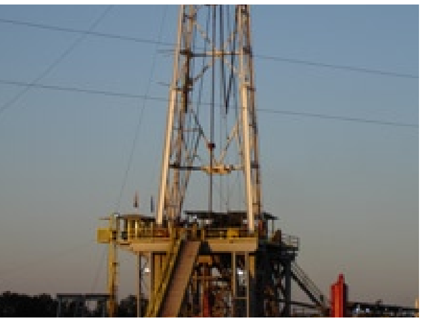
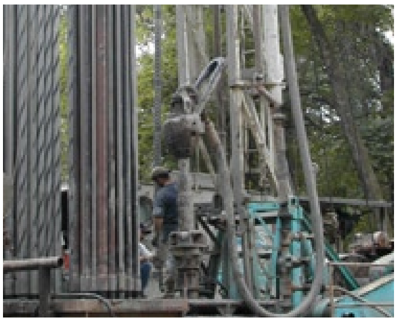
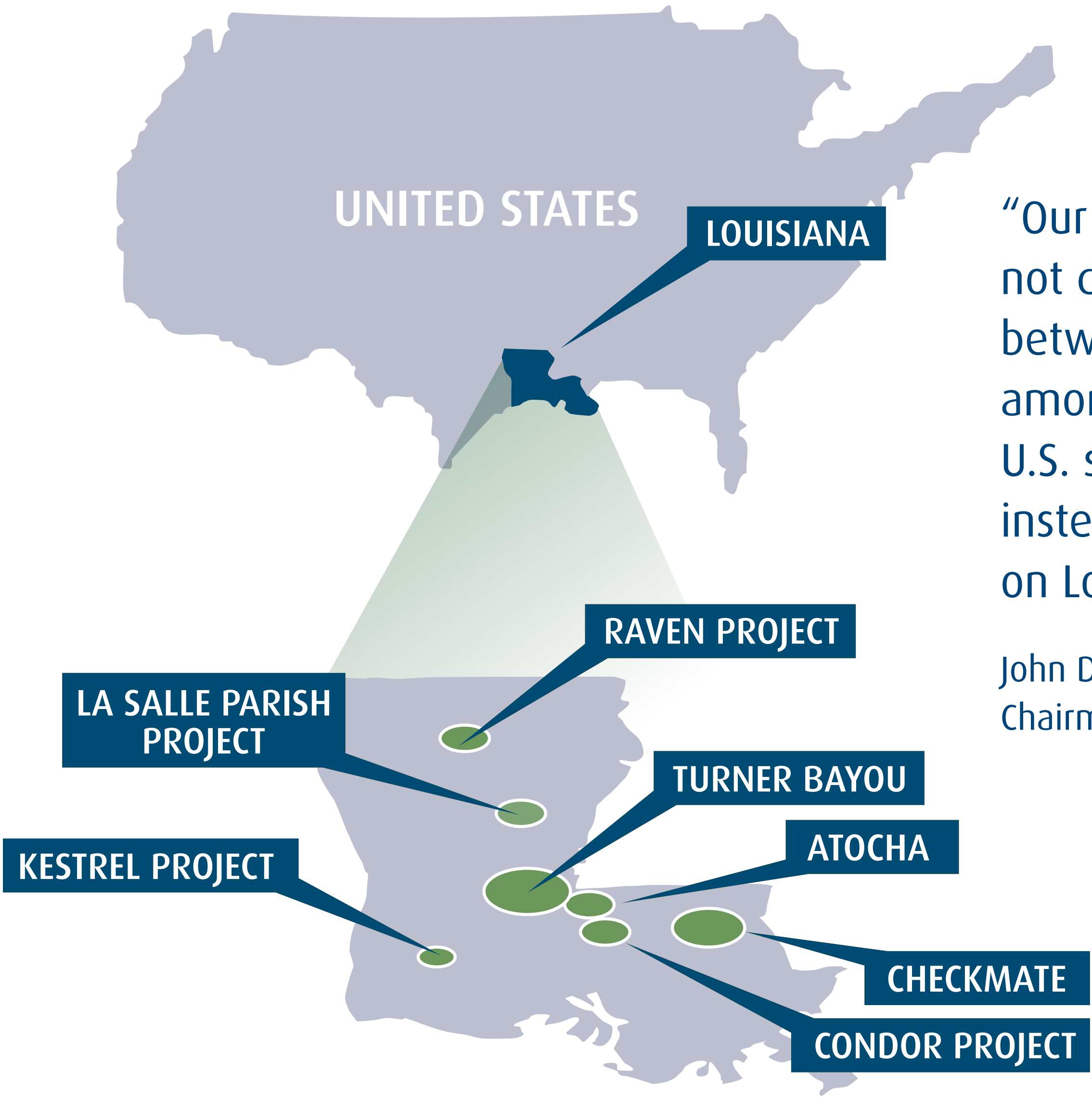
pryme OIL AND GAS

JUNE 2007 HALF YEARLY REPORT



"Our focus is not divided between and among several U.S. states but instead is only on Louisiana."

John Dickinson, Chairman.

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Glossary

Bbls/day ..... Barrels (of oil) per day
Bbls/month ..... Barrels (of oil) per month
Bcf ..... Billion Cubic Feet
Mcf ..... Thousand Cubic Feet
MMcfd ..... Million Cubic Feet of Natural Gas per Day
NRI ..... Net Revenue Interest
Tcf ..... Trillion Cubic Feet
3.28 feet ..... Equals 1 metre

Corporate Directory

Directors

Mr John Dickinson (Chairman)
Mr Justin Pettett (Managing Director)
Mr Ryan Messer (Executive Director)
Mr Ananda Kathiravelu (Non-Executive Director)
Mr Philip Judge (Non-Executive Director)

Company Secretary

Mr Matthew Fogarty

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Code: PYMO

International OTCQX
Code: POGLY

Australian Company Number

117 387 354

Australian Business Number

75 117 387 354

Projects

LaSalle Parish Project

Oil production in this Project has remained consistent, stable and relatively predictable. In addition, the successful drilling, completion and then production of the Northwest Rogers No.16 and No.17 wells took place. These wells are each currently producing steady state oil at the rate of approximately 20 Bbls/day. The Northwest Rogers field will be a long term producer and is expected to produce oil for at least the next 30 years.

