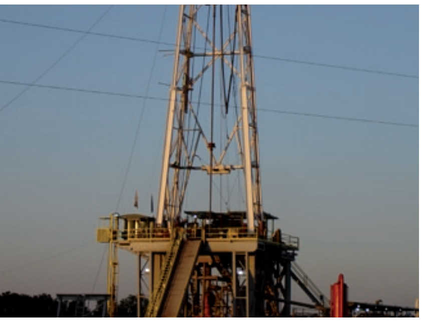
pryme
OIL AND GAS




JUNE 2009 **HALF YEARLY REPORT**

"During 2009, we intend to continue to extract additional value from our existing projects, including Turner Bayou, Atocha and Raven, and also take advantage of new opportunities which meet our exploration criteria. The Four Rivers Project suits this segment perfectly."

Justin Pettett, Managing Director

"In the Four Rivers project we are targeting a mix of moderate risk oil prospects with potential for rapid conversion to production if successful. This approach allows the management team to leverage valuable capital with an explicit focus on building Pryme's oil production and reserves in the near term."

Ryan Messer, Chief Operating Officer

Pumping Unit at the Hall No.1 Well in the Sunny Side Prospect, Four Rivers Project

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Glossary

Barrel .... 42 U.S. gallons or 159 liters or 34.97 imperial gallons
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
3.28 feet .... Equals 1 metre

Directors' Report

In accordance with a resolution of the directors, the directors present their Report together with the Financial Report of Pryme Oil and Gas Limited (Pryme) and its wholly owned subsidiary Pryme Oil and Gas Inc and its subsidiaries (together referred to as the Consolidated Entity) for the half year ended 30 June 2009 (Period) and the Independent Auditor's Review Report thereon:

Directors

The Directors of Pryme at any time during or since the end of the half year ended 30 June 2009 are:

Executive Directors

Mr Justin Pettett (Managing Director)
Mr Ryan Messer (Chief Operating Officer)

Non-Executive Directors

Mr George Lloyd (Chairman)
Mr Ananda Kathiravelu

At the Annual General Meeting held on 8 April 2009, Mr Ryan Messer was re-elected to the Board in accordance with clause 13.4 of Pryme's Constitution.

Review of Operations

The principal activities of Pryme during the Period under review were acquiring, exploring and developing oil and gas prospects in the United States of America. There have been no changes in the nature of these activities during the Period. In the first half of 2009, $984,820 was invested in exploration, evaluation and development activities (2008: $3,955,886).

Financial Results

Revenue from operations of the Consolidated Entity after royalties for the half year ended 30 June 2009 is $965,878 (2008: $1,299,576). This 26% reduction in revenue is predominantly attributable to the global reduction in oil and gas prices.

Received oil prices, at an average for the 6 months to June 2009 of US$47.24 per barrel (Bbl), were lower than for the prior corresponding period (average for the 6 months to June 2008 of US$112.02 per Bbl). Oil production from the La Salle Parish project was approximately 20% lower than in the prior corresponding period due to delayed workovers of a number of wells and normal decline (decline rates of oil wells in the Wilcox Trend in Louisiana are characteristically low). Second half oil production from the Lasalle Parish project is expected to exceed that of the first half. As a result of the low prices and reduced production, the LaSalle Parish project contributed US$319,199 (2008: US$943,939) to revenue for the half year. Notwithstanding the relatively low average price of oil during the half year, received prices for oil improved significantly through the period from a low of approximately US$37 per Bbl in February to around US$60.00 per Bbl at the end of June. Oil prices have shown further improvement subsequent to the end of the period.

The commencement of oil production from the Four Rivers project contributed to total oil production in the half year. The first well the Hall No.1 in the Sunnyside Project came on line in April 2009 and made a minor contribution to revenue. The Hall No.1 is currently producing at the rate of approximately 30 barrels of oil per day (BOPD), Pryme's interest in production from this well is 25% (18.75% net revenue interest.) With continuing exploration success in the Four Rivers project it is expected that the project will make a significant contribution to revenue in the second half of 2009 and be a key contributor to oil production in future years.

Directors' Report (cont.)

