pryme OIL AND GAS




2009 **ANNUAL REPORT**

Pryme's Mission

Pryme's mission is to seek out, evaluate and exploit oil and natural gas business opportunities in North America. The directors utilise their collective experience to identify new projects and ensure that they are properly evaluated and professionally managed to contribute to shareholder value.

Broadly, the Pryme strategy is to:

- focus on oil and gas opportunities in Louisiana and the surrounding Gulf States, whilst not excluding suitable projects in other areas in North America;
- apply a disciplined approach to project selection to manage the cost of capital;
- leverage the many years of management and advisor experience to ensure access to favourable projects;
- structure win-win partnerships between the company, its co-venturers and its mineral rights owners to access the best opportunities; and
- leverage Pryme's specialised knowledge in target identification, drilling, well completion and production operations in order to maintain a competitive advantage.

Why the USA?

Profitability

The United States consumes approximately one quarter of the world's oil and natural gas production. However, it holds approximately 2% and 3% respectively of the world's oil and natural gas reserves. Security of oil and gas supply in the United Sates is a major concern. Notwithstanding this, the regions in which Pryme operates have a long history of oil and gas production and continue to be prospective for further economic discoveries on a scale which should create substantial value for Pryme's shareholders.

Important considerations for Pryme in project selection are proximity to markets, accessible delivery infrastructure and favourable operating characteristics to ensure high margins and provide some protection against adverse price movements.

By operating in the U.S., Pryme is well-positioned to take advantage of the realities of today's high global energy demand, resulting ultimately in higher oil and gas prices.

Resources

Petroleum resources available for development in the U.S. and Canada fall into three general categories:

- high risk "exploratory" or "wildcat" targets;
- shallow to intermediate targets (drilled to depths of approximately 6,000 feet) generated through regional sub surface mapping of existing well logs and reservoirs together with 2D and 3D seismic data; and
- "engineering plays" with little reservoir risk in such sub-categories as lower-permeability sandstones, coal bed methane, gassy organic shales, and "dead" oil in place.

Opportunities in these categories are relatively widespread in North America. However, they all require specialised knowledge of the earth sciences, drilling, well completions and production operations. Pryme has extensive relationships within the community of U.S. oil and gas operators and Pryme's "deal flow" comprises opportunities in the above categories. Given the risk and cost variables among these classifications, the Company can take advantage of each of them when market prices make this possible.

Pryme is focussing on developing conventional oil and natural gas resources from typically high-permeability, highly saturated, virgin-pressure reservoirs. Consequently, Pryme's oil and gas wells will usually be capable of withstanding quite low product prices before their economic limit is reached.

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Glossary

Bbls	Barrels of oil
Bbls/day	Barrels (of oil) per day
Bbls/month	Barrels (of oil) per month
Bcf	Billion Cubic Feet
Btu	British thermal unit (BTU or Btu) is a unit of energy used in North America and is defined as the amount of heat required to raise the temperature of one pound of water by one degree Fahrenheit
GJ	A Gigajoule is a unit of energy
Mcf	Thousand Cubic Feet
MMcf	Million Cubic Feet
MMcfd	Million Cubic Feet of Natural Gas per Day
MMBtu	Represents one million (1,000,000) Btu
NRI	Net Revenue Interest
NAPE	Formerly North American Prospect Expo
Ohms (Ohmmeters)	Measure of resistivity to electric current
psig	Pounds per square inch gauge
Tcf	Trillion Cubic Feet
3.28 feet	Equals 1 metre

Chairman's Report

Dear Shareholder,

The challenge for Pryme Oil and Gas in 2009 was to conserve funds while increasing shareholder value and building a platform for future growth. While the share price remained disappointingly low throughout the year, I believe that the challenge has been tackled very effectively with the Company participating in a record number of wells, steadily building its oil production, executing one high impact project and laying the groundwork for additional high impact projects that have the potential to greatly increase shareholder wealth and take the Company through 2010 and beyond.

At the start of 2009, with oil prices around US$40 per barrel - the lowest levels since 2004, natural gas prices also depressed and poor prospects for raising fresh capital, Pryme was re-positioned to focus on:

- increasing production in a steady and relatively low risk way,
- targeting oil production rather than gas,
- reducing expenditure on acquiring and servicing greenfields exploration areas which had little potential for generating positive cash flow in the short and medium term, and
- progressing the technical evaluation and planning of high impact projects to ensure that the Company would be well prepared to implement these at the earliest opportunity.

These efforts have placed Pryme in its strongest ever position to create shareholder wealth in the short to medium term.

During the year substantial progress was made on three key projects, Four Rivers, Catahoula Lake and Turner Bayou. These projects reflect the diversity of the Company's portfolio and each of them is expected to make a significant contribution in 2010. The fourth major project for 2009 was the re-entry of the HM Brian No.1 well in the Atocha project. Whilst the company did not have success with the re-entry, our aim to continually and rapidly high grade prospects and progress those that survive our evaluation process has been demonstrated. We will be reviewing Atocha during 2010 with a view to identifying possible up-dip drilling locations.

The Four Rivers project has proven to be a great success. For relatively little investment, Pryme has participated in the drilling of 15 wells, 8 of which have resulted in sustainable production. The 2009 Four Rivers exploration program is expected to contribute, on average, an additional 45-50 barrels of oil production per day through 2010. The cost of finding and developing each barrel of oil added to 1P (Proved) Reserves through this project was US$16.32 per barrel, including dry hole costs. Pryme typically participates in Four Rivers project wells at the 20% to 25% level and will continue drilling these through 2010.

The Catahoula Lake project also represents an opportunity to increase production with relatively little risk. It is located within the same region as the Four Rivers project. It comprises a 30,000 acre lake, within which the project has almost 8,000 acres under lease, and has the great advantage of being in the same geological environment as the Four Rivers project but with a much lower density of drilling. The low level of past exploration means that there is a good likelihood of making larger discoveries than in the heavily explored onshore areas. Pryme and its partners own the barge-mounted drilling rig which is essential for exploration of Catahoula Lake; it was acquired at below replacement cost and provides the project participants with a strong competitive edge over all others for exploration of the entire lake area. Notwithstanding the relatively limited past exploration, the results from historical drilling in the lake and a good understanding of the regional geology provide good geological control for locating wells to be drilled. We expect this project to make a significant contribution to future production commencing in 2010.