NWR No.17 pump jack and production facilities in LaSalle Parish

The Coleman No.8 well in the Routh Point field was successfully drilled on 1 August 2007 to a total depth of 4,500 feet. The well is located approximately 50 feet northeast of the existing Coleman No.3 well with the primary objective being the Wilcox F-2 sand, which had been previously logged and cored productive in the Coleman No.3.

The F-2 cored nine feet of oil productive sand in the interval 4,190 feet to 4,199 feet which was more than double the amount of interval behind pipe in the Coleman No. 3. The F-2 was also cored oil productive but not perforated in the Justiss-Mears Coleman No. 1 over 1,500 feet to the north of the Coleman No. 8. If the two F-2 intervals are connected, this could increase the known oil reserves in the Routh Point Field.

Seven sands (A-2, B-2, C-2, F-2, G-3, G-4 and H-2) had commercial oil shows and one sand had a non-commercial oil show (E-3). A successful completion could result in two or more additional drilling locations targeting the F-2 sand. Completion of this well is underway.

The result of this well has exceeded Pryme's expectation. The LaSalle Parish Project has always been a development play for Pryme with strong production and consequently solid revenues tying into proven reserves confirmed by independent reservoir engineering. What is also interesting to note is the existence of additional zones identified in this well that are produced from the Coleman No.1 and No.3 indicating to us a substantial reserve of oil remaining in this field despite nearly six years of production.

The Coleman No.7, continues to flow at approximately 45 Bbls/day. The wells in this field characteristically flow oil for some time before being put on pump. This well is currently producing out of the "C" sand formation.

The LaSalle Parish Project currently produces in exess of 1,700 Bbls/month net to Pryme's interest and supplies a solid foundation of cash flow for Pryme. Pryme has benefited from the steady increase in oil prices over the past months and as a result, is close to record levels of net operating income attributable to this Project.

The directors would like to acknowledge the work of their operator Belle Oil of Natchez Mississippi. The team at Belle have been producing and operating oil wells in the Wilcox basin and in particular throughout LaSalle Parish for over 15 years and to date is the most efficient operator Pryme has dealt with in the immediate area. Pryme's present high monthly net operating income (oil revenue less the monthly expenses to operate the wells) is attributable to Belle's efficiencies in the field and savings through their long standing relationships with service contractors and suppliers.

Our LaSalle Parish Project continually proves to be a consistent, low-maintenance earner for Pryme; the stable income platform created from this Project differentiates us from many other junior and some medium-sized ASX-listed oil and gas explorers and will facilitate further growth in the future.

Turner Bayou 3-D Seismic Project, Central Louisiana

The 3-D seismic shoot in the Turner Bayou Project has been completed. An initial Quality Check ("QC") review of the seismic tapes has identified some of the seismic anomalies or "bright spots" as they are known in the industry. These bright spots have been identified from a first pass at the Frio/Miocene level of between 3,000 to 5,000 feet that will be further high-graded in the coming weeks. Drilling of Frio/Miocene wells in this area exceeds 80% success rate using 3-D seismic technology. Flow rates (post initial flush production) are usually in a range of 200Mcf - 500Mcf per day per well and have a reserve value from 0.5 to 1Bcf each.

Projects (cont.)

Seismic data wireless receiving tower in the Turner Bayou Field

Pryme is currently working on developing a drilling program that will see the company spud its first group of Frio/Miocene wells during the next few months of this year, weather permitting. Pryme plans to drill as many wells as possible in the run-up towards year end; details of this activity will be released shortly.

Pryme's strategy is to develop the shallower Frio/Miocene targets initially to increase earnings and develop its infrastructure and then to revisit the deeper horizons to 16,000 feet.

Crews drill seismic shot holes in Turner Bayou

Pryme has a 52% interest (39% NRI) in the Turner Bayou Project, which covers approximately 80 square miles (50,000 acres). Prospective reserves are in the order of 150Bcf gross, un-risked with the primary targets consisting of six prospective formations in a range from 3,000 feet to 16,000 feet.

The execution of the Turner Bayou Project has always been Pryme's main objective since its ASX listing. The board of directors is eager to begin the next phase by using the drill bit, believing that this Project has the capability to produce substantial value for Pryme shareholders.

Raven Prospect, Lincoln Parish, Louisiana

The Raven Project consists of drilling in the fairway of the prolific Cotton Valley natural gas trend in northern Louisiana. Pryme elected to retain an undivided 40% of the Project for its own account, which includes a carried working interest due to the favourable risk-to-reward ratio that characterizes this region. The remaining 60% has been purchased by Nelson Energy of Shreveport, Louisiana, an experienced, highly successful local operator.

The first well in the Raven Project, the Spinks-Middlebrooks #11-1, reached planned total depth of 10,830 feet and was successfully logged. Several intervals were identified on the electric log that correlate with the gas shows during the drilling phase and appear to aggregate a significant amount of total pay. As a result of the log analysis, the decision was made to set a production casing string. This term "string" means 5.5 inch steel casing that is screwed together joint-by-joint, then cemented from surface to the total depth. This activity is currently under way.

The initial target depth of the Spinks-Middlebrooks #11-1 was approximately 10,000 feet and was originally designed to test two primary Cotton Valley formations the "C" and "Price" sands at these depths. Since drilling began on 8 June 2007, Pryme became privy to information pertaining to a newly drilled well located approximately three miles away from its Spinks-Middlebrooks #11-1 test. Pryme's initial location was 400 feet up-dip from this well and it decided to drill an additional 800+ feet to test this third Cotton Valley Sand. Among other intervals, this additional deeper target was encountered and Pryme believes there is the potential for commercial production.