Received natural gas prices, at an average for the 6 months to June 2009 of USD$3.39 per thousand cubic feet (Mcf), were lower than for the prior corresponding period (average for the 6 months to June 2008 of USD$8.55 per Mcf). Despite the low prices, the Raven project made an increased contribution to revenue of US$365,358 (2008: US$269,733) for the half year. This revenue improvement reflects the increased production from Raven as a result of the Patterson well which commenced sales of natural gas and condensate in August 2008. Due to the prevailing low natural gas prices, and the Company's present objective of directing capital towards projects which have short lead times to production, the Company chose to not participate in the drilling of a fourth well in the Raven project in June 2009. Under the non-consent provisions of the Joint Operating Agreement for the project, Pryme's interest in this well will be reinstated after the consenting parties have recovered 300% of their investment. Pryme, as a joint prospect generator, will also benefit from an overriding royalty on production.

The final result for the half year ending 30 June 2009 is a loss of A$1,853,537 (2008: A$1,044,851), which is a reflection of low oil and gas prices and the Company's continued emphasis on exploration. The result has also been impacted by the decision to write down the exploration costs of the unsuccessful Saline Point project (US$420,934) and recognition of certain unrecoverable costs related to the Checkmate project (US$328,455).

The functional currency for the US operations of the Group is US Dollars. The presentation currency for the Group's accounts is Australian Dollars.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet.

Decreases in the Australian Dollar/US Dollar exchange rate increase the Australian Dollar book values of assets and liabilities with an offsetting impact on the Foreign Currency Translation Reserve. Similarly, increases in the exchange rate decrease the Australian Dollar book values of assets and liabilities.

Production

Cumulative net production for the Company for the half year was 8,405 barrels of oil and 56,958Mcf of natural gas from the LaSalle Parish, Raven and Four Rivers Projects (2008: 8,870 barrels of oil and 24,600Mcf of natural gas respectively). Oil production is forecast to increase for the 6 months to December 2009 as additional wells come online in the Four Rivers Project; little decline in oil production is expected from the LaSalle Parish Project.

Exploration and Lease Acquisition

Details of Pryme's exploration activities and leases acquired are specified in the "Projects" section on pages 8 to 11 of the Half Yearly Report.

Events Subsequent to Reporting Date

- On 1 July, Pryme announced the expiry of 2,118,000 $0.20 Options effective 30 June 2009.
- As announced to the ASX subsequent to 30 June, drilling has continued in the Four Rivers project with the following results:
  - The Beltzhoover No.1 well in the North Larto Lake Prospect of the Four Rivers project (25% working interest, 20% net revenue interest) was completed and commenced production at a rate of approximately 50 barrels of oil per day. The well bore has been re-perforated with the objective of increasing the production rate.
  - The Benton No.2 well in the Indian Bluff Prospect (25% working interest) was plugged and abandoned after evaluation of the core analysis determined that the developing sand did not have sufficient permeability to justify completing the well.

Directors' Report (cont.)

  - The Missiana 18-11 No. 2 well in the Honey Brake Lake Prospect (25% working interest, 18.75% net revenue interest) has been drilled to a depth of 7,000 feet with core sampling and logging identifying two commercial oil bearing sands in the Wilcox formation. Production casing has been run and the well is being prepared for completion.

- On 26 August 2009, Pryme resolved to make a placement of 16,658,509 fully paid ordinary shares in the capital of Pryme at $0.10 per share (Placement) that will result in an issued capital of 127,715,241 ordinary fully paid shares. In addition to the Placement, Pryme announced a 2 for 5 non-renounceable rights issue at $0.10 per share (Rights Issue). The directors retain the discretion to place any shortfall under the Rights Issue at a price no less than $0.10. The maximum amount of shares that may be issued under the Rights Issue (including the placement of any shortfall) is 51,086,096. Shares under the Rights Issue are anticipated to be issued on 2 October 2009 and any shares under the shortfall must be issued prior to 24 December 2009.

Auditor's Independence Declaration

The auditor's independence declaration has been provided by Pryme's external auditor, Moore Stephens. A copy of this declaration is attached to, and forms part of, the Half Year Report for the six months ended 30 June 2009.

Signed in accordance with a resolution of the Board of Directors.

