



MARCH 2008 QUARTERLY REPORT

“The things that attracted me to the Company were the commitment of the key people to doing their best to create value for all shareholders, their obvious experience and competence, their strategies for growing the Company and the fact that the Company is well-positioned to do things differently and much better than the run-of-the-mill oil and gas explorer in the United States.”

**George Lloyd**  
Chairman



**Well head of the Grable 15#1 in the Raven Project**

# 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 of natural gas 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 John Dickinson (Vice 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

### Postal Address

GPO Box 111  
 BRISBANE QLD 4001

### USA Office

1001 Texas Ave.  
 Suite 1400  
 HOUSTON TX 77002

**Phone:** +1 832 487 8607  
 +1 866 471 1300 Toll Free  
**Fax:** +1 832 201 0936

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

### Auditors

Moore Stephens  
 Level 25, 71 Eagle Street  
 BRISBANE QLD 4000

### Share Registry

Advanced Share Registry Services  
 150 Stirling Hwy  
 NEDLANDS WA 6009  
 Phone: +61 8 9389 8033  
 Fax: +61 8 9389 7871

### 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  
**Code:** PYMO  
 International OTCQX  
**Code:** POGLY

### Australian Company Number

117 387 354

### Australian Business Number

75 117 387 354



# March 2008 Quarterly Activity Report

30 April 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 31 March 2008.*

## SUMMARY AND HIGHLIGHTS

- Condor project sold to BP for cash and overriding royalty
- Second Raven well (Grable 15#1) put online
- Turner Bayou project permitting progressing in preparation for drilling program

## A SMALL CAP GROWTH OPPORTUNITY

<b>ASX Code:</b>	<b>PYM</b>
<b>Recent price:</b>	<b>\$0.175</b>
(24 April 08)	
<b>Cash on hand:</b>	<b>\$6,862,310</b>
(Including the recent \$6.58 million raising)	
<b>Shares outstanding:</b>	<b>108,379,029</b>
(Including recent raising)	
<b>20 Cent Options (June 08):</b>	<b>3,750,000</b>
<b>20 Cent Options (Dec 09):</b>	<b>2,118,000</b>
<b>40 Cent Options (June 08):</b>	<b>41,487,374</b>
<b>40 Cent Options (Dec 09):</b>	<b>500,000</b>
<b>Market Capitalisation:</b>	<b>\$19m</b>
<b>Price range (12 month):</b>	<b>\$0.15-\$0.62</b>



# Projects

## LaSalle Parish Project (5% - 21.5% Interest)

Oil production remains stable with increased revenues due to higher oil prices.

A new potential oil zone has been identified in the Northwest Rogers Field. Our plan is to develop, with the operator, a flow-testing program for this target and, subject to the results of the test, drill additional wells with the objective of increasing oil production and revenue.

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

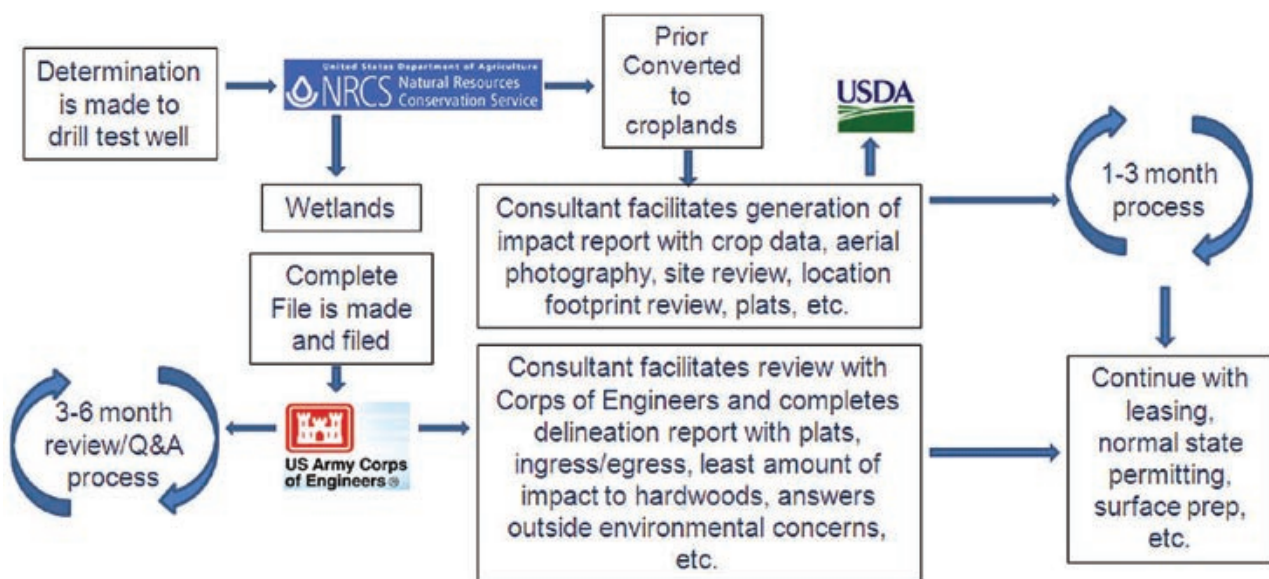
The Turner Bayou project contains shallow and deep targets. Some targets are within relatively small formations in segments or sand lenses with areas up to one quarter-mile square, others have areas of several square miles. These formations are highly permeable, generally contain relatively high volumes of gas or oil per unit of host rock volume and recoveries are expected to be high. As a result, it is not necessary to drill with high well densities in order to drain a formation. In addition, the typical flow rates are such that capital costs can normally be rapidly recovered and redeployed in other value-adding activities.

