



ASX Announcement 17 May 2006

Pryme signs joint venture with Louisiana-focused Geoscientists

Pryme Oil and Gas Limited (ASX: PYM) today announced it has signed a Joint Venture Development Agreement with Wave Exploration Group LLC of The Woodlands, Texas USA, and Baton Rouge, Louisiana (Wave) to secure and develop various 2-D and 3D oil and gas prospects throughout the State of Louisiana.

Pryme Oil and Gas managing director Justin Pettett said under the terms of the joint venture agreement Pryme will fund the lease and option costs to secure the project acreage, along with any ancillary 2-D or 3-D data required to turn the project to third parties for a profit, while keeping a 20 per cent working interest on a "first right of refusal" basis.

"Pryme will receive 100 per cent of its funding capital back from third-party investors prior to the booking of a rig to drill the prospects. Pryme will also share in 45 per cent of any cash profits, overrides or carried working interests for its seed-capital role in the project, with Wave receiving 55 per cent," he said.

The first three Wave prospects Pryme will be funding are:

The Condor project

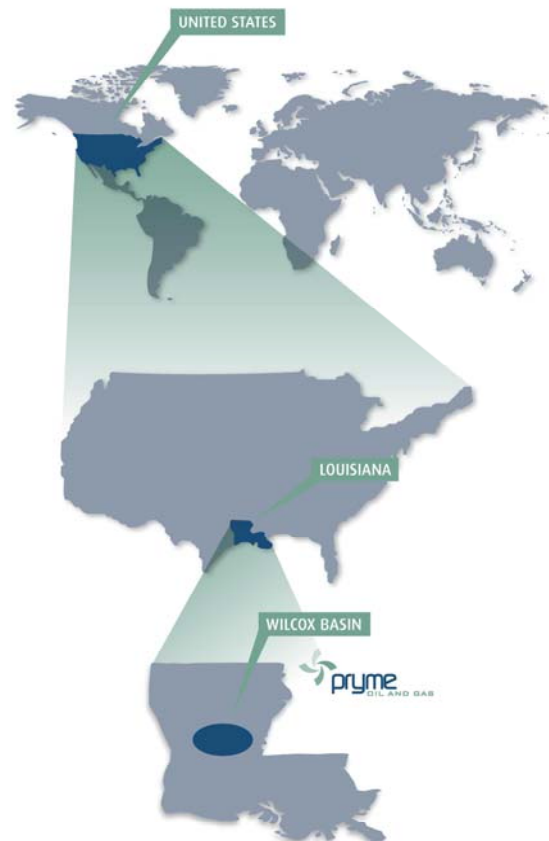
The "Condor" project involves the acquisition of leases on several 18,000 to 22,000 foot Cretaceous-age prospects, including two multi-pay "Proven, Undeveloped" locations, a deeper pool test, and several exploration opportunities.

120 miles of 2-D seismic data will be purchased for reprocessing with the potential existing for shooting 3-D seismic over this mature prolific gas field.

Estimated reserves from the drilling of two wells are 40 Billion Cubic Feet (Bcf) of Proved, Undeveloped Reserves with the possibility of identifying an additional 25 Bcf via exploration.

The St. Martin Parish Prospect

The St. Martin Parish Prospect involves the acquisition of 300-acre lease on a 12,500 foot "Discorbis-Marg A" age prospect. The potential exists to purchase commercially available 3-D





seismic over the prospect. If successful, one well should be able to produce 30 Bcf and 1,800,000 barrels of oil.

The Lincoln Parish Project

The Lincoln Parish Project involves the acquisition of a 1,400-acre lease on several 10,000-foot multi-pay "Cotton Valley" age prospects.

The potential exists to drill several locations and potentially acquire production in this mature prolific gas field. The reserve potential exists for 6Bcf to 20Bcf over a 10 to 12 well drilling program.

Mr Pettett welcomed the involvement of the Wave Exploration Group and Baton Rouge (Wave) managing members, Mr Kirk Barrell and Mr Jerry Perret.

"These are two very experienced, proven geoscientists in the central Louisiana area. Both men have generated numerous prospects along the Gulf Coast resulting in the discovery of over 500 billion cubic feet (Bcf) of reserves," Mr Pettett said.

"The joint venture relationship clearly defines Pryme from most other junior explorers in the Australian market.

"Rather than relying on unrelated management teams on the ground in the USA, our participation in the ground floor aggregation of prospects allows us to set the terms of trades and control our own destiny.

