



DECEMBER 2007 QUARTERLY REPORT

“The Bordelon 25 No.1 is the inaugural well of the first group of prospects we are drilling within our Turner Bayou project that targets the Frio and Miocene formations. Our strategy is to drill a number of these shallower Frio targets focusing on building reserves, earnings and a gas gathering infrastructure to deliver the gas to market.”

Justin Pettett
Managing Director



Drilling of Bordelon 25 No.1 in Turner Bayou

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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 George Lloyd (Chairman) (effective 29 January 2008)
 Mr John Dickinson (Vice Chairman) (effective 29 January 2008)
 Mr Justin Pettett (Managing Director)
 Mr Ryan Messer (Executive Director)
 Mr Ananda Kathiravelu (Non-Executive Director)
 Mr Philip Judge (Non-Executive Director) (up to 29 January 2008)

Company Secretaries

Mrs Janine Rolfe
 Ms Swapna Keskar

Registered and Principal Office

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Share Registry

Advanced Share Registry Services
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 Lawyers & Consultants
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 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

December 2007 Quarterly Activity Report

30 January 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 and those of its wholly-owned subsidiaries, Pryme Oil and Gas Inc. and Pryme Energy Inc, for the quarter ending 31 December 2007.

SUMMARY AND HIGHLIGHTS

- Second Raven well hits primary gas targets
- Oil discovery made in Saline Point project
- Drilling commences in Turner Bayou project
- Gas found in first Turner Bayou well
- Appointment of new Non-Executive Director and Chairman
- Private Placement Successfully Completed

A SMALL CAP GROWTH OPPORTUNITY

ASX Code:	PYM
Recent price: [29 Jan 08]	\$0.34
Cash on hand: (Including the recent \$6.58 million raising)	\$8,449,000
Shares outstanding: (Including recent raising)	108,379,029
20 Cent Options (June 08):	5,868,000
40 Cent Options (June 08):	41,487,374
60 Cent Options (Dec 09):	7,500,000
Market Cap:	\$36,848,869
Prospective reserves: (Gross, Un-risked)	>1 Tcfe
Price range (12 month):	\$0.30-\$0.62



Projects

Several investors and stockbrokers made the trip over to the United States in December 2007 in order to review Pryme's operations. The photograph below was taken on the drill site of the second Raven Project well named the Grable 15 No.1. On this particular day we were fortunate enough to be joined on site by Mrs Grable herself who is the mineral and surface owner of the drill site. We look forward to hosting more shareholders in the United States throughout 2008.



From left to right, John Rawlins (Pryme Shareholder), Ryan Messer (Pryme Director), Justin Pettett (Pryme Managing Director), Mark McCauley (Pryme Shareholder), Mrs Grable (mineral and surface owner of the Grable 15 No.1 well), Ananda Kathiravelu (Pryme Director), John Cecon (Pryme Shareholder), Rohan Edmondson (Stockbroker with Indian Ocean Capital and Pryme Shareholder) and Ian McCauley (Pryme Shareholder).

LaSalle Parish Project (8% - 21.5% Interest)

Current oil production remains stable with revenues from this project increasing considerably with higher oil prices. Several undeveloped locations remain to be drilled, opening the door for further reservoir delineation possibilities. Two delineation wells will be drilled to further expand the exploitation of the F-2 sand. Pryme will keep the market informed of further developments.

Turner Bayou 3D Seismic Project (52% Interest)

The first two wells targeting the Frio formation have been drilled resulting in one successful well and one dry hole. The first exploration test (Bordelon 25 No. 1) in the Turner Bayou 3D seismic project reached total depth of 4,900 feet and was logged, resulting in the discovery of gas in

the Frio interval. Core samples were taken and analysed. Production casing was run and the well is scheduled for completion, once more wells in these initial rounds of drilling have been tested in the same north-east area of the project.

The second exploration test (Dupuy 11 No. 1) in the Turner Bayou 3D seismic project reached total depth of 4,990 feet. The well log and cores indicated no presence of hydrocarbons; therefore the decision was made to plug the well. The information Pryme gains is critical in helping the company learn more definitively what the seismic signatures mean. In turn, Pryme's future success are greatly increased from this type of analysis. Pryme intends to learn from such analysis and continue to advance the project as planned.

