



JUNE 2010 QUARTERLY REPORT

# Oil and Gas Reserves at 1 July 2010

- 1P oil reserves increased by 28% over 6 month period ending 30 June 2010
- 1P oil and gas reserves in terms of Oil Equivalent increased by 20% over 6 month period ending 30 June 2010

The reserve increases for the Four Rivers and the Catahoula Lake projects are attributable to exploration success and acquisitions (after adjustment for production to 30 June 2010). The reserve increase for the Turner Bayou project is attributable to the Company's decision to retain a 40% working interest in the Turner Bayou Chalk project (formerly 25%). The reserve decline for the LaSalle and Raven Projects is mainly attributable to production.

RESERVE CATEGORY	1P - Proved			2P - Probable			3P - Possible		
PROJECT	Oil (MBO)	Gas (MMcf)	Total MBOE	Oil (MBO)	Gas (MMcf)	Total MBOE	Oil (MBO)	Gas (MMcf)	Total MBOE
LaSalle	115.3		115.3	3.4		3.4	25.6		25.6
Turner Bayou	438.5	1,076.0	614.9	2,954.8	6,662.0	4,046.9	473.5	693.8	587.3
Raven	26.1	1,404.9	256.4						
Atocha							404.7	3,853.7	1,036.5
Four Rivers	108.5		108.5						
Catahoula Lake	139.2		139.2	231.7		231.7			
<b>TOTALS</b>	<b>827.6</b>	<b>2,480.9</b>	<b>1,234.3</b>	<b>3,189.8</b>	<b>6,662.0</b>	<b>4,281.9</b>	<b>903.8</b>	<b>4,547.5</b>	<b>1,649.3</b>

## Value Proposition

Based on a Pryme share price of \$0.07/share (26 July, 2010), and a corresponding market capitalisation of \$12.5 million:

- Pryme's 1P and 2P oil reserves are **valued at A\$3.10 per barrel**
- Pryme's 1P and 2P oil and natural gas reserves are **valued at A\$2.20 per barrel** of oil equivalent



# 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  
 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  
 WI ..... Working Interest  
 3.28 feet ..... Equals 1 metre

## 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

### 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:** +1 713 401 9806  
**Fax:** +1 832 201 0936

**Email:** info@prymeoilandgas.com  
**Website:** www.prymeoilandgas.com

### Share Registry

Link Market Services Limited  
 Level 15, 324 Queen Street  
 BRISBANE QLD 4000

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

### Auditors

Moore Stephens  
 Level 25, 71 Eagle Street  
 BRISBANE QLD 4000

**Phone:** +61 7 3317 7851  
**Fax:** +61 7 3100 0028

### Attorneys

Winstead P.C.  
 1100 J.P. Morgan Chase Tower  
 600 Travis Street  
 HOUSTON Texas 77002  
 United States of America

### 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 2010 Quarterly Activity Report

30 July 2010

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 2010.

## SUMMARY AND HIGHLIGHTS

- Increased Oil Production in Catahoula Lake
- 1P Oil Reserves increased by 28% since 1 January 2010
- Site preparation completed for first horizontal well in productive Austin Chalk formation

## A SMALL CAP GROWTH OPPORTUNITY

<b>ASX Code:</b>	<b>PYM</b>
.....	
<b>Recent price:</b>	<b>\$0.07</b>
(26 July 2010)	
.....	
<b>Cash on hand:</b>	<b>\$4,203,000</b>
.....	
<b>Shares outstanding:</b>	<b>178,801,337</b>
.....	
<b>Market Capitalisation:</b>	<b>\$12.5m</b>
.....	
<b>Price range (12 month):</b>	<b>\$0.041-\$0.137</b>
.....	



# Projects

## Quarterly Sales Report (net to Pryme)

Project	June 2010 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
La Salle Parish	0	2,335	0	4,741
Four Rivers	0	2,987	0	6,307
Raven *	23,019	393	43,851	966
Catahoula Lake	0	1,535	0	1,753
<b>Total</b>	<b>23,019</b>	<b>7,249</b>	<b>43,851</b>	<b>13,766</b>

\* Actual sales for the first two months of the quarter and an estimate based on production data for the last month of the quarter.

### 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.

Second quarter oil sales of 2,335 barrels (26 barrels per day net to Pryme) were 3% lower than for the previous quarter. This is mainly attributable to normal decline.

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

Sales from the Raven project for the quarter were 23,019 Mcf of natural gas and 393 barrels of condensate, a 10% increase in gas sales and an 11% decrease in condensate sales over the previous quarter. Gas sales for the quarter were higher mainly due to greater availability than in the previous quarter of the Patterson well. Oil sales for the quarter were lower mainly due to a build up of stock towards the end of June which will contribute to September quarter sales.

### Catahoula Lake Project (25% Interest / 20.25% NRI)

<b>Target Formation</b>	Middle Wilcox
<b>Depth (feet)</b>	4,500 - 5,500
<b>Reserves* (Net to Pryme)</b>	139,200 BOE
<b>Working Interest</b>	25% - 50%
<b>Net Revenue Interest</b>	20% - 39%
<b>Dry Hole Cost (to Pryme)</b>	~US\$100k - \$200k per well
<b>Wells to be drilled in 2010</b>	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](http://www.prymeoilandgas.com).



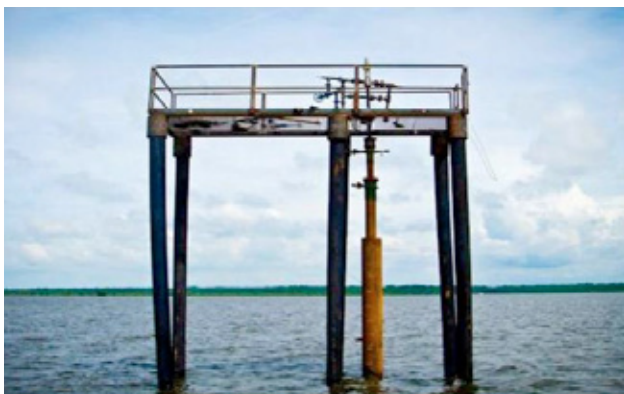
Barge drilling rig and associated equipment drilling in Catahoula Lake, Louisiana

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.