The next phase in the completion of the well involves laying a natural gas discharge pipeline in order to flow test the well. This pipe should take approximately two weeks to install (subject to weather conditions). Shortly thereafter, each zone identified through log analysis in the well will

Projects (cont.)

Drilling the Spinks Middlebrook #11-1 well in Pryme's Raven Project

be fracture stimulated, completed and tested into the discharge line in anticipation of commercial production some time in September (the overall process is expected to take between 45 – 60 days, subject to weather conditions). A detailed announcement regarding flow rates and volumes will be made once the performance characteristics of this well are more accurately known.

The successful logging of this well has exceeded Pryme's expectations. This is the first of a minimum ten well program to be drilled in this particular project. We're seeing additional formations that were not anticipated, but for which every explorationist has high hopes. The next well in this Project is scheduled to be drilled in November.

Drill rig on the Spinks Middlebrooks 11-1 well in Raven

Based on Cotton Valley wells and fields that Nelson Energy operates on trend with the Spinks Middlebrooks #11-1, Pryme expects this well to be a producer of natural gas and condensate. At this phase, we can only project well behavior analogous to the Terryville Field which is approximately 10 miles distant and on-structure with our Raven project. Average production rates at Terryville range from 1 to 2 million cubic feet of gas plus 30 to 40 barrels of condensate per well per day.

The Raven Project covers mineral leases in the prolific Cotton Valley and Hosston natural gas trends in Lincoln Parish, Louisiana. Raven exists along a natural gas fairway of Cotton Valley marine bars which are the target of the Raven Project. The Project has been classed 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. Prospective gas reserves to the 100% working interest within the Raven Prospect could be on the order of 50Bcf (20Bcf net to Pryme) according to Wave, based on 5Bcf per section. Pryme has a 40% working interest (30% NRI) ownership in the Project.

Saline Point Project

Pryme's latest addition to its list of robust and diverse project portfolio is the Saline Point Project. This Project is located in the southern portion of Catahoula Lake in LaSalle Parish, Louisiana. The Project will target in excess of 2 million barrels of oil and is located near Catahoula Lake and South Catahoula Lake fields that have produced 24 million and 4 million barrels of oil, respectively, to date.

The initial well will be drilled with a land rig during the month of September 2007 during the annual lake drying period. Production facilities will be located on land to the south of the wells and outside of the lake boundaries. The prospect is located 2.5 miles south of Pryme's Routh Point Field in the LaSalle Parish Project which has proven reserves of 1.45 million barrels of oil confirmed by an R.A. Lenser and Associates reservoir engineering study.

The first test location will be drilled to a depth of approximately 5,000 feet with the primary objectives being upper sands of the Wilcox formation. Weather permitting, a second test will be drilled back-to-back with the first and will be drilled to the same depth targeting middle and lower sands of the Wilcox formation with several additional secondary sands that may be logged productive that are also prevalent in the immediate area.

Projects (cont.)

The directors of Pryme have over seven years business history drilling more than 85 tests throughout the Wilcox basin in LaSalle Parish. Fifty per cent of those tests proved successful resulting in several new oil field discoveries. This success rate is double the basin average of only 25 per cent

Pryme has a 26.96% working interest (20.22% net revenue interest) in this Project. Typical drilling and completion costs for this depth well in LaSalle Parish is US$500,000 per well to the 100% working interest including production facilities.

Kestrel Prospect, Calcasieu Parish, Louisiana

Kestrel has been fully leased and is currently being marketed to third parties for project funding. Interest in the Project has been expressed by several mid-sized oil and gas companies reviewing the data for a second time with their technical teams. Any one of these companies has the capability to be operator. Thirty-five percent (35%) of the Project has been sold thus far.

Kestrel has a two-well potential and is located on 320 consolidated acres that would be drilled to 13,500 feet, targeting six "Hackberry" natural gas and condensate (oil) sands. Two wells should effectively drain this objective if permeabilities are encountered that are analogous to consolidated sandstones found in the Hackberry in this general area. Prospective reserves have been re-calculated on the order of 33Bcf, according to the current 3-D seismic and according to Wave.

Condor Prospect, Tuscaloosa Trend, Louisiana

The Condor Prospect is located in the deep, prolific Tuscaloosa Trend. The prospect consists of two developmental locations targeting multiple, high quality Tuscaloosa sands. The reserves are defined by integrated engineering, geological, geophysical, and petrophysical analyses. In addition, postulated gas reserves will be targeted in untested deeper sands that have not been drilled in the field, but produce at rates up to 50 MMcfd elsewhere on trend.

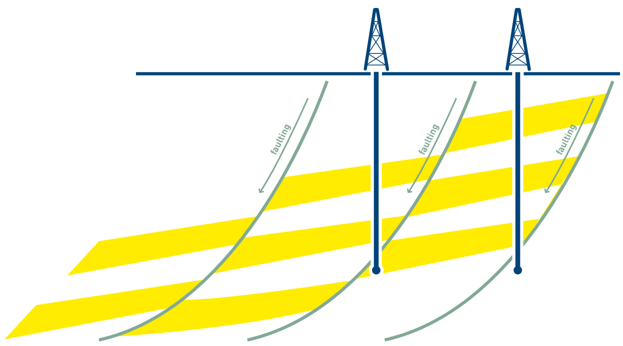
Pryme in joint venture with Wave Exploration currently hold 775 acres under lease across three pre-existing Tuscaloosa units. The first location is a recompletion of a twin of an existing well that has 30-45Bcf in potential. The second location is up-dip (in a higher elevated sub surface position) to a 45Bcf well with a reserve potential of 54-85Bcf. Deeper untested sands are prevalent in the Project that could possess significant upside.

The Project is currently being marketed to a select group of deep Tuscaloosa formation operators.

