



SEPTEMBER 2009 QUARTERLY REPORT

“We are delighted to welcome Future Corp and Promesa as partners in the Atocha project and look forward to a successful re-entry of the HM Brian No.1 well. The re-entry presents an opportunity to confirm the production potential of an existing well with approximately 125 feet of by-passed gas and condensate. The resource potential is representative of estimates for producing oil and gas fields within five miles of the prospect. With thirty-two years of drilling history in the area, a large amount of information is available regarding production, reservoir attributes, geophysics, geology and drilling. Reservoirs across the Tuscaloosa Trend exhibit world class characteristics at attractive depths.

Success in the Atocha Project has the potential to significantly increase earnings and greatly increase the value of Pryme.”

Justin Pettett
Managing Director



Re-entry work has begun on the HM Brian No.1 well in the Atocha Project

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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
 3.28 feet Equals 1 metre

Corporate Directory

Directors

Mr George Lloyd (Chairman)
 Mr Justin Pettett (Managing Director)
 Mr Ryan Messer (Executive Director)
 Mr Ananda Kathiravelu (Non-Executive Director)
 (Upto 14 October 2009)

Company Secretaries

Mrs Janine Rolfe
 Ms Swapna Keskar

Registered and Principal Office

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Solicitors

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 Lawyers & Consultants
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 PERTH WA 6000

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 2009 Quarterly Activity Report

30 October 2009

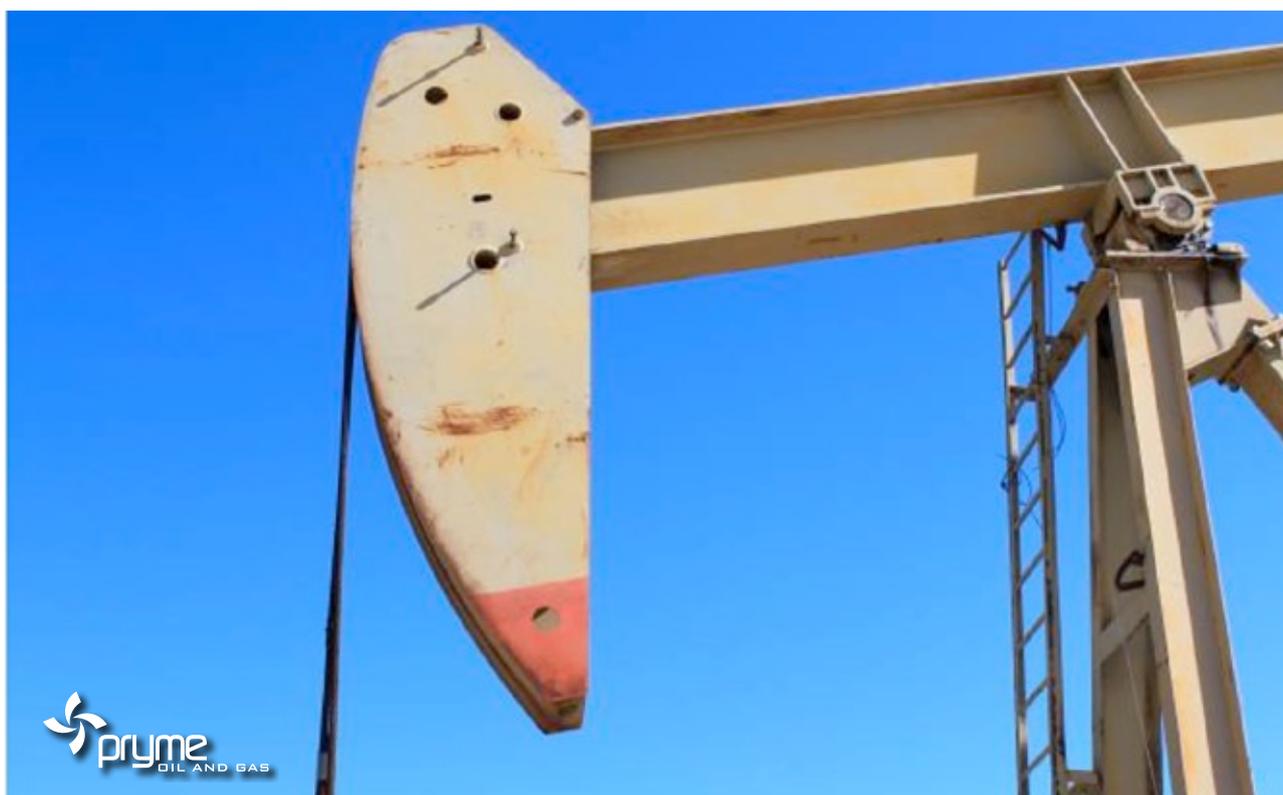
In accordance with Listing Rule 5.2, Pryme Oil and Gas Limited, an oil and natural gas producer and explorer operating in the United States of America, is pleased to report on its activities for the quarter ending 30 September 2009.

