



Welcome Message

Firstly I would like to take this opportunity to wish you all a very happy and prosperous 2007! For Pryme, 2007 is "game on" as some of our large exploration projects come to their fruition enabling our drilling program to begin. The impact that successful current exploration projects will have on the value of this company and its market cap should be a real "step-up", and we look forward to realizing that gain as drilling commences as early as Q2.

Our 51,000 acre Turner Bayou Project is progressing well, with the recording of seismic data and processing scheduled to begin next month. The first Wave joint venture project, Raven, has been fully syndicated through partnering with the highly respected and experienced operator, Nelson Energy of Shreveport Louisiana.

As expected, the LaSalle Parish project continues to play out as originally conceived, with the successful drilling of three more development wells. This project continues to form an important and stable base of production and revenue for the company in order to fund its day-to-day operations, in addition to the self-funding of LaSalle's ongoing development.

Our loyalty options began trading on the ASX this quarter under the ticker code PYMO. They have been an overwhelming success with the value from issue price increasing five fold for shareholders. We have well over \$4 million in the bank and growing from current revenues plus cash, carried working interests and overrides derived from the Wave projects which should increase this position further.

We are excited about the coming quarter as we begin to pursue some of our larger exploration targets that contain significant upside for shareholders and look forward to keeping you up to date along the way.

Regards,

Justin Pettett
CEO/Managing Director



Quarterly Highlights

- ↪ NWR No.16 and No.17 oil wells successfully drilled
- ↪ Coleman No. 7 recently completed and flowing 70BOPD
- ↪ 3-D seismic data acquisition continues in Turner Bayou
- ↪ First Wave JV, the Raven Prospect, fully syndicated with Pryme retaining 40% working interest
- ↪ Issue and trading of Loyalty Options an overwhelming success
- ↪ Shareholders approve strategic alliance with drilling contractor

Key Dates

Q1 (Jan/Feb/March)

- ↪ Northwest Rogers No.16 and No.17 completed and put into production
- ↪ Further development and step-out oil wells to be drilled in LaSalle Parish Project
- ↪ Recording of 3-D data and prospect generation in Turner Bayou
- ↪ Kestrel, when fully syndicated, ready to drill late in Q1
- ↪ First Raven test well preparing site to be drilled to 10,000 feet
- ↪ Condor, if fully syndicated ready to drill Q2

Delivering on promises - Oil production increased in LaSalle Parish

We think the very first step in launching a new oil and gas company is not to take unusual exploration risk with Pryme's investor funds. We were able to do that from the start by contributing the relationships we have developed during the past six years in the "Middle Wilcox" oil province in LaSalle Parish Louisiana.

The Middle Wilcox is a series of "stacked" sandstone formations at depths between 1,400 feet and 5,000 feet that typically hold oil, associated gas and formation water. This province is characterized by a very long producing life. Once the exploration phase is complete, what remains is to delineate and develop the fields that have been discovered. It is exactly in this latter phase where Pryme finds itself.

True to its word, Pryme has drilled four successful wells in this play since taking its share of ownership in April of 2006. Several more development and step-out wells are planned throughout 2007 to further increase production and the cash flow for the company. This project allows Pryme to stand on its own two feet whilst covering the ongoing development costs of this project from its own revenues.



December Quarter Performance of Pryme Option Price (ASX Code: PYMO)

Loyalty Options a Success

Pryme recently offered a loyalty entitlement option to existing shareholders of 1 option for every 3 shares held in the company at an issue price of \$0.05 each. The options began trading on the ASX on 23 October 2006 under the ticker symbol PYMO. They have been an overwhelming success with the value from issue price increasing five fold to \$0.25 cents per option, an increase of 500%.

Pryme in the News

Shares in Pryme Oil & Gas Ltd. jumped as much as 17 percent, after the company said it found oil in a well in Louisiana. The Northwest Rogers No. 17 well in the LaSalle Parish project found 23 feet of "excellent" oil sand. The shares, which were sold to the public at 20 cents each in April, were at 60.5 cents at 1:48 p.m. Sydney time.

Angela Macdonald-Smith,
Bloomberg
20 December 2006

SANTOS may be shedding its US oil interests, but to smaller operators the appeal of the oil-hungry nation's oil industry remains compelling. Pryme's business is underpinned by its minority stake in LaSalle Parish, a clump of 22 wells which chug out 15,000 barrels per month, generating about \$US1.5 million (\$1.9 million) of cash flow for Pryme. Pryme's exploration efforts include a 52 per cent share in the 20,000ha Turner Bayou, "a very hot area in central Louisiana". We rate Pryme a SPECULATIVE BUY, especially as the renewed interest in US oil assets makes it a Pryme target.

Tim Boreham, The Australian
15 December 2006

Those that performed well included Pryme Oil & Gas (up 215 per cent). The average return for Queensland stocks in a list compiled earlier this month by Deloitte was 48 per cent, above Australia's average of 44 per cent.

Liam Walsh, The Courier-Mail
11 December 2006

Pryme retains 40% WI in Raven Prospect

Someone once said: “Luck is what happens when preparation meets opportunity”. This is an example of that kind of luck, derived from Pryme’s years of relationship-building in this business and in this part of the United States.

