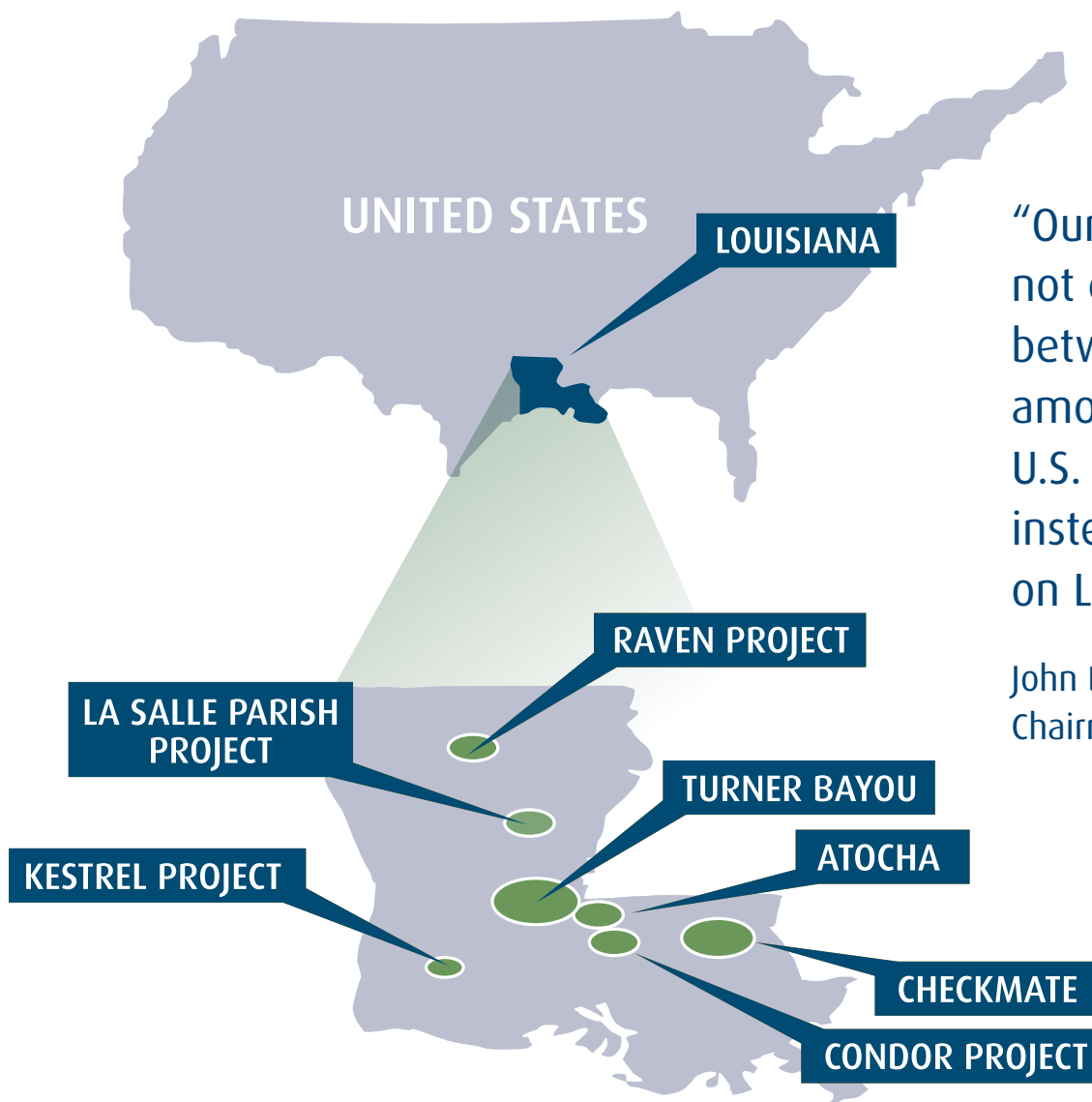




JUNE 2007 QUARTERLY REPORT



"Our focus is not divided between and among several U.S. states but instead is only on Louisiana."

John Dickinson,
Chairman.