SUMMARY AND HIGHLIGHTS

- Farm out of Atocha re-entry completed
- Work begins on the re-entry of Atocha
- Drilling continues in Four Rivers
- Placement and Rights Issue successfully completed

A SMALL CAP GROWTH OPPORTUNITY

ASX Code:	PYM
Recent price:	\$0.10
<small>(27 October '09)</small>	
Cash on hand:	\$8,149,247
<small>(27 October '09, including rights issue funds)</small>	
Shares outstanding:	178,801,337
40 Cent Options (Dec 09):	500,000
Market Capitalisation:	\$17.9m
Price range (12 month):	\$0.05-\$0.155



Projects

Quarterly Sales Report (net to Pryme)

Project	September Quarter		Calendar Year to Date	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
La Salle Parish	0	2,863	0	9,546
Four Rivers*	0	1,363	0	1,993
Raven *	24,338	557	80,984	1,644
Total	24,338	4,783	80,984	13,183

* 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 middle aged fields, the first of which was discovered in 2000. The project is an important contributor to the Company's cash flow.

Third quarter oil sales of 2,863 barrels (31 barrels per day net to Pryme) were 25% lower than for the previous quarter. This was mainly attributable to reduced availability of wells due to maintenance requirements and a power failure. Sales are expected to return to normal levels in the December Quarter.

Turner Bayou 3D Seismic Project

Target Horizon	Deep Test
Depth (feet)	~16,000 feet
Potential* (100% basis)	1,500,000 BOE (Barrels of oil equivalent)
Ownership Interest	52%
Drilling Working Interest	25%**
Net Revenue Interest	18.75%
Dry Hole Cost (to Pryme)	US\$1.6 - \$2.6m
Planned Spud Date	Early Q2 2010

*Potential is un-risked and a gross figure to the 100% working interest. To calculate the net potential to Pryme, multiply the potential by the net revenue interest percentage. Costs shown are dry hole costs attributable to Pryme's interest only. If a well is successful further completion costs will be required.

** The cost of exploration of the deeper Turner Bayou prospects is much higher than for the shallow prospects and Pryme will consider farming-out approximately half of its working interest in the deep prospects to other explorers to mitigate risk and reduce expenditure. Typical farm-out terms would include an up-front cash payment, to compensate for Pryme's past expenditure, and a carried working interest through to completion for Pryme.

Turner Bayou is one of Pryme's high value projects. Pryme has a 52% interest (39% NRI) in the project comprising approximately 80 square miles (50,000 acres) which have

been covered by Pryme's proprietary 3D seismic. 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.

Detailed geological and geophysical evaluation has enabled the identification of six or more possible drill locations to test the deeper horizon. The first test is planned for the second quarter of 2010. A successful deep well in the Turner Bayou project has the potential to produce at an initial rate up to 2,000 barrels of oil per day.

Pryme intends to farm out up to half of its interest in the deep test to mitigate risk and conserve capital for subsequent exploration. Marketing of the farm-out interest is planned to commence in December.

