Date 26 August 2010

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Corporate Directory

Directors
Mr George Lloyd (Chairman)
Mr Justin Pettett (Managing Director)
Mr Ryan Messer (Executive Director)
Mr Greg Short (Non-Executive Director)

Company Secretary
Ms Swapna Keskar

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Stock Exchanges
Australian Securities Exchange Limited (ASX)
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International OTCQX
Code: POGLY

Australian Company Number
117 387 354

Australian Business Number
75 117 387 354

Notes

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pryme
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