Justin Pettett
Managing Director
Brisbane
26 August 2009

Auditor's Independence Declaration

MOORE STEPHENS

Partners

Robert W. Clarke
Richard Hoult
Michael J. McDonald

Auditor's Independence Declaration
Under Section 307C of the *Corporations Act 2001*
To the Directors of Pryme Oil and Gas Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2009 there have been:

i. no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

Moore Stephens.

MOORE STEPHENS

MJ McDonald

Date: 14 August 2009

Brisbane, Queensland.

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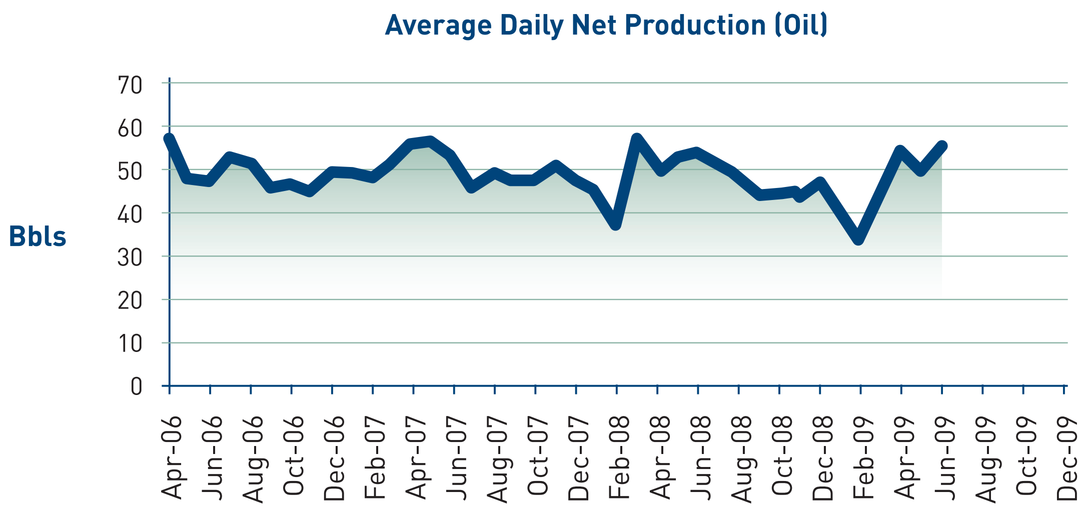
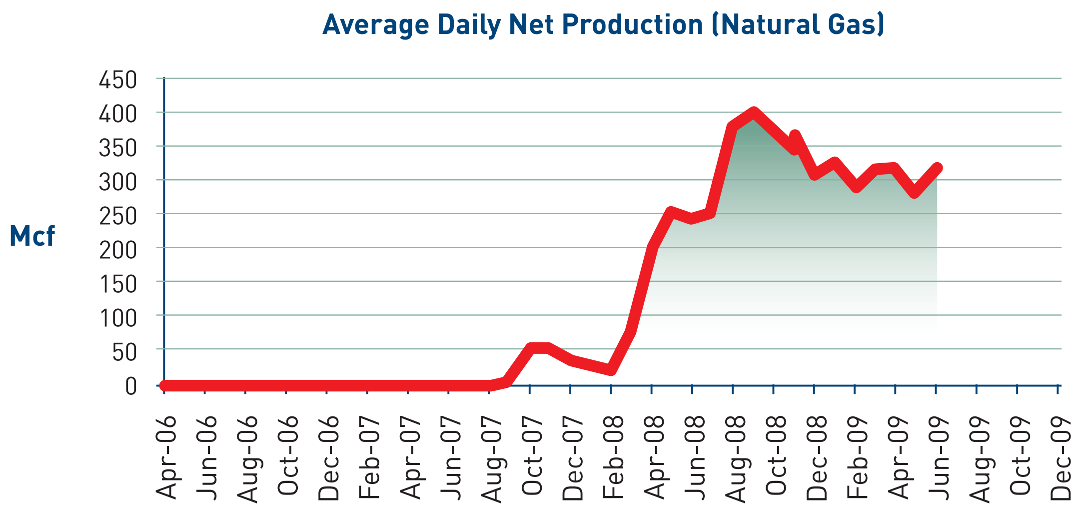
An independent member of Moore Stephens International Limited – members in principal cities throughout the world

Projects





Project	1st Half Year 2008		2nd Half Year 2008		1st Half Year 2009	
	Natural Gas (Mcf)	Oil (Bbls)	Natural Gas (Mcf)	Oil (Bbls)	Natural Gas (Mcf)	Oil (Bbls)
La Salle	-	8,379	-	7,069	-	6,683
Raven	25,986	548	62,604	1,408	56,950	1,088
Four Rivers	-	-	-	-	-	630
Total	25,986	8,927	62,604	8,477	56,950	8,401
Total BOE	13,258		18,911		17,893	

Projects (cont.)

