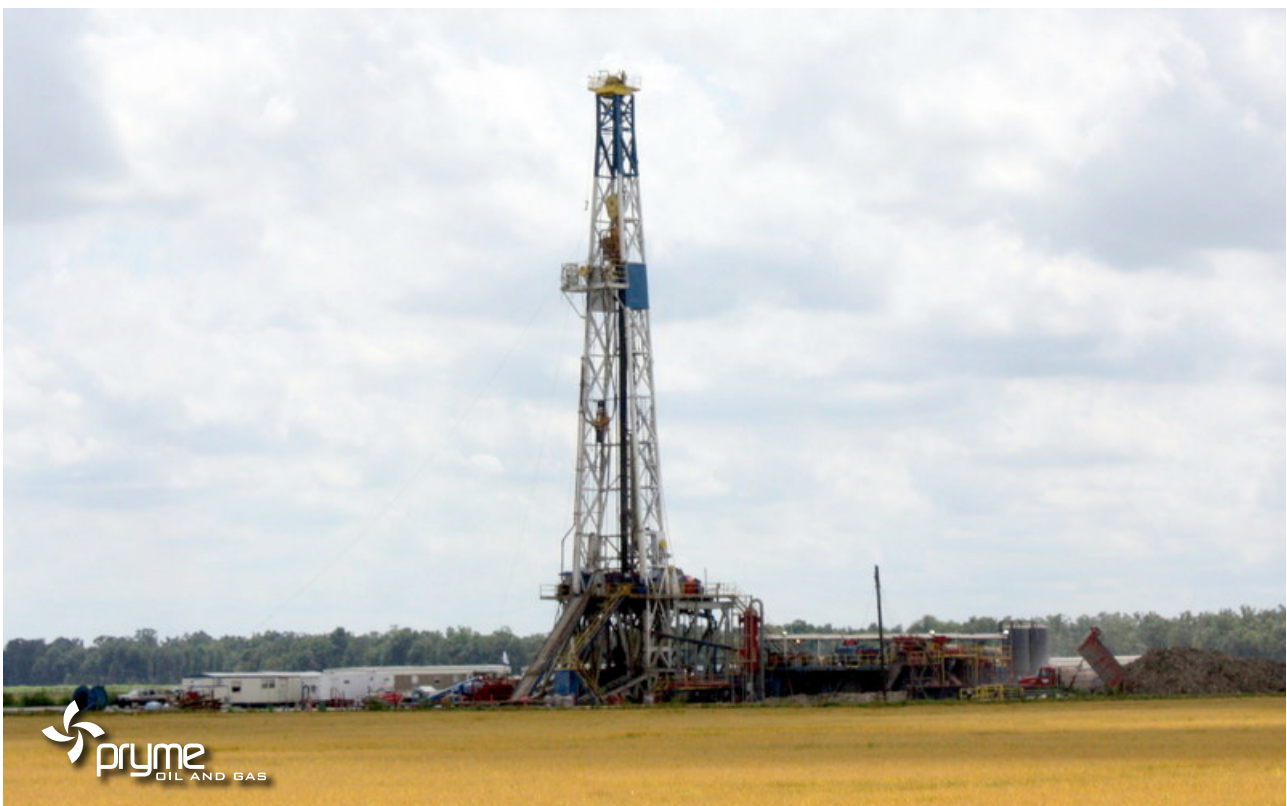




SEPTEMBER 2010 QUARTERLY REPORT

Drilling of the first well in the Turner Bayou Chalk project, the Deshotels 20-H No.1 well in North Bayou Jack Field, commenced over the weekend and is currently at a depth of 1,700 feet (518 metres.) The well will be drilled to a depth of 15,380 feet (4,688 metres) vertically with a 4,500 foot (1,372 metre) horizontal lateral through the Austin Chalk formation which is predominantly oil bearing in this region.