Table of Contents

Summary and Highlights.....	4
Projects	5
Appendix 5B	10

Glossary

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

Corporate Directory

Directors

Mr John Dickinson (Chairman)
 Mr Justin Pettett (Managing Director)
 Mr Ryan Messer (Executive Director)
 Mr Ananda Kathiravelu (Non-Executive Director)
 Mr Philip Judge (Non-Executive Director)

Company Secretary

Mr Matthew Fogarty

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
 110 Stirling Hwy
 Nedlands WA 6009

Phone: +61 8 9389 8033

Fax: +61 8 9389 7871

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

June 2007 Quarterly Activity Report

31 July 2007

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 and those of its wholly-owned subsidiaries, Pryme Oil and Gas Inc. and Pryme Energy, Inc. for the three month quarter ending 30 June 2007.

SUMMARY AND HIGHLIGHTS

- Recording of Turner 3D seismic complete and ready for Processing
- Checkmate Project under way to secure long term growth of Pryme
- First Raven well (Spinks Middlebrooks #11-1) successfully drilled to total depth
- \$3m raised to begin drilling program

A SMALL CAP GROWTH OPPORTUNITY

ASX Code:	PYM
Recent price (27 July 07):	\$0.43
International OTCQX Code:	POGLY
Cash on hand:	\$2,458,000
Shares outstanding:	76,991,529
20 Cent June 08 Options (Unlisted)	6,843,000
40 Cent June 08 Options (Listed)	41,487,374
60 Cent Dec 09 Options (Unlisted)	7,500,000
Current monthly net production:	1,718 Bbls
Market Cap:	\$33,106,357
Prospective reserves:	>1 Tcf (Un-risked)
Price range (21/4/06 – present):	\$0.23-\$1.15



Projects

LaSalle Parish Project

Oil production in this Project has remained consistent, stable and relatively predictable. In addition, the successful drilling, completion and then production of the Northwest Rogers No.16 and No.17 wells took place. These wells are each currently producing steady state oil at the rate of approximately 20 Bbls/day. The Northwest Rogers field will be a long term producer and is expected to produce oil for at least the next 30 years.



NWR No.17 pump jack and production facilities in LaSalle Parish

The latest addition in the Routh Point Field, the Coleman No.7, continues to flow at approximately 45 Bbls/day. The wells in this field characteristically flow oil for some time before being put on pump. This well is currently producing out of the "C" sand formation with another delineation well scheduled to be drilled in this field to be named the Coleman No.8. This well will be drilled to a depth of 4,500 feet, approximately 50 feet north east of the existing Coleman No.3. The primary objective of this well is the Wilcox F-2 sand, which was logged and cored as productive in the Coleman No.3, but is yet to be perforated in the Routh Point field.

The LaSalle Parish Project currently produces some 1,700 Bbls/month net to Pryme's interest and supplies a solid foundation of cash flow for the company. Pryme has benefited from the increase in oil prices over the past 60 days and as a result, is close to record levels of net operating income attributable to this Project.

The directors would like to acknowledge the work of their operator Belle Oil of Natchez Mississippi. The team at Belle have been producing and operating oil wells in the Wilcox basin and in particular throughout LaSalle Parish for over 15 years and to date is the most efficient operator Pryme has dealt with in the immediate area. Pryme's present

high monthly net operating income (oil revenue less the monthly expenses to operate the wells) is attributable to Belle's efficiencies in the field and savings through their long standing relationships with service contractors and suppliers.

Our LaSalle Parish Project continually proves to be a consistent, low-maintenance earner for Pryme; the stable income platform created from this Project differentiates us from many other junior and some medium-sized ASX-listed oil and gas explorers and will facilitate further growth in the future.

Turner Bayou 3-D Seismic Project, Central Louisiana

The 3-D seismic shoot in the Turner Bayou Project has been completed. An initial Quality Check ("QC") review of the seismic tapes has identified some of the seismic anomalies or "bright spots" as they are known in the industry. These bright spots have been identified from a first pass at the Frio/Miocene level of between 3,000 to 5,000 feet that will be further high-graded in the coming weeks. Drilling of Frio/Miocene wells in this area exceeds 80% success rate using 3-D seismic technology. Flow rates (post initial flush production) are usually in a range of 200Mcf - 500Mcf per day per well and have a reserve value from 0.5 to 1Bcf each.



Seismic data wireless receiving tower in the Turner Bayou Field

Projects (cont.)