Success in the deep test of the Turner Bayou project has the potential to greatly increase the value of Pryme. Exploration of the Turner Bayou deep prospects will commence in 2010. Detailed geophysical evaluation of Pryme's 3D seismic survey over the Turner Bayou project area was carried out in 2009. Strategies to explore both the shallow and deep exploration potential of the project area have been developed and the expected drilling of the first deep well, to test a target in the Austin Chalk formation, will commence in the first half of 2010. The geological evaluation of the target zone and evidence from nearby exploration and producing wells provide strong support for the proposed well and we have a high expectation of success. In conjunction with the geophysical evaluation of the Turner Bayou project, the areas under lease and under option were increased by approximately 5700 acres to 12,000 acres in the latter part of 2009 and early 2010.

In the third quarter of 2009 Pryme raised approximately A$7million in a well-supported private placement and rights issue. This has enabled the Company to supplement working capital in the Four Rivers Project, acquire the assets for the Catahoula Lake project, to fund the re-entry of the HM Brian No.1 well in the Atocha project and commit to participating in the first deep test of the Turner Bayou project at around the 40% interest level. The new capital, supplemented with the cash flow from operations, will also enable the Company to continue to fund high impact exploration beyond 2010.

The achievements of 2009 are attributable to the hard work and commitment of our executive team, Justin Pettett, Ryan Messer and Sandra Gaffney, as well as to our technical advisers and our project partners. The Company has been very well supported by its shareholders and is committed to repaying that support with substantial value creation.

Pryme is well positioned for 2010. Oil production will continue to grow and, through its diverse portfolio of production and exploration projects, the Company has a number of avenues open to significantly increase shareholder value through the year. We are looking forward to a very productive and rewarding year.

George Lloyd
Chairman

Managing Director's Report 2009

Dear Shareholder,

The past year has been very active, in the field as well as corporately, honing our focus on projects that will generate shareholder value in the short to medium term. We participated in the drilling of a record number of wells, we increased production of both oil and gas over the 2008 level and we added new reserves which were well in excess of depletion. In addition, we established a very good platform for continuing exploration success and increased production in 2010.

Turner Bayou has been our flagship project since listing. The first deeper horizon test of the Austin Chalk formation in Turner Bayou will be drilled in 2010. We will also commence drilling the Catahoula Lake acreage, an area which has great exploration potential as demonstrated by our success in the surrounding Four Rivers project.

Production

Pryme generates income from three separate projects in central Louisiana in the United States of America; they are the LaSalle Parish, Raven and Four Rivers projects.

The LaSalle Parish project, in LaSalle Parish Louisiana, has been a stable and reliable oil producer for the company since Pryme was listed in April 2006. Oil production in 2009 was lower than in 2008 due to both natural decline and the impact of several bad weather episodes during the year. The project has several undeveloped locations which are worthy of drilling. However, we regard it as a fairly mature project.

The Raven project, which is in Northern Louisiana, produces natural gas and condensate; it is operated by Nelson Energy of Shreveport Louisiana. The first Raven well was drilled in June 2007, an additional two producing wells were drilled in 2008. The 2009 production from Raven exceeded that for 2008. However, 2009 revenue was adversely affected by low natural gas prices and the wells were shut-in on two occasions in anticipation of improving prices. Although Raven has additional exploration and production potential, we regard it as a mature asset.

The Four Rivers project extends from Winn, Concordia and Catahoula Parishes in Louisiana to Adams, Jefferson and Wilkinson Counties in Mississippi. Exploration success through 2009 resulted in 8 new wells being brought on line. Production from the 2009 exploration successes will be supplemented from the 16th project well which was drilled in late 2009 and commenced production in February 2010. Four Rivers project exploration drilling through 2010 is also expected to add additional oil production during the year.

Exploration

The main activities for the 2009 exploration program were the re-entry of the HM Brian No.1 well in the Atocha project, drilling in the Four Rivers and the Saline Point projects, the acquisition of an interest in the Catahoula Lake project, and detailed geophysical evaluation of the Company's 3D seismic survey covering the Turner Bayou project area. The 2010 exploration program will focus on the deeper Turner Bayou prospects and Catahoula Lake. Both of these have the potential to generate significant additional value for the Company and its shareholders. We also expect to carry out additional drilling in the Four Rivers project during the year.

The re-entry of the HM Brian No.1 well in the Atocha project was disappointing. The two targeted horizons identified in the well were tested and determined to be unproductive. As a result, the well was abandoned and the site restored to its original condition. Work is now focused on evaluating the potential for a second well location up-dip to the HM Brian No.1.

The Four Rivers project was added to our exploration portfolio in February 2009. The project capitalizes on almost a decade of exploration and production experience in the Middle Wilcox formation in central Louisiana of Ryan Messer, our Chief Operating Officer, and myself. We commenced the project with the goal of targeting moderate risk oil prospects with potential for rapid conversion to production if exploration was successful. Given the poor economic environment at the start of 2009, we wanted to limit capital expenditure and focus on building Pryme's oil production and reserves in the near term. We drilled 15 Four Rivers well during 2009, brought 8 of them into production and increased our 1P (Proved) Reserves by approximately 105,000 barrels of oil. Drilling of the Four Rivers project is planned to continue through 2010. However, our main exploration focus in this area will be on the Catahoula Lake project which is described below.

In December 2009 Pryme acquired an effective 25% interest in leases over 7,676 acres of Catahoula Lake and the equipment (barge-mounted drilling rig, service vessels and onshore oil storage facilities) necessary to explore the leases. Pryme's interest in the Catahoula lake project is held through its 50% interest in Pryme Lake Exploration LLC (PLX). Pryme's co-venturer in PLX is ASX listed investment company Future Corporation Australia Limited which acquired its interest by making a US$700,000 investment in PLX and entering into a US$350,000 revenue sharing agreement with Pryme. Pryme is also entitled to a 2% overriding royalty interest in any production in which PLX participates throughout the entire 30,000 acre area of Catahoula Lake.

The Catahoula Lake project is unique. It is contained within a very well-explored and productive region. However, the leases within the area of the lake, which cover the same geological formations as the onshore areas, are relatively unexplored. Exploration on Catahoula Lake commenced in 1930. Wells are typically drilled to depths less than 5,500 feet making it relatively inexpensive to drill and target multiple Middle Wilcox pay sands. Catahoula Lake has produced some 20 million barrels of oil from various reservoirs in the Wilcox Formation and the field is active today with 19 producing wells. The proposed 2010 drilling program includes wells to be drilled on water from the

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barge-mounted rig and wells drilled directionally beneath the lake from a land-based rig. Exploration success will be converted to production in a relatively short time. Catahoula Lake is a strong addition to Pryme's project portfolio; targeting a mix of medium risk oil prospects with a strong focus on building oil production, reserves and shareholder value.