Pryme ASX Announcement 9 August 2010



Drilling the SL 502 No.1 from the barge mounted rig in Catahoula Lake, Louisiana

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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

September 2010 Quarterly Activity Report

27 October 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 September 2010.

SUMMARY AND HIGHLIGHTS

- Drilling underway for first horizontal well in productive Austin Chalk formation
- Preventative maintenance and pipeline work in Catahoula Lake

A SMALL CAP GROWTH OPPORTUNITY

ASX Code:	PYM
Recent price: [26 October 2010]	\$0.071
Cash on hand:	\$2,638,000
Shares outstanding:	200,051,337
Market Capitalisation:	\$14.0m
Price range (12 month):	\$0.041-\$0.125



Projects

Quarterly Sales Report (net to Pryme)

Project	September 2010 Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
La Salle Parish	0	2,829	0	7,570
Four Rivers	0	2,365	0	8,672
Raven *	23,282	330	67,514	1,293
Catahoula Lake		2,028		3,781
Total	23,282	7,552	67,514	21,316

* 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 2,829 barrels (31 Bbls/day net to Pryme) were 21% higher than for the previous quarter. This is mainly attributable to increased production from the Coleman No. 1 well, which was recompleted to a shallower zone that had not previously produced in the Routh Point Field.

Raven Project (40% Interest / 30% NRI)

Second quarter oil sales for the Raven project were 23,282 Mcf of natural gas and 330 barrels of condensate net to Pryme, a 1% increase in gas sales and a 19% decrease in condensate sales over the previous quarter.

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

Target Formation	Middle Wilcox
Depth (feet)	4,500 - 5,000
Reserves* (Net to Pryme)	139,200 BOE
Working Interest	25% - 50%
Net Revenue Interest	20% - 39%
Dry Hole Cost (to Pryme)	~US\$100k - \$200k per well
Wells to be worked over in 2010	2 - 3
Wells to be drilled in 2011	10 - 12

* 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.

Pryme Oil and Gas Limited and Future Corporation Australia Limited each own 50% of Pryme Lake Exploration ('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 with associated oil production and facilities. PLX also owns a 50% interest in a drilling barge, service barges, crew boats and associated equipment which are required to drill and operate on Catahoula Lake.

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. 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 each successful well drilled from land locations and in excess of 250,000 barrels for each successful well drilled from lake locations.

Ownership of the only equipment available to drill and service wells on Catahoula Lake provides PLX with a significant competitive advantage over other explorers throughout the entire 30,000 acre area of the lake, almost all of which is prospective.

Sales for the quarter were 2,028 barrels of oil net to Pryme, a 32% increase over sales for the previous quarter. Production was positively impacted by the State Lease 502 No.1 well, which was put into production during the quarter, and adversely affected by maintenance requirements of other wells in the field. Average sales net to Pryme was 22 Bbls/day for the quarter.

Projects (cont.)



Preventative maintenance and pipeline work continues in the lake while the water level is low

The Company has reviewed the potential benefits from working over operating wells within the PLX 100% owned tenements in Catahoula Lake and expects that the workover of two or three wells should result in a significant increase in production for little outlay. Therefore, subject to weather or other events limiting access to the wells, PLX intends to work-over two or three wells prior to the end of 2010.

As a result of the expected benefits from working over existing wells and the cost benefit of drilling from the Barge Rig, drilling from a land-based rig on the periphery of Catahoula Lake has been deferred. A number of the locations previously identified for land-based drilling are now scheduled for drilling from the company's Barge Rig during 2011. Barge rig drilling is planned to resume after the water level rises towards the end of the first quarter and work to prioritise locations is underway. Further details of the 2011 drilling program will be released leading up to the drilling season.

Active exploration on the lake has been impeded during 2010 by the bankruptcy of Pryme's partner, Tridimension Energy LLC. However, the Company is hopeful that those issues will be resolved within the next few months.

Pryme Energy LLC, the wholly owned subsidiary and operating arm of Pryme Oil and Gas Inc., is the operator of PLX 100% owned leases on Catahoula Lake.

Four Rivers Project (25% Interest / 18.75% - 20% NRI)

Second quarter sales from the Four Rivers project was 2,365 barrels of oil net to Pryme, a 8% decrease over sales for the previous quarter due mainly to natural decline. Average sales net to Pryme was 26 Bbls/day for the quarter.

Turner Bayou 3D Seismic Project

Target Horizon	Austin Chalk (Oil)
Depth <i>(total measured depth in feet)</i>	~20,000 feet
Reserves* <i>(Net to Pryme)</i>	614,900 BOE
Ownership Interest	52%
Turner Bayou Chalk Project WI	40%**
Net Revenue Interest	30%
Dry Hole Cost <i>(net to Pryme on initial well)</i>	~US\$3m

* 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.