Atocha Prospect, Tuscaloosa Shelf Project, Louisiana

The Atocha Prospect is located updip in the prolific Tuscaloosa trend that has produced in excess of 2.5Tcf of natural gas to date. The primary objective, the Deep Tuscaloosa, is targeted at approximately 17,500 feet with additional secondary Lower Cretaceous targets as deep as 22,000 feet. The potential reserves of the Tuscaloosa sands in Atocha could exceed 1Tcf using an average sand thickness of 250 feet in the aggregate. Gross sand thicknesses are known to be up to 450 feet throughout this area. The primary target consists of multiple down-to-the-basin faults that occur in the Tuscaloosa defined on reprocessed 2D seismic data. These are believed to have been deposited in "stair-step" fashion and create thickening of the sand along with providing a trapping mechanism for the reservoir as detailed in the Morganza Field analog image. Morganza Field has produced in excess of 500Bcf from this exact type of reservoir structure.

Structure Analog
Morganza Field
500 Bcf



The image above shows two wells drilled through the reservoirs shown in yellow between faults shown in blue. The fault blocks trap the hydrocarbons in a stair step fashion dipping down towards the Gulf of Mexico.

This play resembles the deep gas basin in Canada where Elmsworth Field was discovered and 15Tcf was eventually proven years after 75 well bores had penetrated the section and the gas accumulation had not been recognized. The

Projects (cont.)

geologic model for Atocha is also identical to that of Double A Wells Field in Polk County, Texas. This field has produced over 550Bcf from a Woodbine (Tuscaloosa age) stratigraphic trap across 15,000 acres.

The Tuscaloosa sands can be tested up-dip to an existing well drilled in the early 1980s. Petrophysical investigation by several analysts has concluded that this existing well contains over 125 feet of calculated bypassed pay zone. Gas on the mud log of this existing well also supports this hypothesis, along with possibly indicating a gas/water contact.

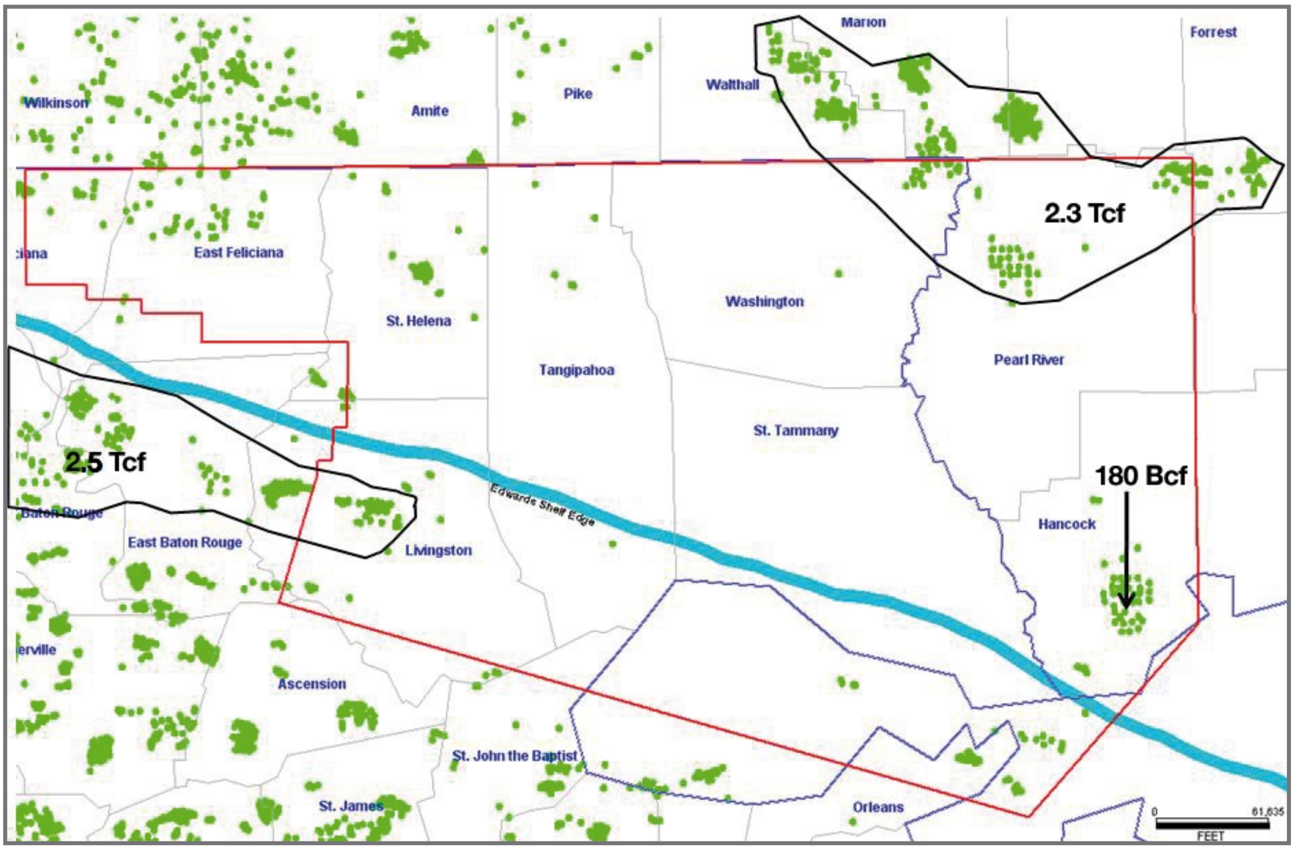
The costs to drill this depth of prospect through logging of the test typically run between US$6-7 million per well. Pryme's strategy will be to farm out (sell) the prospect to a third party so it can reduce its financial exposure. The directors believe that Pryme will be able to recover 100% of the prospect capital costs, leasing and seismic costs plus a geological fee. In addition, a 15% carried working interest for Pryme should be able to be secured through to production of each well and a 10% reversionary working interest after payout of the well. The result would be a 25% carried working interest (20.075% NRI) and a free look at prospective large reserves in the project for Pryme if it is successful. Several wells would be required to drain this class of Project and its reserves.

Pryme expects to drill its first well in this Project in the first quarter of 2008.