Crews drill seismic shot holes in Turner Bayou

Pryme is currently working on developing a drilling program that will see the company spud its first group of Frio/Miocene wells during the next few months of this year, weather permitting. Pryme plans to drill as many wells as possible in the run-up towards year end; details of this activity will be released shortly.

Pryme's strategy is to develop the shallower Frio/Miocene targets initially to increase earnings and develop its infrastructure and then to revisit the deeper horizons to 16,000 feet.

Pryme has a 52% interest (39% NRI) in the Turner Bayou Project, which covers approximately 80 square miles (50,000 acres). Prospective reserves are in the order of 150Bcf gross, un-risked with the primary targets consisting of six prospective formations in a range from 3,000 feet to 16,000 feet.

The execution of the Turner Bayou Project has always been Pryme's main objective since its ASX listing. The board of directors is eager to begin the next phase by using the drill bit, believing that this Project has the capability to produce substantial value for Pryme shareholders.

Raven Prospect, Lincoln Parish, Louisiana

The Raven Project consists of drilling in the fairway of the prolific Cotton Valley natural gas trend in northern Louisiana. Pryme elected to retain an undivided 40% of the Project for its own account, which includes a carried working interest due to the favourable risk-to-reward ratio that characterizes this region. The remaining 60% has been purchased by Nelson Energy of Shreveport, Louisiana, an experienced, highly successful local operator.

The first well in the Raven Project, the Spinks-Middlebrooks #11-1, reached planned total depth of 10,830 feet and was successfully logged. Several intervals were identified on the electric log that correlate with the gas shows during the drilling phase and appear to aggregate a significant amount of total pay. As a result of the log analysis, the decision was made to set a production casing string. This term "string" means 5.5 inch steel casing that is screwed together joint-by-joint, then cemented from surface to the total depth. This activity is currently under way.

The initial target depth of the Spinks-Middlebrooks #11-1 was approximately 10,000 feet and was originally designed to test two primary Cotton Valley formations the "C" and "Price" sands at these depths. Since drilling began on 8 June 2007, Pryme became privy to information pertaining to a newly drilled well located approximately three miles away from its Spinks-Middlebrooks #11-1 test. Pryme's initial location was 400 feet up-dip from this well and it decided to drill an additional 800+ feet to test this third Cotton Valley Sand. Among other intervals, this additional deeper target was encountered and Pryme believes there is the potential for commercial production.



Drilling the Spinks Middlebrook #11-1 well in Pryme's Raven Project

Projects (cont.)



Drill rig on the Spinks Middlebrooks 11-1 well in Raven

The next phase in the completion of the well involves laying a natural gas discharge pipeline in order to flow test the well. This pipe should take approximately two weeks to install (subject to weather conditions). Shortly thereafter, each zone identified through log analysis in the well will be fracture stimulated, completed and tested into the discharge line in anticipation of commercial production some time in September (the overall process is expected to take between 45 – 60 days, subject to weather conditions). A detailed announcement regarding flow rates and volumes will be made once the performance characteristics of this well are more accurately known.

The successful logging of this well has exceeded Pryme's expectations. This is the first of a minimum ten well program to be drilled in this particular project. We're seeing additional formations that were not anticipated, but for which every explorationist has high hopes. The next well in this Project is scheduled to be drilled in November.

Based on Cotton Valley wells and fields that Nelson Energy operates on trend with the Spinks Middlebrooks #11-1, Pryme expects this well to be a producer of natural gas and condensate. At this phase, we can only project well behavior analogous to the Terryville Field which is approximately 10 miles distant and on-structure with our Raven project. Average production rates at Terryville range from 1 to 2 million cubic feet of gas plus 30 to 40 barrels of condensate per well per day.

The Raven Project covers mineral leases in the prolific Cotton Valley and Hosston natural gas trends in Lincoln Parish, Louisiana. Raven exists along a natural gas fairway of Cotton Valley marine bars which are the target of the Raven Project. The Project has been classed as an "engineering play" to the extent that more emphasis is given to the drilling and completion techniques and production of the well, as generally most wells in the area will produce

natural gas and condensate. Prospective gas reserves to the 100% working interest within the Raven Prospect could be on the order of 50Bcf (20Bcf net to Pryme) according to Wave, based on 5Bcf per section. Pryme has a 40% working interest (30% NRI) ownership in the Project.