Turner Bayou is one of Pryme's high impact projects. Pryme has a 52% working interest (39% NRI) in the project which comprises approximately 12,000 acres leased or held under option and 50,000 acres (80 square miles) which have been covered by Pryme's proprietary 3D seismic survey which was shot in 2007. Primary targets are contained within six prospective formations ranging in depth from the Frio formation at 3,000 feet to the Tuscaloosa formation at 18,000 feet.

It is planned to drill a deep test in the Austin Chalk formation around mid 2010. The Austin Chalk formation target has been generated from evaluation of 3D seismic survey and well control data. The first test will comprise a well drilled to a depth of approximately 15,300 feet and a horizontal leg of approximately 4,500 feet. It is proposed that Pryme farm out part of its 52% working interest in the deep test and retain a 30 to 40% interest. In this way the Company will generate additional cash, mitigate risk and conserve capital for subsequent exploration.

Historical exploration of the Austin Chalk formation within Pryme's 3D survey area and near the site of the proposed test location have resulted in commercial oil production from vertical wells. The first horizontally drilled wells were attempted in the early 1990's, without the advantage of 3D seismic, and met with mixed success. In the past two decades there have been significant technological advances and much experience gained in horizontal drilling. Should the initial test be successful there is potential to generate many drill locations for subsequent development.

Financial

Pryme is in the fortunate position of having no debt, approximately A$6.0 million (A$2.96 million: 2008) in working capital (which is largely cash) at year end and, most importantly, growing oil and gas production which can sustain the Company through any residual tremors of the global financial crisis.

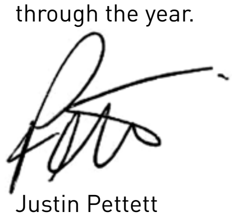
Production of oil and gas in 2009 exceeded that for 2008. However, revenue was reduced as a result of significantly lower oil and gas prices over the year and lower interest income. Significant reductions in cash operating expenses were realized through the year.

Pryme incurred a loss of A$4.27 million (A$2.49 million: 2008) for the 2009 year. A large portion of this (A$3.9 million) is attributable to depletion and writing off of the Checkmate, Boca and Santa Margarita projects on the grounds that they had limited potential for the creation of meaningful cash flow in the short to medium term. The Saline Point project was also written off on the grounds that its exploration potential has been adequately tested.

I would like to thank our management team and project partners for their commitment and support through the year. Ryan Messer, Pryme's COO, has made an exceptional contribution in providing the "on the ground" management of our projects in the US. James Stewart, Pryme's consulting geologist based in Natchez Mississippi has made significant contributions to our success in the Four Rivers project and the early stages of the Catahoula Lake project. Sandra Gaffney, Pryme's Group Financial Controller will assume the role of Chief Financial Officer effective January 2010 and I would like to acknowledge the important role Sandra plays in the Company and the invaluable contribution to financial management. In January 2010 Mr Greg Short agreed to join the Board of Pryme as a Non-executive Director. Greg has had a successful career in exploration and exploration management with Exxon Mobil, with particular experience in the United States, and will make a strong contribution to the Company's technical and management competence.

I also wish to thank our shareholders for their support and patience throughout the year and in particular through the Global Financial Crisis. Your Company is committed to operating with integrity and professionalism and we are working hard to build shareholder wealth.

I look forward to keeping you informed of our progress through the year.



Justin Pettett
Managing Director

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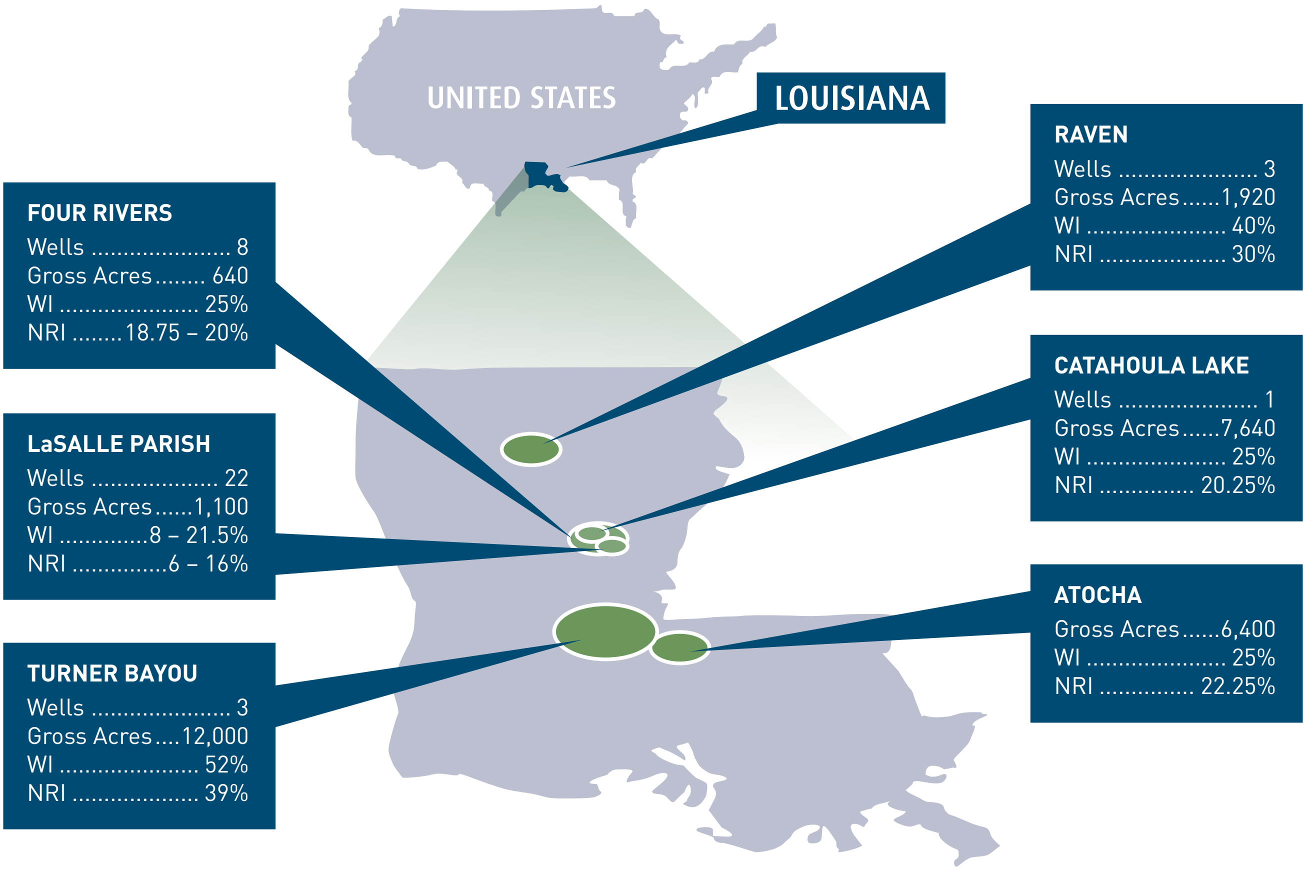