Successful exploration of the deeper Turner Bayou prospects has the potential to generate a number of additional drilling locations throughout the area of the seismic survey and create significant value for shareholders.

Raven Project (40% Interest / 30% NRI)

Production from the Raven project for the quarter was 24,338 Mcf of natural gas and 557 barrels of condensate, a 16% reduction in gas sales and a 7% decrease in condensate sales over the previous quarter. The reduction is largely attributable to the decision to shut in production for ten days in August due to abnormally low natural gas prices. Natural gas prices improved towards the end of August and production was resumed.

Production from the Grable 15 No. 1 well and the Patterson 16 No.1 well averaged 569 and 341 Mcf per day of gas and 15 and 2 barrels per day of condensate respectively over the quarter. Production remains fairly stable with normal decline rates.

The most recent Raven well, the P.J. Thigpen 14 No. 1 in the Ruston Field, is currently being completed and tied into a sales line for production. Pryme did not participate in drilling this well. However, the Company will benefit from an overriding royalty interest in the well.

Projects (cont.)

Atocha Project (100% Interest)

Target Formation	Tuscaloosa
Depth (feet)	17,700
Potential* (100% basis)	~28 Bcfe (Re-entry only)
Working Interest	25% (Farmed out 75% of project)
Net Revenue Interest	22.25% (incl ORRI)

**Potential is un-risked and a gross figure to the 100% working interest. To calculate the net potential to Pryme, multiply the potential by the net revenue interest percentage. Working interest and net revenue interest shown are the terms currently being offered to potential farm-in partners and are subject to change.*

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.

The Atocha project area is prospective for oil and gas with a target size of 1.2 Tcfe of recoverable gas equivalent for the entire area.

The project contains the HMBrian No.1 well which was drilled by Shell Oil in 1980 and cased to a depth of approximately 17,700 feet. Petrophysical analysis has concluded that this well contains over 125 feet of bypassed Tuscaloosa pay sand. With the benefit of hindsight, and some 30 years of experience in the Tuscaloosa Trend, experts have indicated that a discovery of this calibre would be completed for production. The first Atocha prospect will be tested by re-entering the HM Brian No.1 well.

Pryme has spent over US\$1.4 million on generating the Atocha project including building a significant land position, carrying out technical reviews and planning a program to test the project. Pryme is the operator of the project and has a 25% working interest in the HM Brian No.1 re-entry, half of which is free-carried, and a 3% overriding royalty on production.

During the quarter, Pryme successfully farmed out a 75% working interest in Atocha, to Future Corp Limited (50%) and Promesa Limited (25%), on the following terms:

- Cash reimbursement to Pryme of 75% of project costs to date (approximately US\$1,050,000).
- Pryme will be carried for a 1/8th (12.5%) interest though to production on the first prospect test - the re-entry of the HM Brian No.1 well.

- Pryme will retain a 3% overriding royalty interest in production from the prospect and, where achievable, an overriding royalty on production throughout the entire 6,400 acres project area.
- Following the re-entry of the HM Brian No.1, all subsequent Atocha project exploration will be on a "heads up" basis.

Planning for the re-entry of the HM Brian No.1 well was completed during the quarter and the re-entry commenced in mid-October.

At the date of this Report, drilling out the second of three cement plugs in the well bore, at a depth of 12,650 feet, had commenced. It is expected that the third plug will be drilled out and total depth will be reached in early November. This will be followed by casing tests, logging and then perforation of the most prospective horizon. Perforation is expected to commence around mid-November.

A discovery in the Atocha Project has the potential to significantly increase earnings and greatly increase the value of Pryme.



Well head and blow out preventer stack



Well head and cellar

Projects (cont.)