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.

First half oil sales of 6,682 barrels (approximately 36.9 barrels per day net to Pryme) were 5.4% lower than for the previous half year. The decrease was due to natural decline and delays in working over certain wells at the end of 2008 because of high service and supply costs. Production increased through the first half of 2009 due to the successful completion of down hole pump repairs for several wells in two fields which increased their efficiency and productivity. The recompletion of a behind pipe zone in a well in the Routh Point field also added to production.

Routh Point Field Well, LaSalle Parish Project

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

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 consist of six prospective formations ranging in depth from the Frio formation at 3,000 feet through to the Tuscaloosa formation at 18,000 feet.

The current focus is on finalising the evaluation of a number of the high impact deep prospects, which have been identified through evaluation of Pryme's seismic data, with the objective of having one ready to drill in the first quarter of 2010, subject to a farm in partner being secured.

The potential upside for the Company from a successful deeper formation test is substantial. Typical characteristics of such a well, based on Pryme having a 25% working interest, are shown below:

Target Horizon	Deep Test
Depth (feet)	~16,000 feet
Potential* *(100% basis)*	1,000,000 BOE (Barrels of oil equivalent)
Project Working Interest	52%
Drilling Working Interest	25%
Net Revenue Interest	18.75%
Dry Hole Cost *(to Pryme)*	US$1.6 - $2.6m
Planned Spud Date	Q1 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.*

In addition to the deep targets, several additional shallow prospects, which are close to an existing sales pipeline to the south of the seismic survey area, have been identified. We plan to test one or more of these after the first deep well is completed.

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 one half of its working interest in these prospects to other

Projects (cont.)

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.

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 additional value for shareholders.

Raven Project (40% Interest / 30% NRI)

Production from the Raven project for the half was 56,950 Mcf of natural gas and 1,088 barrels of condensate, which equates to a 9% reduction in gas sales and a 22.6% reduction in condensate sales over the previous half year.

Production from the Grable 15 No. 1 well and the Patterson 16 No.1 well averaged 578 and 464 Mcf per day of gas and 16 and 6 barrels per day of condensate respectively for the half. Production from the Grable, Patterson and the Spinks Middlebrooks wells remains fairly stable with normal decline rates.

Due to low natural gas prices, and the Company's present objective of directing capital towards projects that have short lead times to production, the Company chose to not participate in the drilling of a fourth well in the Raven project. Under the non-consent provisions of the Joint Operating Agreement for the project, Pryme's interest in this well will be reinstated after the consenting parties have recovered 300% of their investment. Should the well be successful Pryme, as a joint prospect generator, will also benefit from an overriding royalty on production.

Atocha Project (100% Interest)

Formerly described as the "Up Dip Tuscaloosa Project" the Atocha Project covers 6,400 contiguous acres in Central Louisiana within the up-dip fairway of the Tuscaloosa Trend. Pryme has a 100% working interest in Atocha and has spent over US$1.4 million on building its land position, carrying out technical reviews and planning a program to test the prospect.

The Tuscaloosa Trend was discovered in 1975 by Chevron. It has produced over 2.8 Trillion Cubic Feet (TCF) of natural gas and 120 million barrels of condensate over the past 32 years.

Atocha is located five miles north of BP's Port Hudson Field which is the best producing field in the trend. It contains an existing well which was drilled by a major oil company in the early 1980's. Petrophysical analysis has concluded that this well contains over 125 feet of bypassed pay sand. With the benefit of hindsight and some 30 years of experience in the Tuscaloosa Trend, experts have indicated that at present oil and gas prices a discovery of this calibre would be completed for production.