Project	Calendar Year 2009		Calendar Year 2008	
	Natural Gas (Mcf)	Oil/Condensate (Bbls)	Natural Gas (Mcf)	Oil/Condensate (Bbls)
La Salle Parish	0	12,105	0	15,448
Raven	110,008	2,188	88,833	1,905
Four Rivers	0	4,322	0	0
Total	110,008	18,615	88,833	17,353
Total BOE*	**36,649**		**31,915**	

** Barrels of Oil Equivalent (BOE) is calculated at a ratio of 6.1Mcf of natural gas per barrel of oil*

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RESERVES

The following table sets out the estimated proved, probable and possible oil and natural gas reserves for the Company's projects in Louisiana and Mississippi, USA. All reserves are net to Pryme and net of third party royalty interests.

Reserve estimates were made by performance, pore-volume analysis and analogy methods. The reserves presented in this report are estimates only and should not be construed as being exact quantities. Oil and natural gas prices used in the estimation of reserves are based on NYMEX Futures Pricing as of December 30, 2009.

At A$0.08 per share and a market capitalisation of A$14m , Pryme's proved plus probable oil reserves are valued at A$4.30 per barrel of oil. Our proved plus probable oil and natural gas reserves are valued at A$3.00 per barrel of oil equivalent. As at 1 January 2010, oil prices are around US$75 per barrel. In addition to its oil and gas reserves, Pryme is presently holding A$6 million in cash to continue to execute its strategy in the Middle Wilcox and drill its first Austin Chalk test in Turner Bayou.

		Lasalle	Turner Bayou	Raven	Atocha	Four Rivers	Catahoula Lake	Total
PROVED	1P Oil (MBO)	129.5	332.7	24.2		105.6		592
	1P Gas (MMcf)		998.8	1350.1				2348.9
	1P MBOE	129.5	496.5	245.5		105.6		**977**
PROBABLE	2P Oil (MBO)	3.4	2345.3				309.5	2658.2
	2P Gas (MMcf)		6321.4					6321.4
	2P MBOE	3.4	3381.6				309.5	**3694.5**
POSSIBLE	3P Oil (MBO)	25.6	480.3		404.7	25.5		936.1
	3P Gas (MMcf)		697.6		3853.7			4551.3
	3P MBOE	25.6	594.7		1036.5	25.5		**1682.2**

Notes:

1. *Abbreviations:*
   - i. *MBO – Oil volumes expressed in thousands of stock tank barrels (MBO), where one barrel is equivalent to 42 United States gallons*
   - ii. *MMcf - Gas volumes expressed in millions of standard cubic feet (MMCF) at 60 degrees Fahrenheit and the contract pressure base*
   - iii. *MBOE – Oil equivalent expressed in thousands of stock tank barrels (MBO), where one barrel is equivalent to 42 United States gallons*
2. *Oil equivalent of natural gas – 6.1MMcf of natural gas equivalent to 1 barrel of oil*
3. *Proven reserves for Turner Bayou are expressed as proven undeveloped reserves, non producing*

Projects

PRODUCTION

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.

Pryme's share of oil sales for the year was 12,105 barrels (33 average net Bbls/day to Pryme), a 22% decline over the previous year. The decrease was attributable to normal decline as well as the slowing of production due to low oil prices, various wells requiring workovers during the course of the year and several adverse weather events. No new wells were added during 2009. Realised oil prices for 2009 averaged US$59.60 per barrel.

The LaSalle Parish project contains several potential well locations. However, no decision has been taken regarding additional drilling in 2009 by the operator.

Raven Project (40% Interest / 30% NRI)

The Raven project covers mineral leases in the prolific Cotton Valley and Hosston natural gas trends in Lincoln Parish, Louisiana. The project lies within a natural gas fairway of Cotton Valley marine bars which represent the development targets.

Pryme's share of natural gas and condensate sales from three producing wells for the year was 110,008 mcf (average 302 mcf/day net to Pryme) of natural gas and 2,188 barrels (average 6 Bbls/day net to Pryme) of condensate, a 24% increase over the previous year. The increase was attributable to a full year of production for all three wells, two of which were completed during 2008. Pryme did not participate in any new wells in 2009 and we expect to see natural decline in production through 2010. Realised natural gas and condensate prices for 2009 averaged US$3.56 per mcf and US$55.14 per barrel respectively.

Due to low natural gas prices, and the Company's present objective of directing capital towards drilling in the Middle Wilcox and the first deep test in Turner Bayou, the Company chose to not participate in the drilling of a fourth well in the Raven project in the year. Under the non-consent provisions of the Joint Operating Agreement, Pryme's interest in this well will be reinstated after the consenting parties have recovered 300% of their investment. In the meantime Pryme, as a joint prospect generator, will benefit from an overriding royalty on production from this well.

Raven is categorised as one of the more mature assets for Pryme.

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

The Four Rivers project extends from Winn, Concordia and Catahoula Parishes in Louisiana to Adams, Jefferson and Wilkinson Counties in Mississippi. The project is targeting multiple "stacked" oil zones throughout the Middle-Wilcox formation and, to a lesser extent, shallow Frio natural gas zones, at depths ranging from 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.

Production Operations in Four Rivers

In 2009 Pryme participated in the drilling of 15 wells of which 8 were completed as commercially productive. Pryme's share of oil sales for the year was 4,322 barrels representing production from 6 wells for part of the year. The last two wells to be completed in 2009 commenced production in mid December and did not make a significant contribution to sales for the year. Two wells drilled towards the end of the fourth quarter of 2009 were brought on line and commenced production in the first quarter of 2010.

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They will make a significant contribution to production attributable to the 2009 Four Rivers Project exploration program.

The table below illustrates the key economic metrics for the Four Rivers project to 31 December, 2009 on a "net to Pryme" basis.

Significant features of this project are that the success rate is over 50% (producing wells to total wells drilled) and the overall finding and developing cost to date, which includes the cost of dry holes, is US$16.32 per barrel of proven reserves.

Payback of the total finding and development cost for all wells drilled through 2009, including the cost of the seven dry holes, is estimated to occur in July 2011 based on estimated oil prices and the forecast decline curve.

