pryme
OIL AND GAS




JUNE 2008 **QUARTERLY REPORT**

"Continuing success in our Raven project reinforces Pryme's strategy of developing a robust portfolio of exploration projects to build reserves and earnings for our shareholders. The Patterson well is our third discovery in this project. Work on the completion and fracture stimulation of both Cotton Valley Price and C Sand formations is underway with connection to a gathering system and sale of first production planned for late next week."

Justin Pettett
Managing Director

Completion of the Patterson 16 No.1 well in the Raven Project

Table of Contents

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

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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

June 2008 Quarterly Activity Report

30 July 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 June 2008.

SUMMARY AND HIGHLIGHTS

- Third Raven well (Patterson 16 No. 1) drilled, completion and fracture stimulation commenced
- Atocha project farmed out, re-entry of existing well imminent
- Two successful drill tests in the Turner Bayou project

A SMALL CAP GROWTH OPPORTUNITY

ASX Code:	**PYM**
Recent price: (29 July 08)	**$0.235**
Cash on hand:	**$5,438,000**
Shares outstanding:	**111,056,732**
20 Cent Options (Dec 09):	**2,118,000**
40 Cent Options (Dec 09):	**500,000**
Market Capitalisation:	**$25.4m**
Price range (12 month):	**$0.15-$0.56**

Bordelon 25 No.1 awaiting further completion in Turner Bayou

Projects

LaSalle Parish Project (8% - 21.5% Interest)

Second quarter production remained relatively stable at over 1,400 barrels per month. However, as a result of increased oil prices, revenues from this project increased by 40% over the first quarter.

Pryme recently sold its interest in one of the 25 producing wells in this project, the Ray 2-6#1, for nearly four times its annual net cash flow. The Ray well was considered a non-core and mature asset due to its distance from Pryme's other LaSalle production and it being contained in a single well field in the second half of its productive life.

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

Drilling of the Trifolia 9 No.1 well in Turner Bayou

Pryme resumed drilling in the Turner Bayou project with one well in June and another in July. Both wells have been cased and shut-in as potential producers awaiting the construction of a gas gathering and sales line. The Company has now drilled four wells in this project; three of these have resulted in discoveries.

In June, the Trifolia 9 No. 1 well was drilled to 5,000 feet, to test a seismic anomaly in the Frio interval, and resulted in a gas discovery in the primary objective. Further analysis of drill information from this prospect indicates that there may be a 15 to 20 foot structurally higher gas-bearing location in the same reservoir. An additional well will need to be drilled to test this theory.

Since the end of the quarter, the Indigo Minerals 29 No. 1 well, also targeting the Frio interval, was drilled. The 4,600 feet deep well resulted in a gas discovery in the Frio and returned the most encouraging sand thickness and reservoir quality results yet encountered in the Turner Bayou project.

Final completion and testing of the Trifolia 9 No. 1 and the Indigo Minerals 29 No. 1 wells will be carried out after a gathering line has been installed.

The four Frio wells drilled to date have made a significant contribution to interpretation of the Turner Bayou 3D seismic data and are assisting in identifying and evaluating additional prospects in the project area.

It is expected that two further Frio wells will be drilled in this project around the end of the third quarter subject to the Army Corp of Engineers' grant of a Section 404 permit, availability of a suitable drilling rig and completion of site preparation. Several additional prospects are currently undergoing Section 404 permit approval and will be included in subsequent drilling programs after the permitting process has been completed and installation of the gas gathering line has commenced.

Pryme and its partners in Turner Bayou have significantly increased their lease position in Turner Bayou during 2008 and now have over 7,000 net mineral acres leased.

The evaluation of deeper anomalies in the area of the 3D seismic survey has resulted in the identification of a number of prospects at depths between 8,100 feet to 18,000 feet. The higher priority of these are Eocene, Lower Cretaceous and Austin Chalk prospects. Based on nearby and on-trend producing wells, these targets, if productive, have a multi-million barrel of oil equivalent reserve potential.

Pryme and its partners are in discussion with several companies which specialize in exploring deep prospects with a view to forming a joint venture. Pryme's strategy is to farm out a large portion of the deeper targets for an up-front cash payment and a free carried interest through to completion thus reducing our risk, recovering part of our investment to date and sharing in the upside from success through a carried working interest and/or a direct working interest.

Projects (cont.)

Raven Project (40% Interest / 30% NRI)

Production from the Grable 15 No. 1 well has remained relatively steady at above 840 Mcf per day of gas and 20 barrels per day of condensate. The stable production rate is indicative of a reservoir with a large aerial extent and good porosity.

George Lloyd (Chairman) and Ryan Messer (COO) inspect Pryme's latest discovery in the Raven Project - Patterson 16 No.1

This well currently produces from both the Price and the C sands. However, there are two other zones that may also be productive; these zones remain behind pipe for future testing. Pryme is now receiving regular income, currently exceeding US$80,000 per month, from the Grable oil and gas production. This well alone has increased Pryme's monthly income by 50%, exceeding management's initial forecast, and illustrates the potentially significant contribution to growth from each successful Raven well.