Pryme's strategy is to re-enter the existing well bore, test the bypassed pay and, if successful, continue with development of the field.

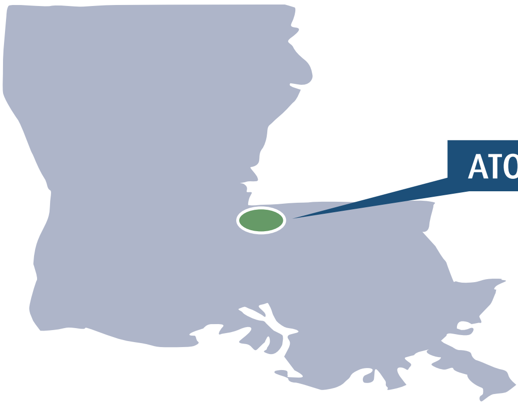
Pryme intends to farm-out portion of this project to industry partners and retain at least a 25% working interest. There has been strong interest from potential participants and the Company expects to announce the completion of a transaction shortly. Farm-out terms include an upfront cash payment to Pryme, to recoup costs expended to date, and retention by Pryme of both a carried working interest and an overriding royalty.

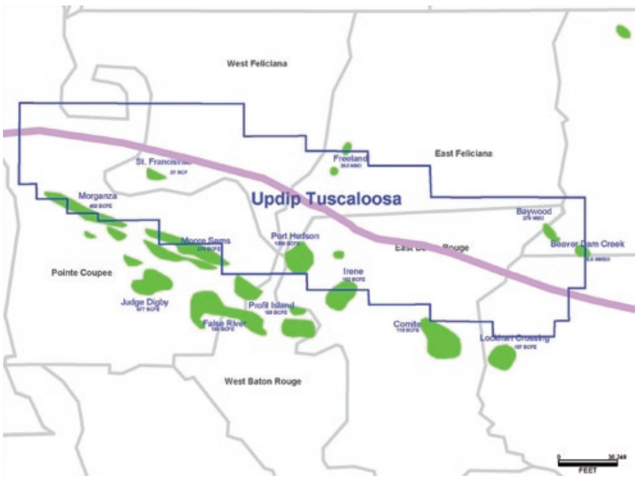
Considerable preparatory work for the re-entry of the Atocha well has been completed by Pryme's technical team in the United States. Re-entry of the well is scheduled for later this year subject to completing negotiations with potential farm in partner/s.

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

Projects (cont.)

The AMI is shown in the following location map.





Kestrel Project
(100% Interest / JV with Wave Exploration)

After an extensive marketing effort by the prospect generator, Wave Exploration, the Company has been unsuccessful in farming out the Kestrel project and has decided to terminate it.

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

The Company announced the new Four Rivers Project at the beginning of 2009. The project is focussing on the same "Middle-Wilcox" oil horizons from which the Company is currently producing in the LaSalle Parish Project. The executive directors of Pryme have extensive experience throughout the Four Rivers Project area, having participated in the drilling of over 100 wells since 2001 with higher than industry average success rates.

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 and Jefferson Counties in Mississippi. The project is targeting multiple "stacked" oil zones throughout the Middle-Wilcox formation at depths ranging from approximately 4,000 to 7,000 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. They are relatively inexpensive to drill and typically have low operating and on-going maintenance costs.

Typical well characteristics for this moderate risk oil project are shown below:

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

**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.*

Exploration activity in the Four Rivers project has progressed at a steady rate with five discoveries from nine wells drilled at the time of writing this report. These discoveries are either producing or in the final stages of completion and may lead to the identification of additional offset development locations.

Sales from the Hall No. 1 well commenced during the half year with 566 barrels of oil produced net to Pryme. Average production was 217 barrels of oil per month net to Pryme.

Sales from the Crosby 16-4 No. 1 well commenced in June with sales of 64.2 barrels of oil net to Pryme for part of the month. Initial monthly production from this well is expected to be approximately 160 barrels of oil per month net to Pryme.

Drilling activity in the Four Rivers Project will remain strong with one or two wells to be drilled each month through to the end of the year.