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

Target Formation	Middle Wilcox
Depth (feet)	5,000 - 7,000
Potential* (100% basis)	100,000 – 250,000Bbls
Working Interest	25%
Net Revenue Interest	18.75% - 20%
Dry Hole Cost (to Pryme)	US\$70k - \$100k per well
Wells to be drilled in Q4	4-6

*Potential is un-risked and a gross figure to the 100% working interest. To calculate the net potential to Pryme, multiply the potential by the net revenue interest percentage. Costs shown are dry hole costs attributable to Pryme’s interest only. If a well is successful, further completion costs will be required.

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.

Third quarter sales from the Four Rivers project were 1,363 barrels of oil net to Pryme. Sales from the Missiana, Trisler and Beltzhoover wells commenced towards the end of the quarter and made a modest contribution. Average production to Pryme’s account had reached 32 bbls/day by the end of the quarter.

Exploration activity in the Four Rivers project has progressed at a steady rate with, up to the date of this report, five producing wells from twelve wells drilled. This performance is a reflection of the relatively low risk in drilling and completing wells throughout the Middle Wilcox Trend and the short lead times to bring successful wells into production.

Drilling activity is planned to continue with a minimum of one or two wells to be drilled each month through to the end of the year.



Producing from the Hall No.1 well in Four Rivers

Placement and Rights Issue

Placement

During the quarter, Pryme successfully placed 16,658,509 fully paid ordinary shares at \$0.10 per share to raise approximately A\$1.67 million. The Placement was made to the private investment companies of Pryme’s cornerstone shareholders Messrs Ian McCauley and John Rawlins and clients of Equity Underwriters of Sydney.

Rights Issue

In conjunction with the Placement, Pryme announced a 2 for 5 non-renounceable Rights Issue (Rights Issue) providing the opportunity for eligible shareholders to acquire additional shares in the Company at the same price as the Placement. The Rights Issue was partly subscribed and the shortfall was successfully placed, raising approximately A\$5.11 million from the issue of 51,086,096 new fully paid ordinary shares.

With the successful Placement and Rights Issue, Pryme’s issued capital increased to 178,801,337 fully paid ordinary shares. Pryme’s current cash holding is approximately A\$8.20 million.

Application of Funds

The additional funds will be used primarily to supplement working capital to support the continuing drilling of one to two new wells per month in the Four Rivers Project; to advance the exploration campaign in the Atocha Project; to drill the inaugural deep horizon test in the Turner Bayou 3D seismic survey project; and to evaluate and, if warranted, progress the exploration of further oil and gas prospects in the United States of America and in other locations.

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	ABN	Quarter ended ("current quarter")
Pryme Oil and Gas Limited	75 117 387 354	30 September 2009

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	324	1,316
1.2	Payments for (a) exploration and evaluation	(782)	(1,767)
	(b) development	-	-
	(c) production	(89)	(345)
	(d) administration	(401)	(1,264)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	8	42
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	(940)	(2,018)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	28
	(c) other fixed assets*	-	(12)
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	-	16
1.13	Total operating and investing cash flows (carried forward)	(940)	(2,002)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(940)	(2,002)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.*	1,603	1,603
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		1,603	1,603
Net increase (decrease) in cash held			
1.20	Cash at beginning of quarter/year to date	1,884	2,963
1.21	Exchange rate adjustments to item 1.20	(33)	(50)
1.22	Cash at end of quarter	2,514	2,514

* Incorrectly recorded previously

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	
<p><i>Payments comprising remuneration and superannuation of directors' and related parties as well as fees for services provided by entities associated with directors.</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	978
4.2 Development	-
Total	978

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	2,514	1,884
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,514	1,884

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	111,056,732	111,056,732	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	16,658,509 NIL	16,658,509	\$0.10	\$0.10
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	500,000	-	<i>Exercise price</i> 40¢	<i>Expiry date</i> 31 December 2009
7.8 Issued during quarter Unlisted Options Listed Options	NIL NIL			
7.9 Exercised during quarter Unlisted Options Listed Options	NIL NIL			
7.10 Expired during quarter Unlisted Options Listed Options	NIL 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:** 30 October 2009
 (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.



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