Kestrel Prospect, Calcasieu Parish, Louisiana

Kestrel has been fully leased and is currently being marketed to third parties for project funding. Interest in the Project has been expressed by several mid-sized oil and gas companies reviewing the data for a second time with their technical teams. Any one of these companies has the capability to be operator. Thirty-five percent (35%) of the Project has been sold thus far.

Kestrel has a two-well potential and is located on 320 consolidated acres that would be drilled to 13,500 feet, targeting six "Hackberry" natural gas and condensate (oil) sands. Two wells should effectively drain this objective if permeabilities are encountered that are analogous to consolidated sandstones found in the Hackberry in this general area. Prospective reserves have been re-calculated on the order of 33Bcf, according to the current 3-D seismic and according to Wave.

Condor Prospect, Tuscaloosa Trend, Louisiana

The Condor Prospect is located in the deep, prolific Tuscaloosa Trend. The prospect consists of two developmental locations targeting multiple, high quality Tuscaloosa sands. The reserves are defined by integrated engineering, geological, geophysical, and petrophysical analyses. In addition, postulated gas reserves will be targeted in untested deeper sands that have not been drilled in the field, but produce at rates up to 50 MMcf/d elsewhere on trend.

Pryme in joint venture with Wave Exploration currently hold 775 acres under lease across three pre-existing Tuscaloosa units. The first location is a recompletion of a twin of an existing well that has 30-45Bcf in potential. The second location is up-dip (in a higher elevated sub surface position) to a 45Bcf well with a reserve potential of 54-85Bcf. Deeper untested sands are prevalent in the Project that could possess significant upside.

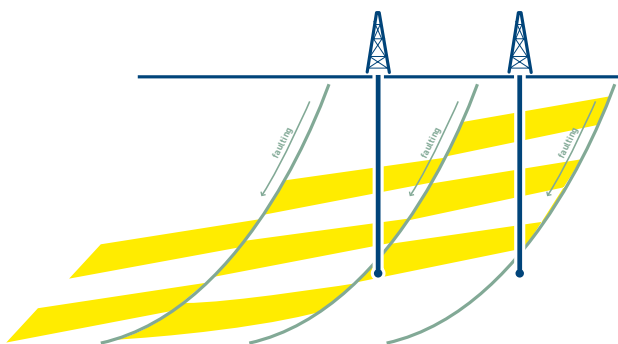
The Project is currently being marketed to a select group of deep Tuscaloosa formation operators.

Projects (cont.)

Atocha Prospect, Tuscaloosa Shelf Project, Louisiana

The Atocha Prospect is located updip in the prolific Tuscaloosa trend that has produced in excess of 2.5Tcf of natural gas to date. The primary objective, the Deep Tuscaloosa, is targeted at approximately 17,500 feet with additional secondary Lower Cretaceous targets as deep as 22,000 feet. The potential reserves of the Tuscaloosa sands in Atocha could exceed 1Tcf using an average sand thickness of 250 feet in the aggregate. Gross sand thicknesses are known to be up to 450 feet throughout this area. The primary target consists of multiple down-to-the-basin faults that occur in the Tuscaloosa defined on reprocessed 2D seismic data. These are believed to have been deposited in "stair-step" fashion and create thickening of the sand along with providing a trapping mechanism for the reservoir as detailed in the Morganza Field analog image. Morganza Field has produced in excess of 500Bcf from this exact type of reservoir structure.

Structure Analog
Morganza Field
500 Bcf



The image above shows two wells drilled through the reservoirs shown in yellow between faults shown in blue. The fault blocks trap the hydrocarbons in a stair step fashion dipping down towards the Gulf of Mexico.

This play resembles the deep gas basin in Canada where Elmsworth Field was discovered and 15Tcf was eventually proven years after 75 well bores had penetrated the section and the gas accumulation had not been recognized. The geologic model for Atocha is also identical to that of Double A Wells Field in Polk County, Texas. This field has produced over 550Bcf from a Woodbine (Tuscaloosa age) stratigraphic trap across 15,000 acres.