Since year end, drilling progress at Turner Bayou has been adversely impacted by permitting delays by State and Federal authorities which are the result of a significant workload within the relevant agencies. The following diagram illustrates the process flow in basic form for attaining a Section 404 permit which is a pre-requisite to drilling in existing or former wetlands areas in Louisiana. Pryme presently has five prospective well locations undergoing permitting. One location was approved on 23 April and, with the release of further locations from the permitting process imminent, drilling is expected to recommence soon. Strategies have been developed to mitigate the impact of these delays in the future.

Plans for the construction of a pipeline to deliver natural gas to the market are currently under way.

Whilst drill-testing the Frio formation, Pryme is also evaluating deeper Turner Bayou targets which are contained within intervals at depths from 8,100 feet to over 18,000 feet. The cost and risk involved in the sole drilling of these targets is high in relation to Pryme's present size and funding capacity. Accordingly, Pryme's strategy is to farm out some of the deeper targets, to companies which specialise in exploring at such depths, for an up-front cash payment and a free carried interest through to completion.

### Process flow in basic form for attaining a Section 404 Permit



## Projects (cont.)

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

Drilling of the second well in the Raven project (Grable 15#1) commenced in November and reached planned total depth of 11,000 feet on 17 December. As predicted, the two primary target zones, the "C" Sand and the deeper "Price" Sand, were encountered in the Cotton Valley formation. Strong gas shows were identified from the mud log during the drilling phase and the decision was made to set production casing. After flow testing the Price zone, the "C" zone was completed and flow tested; then both zones were commingled to produce simultaneously. Typically, one Cotton Valley well can drain a formation area ranging from one quarter square mile to one square mile (640 acres).

Production from the Grable 15#1 well has been increasing and now exceeds 760 Mcfd and 20 barrels per day of condensate. At these rates, using realised prices of \$6.00 per Mcf of gas and \$90 per barrel of condensate, Pryme's net revenue from this well's initial production should exceed US\$50,000 per month. Flow rates from wells in the Cotton Valley Formation do usually decline and then flatten out after reaching stable production. However, these early indications underline the importance of the Raven project's contribution to Pryme's future income.

The third well in the Raven project is scheduled to be drilled in mid-May. When drilled, and if completed as a producing well, it will provide sufficient information for a reservoir engineer to prepare a report on proven and proven undeveloped reserves for the project.

Of additional importance to the Raven project, the large US independent oil and gas company Chesapeake Energy (NYSE: CHK) recently announced a major natural gas discovery in the Haynesville Shale in Northern Louisiana. Raven is on trend with the discovery and contains the Haynesville formation although it is not yet known whether the formation is productive within the 4,000 acres Pryme has leased for the project. Shareholders will be informed of any further relevant developments.

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

Two wells have been drilled in this project. The first was a dry hole, but it contributed to a re-mapping of the geology and a re-positioning of the site for the second well. The second well encountered oil between boundary zones of shale, which is a desirable stratigraphic situation. Commercial oil flow was not attained at this time due to too much formation water in the wellstream. The operator believes that there is a connection to a water zone between the outside of the well casing and the borehole and has proposed remedial action. Recompletion of this well or, alternatively, the drilling of an offset twin well, has been postponed until mid-2008 when the surrounding area will be accessible by vehicles and drilling/well servicing equipment.