The fracture stimulation in the Cotton Valley Price formation (the first of two discovered zones) of the Patterson 16 No.1 well in the Raven project was completed in late July. Most of the fracture treatment fluid has now been recovered from the formation and the well has been shut in pending fracture stimulation of the primary zone, the C Sand formation, later this week. Following this, production from both zones will be comingled to assist in the recovery of the balance of the fracture treatment fluid and production of natural gas and condensate from both formations.

The well will be connected directly to the gas gathering line and gas and condensate sales should commence late next week. Pryme will monitor the well's performance during this time as the fractured formations continue to clean up and reliable flows of natural gas and condensate are established.

The next well to be drilled in the Raven project is scheduled for the fourth quarter of the year. The route of the gas gathering line for this well is currently being investigated. Resolution of the route will determine the timing for drilling the well.

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

Since drilling the first two wells in this project, a decision has been made to not attempt remediation of the second well but to drill a third well in a better location. The drilling of this offset well will commence during the third quarter and will test the potential for a number of stacked oil-bearing reservoirs. The location was determined from well log information gained from drilling of the first two wells and places the new well at the optimum structural location. If successful, this project could make a significant contribution to Pryme's growing reserves base.

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

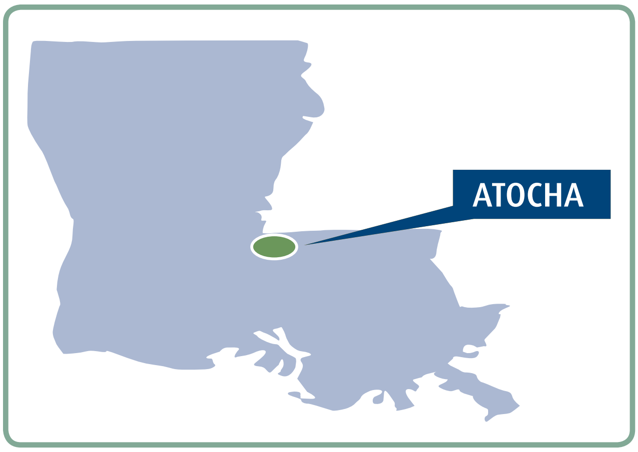
Pryme has entered into an agreement to farm out its interests in the Up Dip Tuscaloosa Project (which includes the Atocha Prospect) to newly formed oil and gas exploration company, Promesa Limited. The terms of the farm out include reimbursement of all of Pryme's project-related costs to date as well as the retention by Pryme of carried interests in the first well to be drilled in each prospect and overriding royalty interests in production from the entire project area.

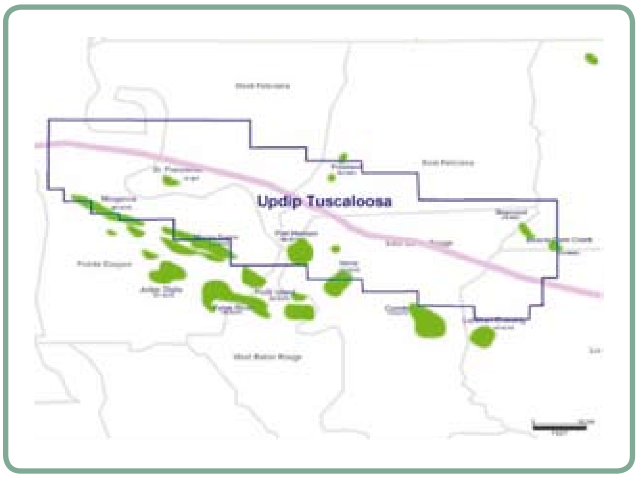
The project area is defined as an Area of Mutual Interest (AMI) of approximately 1,800 square kilometres (700 square miles) in central Louisiana. The AMI includes 6,400 acres in East Baton Rouge and East Feliciana Parishes over which Pryme holds the mineral rights and which are on trend with the prolific Tuscaloosa trend. The Tuscaloosa Trend was discovered in 1975 by Chevron. It has produced over 2.8 trillion cubic feet (TCF) of natural gas and 120 million barrels of condensate over the past 32 years.

Projects (cont.)

Exploration will commence in the Atocha Prospect which is the most advanced of the prospects within 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 billion cubic feet (BCF) of gas and 90 million barrels of condensate (1.3 trillion cubic feet equivalent (TCFE) 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 AMI is shown in the following location map.





The terms of the farmout include:

- cash reimbursement of Pryme's costs of the project to date (estimated at A$2.0 million),
- a 25% carried working interest through to production in the first two wells in the Atocha Prospect and the first well in each other prospect,
- an overriding royalty interest ranging up to 5% of production from Atocha and, subject to lease terms, the entire AMI, and
- a commitment to fund further leasing and development activities throughout the AMI.