The Tuscaloosa sands can be tested up-dip to an existing well drilled in the early 1980s. Petrophysical investigation by several analysts has concluded that this existing well contains over 125 feet of calculated bypassed pay zone. Gas on the mud log of this existing well also supports this hypothesis, along with possibly indicating a gas/water contact.

The costs to drill this depth of prospect through logging of the test typically run between US\$6-7 million per well. Pryme's strategy will be to farm out (sell) the prospect to a third party so it can reduce its financial exposure. The directors believe that Pryme will be able to recover 100% of the prospect capital costs, leasing and seismic costs plus a geological fee. In addition, a 15% carried working interest for Pryme should be able to be secured through to production of each well and a 10% reversionary working interest after payout of the well. The result would be a 25% carried working interest (20.075% NRI) and a free look at prospective large reserves in the project for Pryme if it is successful. Several wells would be required to drain this class of Project and its reserves.

Pryme expects to drill its first well in this Project in the first quarter of 2008.

Checkmate Prospect, Florida Parishes, Louisiana

This project is a joint venture with Amelia Resources LLC to develop regional exploratory prospects throughout an area of mutual interest covering 5000 square miles in the "Florida Parishes" of eastern Louisiana aptly named the Checkmate Project. The exploration targets will range in depth from 3,500 feet through 25,000 feet and will give Pryme an inventory of prospects to develop and drill for the next ten years.

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

The directors have continued to add high value, risk-diverse projects to the Pryme portfolio in order to enhance the long term viability, development and growth of the company into the future. The Checkmate Project will take advantage of their joint venture partner's, Amelia Resources', 16 years of direct evaluation of the hydrocarbon potential in the project

Projects (cont.)

area. Pryme, through Amelia, has already assembled 500 miles of 2-D seismic data and 16,200 stations of gravity data. This information, integrated with subsurface control, has been used to identify regional "areas of interest" and prospective leads. Pryme plans to license a further dense grid of 2-D seismic to reprocess with the latest technologies and utilize for prospect definition. It will also seek to define multi-target prospective areas for shooting 3-D seismic.

The project area presents a very large exploration frontier and has an abundance of commercial 2-D seismic data that can be reprocessed and utilized to define these opportunities. Multiple targets include the Miocene, Frio, Wilcox, Tuscaloosa, Paluxy, Mooringsport, James Lime, Hosston, and Cotton Valley. Checkmate provides Pryme a long-term project area with the potential for numerous prospects.

Checkmate is currently in the geological/geophysical research phase with prospects being generated over the next 6 months that will most likely be leased and drilled sometime during mid-2008.