Financials

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR TO 30 JUNE 2009

	Note	Consolidated Entity 30 June 2009 $	Consolidated Entity 30 June 2008 $
Revenue	2	999,952	1,489,441
Audit and Accounting fees		(91,923)	(131,914)
Depletion, depreciation and exploration write off expense		(1,643,847)	(290,193)
Directors remuneration	3	(178,414)	(457,577)
Directors remuneration – Share/Option Plan	3	(20,493)	(893,597)
Professional Consulting Fees	3	(245,944)	(107,601)
Employee benefits expenses		(122,841)	(36,678)
Legal and secretarial fees		(45,709)	(28,552)
Production Costs		(264,463)	(270,910)
Share registry and listing fees		(12,991)	(8,629)
Travel expenses		(60,293)	(131,139)
Other expenses		(154,977)	(177,502)
Share of net loss of associate		(11,594)	-
Loss before income tax		(1,853,537)	(1,044,851)
Income tax expense		-	-
Loss attributable to members of the parent entity		(1,853,537)	(1,044,851)
Basic earnings per share - cents per share		(1.7) cents	(0.6) cents
Diluted earnings per share - cents per share		(1.7) cents	(0.5) cents

The accompanying notes form part of these financial statements.

Financials (cont.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

	Note	Consolidated Entity 30 June 2009 $	31 December 2008 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,884,156	2,963,925
Trade and other receivables	6	170,976	643,475
Other current assets		31,843	60,970
TOTAL CURRENT ASSETS		2,086,975	3,668,370
NON-CURRENT ASSETS			
Investment accounted for using the equity method	7	9,200,161	10,369,973
Property, plant and equipment		32,945	27,757
Working Interest	8	13,283,460	15,947,838
TOTAL NON-CURRENT ASSETS		22,516,566	26,345,568
TOTAL ASSETS		24,603,541	30,013,938
CURRENT LIABILITIES			
Trade and other payables		239,984	393,227
TOTAL CURRENT LIABILITIES		239,984	393,227
NON-CURRENT LIABILITIES		-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		239,984	393,227
NET ASSETS		24,363,557	29,620,711
EQUITY			
Issued capital	9	29,902,450	29,902,450
Reserves		50,406	3,831,874
Accumulated losses		(5,589,299)	(4,113,613)
TOTAL EQUITY		24,363,557	29,620,711

The accompanying notes form part of these financial statements.

Financials (cont.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Issued Capital Ordinary	Accumulated Loss	Foreign Exchange Reserve	Option Reserve	Total
		$	$	$	$	$
Balance at 1.01.2008		21,508,685	(5,409,587)	(2,299,098)	4,865,948	18,665,948
Shares issued during the period		6,480,000	-	-	-	6,480,000
Share issue costs		(401,931)	-	-	-	(401,931)
Options issued during the period		-	-	-	1,606,179	1,606,179
Options expired/relinquished – expensed in prior year		363,628	-	-	-	-
Loss attributable to members		-	(1,044,851)	-	-	(1,044,851)
Options expired/relinquished – expensed in current year		-	5,356,593	-	(5,720,221)	-
Adjustments from translation of foreign controlled entities		-	-	(1,665,717)	-	(1,665,717)
Balance at 30.06.2008		**27,950,382**	**(1,097,845)**	**(3,964,815)**	**751,906**	**23,639,628**
Balance at 1.01.2009		29,902,450	(4,113,613)	3,386,523	445,351	29,620,711
Shares issued during the period					-	
Share issue costs		-	-	-	-	21,982
Options issued during the period		-	-	-	21,982	
Options expired/relinquished – expensed in prior year			377,851	-	(377,851)	-
Loss attributable to members		-	(1,853,537)	-	-	(1,853,537)
Options expired/relinquished – expensed in current year		-	-	-	-	-
Adjustments from translation of foreign controlled entities		-	-	(3,425,599)	-	(3,425,599)
Balance at 30.06.2009		**29,902,450**	**(5,589,299)**	**(39,076)**	**89,482**	**24,363,557**

The accompanying notes form part of these financial statements.