The first exploration well in Atocha will be the re-entry of an existing 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.

Work on the re-entry is expected to begin this quarter subject to well and casing availability and also to Promesa finalising a capital raising. A successful discovery in Atocha has the ability to significantly increase revenues and greatly increase the valuation of Pryme.

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

Kestrel is a Hackberry Sands formation 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 sands. If successful, two wells should effectively drain this target.

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. The exploration targets will range in depth from 3,500 feet to 25,000 feet and will give Pryme an inventory of prospects to develop and drill over the next ten years.

Reprocessing and re-interpretation of seismic data continues in this area providing a potential pipeline of prospects for Pryme to explore as existing projects are executed and brought online.

Projects (cont.)

CORPORATE

Director Resignation

John Dickinson, Vice Chairman, advised his intention to retire from the Board of Pryme Oil and Gas effective 1 June 2008. John will continue to be available to the Board and management of the company as a consultant.

John, together with Justin Pettett and Ryan Messer, are the founders of Pryme. Their business relationship commenced in 2001 working together in the identification and development of oil and gas projects in Oklahoma and Louisiana. Early in 2006 they initiated the incorporation and listing of Pryme Oil and Gas Limited and John was the founding Chairman.

John made a substantial contribution to the Company during its formative years through his wide-ranging oil and gas exploration industry contacts and his many years of experience in the industry. He is a sizeable shareholder in the Company and remains committed to its ongoing successful growth.

Pryme remains focused on executing its business plan which includes its current projects throughout Louisiana and its expansion into Texas. The Board is considering the appointment of one or more suitably experienced and qualified additional directors. Details of such appointments will be announced at the appropriate time.

Directors Voluntarily Relinquish Options

Pryme directors, Justin Pettett and Ryan Messer, voluntarily relinquished options over 6,591,000 shares and 3,380,000 rights to receive ordinary shares which were awarded in July 2007 under the Directors' Incentive Option Plan (DIOP) and the Directors' Share Incentive Plan (DSIP), respectively.

Australian Accounting Standards require the expensing of the cost of options granted to employees under incentive plans regardless of whether or not the performance criteria which must be satisfied prior to the vesting of the options have been satisfied. The Directors believe that, whilst the Company is in the early stages of demonstrating its exploration and strategic development model, the cost to the Company of expensing these options is an unacceptable impost on the Company's financial performance.

While Pryme enjoys good revenue streams from oil production in the LaSalle Parish and Raven Projects, expensing of these Options and Rights will continue to adversely impact the Company's earnings to the extent of approximately $175,000 per month. With concerns about an expense of this magnitude and considering the best interests of the shareholders, Justin Pettett and Ryan Messer have voluntarily relinquished this part of their compensation. Accordingly, the 6,591,000 Options granted under the DIOP 2007 award and the 3,380,000 Rights granted under the DSIP 2007 award lapsed prior to the end of the quarter.

Pryme's Remuneration and Nomination Committee will now consider the most appropriate performance based remuneration for the Company's Executives, having specific regard to executive and company performance and shareholder wealth creation.

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

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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 June 2008

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors	570	969
1.2	Payments for (a) exploration and evaluation	(631)	(2,446)
	(b) development	-	-
	(c) production	(92)	(162)
	(d) administration	(456)	(963)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	113	185
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	**(496)**	**(2,417)**
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	(955)	(1,131)
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	860
	(b) equity investments	-	-
	(c) other fixed assets	(3)	(7)
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(958)	(278)
1.13	Total operating and investing cash flows (carried forward)	**(1,454)**	**(2,695)**

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,454)	(2,695)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	100	6,680
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)	(70)	(402)
	Net financing cash flows	**30**	**6,278**
	Net increase (decrease) in cash held	(1424)	3,583
1.20	Cash at beginning of quarter/year to date	6,867	1,863
1.21	Exchange rate adjustments to item 1.20	(5)	(8)
1.22	**Cash at end of quarter**	**5,438**	**5,438**

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	244
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	2,500
4.2	Development	-
	Total	**2,500**

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	5,438	6,862
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**5,438**	**6,862**

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	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**	108,379,029	108,379,029	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)	N/A			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options**			*Exercise price*	*Expiry date*
	Unlisted Options	3,750,000*	-	20¢	30 June 2008
	Unlisted Options	2,118,000	-	20¢	30 June 2009
	Unlisted Options	500,000	-	20¢	31 December 2009
	Listed Options	41,487,374	41,487,374	40¢	30 June 2008
7.8	Issued during quarter				
	Unlisted Options	-*	-	-	-
	Listed Options	-	-	-	-
*	*Shares were issued (and will be reported as a change in issued securities in Quarter 3) upon exercise monies received and reported in Item 1.14 ($100,000) during Quarter 2.*				
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
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:** 30 July 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.

Notes

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