*Newly installed production and storage facilities in the Saline Point project*

### Atocha Project (100% Interest / JV with Amelia)

The Atocha project is located in the prolific Tuscaloosa trend in central Louisiana. It contains a number of deep targets which are prospective for large volumes of gas. The project concept has been developed from extensively reprocessed 2D seismic data. To date over 6,400 acres have been aggregated by Pryme in the Atocha project. Atocha Project (100% Interest / JV with Amelia)

The Atocha project is located in the prolific Tuscaloosa trend in central Louisiana. It contains a number of deep targets which are prospective for large volumes of gas. The project concept has been developed from extensively reprocessed 2D seismic data. To date over 6,400 acres have been aggregated by Pryme in the Atocha project.

The cost and risk involved in effectively exploring Atocha are beyond Pryme's capacity at this stage of its corporate life and a decision has been taken to farm out the project. Negotiation of a farm out agreement is well advanced and is expected to be complete prior to the end of the second

## Projects (cont.)

quarter of 2008. Drilling of the first Atocha well is planned to follow shortly thereafter. Under the terms of the proposed agreement, Pryme is expected to recover its costs, retain a carried working interest through to production and receive an overriding royalty interest. The agreement will cover a 700 square mile area of mutual interest resulting in a carried interest for Pryme in up to six wells within three separate project areas.

The first Atocha project well will be the re-entry of a 17,700 foot well previously drilled by a major oil company in the early 1980s. This well is believed to have a 125 foot thick section of bypassed gas. Under the terms of the proposed farm-out agreement, and if the re-entry is successful, this well has the potential to increase the value of Pryme substantially with no additional financial risk.

### **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.

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

The Condor Project is located along the Tuscaloosa Trend in central Louisiana. The Tuscaloosa Trend has recently experienced a resurgence in deep exploration activity which has been led by petroleum major BP. The project area includes multiple Tuscaloosa targets which have historically produced more than 100 Bcf of gas.

Following year-end, Pryme completed the sale of the Condor Project to BP. Pryme received a cash payment and retained a 1% overriding royalty interest in future wells drilled on the project's 1,069 net acres.

Exploration success by BP at levels typical of the Tuscaloosa Trend will return significant royalty income to Pryme.

### **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.

Pryme believes that the Florida Parishes are amongst the most under-explored regions in south Louisiana. The area is surrounded by very large fields to the north, east, and west. Gas reserves of 2.3 Tcf have been produced from Lower Cretaceous reservoirs in the northeastern corner of the project area, 180Bcf has been produced from the Mooringsport formation at the eastern edge of the project area and Tuscaloosa fields on the Upper Edwards shelf are reported to contain up to 8 million barrels of oil.

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**  
*President*  
**Pryme Oil and Gas Inc**  
 Telephone: +1 678 840 2348  
 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	31 March 2008

### Consolidated statement of cash flows

	Current quarter	Year to date (3 months)	
	\$A'000	\$A'000	
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	399	399
1.2	Payments for (a) exploration and evaluation	(1,815)	(1,815)
	(b) development	-	-
	(c) production	(70)	(70)
	(d) administration	(507)	(507)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	72	72
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>(1,921)</b>	<b>(1,921)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	(176)	(176)
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	860	860
	(b) equity investments	-	-
	(c) other fixed assets	(4)	(4)
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>680</b>	<b>680</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(1,241)</b>	<b>(1,241)</b>



# Appendix 5B

## Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,241)	(1,241)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	6,580	6,580
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)	(332)	(332)
<b>Net financing cash flows</b>		<b>6,248</b>	<b>6,248</b>
<b>Net increase (decrease) in cash held</b>			
1.20	Cash at beginning of quarter/year to date	1,869	1,869
1.21	Exchange rate adjustments to item 1.20	(14)	(14)
1.22	<b>Cash at end of quarter</b>	<b>6,862</b>	<b>6,862</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	210
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	2,400
4.2 Development	-
<b>Total</b>	<b>2,400</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	6,862	6,862
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>6,862</b>	<b>6,862</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>	108,379,029	98,245,029	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	18,800,000	18,800,000	\$0.35	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	3,750,000	-	20¢	30 June 2008
Unlisted Options	2,118,000	-	20¢	30 June 2009
Listed Options	41,487,374	41,487,374	40c	30 June 2008
7.8 Issued during quarter				
Listed Options	-	-	-	-
Unlisted Options	500,000	-	40c	31 December 2009
7.9 Exercised during quarter	75,000	-	20¢	30 June 2008
7.10 Expired during quarter*	7,500,000	-	60c	31 December 2009
	*Options voluntarily relinquished by directors as per ASX Announcement dated 28 February 2008			
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 April 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.







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