Financials (cont.)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR TO 30 JUNE 2009

	Consolidated Entity	
	30 June 2009	30 June 2008
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	991,483	1,188,328
Payments to suppliers and employees	(1,118,906)	(978,859)
Interest received	34,071	189,865
Net cash provided by (used in) operating activities	(93,352)	399,334
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of work interest	-	860,000
Purchase of equity accounted investment	28,673	(1,345,157)
Purchase of property, plant and equipment	(12,291)	(13,413)
Payment for working interest	(984,820)	(2,610,729)
Net cash provided by (used in) investing activities	(968,439)	(3,109,299)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares & options (net of share issue cost)	-	6,667,124
Net cash provided by financing activities	-	6,667,124
Net increase (decrease) in cash held	(1,061,791)	3,957,159
Cash at beginning of period	2,963,925	1,854,713
Effect of exchange rate movement	(17,978)	1,854,713
Cash at end of period	1,884,156	5,811,872

The accompanying notes form part of these financial statements.

Financials (cont.)

NOTE 1: BASIS OF PREPARATION

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2008 and any public announcements made by Pryme Oil and Gas Limited (Pryme) and its controlled entities (consolidated entity) during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001.*

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those in the annual financial report for the year ended 31 December 2008.

The Half Year Report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The Half Year Report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

	Consolidated Entity	
	30 June 2009	30 June 2008
	$	$
NOTE 2: PROFIT FROM ORDINARY ACTIVITIES		
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Oil and Gas revenue	965,878	1,299,576
Other income – interest	34,074	189,865
	999,952	1,489,441

Financials (cont.)

NOTE 3: DIRECTORS' REMUNERATION

Total Directors' remuneration of $403,927 (2008: $1,351,174) comprises:

- $178,415 (2008: $457,577) which was paid in cash or cash equivalents as salary to directors;
- $205,019 (2008: Nil) which was paid in cash or cash equivalents for consulting services to entities of which Directors hold beneficial entitlements; and
- $20,493 (2008: $893,597) which is attributable to the expensing of Performance Rights and Restricted Stock Units granted pursuant to the Pryme Oil and Gas Long Term Incentive Plan. The 2008 comparative figure refers to the previous Director Incentive Option Plan (DIOP) and Director Share Incentive Plan (DSIP). In accordance with Australian Accounting Standard AASB2 – Share-Based Payment (AASB2) the securities will be expensed over the performance period of the security, from the date of the grant and despite the fact that attaching transparent performance hurdles are yet to be achieved.

NOTE 4: DIVIDENDS

There were no ordinary dividends declared or paid during the period under review (2008: $Nil).

NOTE 5: SEGMENT REPORTING

Business Segment

The consolidated entity operates predominantly in the exploration and development of properties for the production of oil and gas.

Geographic Segment

30 June 2009

Geographic segment	AUS	USA	Elimination	Consolidated
Income	544,834	965,881	(510,763)	999,952
Depletion & depreciation and exploration expenditure written off	3,293	1,640,554	-	1,643,847
Segment results before tax	(2,861)	(5,304,576)	3,453,900	(1,853,537)
Income tax	-	-	-	-
Assets	28,814,659	23,019,026	(27,230,144)	24,603,541
Liabilities	75,668	27,394,336	(27,230,020)	239,984

30 June 2008

Geographic segment	AUS	USA	Elimination	Consolidated
Income	396,793	1,299,576	(206,928)	1,489,441
Depletion & depreciation	1,300	288,893	-	290,193
Segment results before tax	(551,329)	(2,786,311)	2,292,789	(1,044,851)
Income tax	-	-	-	-
Assets	31,055,987	18,670,112	(25,793,225)	23,932,874
Liabilities	82,036	26,150,308	(25,565,043)	667,301

Financials (cont.)

	Consolidated Entity	
	30 June 2009	31 December 2008
	$	$
NOTE 6: RECEIVABLES		
CURRENT		
Trade receivables	136,529	596,300
Other	34,447	47,175
	170,976	643,475
NOTE 7: INVESTMENTS ACCOUNTED USING EQUITY METHOD		
Opening balance at 1 January 2009 (2008: 1 Jan 2008)	10,369,973	6,308,229
New investments during the period	170,576	2,409,312
Share of associated entities loss	(11,954)	(17,895)
Foreign exchange fluctuations	(1,328,434)	1,670,327
Closing balance at 30 June 2009 (2008: 31 December 2008)	9,200,161	10,369,973
NOTE 8: WORKING INTEREST		
Exploration expenditure capitalised		
Exploration and evaluation phase	3,435,809	3,906,396
Less exploration costs written off current period	(931,150)	(954,744)
Production phase	11,942,390	12,831,629
Less accumulated depletion	(2,639,195)	(2,299,625)
Intangible exploration costs capitalised	1,475,606	2,464,182
	13,283,460	15,947,838
NOTE 9: ISSUED CAPITAL		
Fully paid ordinary shares	31,634,885	31,634,885
Capital raising cost	(1,732,435)	(1,732,435)
	29,902,450	29,902,450
Number of ordinary shares on issue at the end of the half year:	111,056,732	111,056,732