This project arrives in Pryme’s portfolio at a perfect time in the company’s growth phase. This is because of the very favorable “risk-to-reward” ratio that characterizes the “Cotton Valley” natural gas trend. That is to say - relatively low risk with a relatively predictable outcome in terms of gas reserves per well drilled.

The Cotton Valley formation is an old sandy beach front that is unusually large in terms of its volume, covering miles and miles of deposition extending over northern Louisiana and East Texas. It is mostly saturated with sweet natural gas and condensate, with reserves and production based on the permeability of the reservoir that is penetrated by each well.

The 10,000 foot depth of the Cotton Valley isn’t cheap to drill and complete, but the important reserves obtained are a perfect low-risk addition to our Balance Sheet.



The Demand for Commodities

Today’s resource and commodities sectors are unique over most other market sectors. Regardless whether its crude oil, copper, iron ore, uranium or silver; supply is finite and tangible. Demand on the other hand is locked in; global and growing.

In these sectors, supply does not quickly expand to meet increasing demand or higher prices. Copper or uranium as an example will typically take one or more decades from their original discovery as a resource before the first pound of that commodity is ever commercially recovered and brought to the market.

Through the late 1980’s and 90’s, global exploration of all our vital commodities fell to the lowest levels in decades. Now in the 2000’s, as we are facing a global boom and growing demand in commodities and energy, we are only now just beginning to see the supply restricting effects of low commodity exploration throughout the 90’s.

Despite short-term price fluctuations, the global effects of booming demand and relatively slower supply increases point to higher energy and commodity prices in the medium to longer term.

Drill rigs secured for the next 5 years for Pryme projects

Many people asked how Pryme was going to be able to execute on its larger scale projects with the tight availability of drilling rigs. Pryme answered back by establishing a five year agreement with Golden West Drilling where Pryme has the right of first call to utilize GWD’s versatile rigs to drill wells for its benefit. Pryme realizes that having immediate access to one or more rigs is as crucial to business as having the prospects to drill. From the highly experienced staff to the reliability of the equipment, Pryme sees this relationship as one that will help it deliver on-time execution in the field while increasing its reserve base.

Q&A for Pryme Times

Q How much will it cost Pryme to participate in the Raven Project?

A Each well in the Raven Project is expected to be drilled to a depth of approximately 10,000 feet to penetrate two primary objectives in the Cotton Valley formation. The estimated cost to drill and complete each well, net to the 100% working interest is US\$2.3 million (US\$920,000 net to Pryme's interest.) The project is classified as an "engineering play" to the extent that more emphasis is given to the drilling and completion techniques and production of the well, as generally most wells in the area will produce natural gas and condensate.

Q What are the prospective reserves and what financial significance does the Raven Project have for Pryme?

A Expected reserves to be proven from each well drilled, based on conservative analogue production and drainage of wells in the area, is 5.0 billion cubic feet (BCF) per well. This would result in approximately US\$8,550,000 (US\$3,420,000 net to Pryme's interest) in the ground "un-produced gas" value per well using a gas price of US\$2.50 per MCF in situ. On a produced-gas, current net operating income basis the "in-ground" gas and condensate, when produced, will more than likely be much more valuable than the in situ estimate because natural gas prices in the U.S. have been at or near US\$6/Mcf for most of the past year and a half.

Q Are there any additional projects on the horizon for Pryme?

A We are always evaluating projects while keeping a keen focus on the activities that we have up and running. As a general rule of thumb, our engineers and geologists reject ten projects for every one project we decide to evaluate further. Out of the ones that make it through "Round One" of the evaluation sequence, approximately 50% of these are taken up resulting in a one-in-twenty ratio. We are currently reviewing an oil exploration project in LaSalle Parish with potential of close to two million barrels. The project would require only modest capital outlay, with drilling wells to a nominal depth of around 4,500 feet. In addition, we are in the very early stages of evaluating an extremely large oil play involving the potential for tens if not hundreds of millions of barrels of oil, or barrels of oil equivalent ("BOE") of hydrocarbons in South Texas.

Pryme Oil and Gas Ltd.

Level 7
320 Adelaide St
Brisbane, Qld 4000
Australia
Tel. +61 7 3371 1103

Pryme Oil and Gas Inc.

925B Peachtree Street NE
Suite 384
Atlanta, GA, 30309
United States
Tel. +1 678 840 2348

Key People: Jay Stewart



Jay is a registered Petroleum Geologist in the State of Mississippi and graduated with Honors from the University of Southern Mississippi in 1982 with a Bachelor of Science degree in Geology.

He has been focused on oil and gas prospect generation in north Louisiana for over 20 years, during which time Jay also managed the land and mineral leasing rights for two JV partnerships centered in the Wilcox Basin, with venture management and staff centered in El Dorado, Arkansas and Natchez, Mississippi.

Jay is one of Pryme's key people on the ground within Louisiana and is appropriately termed Pryme's "can do" guy. Jay handles everything from dealing with individual land owners and the leasing of drilling acreage tracts, through to the sourcing of service and supply companies and parts. He is also involved on the "front-end" of our business with his contributions to oil and gas prospect generation and geological mapping.

More formally, his accomplishments and areas of activity include Geologist, Petroleum Land and Environmental Affairs Consultant since December 1983 in the states of Mississippi, Louisiana, Arkansas, Alabama, Kentucky and Texas.