Checkmate Prospect, Florida Parishes, Louisiana

This project is a joint venture with Amelia Resources LLC to develop regional exploratory prospects throughout an area of mutual interest covering 5,000 square miles in the "Florida Parishes" of eastern Louisiana aptly named the Checkmate Project. The exploration targets will range in depth from 3,500 feet through 25,000 feet and will give Pryme an inventory of prospects to develop and drill for the next ten years.

Pryme believes that the Florida Parishes are one of the most under-explored regions in south Louisiana. The area is surrounded by very prolific fields to the north, east, and west. Gas reserves of 2.3Tcf have been produced from



Checkmate Project outline and existing production

Projects (cont.)

Lower Cretaceous reservoirs in the northeastern corner of the project area. 180Bcf has been produced from the Mooringsport at the eastern edge of the project area. Tuscaloosa fields on the Upper Edwards shelf range up to 8 million barrels of oil.

The directors have continued to add high value, risk-diverse projects to the Pryme portfolio in order to enhance the long term viability, development and growth of the company into the future. The Checkmate Project will take advantage of their joint venture partner's, Amelia Resources', 16 years of direct evaluation of the hydrocarbon potential in the project area. Pryme, through Amelia, has already assembled 500 miles of 2-D seismic data and 16,200 stations of gravity data. This information, integrated with subsurface control, has been used to identify regional "areas of interest" and prospective leads. Pryme plans to license a further dense grid of 2-D seismic to reprocess with the latest technologies and utilize for prospect definition. It will also seek to define multi-target prospective areas for shooting 3-D seismic.

The project area presents a very large exploration frontier and has an abundance of commercial 2-D seismic data that can be reprocessed and utilized to define these opportunities. Multiple targets include the Miocene, Frio, Wilcox, Tuscaloosa, Paluxy, Mooringsport, James Lime, Hosston, and Cotton Valley. Checkmate provides Pryme a long-term project area with the potential for numerous prospects.

Checkmate is currently in the geological/geophysical research phase with prospects being generated over the next 6 months that will most likely be leased and drilled sometime during mid-2008.

Pryme Wells Drilled Since Listing

Since Pryme listed its shares on the Australian Stock Exchange (as it was then known) in April 2006, Pryme has drilled seven wells that are outlined below. The project, result and status of each well is listed:

Well Name	Project	Result	Status
Northwest Rogers No. 17	LaSalle Parish Project oil	Successful	Producing
Northwest Rogers No. 18	LaSalle Parish Project oil	Successful	Producing
Coleman No. 6	LaSalle Parish Project oil	Successful	Producing
Hogue GT No. 4	LaSalle Parish Project	Dry Hole	Plugged
Shirley SU118	LaSalle Parish Project oil	Successful	Producing
Spinks Middlebrooks 11-1	Raven – Cotton Valley gas/oil	Successful	Completing
Coleman No. 8	LaSalle Parish Project oil	Successful	Completing

Through to the end of 2007 Pryme aims to drill 8 - 13 wells spread across our Saline, Turner Bayou and Raven Projects subject to weather conditions. Pryme has an active drilling program planned through the beginning of, and well into, 2008.

For further company information please visit our website at www.prymeoilandgas.com.

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 subsidiaries Pryme Oil and Gas Inc and Pryme Energy, Inc (together referred to as the Consolidated Entity) for the half-year ended 30 June 2007 (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 2007 are:

Executive Directors

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

Non-Executive Directors

Mr John Dickinson (Chairman)
Mr Ananda Kathiravelu
Mr Philip Judge

At the Annual General Meeting held on 17 April 2007, all the other directors except Mr Justin Pettett were elected to the Board in accordance with clause 13.2 and 17.4 of the Constitution. At this same meeting, Mr Philip Judge 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 2007, $4,845,000 was invested in exploration, evaluation and development activities.

Financial Results

Pryme has been producing and selling oil since listing in April 2006 and it acquired an interest in its first oil producing property, the LaSalle Parish Project, effective 1 April 2006. Revenue from operations of the Consolidated Entity after royalties for the half year ended 30 June 2007 is $797,542 (US Operations: $715,456) and earnings before interest, tax and depreciation (EBITDA) of the Consolidated Entity for the period are $(1,395,398) {US operations: $(2,031,120)}.

The 2007 half-yearly results were impacted positively by:

- efficient operation of the LaSalle Parish Project;
- placement of 6,666,667 shares at $0.45 each, thereby raising $3,000,000 and replenishing working capital to begin Pryme's extensive drilling program; and
- very favourable prices for both oil and gas where Pryme operates in one of the strongest oil and gas producing states in the U.S., Louisiana.

While the Consolidated Entity is enjoying strong income from oil sold from the LaSalle Parish Project, the final result for the Consolidated Entity for the half-year ending 30 June 2007 is a loss of $(1,665,669) {2006 (three month period): $(279,168)}, which is typical, given Pryme's exploration activities and stage of development. A significant part of the overall loss of Pryme for the half-year ending 30 June 2007 ($1,024,828) is attributable to the expensing of the Director Incentive Option Plan (DIOP) and Director Share Incentive Plan (DSIP) in accordance with Australian Accounting Standard [2] (Share-Based Payment) (AASB 2). AASB 2 requires securities (rights and options in the case of Pryme) to be expensed over the performance period of the security, from the date of grant and despite the fact that attaching transparent performance hurdles are yet to be achieved. In the case of DIOP, the first performance hurdle has been achieved. Two performance hurdles remain outstanding however. The entire performance hurdle remains outstanding with respect to the DSIP. The performance period in respect of the DIOP and DSIP does not end until 30 June 2009. Further details concerning the DIOP and DSIP are set out below. While the total expense attributable to the Pryme incentive plans for the half-year was $(1,024,828), the expense attributable to the achievement of the first hurdle was only $(116,763). Absent the AASB 2 expenses altogether, then the result for the Consolidated Entity for the six months ending 30 June 2007 would be a loss of $(640,841) {2006 (three month period): $(279,168)}.

Directors' Report (cont.)