Catahoula Lake is approximately 30,000 acres in area and, because of the need for specialised exploration equipment, is relatively unexplored. Pryme, through its 50% ownership of Pryme Lake Exploration ('PLX'), has an interest in the only equipment available to drill and service wells on Catahoula Lake. This provides Pryme with a significant competitive advantage over other explorers over the entire area of the lake, almost all of which is prospective.

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 is 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.

# Projects (cont.)



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

Pryme Oil and Gas Limited owns 50% of 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 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.

Total oil sales for the quarter were 1,535 barrels of oil (17 bbls/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.

The State Lease 502 No.1 well is the first well to be drilled from PLX's barge rig in the Catahoula Lake Project. It was drilled to a total 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).



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

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.

Second quarter sales from the Four Rivers project were 2,560 barrels of oil net to Pryme, a 2% decrease over sales for the previous quarter due mainly to natural decline. Average sales net to Pryme was 28 bbls/day for the quarter.

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

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

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

## Projects (cont.)

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.

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, is expected to commence during the first week of August. Pryme's working interest in the well is 40%, equivalent to a 30% net revenue interest (NRI).



*Drilling in the Austin Chalk, Avoyelles Parish, Louisiana*

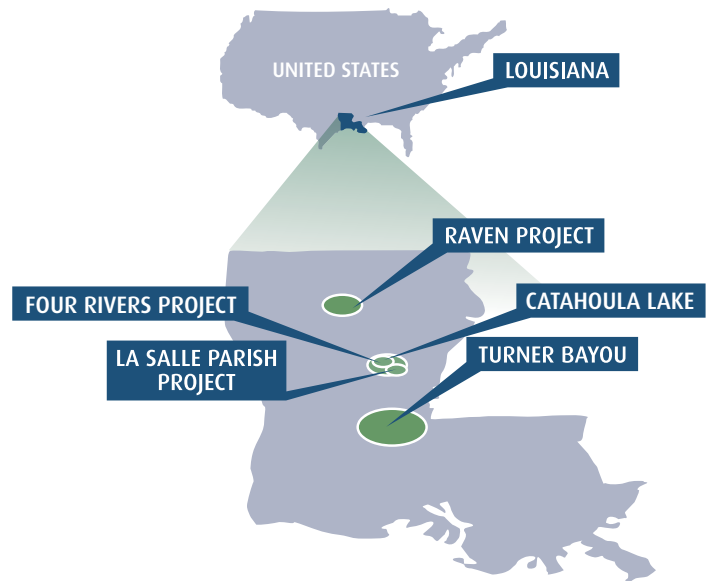
The well will be drilled to a depth of 15,380 feet vertically with a 4,500 foot horizontal lateral. It is expected that drilling will take approximately 7 to 9 weeks to complete.

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 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.



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

**Justin Pettett**  
 Managing Director  
**Pryme Oil and Gas Limited**  
 Telephone: +61 7 3371 1103  
 Email: [justin@prymeoilandgas.com](mailto:justin@prymeoilandgas.com)

**Ryan Messer**  
 Chief Operating Officer  
**Pryme Oil and Gas Limited**  
 Telephone: +1 713 401 9806  
 Email: [ryan@prymeoilandgas.com](mailto:ryan@prymeoilandgas.com)

# 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 June 2010

### Consolidated statement of cash flows

	Current quarter	Year to date (6 months)	
	\$A'000	\$A'000	
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	776	1,333
1.2	Payments for (a) exploration and evaluation	(990)	(1,675)
	(b) development	-	-
	(c) production	(139)	(246)
	(d) administration	(472)	(957)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	44	103
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	(503)	(503)
	<b>Net Operating Cash Flows</b>	<b>(1,284)</b>	<b>(1,945)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	(190)	(190)
	(c) other fixed assets	(358)	(359)
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	92	1,342
1.12	Other (provide details if material)	-	-
	<b>Net investing cash flows</b>	<b>(456)</b>	<b>688</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(1,740)</b>	<b>(1,257)</b>



# Appendix 5B

## Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,740)	(1,257)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
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)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(1,740)	(1,257)
1.20	Cash at beginning of quarter/year to date	5,936	5,455
1.21	Exchange rate adjustments to item 1.20	7	5
1.22	<b>Cash at end of quarter</b>	<b>4,203</b>	<b>4,203</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	219
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
<p><i>Other cash outflows represents the upfront costs of establishing Pryme Energy as an operator to support activities in Catahoula Lake including lodgement of a bond with the State of Louisiana</i></p>		

### 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	2,405
4.2 Development	-
4.3 Production	228
4.4 Administration	464
<b>Total</b>	<b>3,097</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	4,203	5,936
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>4,203</b>	<b>5,936</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			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	178,801,337	178,801,337	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	NIL  NIL			
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> (description and conversion factor)	-	-	<i>Exercise price</i> -	<i>Expiry date</i> -
Unlisted Options	500,000		\$0.15	20 January 2012
Listed Options	NIL			
7.8 Issued during quarter	NIL			
7.9 Exercised during quarter	NIL			
7.10 Expired during quarter	NIL			
7.11 <b>Debentures</b> (totals only)	N/A			
7.12 <b>Unsecured notes</b> (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 2010  
 (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](http://www.prymeoilandgas.com)

BRISBANE - HOUSTON