"Our objective is to increase revenues and reserves for the company through minimal capital outlay using our rigorous risk mitigation strategy. Except for the drilling participation, there is little mechanical or geological risk to company.

"The third-party investor pool throughout the United States is currently booming, making these prospects highly attractive to the market and we expect them to be taken up quickly due to their size and risk level."

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About Pryme Oil and Gas Limited

Pryme Oil and Gas Limited (PYM) is an emerging Queensland, ASX-listed Company that is focused on seeking out and evaluating investment opportunities in oil, natural gas and coal bed methane projects in the United States. Directors of the company include John Dickinson (Non Executive Chairman), Justin Pettett (Managing Director), Ryan Messer (Non Executive Director) and Ananda Kathiravelu (Non Executive Director).

Mr Dickinson has 31 years experience in energy sector drilling, completions, production operations and project finance. Since 1982, he has been an oil and gas producer, operating a large oil and gas producing property in South Texas for six years with Mobil Oil and other partners, and then co-developing four electric power projects in the US.

Mr Pettett has worked successfully as a business analyst, broker and managing director of medium sized businesses for the past 12 years, the last five in the US oil and natural gas industry. He is the Chairman and Managing Director of the Sterling Energy Group of companies, and sits on the boards of Arkoma Wilcox Limited, an Australian public US oil and gas exploration company, and Northern Alliance Energy Inc, a US-based energy development company.

Mr Messer is verse in international corporate business with more than 10 years of experience of which the last five years has been spent in the energy sector managing field operations and assisting in the formation of an evaluation team for prospects. In the last five years Mr Messer has been directly involved in the drilling and development of more than 124 wells spread across five states throughout North America. He is the President and co-founder of the Sterling Energy Group of companies and sits on the Board of Directors for several public and private affiliated investment companies (Sterling Energy Group, Inc., Arkoma Wilcox Ltd and Northern Alliance Energy, Inc.).

Wave Exploration Group LLC of The Woodlands, Texas USA, and Baton Rouge, Louisiana (Wave) managing members:

Mr. Kirk Barrell Petroleum Geoscientist Career summary

Mr Kirk Barrell is a partner in Wave Exploration LLC and serves as co-Manager of Wave Exploration Group LLC. Mr Barrell (age 42) is an experienced oil and gas professional who is known for his integrity in the energy industry. He has extensive experience in all phases of oil and gas exploration relating to geology and geophysics.

Mr Barrell's geoscience experience includes the interpretation of several 3-D seismic surveys and over 1,200 miles of 2-D seismic surveys in the Tuscaloosa Trend in Southern Louisiana. He has generated numerous prospects along the Gulf Coast resulting in the discovery of over 500 billion cubic feet of



natural gas. Mr. Barrell spent seven years at Amoco Production Company working the Permian Basin and Gulf Coast.

Since 1990, Mr Barrell has achieved a very successful record in discovering and developing multi-well prospects in the Tuscaloosa. Significant fields or field extension opportunities in this province were identified by Mr. Barrell, including the Port Hudson, Judge Digby, and Morganza Fields.

Mr Barrell graduated from Louisiana State University with a Bachelor of Science Degree in Geology in 1985. He graduated from Texas A&M University with a Masters of Science Degree in Geology in 1988.

Mr Barrell is licensed as a Texas Professional Geoscientist (#6488). His professional memberships include the American Association of Petroleum Geologists, Society of Exploration Geophysicists, the New Orleans Geological Society, and the Houston Geological Society.

Mr. Jerry Perret
Petroleum Geoscientist
Career summary

Mr Perret is currently the president of Jerry Perret and Associates Inc., a Geological and Geophysical consulting business. Mr. Perret (age 46) has over 22 years of oil and gas experience and has extensive experience in all phases of oil and gas exploration relating to geology and geophysics.

Mr Perret's experience includes extensive interpretation of 3-D seismic surveys with work on over 20 separate surveys as well as a significant amount of 2-D seismic data. Mr Perret has generated numerous prospects along the Gulf Coast resulting in a success rate of approximately 70 per cent.

Since 1983, Mr Perret has achieved success in the syndication of his own and third party generated prospects along the Gulf Coast. Several of these prospects have had multi-well results.

After graduating from LSU in 1982, Mr Perret began working for a small start-up exploration company (Veazey Exploration). In 1986 Mr Perret joined Carrollton Resources as an exploration geologist and work with this group until the company merged and was sold in 1998. Mr. Perret has worked as an independent consultant since.