Further information about the DIOP and DSIP

The DIOP and DSIP were approved by shareholders based on terms and conditions relating to performance of projects undertaken and results to be achieved over a three year period commencing from July 2006. The options and shares have been expensed over the same period based on a valuation performed. Details of the DIOP and DSIP are set out below:

<table>
<tr><th>Description</th><th>Rationale</th></tr>
<tr><td>
<u>Directors Incentive Option Plan (DIOP)</u>

Under this Plan, directors may receive up to a number of options in three tranches depending on the achievement of the hurdles described below. Vested options may convert to ordinary shares on a one-for-one basis.

The exercise price of each of the Options is 20 cents and the expiry date is 30 June 2009.

Phase I – LaSalle Parish Project
Phase II – South Central Louisiana 3D seismic play
Performance Period – 1 July 2006 to 30 June 2009

Hurdles –

1. Upon Pryme increasing annual net operating income in the LaSalle Parish Project by 25% (to A$1,250,000 annually calculated monthly) within 12 months from the date of listing Pryme through the drilling of further development wells. (This performance hurdle has been achieved and options attributable to the first incentive have been allotted to Mssrs Dickinson, Pettett and Messer.)

2. Upon the successful conclusion of the 3D data acquisition (receipt of field tapes) the evaluation thereof and the preparation from the 3-D data of at least ten (10) drilling prospects in the South Central Louisiana seismic play and a total of 1,000,000 cubic feet per day (1,000mcfd) or oil equivalent (where the oil equivalent is 6,000 cubic feet (6mcf) equals 1 barrel of oil) net to Pryme is produced within the Performance Period.

3. Upon Pryme achieving an annualised EBIT of A$10,000,000 calculated monthly from the projects that Pryme is involved in, within the Performance Period.
</td><td>
This Plan is a medium-term incentive that rewards the directors upon Pryme achievement of key project milestones.

It is envisaged that with the:

• increase in net operating income from the La Salle Parish Project; and
• production of oil from South Central Louisiana 3D,

Pryme's earnings will increase.

Furthermore, achievement of the pre-determined EBIT target will mean that Pryme has in fact increased its earnings.

An increase in Pryme's earnings will in-turn, positively affect shareholder wealth. The Board envisages with time dividends would be paid out of retained earnings and the improvement in Pryme's operations will be reflected in an increasing share price.
</td></tr>
<tr><td>
<u>Directors Share Incentive Plan (DSIP)</u>

Under this Plan, directors are granted rights which may vest upon the satisfaction of the hurdle described below. Vested rights automatically convert to ordinary shares on a one-for-one basis.

Performance Period – 1 July 2006 to 30 June 2009

Hurdle –

Pryme achieving annualised EBIT of A$10,000,000 calculated monthly from the projects that Pryme is involved in, within the Performance Period.
</td><td>
This Plan was introduced to acknowledge the role of the founding member directors and ensure their continual involvement in Pryme over the next few years. In that respect, it is a long-term incentive.

Please refer to above discussion in relation to EBIT for the relationship between this element of remuneration, intended company performance and intended shareholder wealth.
</td></tr>
</table>

Directors' Report (cont.)

Should the performance hurdles put in place by shareholders not be achieved within the performance period that ends on 30 June 2009, the expensing of the outstanding options and shares will be reversed in Pryme's financial accounts, by adjustment to the retained earnings via the statement of changes in equity. Conversely, should these performance hurdles be achieved, positive results for shareholders will be yielded as described above in the "Rationale".

Production

Production for the current period was 82,795 (9,493 net to Pryme) barrels of oil 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 4 to 9 of the half-yearly report.

Events Subsequent to Reporting Date

1. On 4 July 2007, Pryme's securities went into a trading halt pending the release of an announcement that Pryme's first Raven Project Well, the Spinks – Middlebrooks #11-1 had reached its planned total depth and was successfully logged. This reinforced Pryme's earlier decision to establish a joint venture with Wave Exploration in order to focus on the development of Louisiana oil and gas resources. Pryme now expects to produce condensate from this well.

2. On 6 July 2007, Pryme convened a general meeting of its shareholders to:

   (i) seek approval for the allotment and issue of Options to the directors of Pryme as follows:

      (a) 750,000 Options to First Capital Corporate Limited (or its nominee), a company controlled by Mr Ananda Kathiralavelu, which acted as Pryme's corporate and financial advisor in relation to the capital raising pursuant to the Prospectus dated 5 April 2007;

      (b) 150,000 Options to Mr Philip Judge as a form of Director Fee;

      (c) 7,500,000 Options to directors as part of Directors Incentive Option Plan Mr Justin Pettet (3,000,000), Mr Ryan Messer (3,000,000) and Mr John Dickinson (1,500,000). Details of the relevant incentives are set out in Note 3 to the financial statements; and

      (d) placement of 15,000,000 shares

   (ii) ratify the allotment and issue of:

      (a) 6,666,667 shares and 3,333,334 Options pursuant to Prospectus dated 5 April 2007; and

      (b) 750,000 Options of Cygnet Capital Pty Limited as consideration for its role as joint manager and corporate advisor to the capital raising conducted pursuant to the Prospectus dated 5 April 2007.

All these resolutions were passed by shareholders on a show of hands.

3. On 30 July 2007, 50,000 shares were issued at 39 cents each as consideration to a land owner for mineral lease obtained in the Atocha Projects.

4. On 1 August 2007, Pryme announced that it has begun drilling the Coleman No. 8, which is located in the Routh Point Field on the LaSalle Parish Project and that the result of this well had exceeded Pryme's expectation.

5. On 9 August 2007, Pryme announced of the commencement of its participation in an oil exploration project named Saline Point, located in located in the Southern portion of Catahoula Lake in LaSalle Parish. Pryme has a 26.96% working interest in this project. Drilling for this project will begin in September 2007.

Directors' Report (cont.)

Lead Auditor's Independence Declaration

The lead auditor's independence declaration has been provided by Pryme's auditor, Moore Stephens. A copy of this declaration is attached to, and forms part of, the Half-Year Financial Report for the six months ended 30 June 2007.