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

Justin Pettett

Managing Director

Pryme Oil and Gas Limited

Telephone: +61 7 3371 1103

Email: justin@prymeoilandgas.com

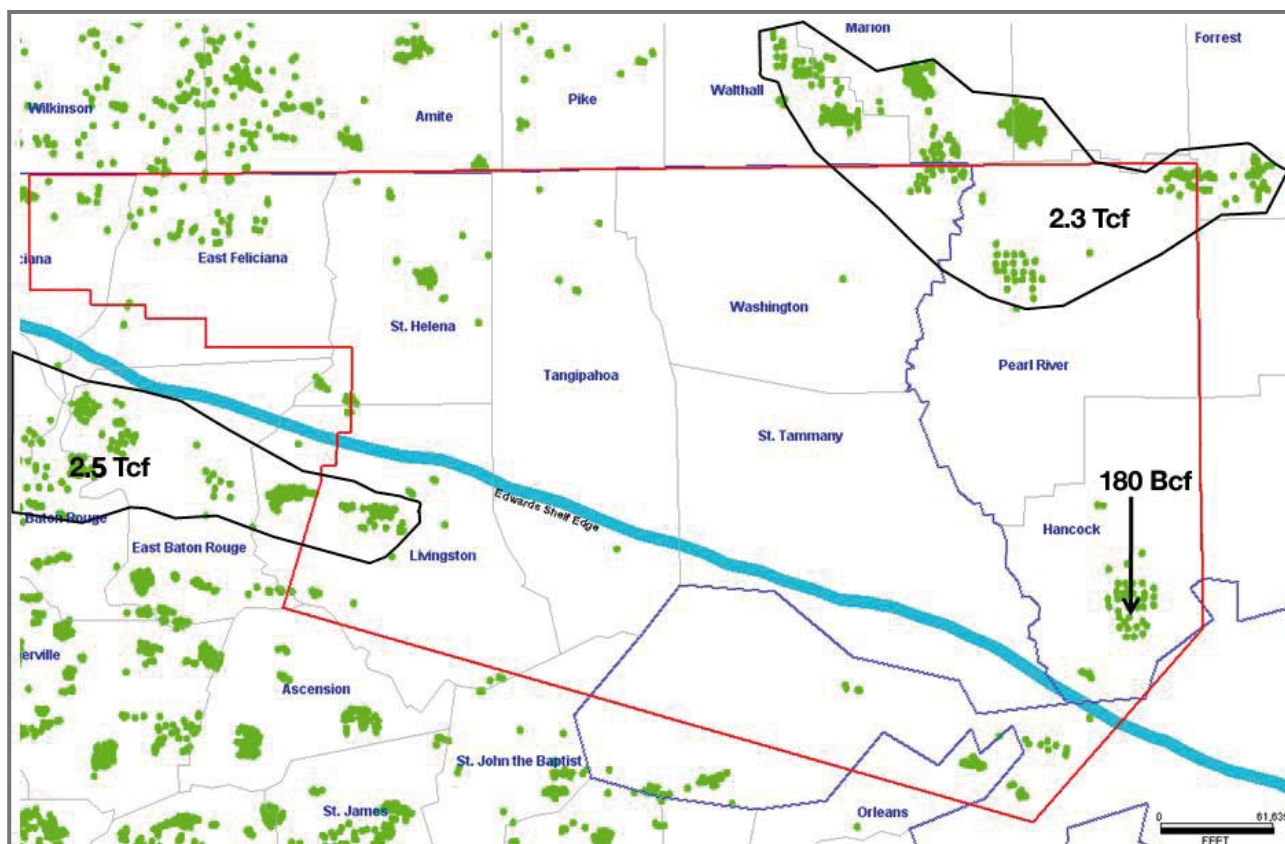
Ryan Messer

President

Pryme Oil and Gas Inc

Telephone: +1 678 840 2348

Email: ryan@prymeoilandgas.com



Checkmate Project outline and existing production

Appendix 5B

Mining exploration entity quarterly report

Name of entity

Pryme Oil and Gas Limited

ABN

75 117 387 354

Quarter ended ("current quarter")

30 June 2007

Consolidated statement of cash flows

		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	354	802
1.2	Payments for (a) exploration and evaluation	(1,922)	(4,748)
	(b) development	-	-
	(c) production	(60)	(97)
	(d) administration	(612)	(998)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	24	61
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		(2,216)	(4,980)
Cash flows related to investing activities			
1.8	Payment for purchases of:	-	-
	(a) prospects	(27)	(27)
	(b) equity investments	-	-
	(c) other fixed assets	-	-
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	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(27)	(27)
1.13	Total operating and investing cash flows (carried forward)	(2,243)	(5,007)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,243)	(5,007)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,955	2,955
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)	(208)	(208)
	Net financing cash flows	2,747	2,747
	Net increase (decrease) in cash held	504	(2,260)
1.20	Cash at beginning of quarter/year to date	1,965	4,786
1.21	Exchange rate adjustments to item 1.20	(11)	(68)
1.22	Cash at end of quarter	2,458	2,458

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	143
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	N/A	

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	
	N/A	
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	
	N/A	

Appendix 5B

Mining exploration entity quarterly report

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,750
4.2 Development	-
Total	1,750

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	2,458	1,965
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,458	1,965

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	N/A			
6.2 Interests in mining tenements acquired or increased	N/A			

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			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	*Ordinary securities	76,991,529	66,857,529	Various	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	6,729,166	6,729,166	Various	Fully Paid
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 Options	6,843,000 40,587,374	- 40,587,374	<i>Exercise price</i> 20¢ 40¢	<i>Expiry date</i> 30 June 2008 30 June 2008
7.8	Issued during quarter	2,618,000 4,233,333	- 4,233,333	20¢ 40¢	30 June 2008 30 June 2008
7.9	Exercised during quarter	N/A			
7.10	Expired during quarter	N/A			
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: 31 July 2007

(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

This page has been left blank intentionally



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

BRISBANE - HOUSTON