Drilling of wells No. 3 through to No. 5 were temporarily postponed so that Pryme's geology and geophysics team could review the information obtained from the first two tests. Due to the number of bright spots/leads from the

Projects (cont.)

seismic data at the Frio formation depth, continuous evaluation and calibration is required as wells are drilled and information is tied to the seismic data itself. Reordering of which prospects to drill next within the drilling line-up was made; drilling is expected to recommence soon. Plans for the construction of a gas pipeline to deliver natural gas to the market are currently under way.

Pryme has a 52% interest (39% NRI) in this project, which covers approximately 80 square miles (50,000 acres) of proprietary 3D seismic. Primary targets consist of six prospective formations ranging from the Frio formation at 3,000 feet through to the Tuscaloosa at 16,000 feet.

Raven Project (40% Interest)

The second well (Grable 15#1) in the Raven exploration project reached planned total depth of 11,000 feet and as a result of the log analysis, the decision was made to set production casing. As forecasted, the two primary objective zones, the "C" sand and the "Price" sand, were encountered correlating with strong gas shows from the mud log during the drilling phase.

A natural gas discharge pipeline is currently being run and surface facilities installed in preparation for the fracture stimulation procedure which is scheduled to begin mid-February. The well will be flow tested directly into the sales line to preserve the integrity of the formations. The sale of first products is planned for some time commencing in March.

The next well in this project is also scheduled to be drilled in March. Upon the completion of drilling this third well and establishing production histories of all three, the company will have triangulated a position in this project to enable a reservoir engineer to effectively generate a reserve report showing the net reserve position for Pryme.

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. Approximately ten drilling locations have been identified in the project with the leasing of acreage continuing. Pryme has a 40% working interest (30% Net Revenue Interest) ownership in the project.

Saline Point Project (26.96% Interest)

The second test (State Lease 19234 No.2) in the Saline Point oil exploration project reached its target depth of 5,100 feet resulting in the discovery of Pryme's primary oil objective in the Middle-Wilcox sequence. The decision was made to run production casing and complete the well, and Pryme had expected that the first oil be sold by the end of 2007. Unfortunately, the operator had some difficulties in completing the well which resulted in delays in the face

of the anticipated rise in the lake within which the well was drilled. Normally, the lake is dry two-thirds of the year. Recompletion of this well, or the drilling of its offset twin, has been postponed until mid-2008 when the lake will be drained and accessible by vehicles and completion equipment.

Stock tanks and an oil pipeline to transport oil from the wells have been installed. Additional development locations have been mapped and a drilling plan will be implemented once the well sites are accessible.

This project is located in the Catahoula Lake area in LaSalle Parish, Louisiana. The project is targeting oil from the upper sands of the Wilcox formation. These tests are on trend with the Catahoula Lake and South Catahoula Lake Fields which are prolific oil producing areas.

Atocha Project (100% Interest)

In excess of 6,000 acres have been leased in this prospect-rich project to date. Pryme is negotiating a farmout agreement with Australian candidates that wish to purchase 100% of this project. Under the proposed terms of the agreement, Pryme expects to recover its costs and retain a carried working interest through to production, plus a royalty interest. The farm out agreement covers an area of mutual interest of 700 square miles resulting in a carry for Pryme in up to six wells covering three project areas. Further details of Atocha and the potential value for Pryme will be announced once the transaction has been completed.

Kestrel Project (100% Interest/Farm out)

Kestrel has been fully leased and is currently being marketed to third parties. Processing of Kestrel's seismic data in defining the "AVO" attribute has been completed and is currently being presented as an integral part of the prospect data.

Condor Project (100% Interest/Farm out)

The project is currently being reviewed by a select group of deep Tuscaloosa formation operators.

Checkmate (100% Interest)

Keeping in line with the expansion of Pryme's exploration plan, work has begun on the Checkmate area with Pryme's joint venture partner, Amelia Resources (together, the JV). Initial seismic data reconnaissance indicates three main areas with many prospect leads that the JV intend to focus on. Evaluation of further seismic data that the JV owns should further identify each prospect area. Pryme will provide additional details on these projects as they transpire.