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

Justin Pettett
Managing Director
28 August 2007

Auditor's Independence Declaration

MOORE STEPHENS

Offices

Ayr
Brisbane
Cairns
Home Hill
Innisfail
Townsville
Tully

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 2007 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

M.J. McDonald
Director

Date: 28 August 2007.

Brisbane, Queensland.

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

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2007

		Consolidated Entity	
	Note	30 June 2007	30 June 2006
Revenue	2	797,542	290,128
Audit and accounting fees		(152,083)	(7,915)
Corporate retainer		-	(25,000)
Depletion and depreciation expense		(270,271)	(62,342)
Directors remuneration	3	(1,338,563)	(128,334)
Formation expense		-	(28,542)
Legal fees		(33,418)	(24,490)
Postage, printing and stationary		(24,317)	(4,933)
Production costs		(198,162)	(71,896)
Professional consulting fees		(134,727)	(21,277)
Share registry and listing fees		(17,885)	(17,946)
Travel expenses		(147,306)	(53,969)
Other expenses		(125,358)	(91,338)
Share of net loss of associate		(21,121)	-
Loss before income tax		(1,665,669)	(247,854)
Income tax expense		-	(31,314)
Loss attributable to members of the parent entity		(1,665,669)	(279,168)
Basic earnings per share - cents per share		(2.4) cents	(0.5) cents
Diluted earnings per share - cents per share		(1.6) cents	(0.5) cents

The accompanying notes form part of these financial statements.

Financials (cont.)

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2007

		Consolidated Entity	
	Note	30 June 2007	31 December 2006
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,459,071	4,784,829
Trade and other receivables	8	134,882	112,712
Other current assets		371,814	15,514
TOTAL CURRENT ASSETS		2,965,767	4,913,055
NON-CURRENT ASSETS			
Investment accounted for using the equity method		5,729,215	3,130,786
Property, plant and equipment		5,528	6,503
Formation costs		-	1,077
Work Interest	9	8,269,147	7,385,404
TOTAL NON-CURRENT ASSETS		14,003,890	10,523,770
TOTAL ASSETS		16,969,657	15,436,825
CURRENT LIABILITIES			
Trade and other payables		465,881	439,696
Accrued liabilities		155,505	-
TOTAL CURRENT LIABILITIES		621,386	439,696
NON-CURRENT LIABILITIES			
Trade and other payables		14,453	-
TOTAL NON-CURRENT LIABILITIES		14,453	-
TOTAL LIABILITIES		635,839	439,696
NET ASSETS		16,333,818	14,997,129
EQUITY			
Issued capital	10	17,773,811	14,952,733
Reserves		2,273,291	2,092,011
Accumulated loss		(3,713,284)	(2,047,615)
TOTAL EQUITY		16,33,818	14,997,129

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 1.01.2006		-	-	-	-	-
Shares issued during the period		8,268,602	-	6,368	-	8,274,970
Share issue costs		(536,836)	-	-	-	(536,836)
Loss attributable to members		-	(279,168)	-	-	(279,168)
Balance at 30.06.2006		7,731,766	(279,168)	6,368	-	7,458,966
Balance at 1.01.2007		14,952,733	(2,047,615)	(610,655)	2,702,666	14,997,129
Shares issued during the period		3,030,000	-	-	-	3,030,000
Share issue costs		(208,922)	-	-	-	(208,922)
Options issued during the period		-	-	-	1,096,640	1,096,640
Loss attributable to members		-	(1,665,669)	-	-	(1,665,669)
Adjustments from translation of foreign controlled entities		-	-	(915,360)	-	(915,360)
Balance at 30.06.2007		**17,773,811**	**(3,713,284)**	**(1,526,015)**	**3,799,306**	**16,333,818**

The accompanying notes form part of these financial statements.

Financials (cont.)

CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2007

	Consolidated Entity	
	30 June 2007	30 June 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	336,987	100,085
Payments to suppliers and employees	(1,824,399)	(392,545)
Prepayment & formation expense	-	(1,077)
Interest received	82,086	4,949
Net cash provided by (used in) operating activities	(1,405,326)	(288,588)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity accounted investment	(2,619,550)	-
Purchase of property, plant and equipment	-	(7,763)
Payment for work interest	(1,151,960)	(5,888,235)
Net cash provided by (used in) investing activities	(3,771,510)	(5,895,998)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares (net of share issue cost)	2,821,078	7,419,425
Loan advancement	-	(269,433)
Net cash provided by (used in) financing activities	2,821,078	7,149,992
Net increase (decrease) in cash held	(2,325,758)	965,406
Cash at beginning of period	4,784,829	-
Cash at end of period	2,459,071	965,406

The accompanying notes form part of these financial statements.

Financials (cont.)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2007

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 2006 and any public announcements made by Pryme Oil & Gas Ltd (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 31 December 2006 financial report.

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.

(a) Principles of Consolidation

A controlled entity is any entity controlled by Pryme Oil & Gas Ltd. Control exists where Pryme Oil & Gas Ltd has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Pryme Oil & Gas Ltd to achieve the objectives of Pryme Oil & Gas Ltd.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowable items. It is calculated using tax rates that have been enacted or are substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Financials (cont.)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

Class of Fixed Asset	Depreciation Rate
Office equipment	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Financials (cont.)

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Financial Instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognized at amortised cost, comprising original debt less principal payments and recognized.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Financials (cont.)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognized in the income statement.

(g) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the balance sheet.

(h) Revenue

Revenue from the sale of goods (oil and gas) is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(i) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(k) Foreign Currency Translation

The functional currency of the overseas subsidiaries, Pryme Oil & Gas Inc and Pryme Energy, Inc is United States dollars ($US).

As at the reporting date the assets and liabilities of overseas subsidiaries are translated into the presentation currency of Pryme Oil & Gas Ltd at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average rates for the period. The exchange differences arising on the retranslations are taken directly to a separate component of equity.