Financial analysis confirms that the Four Rivers project has met Pryme's objective of targeting moderate risk oil prospects with potential for rapid conversion to production if successful. Average operating costs of less than US$10 per barrel and production and other taxes, which are also under US$10 per barrel, leave a cash margin of approximately US$55 per barrel with oil prices at current levels around US$75 per barrel.

	Number of wells drilled in 2009	1P Proven Oil Reserves[1] (bbl)	Estimated Average Daily Production 2010[2] (BOPD)	Finding and Development Cost[3] (US$)	Finding & Development Cost per Barrel (US$/bbl)	Future Operating Cost per Barrel[4] (US$/bbl)
Summary						
Dry Holes	7			$461,806		
Producing Wells	8	110,570	110,259	$1,342,556	$12.14	$9.37
Total	**15**	**110,570**	**110,259**	**$1,804,362**	**$16.32**	**$9.37**

Notes:

1 *Proven Reserves (1P) as at 1 January 2010 plus cumulative prior production. Proven reserves are based on discoveries to date and do not include reserves attributable to proven undeveloped locations (PUD's). Based on recent discoveries, up to 18 additional locations have been identified, some or all may be PUD's*

2 *Estimated average daily production for 2010 based on forecast decline curve*

3 *Includes future work over costs for development of oil reserves behind pipe*

4 *Future operating cost per barrel is the average over the life of the reserves and includes estimated future lease maintenance and operating costs. Production taxes, which are based on oil price, have been excluded.*

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EXPLORATION

Turner Bayou 3D Seismic Project

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 imaged by Pryme's proprietary 3D seismic survey. Primary targets are contained within six prospective formations ranging in depth from the Frio formation at 3,000 feet, to the Tuscaloosa formation at 18,000 feet.

Geologically, Turner Bayou is positioned across the Lower Cretaceous Shelf edge putting it on the boundary between the faulted Gulf Coast basin and the primarily un-faulted shelf. This positioning sets up oil and gas discovery potential from the Wilcox formation down through the Lower Cretaceous including the Austin Chalk.

Some previously drilled vertical wells completed in the Austin Chalk, within the area of Pryme's 3D seismic survey, have produced significant quantities of oil. On or surrounding the 3D seismic survey the average initial production from 5 vertical wells was 303 barrels of oil per day and the initial production from 3 horizontal wells was 1,888 barrels of oil per day. Production from horizontal development has yet to be successfully demonstrated on Pryme's lease acreage within the survey area. However, it is believed that the unique attributes of the geological environment within Pryme's leases, coupled with technological advances in the drilling of horizontal wells over the past two decades, will facilitate drainage from a larger portion of the reservoir increasing the likelihood of achieving commercial production. Pryme holds an interest in over 15,000 acres covering the deeper objectives in Turner Bayou.

Detailed geological and geophysical evaluation has enabled the identification of a number of drilling locations for testing the deeper horizons. The first test, which will comprise a well drilled to a depth of approximately 15.300 feet and a horizontal leg of approximately 4,500 feet, is planned for around mid 2010. Analogous production from nearby fields indicates that a successful deep horizontal well in Turner Bayou has the potential to produce at an initial rate in excess of 2,500 barrels of oil per day.

Pryme intends to retain approximately 30-40% working interest in the Turner Bayou Deep Test and farm out 12-22% to mitigate risk and conserve capital for subsequent exploration. Marketing of the farm-out interest has commenced.

Three shallow Frio/Miocene wells were drilled from anomalies identified from the 3D seismic survey in 2008 and have been shut-in as potential producers. Production from the Frio formation will depend on a successful discovery in the Austin Chalk to justify the investment in a gas transmission line and related infrastructure.

Successful exploration and development of the deeper Turner Bayou prospects using modern seismic technology has the potential to create significant value for shareholders.

Catahoula Lake Project (25% Interest / 20.25% NRI)

Pryme holds a 50% ownership interest in Pryme Lake Exploration, LLC (PLX) which in turn owns a 50% Working Interest (36.5% NRI) in 7,694 mineral acres within Catahoula Lake and its surrounds and a 50% ownership interest in a barge-mounted drilling rig, service barges, crew boats and associated equipment which are required to drill and operate on Catahoula Lake.

Future Corporation Australia Limited (FUT) owns a 50% interest in PLX following a capital contribution of $700,000. FUT will also pay Pryme an additional US$350,000 through a revenue sharing agreement over its share of PLX production. Pryme is also entitled to a 2% overriding royalty interest in any production in which PLX participates throughout the Area of Mutual Interest (AMI) which covers the entire 30,000 acre area of Catahoula Lake.

Typical Production Platform in Catahoula Lake

The project is located on Catahoula Lake in LaSalle, Rapides, and Grant parishes, Louisiana. Catahoula Lake oil field was discovered in the 1930's; Catahoula Lake has produced some 20 million barrels of oil from multiple reservoirs in the Wilcox Group. The field is active today with 19 producing wells. The project will test the same "stacked" oil zones throughout the Middle-Wilcox formation as the Company is currently producing from in the LaSalle Parish and Four Rivers projects, however, in a much less drilled environment. Wells drilled in the Middle-Wilcox exhibit long production lives with low decline rates after the initial

Projects

flush oil is produced and relatively steady production is established. Ultimate oil recoveries are expected to range from 50,000 to 200,000 barrels for each successful well.