Corporate

Appointment of Non-Executive Director and Chairman

Keeping in line with Pryme's expanding operations throughout the United States and developing and adhering to its strategies, Pryme was pleased to announce the appointment of Mr George Lloyd as Non-Executive Director and Chairman of Pryme.

Mr Lloyd has a Bachelor of Engineering Science (Industrial Engineering) as well as a Masters in Business Administration both from the University of New South Wales and he is a graduate of the Stanford Executive Program, Stanford University, California. He is also a Fellow of the Australasian Institute of Mining and Metallurgy.

Mr Lloyd has more than 25 years' senior management experience in the resources and energy sectors, with a focus on business development, corporate strategy, mergers and acquisitions and exploration management.

Following the appointment of Mr Lloyd as Chairman, Mr John Dickinson will step down as Chairman and continue as Vice Chairman of Pryme. As Pryme's operations continue to expand, this will enable Mr Dickinson to concentrate more on the US operations and the oil and gas operations on the ground. The Board thanks Mr Dickinson for his contribution to Pryme as its founding Chairman.

Mr Philip Judge has also resigned from the Board as a Non-Executive Director of Pryme in order to focus his time on primary business interests. Mr Judge is a substantial shareholder of Pryme and will continue to support the growth of the company throughout the United States. "Anglo Energy is pleased with Pryme's longer term objectives and recent changes to the Board", Mr Philip Judge said. The Board thanks Mr Judge for his contribution to Pryme as a Director.

Private Placement Successfully Completed

On 25 January, the Board announced the completion of a \$6.58 million placement of 18,800,000 fully paid ordinary shares in the capital of Pryme at \$0.35 per share. The placement was made to Messrs Ian McCauley and John Rawlins based in Queensland and newly appointed Chairman, Mr George Lloyd of Sydney.

The placement is subject to shareholder approval, having regard to the share issue limits imposed by ASX Listing Rule 7.1. Accordingly, the Board of Pryme intends to convene a general meeting of shareholders on 5 March 2008 at 10.30am in the Oak Room, The Brisbane Club, 241 Adelaide Street, Brisbane Queensland to seek shareholder approval of the transaction. A notice of meeting will be dispatched to shareholders later this week.

RMM Capital, of Brisbane, facilitated the placement for Pryme and will provide ongoing financial advisory support and assistance to the Company. The additional working capital will allow Pryme to further its drilling campaign in the Turner Bayou and Raven Projects in Louisiana and to expand its exploration program into additional high impact areas in central Louisiana and Southern Texas.

Pryme Times

There will be no publication of the December 2007 edition of Pryme Times due to the publication of the 2007 Annual Report which is expected to be released early March. We expect to continue Pryme Times from the end of March onwards.

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

Pryme Oil and Gas Limited

ABN

75 117 387 354

Quarter ended ("current quarter")

31 December 2007

Consolidated statement of cash flows

		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	367	1,556
1.2	Payments for (a) exploration and evaluation	(2,486)	(8,512)
	(b) development	-	-
	(c) production	(167)	(300)
	(d) administration	(491)	(2,053)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	45	126
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		(2,732)	(9,183)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	(27)
	(b) equity investments	-	-
	(c) other fixed assets	-	(1)
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		-	(28)
1.13	Total operating and investing cash flows (carried forward)	(2,732)	(9,211)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,732)	(9,211)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3,700	6,655
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)	(62)	(293)
	Net financing cash flows	3,638	6,362
	Net increase (decrease) in cash held	906	(2,849)
1.20	Cash at beginning of quarter/year to date	956	4,786
1.21	Exchange rate adjustments to item 1.20	7	(68)
1.22	Cash at end of quarter	1,869	1,869

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	196
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	3,000
4.2 Development	-
Total	3,000

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	1,869	956
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,869	956

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	89,504,029	79,370,029	Various	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	11,562,500 900,000	11,562,500 900,000	\$0.32 \$0.20	Fully Paid 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 Unlisted Options Listed Options Unlisted Options	5,943,000 41,487,374 7,500,000	- 41,487,374 -	<i>Exercise price</i> 20¢ 40¢ 60c	<i>Expiry date</i> 30 June 2008 30 June 2008 31 December 2009
7.8	Issued during quarter Listed Options Unlisted Options	-	-	-	
7.9	Exercised during quarter	900,000	-	20¢	
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 January 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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