Financials (cont.)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2007

	Consolidated Entity	
	30 June 2007	30 June 2006
NOTE 2: PROFIT FROM ORDINARY ACTIVITIES		
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Oil & gas revenue	715,456	285,179
Other income	82,086	4,949
	797,542	290,128

NOTE 3: DIRECTORS REMUNERATION

Directors' remuneration of $1,338,563 comprises of $313,735 which was paid in cash or cash equivalents to directors and an amount of $1,024,828 which is attributable to the expensing of the Director Incentive Option Plan (DIOP) and Director Share Incentive Plan (DISP) in accordance with Australian Accounting Standard AASB2 – Share-Based Payment (AASB2). AASB2 requires securities (rights and options in the case of Pryme) to 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. In the case of DIOP, the first performance hurdle has been achieved (with the total expense attributable to this being $116,763). Two performance hurdles remain outstanding however. The entire performance hurdle remains outstanding with respect to the DISP. The performance period in respect of the DIOP and DSIP does not end until 30 June 2009. Further details concerning the DIOP and DSIP are set out in the Directors' Report under the heading "Financial Results".

NOTE 4: DIVIDENDS

There were no ordinary dividends declared or paid during the period under review (2006: $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 2007

Geographic segment	AUS	USA	Elimination	Consolidated
Income	334,891	715,456	(252,805)	797,542
Depletion & depreciation	2,052	268,219	-	270,271
Segments results before tax	(624,082)	(2,299,339)	1,257,752	(1,665,669)
Income tax	-	-	-	-
Assets	20,204,548	15,268,833	(18,503,724)	16,969,657
Liabilities	88,396	19,051,549	(18,504,106)	635,839

30 June 2006

Geographic segment	AUS	USA	Elimination	Consolidated
Income	4,949	285,179	-	290,128
Depletion & depreciation	301	62,040	-	62,341
Segments results before tax	(373,824)	125,970	-	(247,854)
Income tax	-	31,314	-	31,314
Assets	7,437,392	6,519,816	(6,323,222)	7,633,986
Liabilities	(79,451)	(6,424,919)	6,329,349	175,021

Financials (cont.)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2007

NOTE 6: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date 31 December 2006.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

After the reporting date the following events occurred:

- On 4 July 2007, Pryme's securities went into a trading halt pending the release of an announcement that Pryme's first Raven Project Well, the Spinks – Middlebrooks #11-1 had reached its planned total depth and was successfully logged. This reinforced Pryme's earlier decision to establish a joint venture with Wave Exploration in order to focus on the development of Louisiana oil and gas resources. Pryme now expects to produce condensate from this well.
- On 6 July 2007, Pryme convened a general meeting of its shareholders to:

  (i) seek approval for the allotment and issue of Options to the directors of Pryme as follows:

    (a) 750,000 Options to First Capital Corporate Limited (or its nominee), a company controlled by

    Mr Ananda Kathiralavelu, which acted as Pryme's corporate and financial advisor in relation to the capital raising pursuant to the Prospectus dated 5 April 2007;

    (b) 150,000 Options to Mr Philip Judge as a form of Director Fee;

    (c) 7,500,000 Options to directors as part of Directors Incentive Option Plan Mr Justin Pettet (3,000,000), Mr Ryan Messer (3,000,000) and Mr John Dickinson (1,500,000). Details of the relevant incentives are set out in Note 3 above; and

    (d) placement of 15,000,000 shares

  (ii) ratify the allotment and issue of:

    (a) 6,666,667 shares and 3,333,334 Options pursuant to Prospectus dated 5 April 2007; and

    (b) 750,000 Options of Cygnet Capital Pty Limited as consideration for its role as joint manager and corporate advisor to the capital raising conducted pursuant to the Prospectus dated 5 April 2007.

  All these resolutions were passed by shareholders on a show of hands.
- On 30 July 2007, 50,000 shares were issued at 39 cents each as consideration to a land owner for mineral lease obtained in the Atocha Projects.
- On 1 August 2007, Pryme announced that it has begun drilling the Coleman No. 8, which is located in the Routh Point Field on the Lasalle Parish Project and that the result of this well had exceeded Pryme's expectation.
- On 9 August 2007, Pryme announced of the commencement of its participation in an oil exploration project named Saline Point, located in located in the Southern portion of Catahoula Lake in Lasalle Parish. Pryme has a 26.96% working interest in this project. Drilling for this project will begin in September 2007.

Financials (cont.)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2007

	Consolidated Entity	
	30 June 2007	31 December 2006
NOTE 8: RECEIVABLES		
CURRENT		
Trade receivables	134,882	112,712
	134,882	112,712
NOTE 9: WORKING INTEREST		
Exploration expenditure capitalised		
- exploration and evaluation and production phases	8,946,176	7,797,985
Accumulated depletion	(677,029)	(412,581)
	8,269,147	7,385,404
NOTE 10: ISSUED CAPITAL		
Fully paid ordinary shares	19,403,852	16,373,852
Capital raising cost	(1,630,041)	(1,421,119)
	17,773,811	14,952,733
Number of ordinary shares issued during the half year:	6,729,167	18,182,000

Financials (cont.)

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 15 to 25:
    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 2007 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 28th day of August 2007

Auditor's Review Report

MOORE STEPHENS

Offices

Ayr
Brisbane
Cairns
Home Hill
Innisfail
Townsville
Tully

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 balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and the cash flow statement for the half-year ended on that date, a summary of significant accounting policies, selected explanatory notes and the directors' declaration as set out on pages 15 to 26.

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 2007 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 C*orporations Act 2001*, provided to the directors of Pryme Oil and Gas Limited and controlled entities on 28 August 2007, would be in the same terms if provided to the directors as at the date of this review report.

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

Auditor's Review Report

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:

(a) 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 2007 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*; and

(b) other mandatory professional reporting requirements in Australia.

MOORE STEPHENS
Chartered Accountants

MJ McDonald
Director

Brisbane Qld

Date : 28 August 2007.

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

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