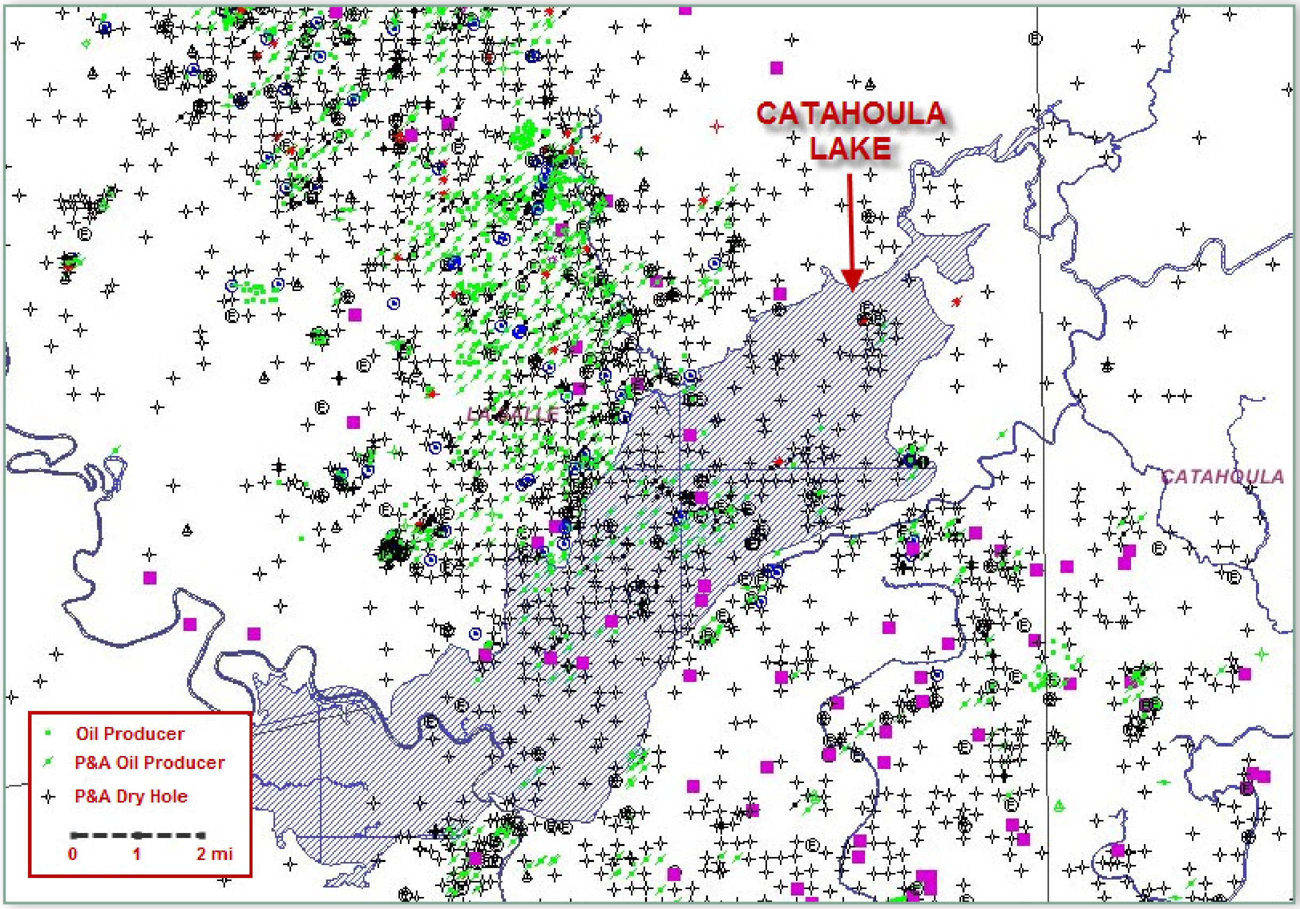
Twenty-six separate pay sands have been identified in the Nebo-Hemphill portion of the field which is on dry land, with twelve separate pay sands identified in the portion of the field within the lake itself. Reservoir rock quality is extremely good, with porosities in productive members averaging over 30% and permeabilities in excess of 400 milidarcies.

The major structural geological feature affecting Catahoula Lake is known as the LaSalle Arch. Hydrocarbons, primarily oil, are trapped by a combination of stratigraphical/structural traps as channel sands drape across a structure arch.

Catahoula Lake wells are typically drilled to between 4,500 to 5,500 feet in depth. The water depth of the lake is up to 18 feet and varies through the year as the US Army Corps of Engineers regulates the flow of water into and out of the lake. The optimum Lake drilling period is typically between February and July each year. In other months most drill locations around the periphery of the Lake are accessible via a land-based rig. Drilling and completion costs are expected to lie between US$500,000 - $600,000 per well (100% working interest basis).

The first well to be drilled in the Catahoula Lake Project, the State Lease No. 19857 in the Hawg Pen Prospect, was directionally drilled under the lake from a land-based rig. It reached target depth of 5,200 feet and intersected the primary target in the Wilcox formation and an additional sand. Core sampling and logging indicated that the intersected sands are oil bearing, with one located between shale, and it has been completed as a producing well.

The barge-mounted rig used to drill wells from the surface of the lake is currently being refurbished. Drilling from the barge-mounted rig should commence in March and continue through to July 2010 at which time drilling with a land-based rig will resume. The objective is to drill twelve wells in Catahoula Lake in 2010 using both barge and land based rigs.



Catahoula Lake on trend with major production

Projects

Refurbishment of the drilling barge and equipment

Atocha Project (25% Interest / 22.25% NRI)

The Atocha Project, located in East Baton Rouge and East Feliciana Parishes in Louisiana, covers 6,400 contiguous acres within the up-dip fairway of the Tuscaloosa Trend. The Tuscaloosa Trend was discovered in 1975 by Chevron. It has produced over 2.8 Trillion Cubic Feet (TCF) of natural gas and 120 million barrels of condensate over the past 32 years.

The target horizon and a second prospective horizon were tested and determined to be unproductive. Accordingly, the partners agreed to abandon work on the well, restore the site to its original condition and focus on evaluating the potential for a second, up dip, well location within the Atocha project area.

Projects

CORPORATE

Appointment of Non-executive Director

On 21 January 2010, Pryme announced the appointment of Mr Greg Short as Non-executive Director.

Mr Short has a BSc. (Geology) (Hons) degree from the University of New England and is a Graduate of the Australian Institute of Company Directors.

He worked for 33 years for Esso/ExxonMobil, initially as a production and operations geologist, rapidly advancing to supervisory and management positions. In the 1980's he managed Production Geoscience for Esso Australia covering major developments of several Gippsland Basin oil and gas fields. This was followed by 15 years overseas in senior exploration management assignments in the USA, Europe and Africa. In the USA Greg was responsible for all of Exxon's exploration activities which included on-shore and off-shore Gulf Coast. He retired from Esso/ExxonMobil in 2006.

Greg has a strong technical grounding in exploration development and production geoscience, exploration operations, Joint Venture management, Government relations, budgeting, contract and project management and people management. He has spent many years successfully managing large, complex projects with multi-million dollar budgets, large staff and tight deadlines.

Greg is also a Non-executive Director of ASX listed MEO Australia Limited, appointed in July 2008.

"We are delighted that Greg has chosen to join Pryme" said George Lloyd, Chairman. "We are confident that Pryme will benefit greatly from his broad technical and management experience. His role as manager of Exxon's USA exploration is of particular relevance to our activities."

Placement and Rights Issue

Placement

During the third quarter of 2009, Pryme successfully placed 16,658,509 fully paid ordinary shares at $0.10 per share to raise approximately A$1.67 million. The Placement was made to the private investment companies of Pryme's cornerstone shareholders Messrs Ian McCauley and John Rawlins and clients of Equity Underwriters of Sydney.