Financials (cont.)

NOTE 10: CONTINGENT LIABILITIES & COMMITMENTS

There has been no change in contingent liabilities since the last annual reporting date 31 December 2008, except for the following:

The Company may from time to time be involved with various litigation and claims that arise in the normal course of business. As of June 30 2009, no such matters were outstanding.

NOTE 11: EVENTS SUBSEQUENT TO REPORTING DATE

- On 1 July, Pryme announced the expiry of 2,118,000 $0.20 Options effective 30 June 2009.
- As announced to the ASX subsequent to 30 June, drilling has continued in the Four Rivers project with the following results:
  - The Beltzhoover No.1 well in the North Larto Lake Prospect of the Four Rivers project (25% working interest, 20% net revenue interest) was completed and commenced production at a rate of approximately 50 barrels of oil per day. The well bore has been re-perforated with the objective of increasing the production rate.
  - The Benton No.2 well in the Indian Bluff Prospect (25% working interest) was plugged and abandoned after evaluation of the core analysis determined that the developing sand did not have sufficient permeability to justify completing the well.
  - The Missiana 18-11 No. 2 well in the Honey Brake Lake Prospect (25% working interest, 18.75% net revenue interest) has been drilled to a depth of 7,000 feet with core sampling and logging identifying two commercial oil bearing sands in the Wilcox formation. Production casing has been run and the well is being prepared for completion.
- On 26 August 2009, Pryme resolved to make a placement of 16,658,509 fully paid ordinary shares in the capital of Pryme at $0.10 per share (Placement) that will result in an issued capital of 127,715,241 ordinary fully paid shares. In addition to the Placement, Pryme announced a 2 for 5 non-renounceable rights issue at $0.10 per share (Rights Issue). The directors retain the discretion to place any shortfall under the Rights Issue at a price no less than $0.10. The maximum amount of shares that may be issued under the Rights Issue (including the placement of any shortfall) is 51,086,096. Shares under the Rights Issue are anticipated to be issued on 2 October 2009 and any shares under the shortfall must be issued prior to 24 December 2009.

Financials (cont.)

Directors' declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 19.

   a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and

   b. give a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Justin Pettett

Dated this 26th day of August 2009

Auditor's Review Report

MOORE STEPHENS

Offices

Brisbane
Burdekin
Cairns
Innisfail
Toowoomba
Townsville

PRYME OIL AND GAS LIMITED ABN 75 117 387 354
AND CONTROLLED ENTITIES

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF
PRYME OIL AND GAS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pryme Oil and Gas Limited and controlled entities, which comprises the condensed statement of financial position as at 30 June 2009, the condensed statement of comprehensive income, the condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The company's and controlled entities' directors are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the company's and controlled entities' financial position as at 30 June 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*. As the auditor of Pryme Oil and Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Pryme Oil and Gas Limited and controlled entities on 14 August 2009, would be in the same terms if provided to the directors as at the date of this review report.

Moore Stephens (Queensland) Audit Pty Ltd ABN 62 126 208 179
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MOORE STEPHENS

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pryme Oil and Gas Limited and controlled entities is not in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and controlled entities' financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*.

Moore Stephens

MOORE STEPHENS
Chartered Accountants

MJ McDonald

Brisbane Qld

Date 26 August 2009.

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Corporate Directory

Directors

Mr George Lloyd (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

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Lawyers & Consultants
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PERTH WA 6000

Stock Exchanges

Australian Securities Exchange Limited (ASX)
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International OTCQX
Code: POGLY

Australian Company Number

117 387 354

Australian Business Number

75 117 387 354




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