** 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.

The Turner Bayou project is located in Avoyelles Parish, Louisiana. It comprises approximately 80 square miles (50,000 acres) which have been imaged by a proprietary 3D seismic survey. Primary targets are contained within six prospective formations ranging in depth from the Frio at 3,000 feet, to the Tuscaloosa at 18,000 feet.

Turner Bayou is one of Pryme's high value projects. Pryme has a 40% interest in the Turner Bayou Chalk project, which has the objective of testing the Austin Chalk formation at depths over 15,000 feet, and a 52% interest in the balance of Turner Bayou. Exploration costs of the Turner Bayou Chalk project are much higher than for the shallow Turner Bayou prospects and, to mitigate risk and reduce expenditure, Pryme has farmed out a small portion of its working interest in that project for cash and a carried interest.

Drilling of the first Turner Bayou Chalk project well, the Deshotels 20-H No.1 well in North Bayou Jack Field, commenced in the first week of August. Pryme's working interest in the well is 40%, equivalent to a 30% net revenue interest (NRI).

The vertical section of the well reached total depth of 16,400 feet (5,000 metres) by mid September 2010. A full set of logs was run and evaluated. Logging confirmed the full section of the Austin Chalk formation, as interpreted from the mud log and the 3D seismic survey, had been

Projects (cont.)

intersected. Several other deeper formations of interest were also present, they will be evaluated in due course.



Drilling of the Deshotels 20-H No.1 well in the Turner Bayou Chalk Project

Directional drilling to establish the start of the horizontal leg in the Austin Chalk formation was kicked off at a depth of approximately 14,730 feet (4,490 metres) in the vertical section of the well. After some initial complications kicking off directional drilling, the curved section connecting the vertical well bore to the horizontal leg was drilled to a depth of approximately 40 feet below the top of the Austin Chalk formation. Intermediate casing was run to preserve well bore integrity through to the top of the formation.

The operator is now drilling the lower curved section of the well to the target depth of 15,330 feet (4,672 metres) at which the 4,500 feet (1,372 metres) long horizontal leg will be drilled in the Austin Chalk formation. The objective in drilling the horizontal leg is to intersect oil-bearing fracture systems within the formation. The frequency and extent of these will determine the commercial potential of the well.

It is currently estimated that drilling of the horizontal leg will be completed during the first week of November.

Pryme had previously drilled a number of shallow Frio/Miocene wells within anomalies identified from the 3D seismic survey in the Turner Bayou project. It is intended that these be plugged and revisited at a later date when the necessary infrastructure to produce and deliver natural gas to the market is in place.

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

Chief Operating Officer

Pryme Oil and Gas Limited

Telephone: +1 713 401 9806

Email: ryan@prymeoilandgas.com

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 September 2010

Consolidated statement of cash flows

		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	530	1,862
1.2	Payments for (a) exploration and evaluation	(2,642)	(4,317)
	(b) development	-	-
	(c) production	(93)	(339)
	(d) administration	(440)	(1,397)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	15	118
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	64	(438)
Net Operating Cash Flows		(2,566)	(4,511)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	(565)	(860)
	(c) other fixed assets	42	(317)
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	(158)	1,185
1.12	Other (provide details if material)	-	-
Net investing cash flows		(681)	8
1.13	Total operating and investing cash flows (carried forward)	(3,247)	(4,503)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,247)	(4,503)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,695	1,695
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)	-	-
	Net financing cash flows	1,695	1,695
	Net increase (decrease) in cash held	(1,552)	(2,808)
1.20	Cash at beginning of quarter/year to date	4,203	5,455
1.21	Exchange rate adjustments to item 1.20	(13)	(9)
1.22	Cash at end of quarter	2,638	2,638

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	218
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	<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>	

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	984
4.2 Development	-
4.3 Production	184
4.4 Administration	415
Total	1,583

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	2,638	4,203
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,638	4,203

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.

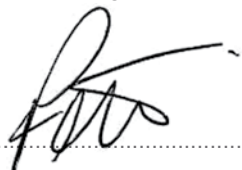
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference *securities (description)	N/A			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	200,051,337	200,051,337	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	21,250,000 NIL	21,250,000	\$0.08	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 (description and conversion factor) Unlisted Options Listed Options	- 500,000 NIL	-	Exercise price - \$0.15	Expiry date - 20 January 2012
7.8 Issued during quarter	NIL			
7.9 Exercised during quarter	NIL			
7.10 Expired during quarter	NIL			
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: 27 October 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.

Notes

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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