Rights Issue

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

With the successful Placement and Rights Issue, Pryme's issued capital increased to 178,801,337 fully paid ordinary shares. Pryme's cash holding on completion of the rights issue and placement was approximately A$8.2 million.

Application of Funds

The additional funds will be used primarily to supplement working capital to support the continuing drilling in the Four Rivers Project and Catahoula Lake; to advance the exploration campaign in Atocha and to drill the first deep horizon test in the Turner Bayou 3D seismic survey project. Additionally, the management team continue to evaluate and, if warranted, progress the exploration of other oil and gas prospects in North America and in other locations throughout the world.

APPENDIX

Oil and Gas Reserves - Competent Person Statement

The reserve statement information was compiled by the President of Petro Partners Inc. of Lafayette Louisiana, Kim Galjour, who has over 33 years experience in petroleum engineering. Mr. Galjour holds a Bachelor of Science Degree in Petroleum Engineering from Louisiana State University and has completed two years of graduate study in Business Administration at Nicholls State University. He is a member of Society of Petroleum Engineers, American Petroleum Institute, American Association of Petroleum Geologists and Lafayette Association of Petroleum Landmen. Mr Galjour consents to the inclusion of the estimated hydrocarbons in place in the form and context in which they appear. The resource estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, Petroleum Resources Management System, 2007. Further information is available at spe.org. Mr. Galjour has been commissioned as an independent consultant to Pryme and does not have any interest in Pryme securities or in any of the projects in which Pryme is involved.

Corporate Governance Statement

Pryme's Board of Directors believes there is a strong link between high standards of corporate governance and equity performance. We are committed to operating in accordance with Pryme's corporate governance policies in all aspects of our business.

We believe that good corporate governance is about conducting business in a transparent and ethical way that enhances value for all of our stakeholders. We expect all Pryme personnel to demonstrate high ethical standards and respect for others. We operate in an open, honest and collaborative fashion with all stakeholders and our corporate integrity is of the greatest importance.

The Board is responsible for the corporate governance of the group. The Board's guiding principle is that it acts honestly, conscientiously and fairly, in accordance with the law and in the interests of Pryme's shareholders, personnel and other stakeholders.

Pryme ensures, wherever possible, that its practices are consistent with the Second Edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Principles and Recommendations (ASX Principles). In certain circumstances, due to the size and stage of development of Pryme, it may not be practicable or necessary to implement the ASX Principles in their entirety. Pryme's statement of conformity to the ASX Principles is set out below, areas of divergence are noted.

Principle 1 – Lay solid foundations for management and oversight

The Board's key responsibility is the creation, enhancement and protection of long-term shareholder value within an appropriate risk framework. Pryme's commitment to governance and the Board's role, responsibilities and conduct are contained in the Board Charter which has been approved by the Board and is published on the Pryme website, www.prymeoilandgas.com, under the Corporate Governance tab. The Board Charter is reviewed and amended from time to time as appropriate.

The Board establishes the strategic direction and policy framework within which management works to manage the day-to-day business of the Company. It is the role of management to manage Pryme in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

Board members are committed to spending sufficient time to enable them to carry out their duties as Directors of Pryme. Candidates for Director must confirm that they have the necessary time to devote to their Board position prior to appointment. Non-executive Directors receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

Executives are provided with a formal job description and an employment contract describing their term, duties, rights, responsibilities and rights on termination. Executives are subject to a formal performance review process on an annual basis. The focus of the review is to measure performance against qualitative and quantitative key performance indicators which are linked to any applicable short term incentive and long term incentive components of each executive's remuneration package. This ensures objectives are aligned to Pryme's business plan.

Executives also undergo an induction program to gain an understanding of Pryme's financial position, its strategies, operations and risk management framework and the respective roles of the Board and management.

In addition to its executive management team, Pryme engages technically experienced, consultants with valuable knowledge and experience in petroleum engineering, oil and gas leasing, land management and geology.

Principle 2 – Structure the Board to add value

Pryme currently has four Directors, two of whom are Executive Directors, Mr Justin Pettett who is the Managing Director and Chief Executive Officer and Mr Ryan Messer who is the Chief Operating Officer. The Chairman, Mr George Lloyd is an independent Non-executive Director. There is a clear division of responsibility between the Chairman and the Chief Executive Officer.

Pryme does not comply with ASX Principle 2.1 which requires that a majority of the Board should be Independent. The Board believes that, given the size of the company, the nature of its operations and the ability of all incumbent directors to bring an independent judgement to bear in Board deliberations, a four member Board comprising at least two independent directors is appropriate for the Company in its present stage of development. Following the resignation of Mr Ananda Kathiravelu as a Non-executive Director in October 2009, the Board has appointed Mr Gregory Short as an independent non-executive Director effective 21 January 2010.

It is intended that the composition of the Board be balanced, with Directors possessing a broad range of skills, experience, expertise, qualifications and contacts relevant to Pryme's business. The qualifications, experience and tenure of the

Corporate Governance Statement

Directors are set out in the 2009 Directors' Report. The Board Charter outlines in more detail the procedure for the selection and appointment of new directors.

The Board considers that independent decision-making is critical to effective governance. Independent directors are those who have the ability to exercise their duties unfettered by any business or other relationships and are willing to express an objective opinion. The independence of Non-executive Directors is assessed annually by the Board against the definition outlined in the Board Charter. It is the approach and attitude of each Non-Executive Director which is critical to determining independence and this must be considered in relation to each Director while taking into account all relevant factors, which may include whether the Non-executive Director:

(a) holds less than five percent of the voting shares of Pryme (in conjunction with their associates) and is not an officer, or otherwise associated directly with a holder of more than five percent of the voting shares of Pryme;

(b) has within the last three years been employed in an executive capacity by Pryme or another group member, or has been a Director after ceasing to hold any such employment;

(c) has within the last three years been a principal of a material professional adviser or a material consultant to Pryme or another group member, or an employee materially associated with the service provided. In this context, the relationship with the professional adviser or consultant shall be deemed to be material if payments from Pryme exceed 10% of Pryme's annual expenditure to all professionals and consultants or exceed 10% of the recipient's annual revenue for advisory or consultancy services;

(d) is a material supplier or customer of Pryme or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer. In this context, the relationship with the supplier or customer shall be deemed to be material if annual payments to or from that supplier or customer exceed 10% of the annual consolidated gross revenue of either Pryme or that supplier or customer; and

(e) has a material contractual relationship with Pryme or other group member other than as a Director of Pryme.

The Pryme constitution states that at each Annual General Meeting (AGM) one-third of the Directors (excluding the Managing Director) and any Director who has held office for three or more years since their last election are required to retire from office. Any Director appointed by the Board since the previous AGM must stand for election at the next AGM. Retiring Directors are eligible for re-election.

New Directors undergo an induction process in which they are given a full briefing on Pryme. Where possible, this includes meetings with key executives, tours of the operating sites (if practicable), provision of an induction package containing key corporate information and presentations.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development.

Each Director has the right of access to all Pryme information and to Pryme's executives. Further, the Board collectively and each Director individually, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at Pryme's expense, up to specified limits, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

The Board has established a Remuneration & Nomination Committee which is primarily responsible for determining remuneration, establishment of recruitment policies and procedures, reviewing the performance of Directors and senior executives and reviewing the composition and competencies of the Board. The Committee charter is reviewed annually and is available on the Company's website. Given the small number of Directors, the Committee is comprised of both the Non-executive Directors, with the Committee Chairman being Mr George Lloyd, an independent Director. Following the resignation of Mr Ananda Kathiravelu and prior to the appointment of Mr Greg Short, all matters that would otherwise have been considered by the Remuneration and Nomination Committee were considered by the Board (with attendance and participation by Directors dependant upon whether they have an interest in the item for review).

Details of the Committee member's attendance at Committee meetings are set out in the 2009 Directors' Report.

The Board carries out a Board performance assessment on an annual basis. The performance of the Chairman is reviewed and assessed by the other Directors, and the Chairman reviews and assesses the performance of the other Directors. The outcomes of the reviews form the basis for series of matters arising which the Board addresses over the short to medium term.

Corporate Governance Statement

The Board conducts formal strategy sessions as appropriate to provide the opportunity for Directors and management to review operations and consider proposed future activities. The next such session is planned for the first quarter of 2010. Given the size of the Board and management team there are also frequent opportunities for less formal strategy discussions.

Principle 3 – Promote ethical and responsible decision-making

The Board has adopted a Code of Conduct and Ethics which is published on the Company's website. The Board, senior executives and all employees are committed to implementing and complying with the Code. The Code requires that the Company and its employees, consultants, contractors, advisors and all other people when they represent Pryme operate to the highest standards of ethical behaviour, honesty and fairness in relationships with stakeholders. Stakeholders include employees, contractors, clients, customers, suppliers, joint venture partners, shareholders, government authorities, regulators, creditors and the community as whole.

All personnel are requested to report immediately any circumstances which may involve a breach of this Code to the Company Secretary, the Managing Director or the Chairman. It is in the best interests of Pryme for all personnel to immediately report any observance of a breach of the Code. The external auditors of Pryme are responsible for reviewing the operations of Pryme. This review includes reporting to the Board any breaches of this Code which they detect.

Any breach of applicable laws, accepted ethical commercial practices or other aspects of the Code of Conduct and Ethics will result in disciplinary action.

The Code of Conduct also includes the Pryme share trading policy which applies to Directors, employees, consultants and contractors.

Consistent with the legal prohibitions on insider trading contained in the Corporations Act, all Pryme personnel are prohibited from trading in Pryme's securities while in possession of material non–public information. Material non-public information is information, which a reasonable person would expect to have a material affect on the price or value of Pryme's securities. The policy allows Pryme personnel, and their related parties, to buy or sell shares during the three weeks from the day following the release of the Appendix 4C, full year results, the half year results and the AGM. Trading outside the permitted windows is allowed only with the prior approval of the Board which will consider the matter having regard to all relevant facts.

Any transaction with Pryme shares conducted by Directors is notified to the ASX. Each Director has entered into an agreement with the group to provide information to enable Pryme to notify the ASX of any share transactions within five business days.

Principle 4 – Safeguard integrity in financial reporting

The Board has established an Audit Committee, comprising the two Non-executive Directors, which is primarily responsible for determining the reliability and integrity of financial information to be included in the financial statements, accounts and other reports of Pryme, for ensuring the independence of external auditors and for financial risk management.

Mr George Lloyd, the Chairman of the Board, is also Chairman of the Audit Committee. Accordingly, the Company does not comply with ASX Principle 4.2 which recommends that the Chairman of the Board not be the Chairman of the Audit Committee. However, the Board considers Mr Lloyd, who is an independent director, the most appropriately qualified of all incumbent Directors to be charged with this responsibility.

The Audit Committee operates in accordance with its Charter which has been approved by the Board and is published on Pryme's website. The Charter is reviewed regularly to ensure that it conforms to market practices. Importantly, at its absolute discretion, the Committee, or its members, may meet outside of a Committee Meeting with the external auditors of Pryme.

The Directors and their qualifications, experience and tenure are set out in the Directors' Report together with the number of meetings and details of attendance.

The Audit Committee is responsible for reviewing the nomination, performance and independence of the external auditors. Candidates for the position of external auditor of Pryme must be able to demonstrate complete independence from Pryme and an ability to maintain independence throughout the engagement period. Further, the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis. Other than this mandatory criteria, the Board may select an external auditor based on criteria relevant to the business of Pryme such as experience in the industry in which Pryme operates, references, cost and any other matters deemed relevant by the Board.

The Board reviews the performance and independence of the external auditor on an annual basis. At the time of the half-year review and full-year audit of the Pryme

Corporate Governance Statement

financial statements, the external auditor formally presents to the Audit Committee a certificate confirming their independence. The external auditor's independence statement is included in the Audit Committee Report to the Board.

Principle 5 – Make timely and balanced disclosure

Pryme fully supports the continuous disclosure regime and its current practice is consistent with the Principles. Pryme has in place mechanisms to ensure that:

(a) all investors have equal and timely access to material information concerning Pryme; and

(b) all announcements released by Pryme are factual, presented in a clear and balanced way, do not omit any material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Pryme has a Board approved Continuous Disclosure Policy for ensuring compliance with ASX Listing Rule disclosure requirements. The Board has designated Pryme's Managing Director, with the assistance of the Company Secretary, as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

In accordance with the ASX Listing Rules, Pryme immediately notifies the ASX of information:

1. concerning Pryme that a reasonable person would expect to have a material effect on the price or value of Pryme's shares; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of Pryme's shares.

Upon confirmation of receipt from the ASX, Pryme posts all information disclosed in accordance with this policy on its website in an area accessible by the public.

A copy of the Continuous Disclosure Policy is available on the Pryme website.

To enhance clarity and balance in reporting, and to enable investors to make an informed assessment of Pryme's performance, financial results are accompanied by a commentary.

Principle 6 – Respect the rights of shareholders

The Board is committed to communicating with shareholders regularly and clearly.

Pryme is committed to:

- communicating effectively with shareholders through releases to the market via ASX, Pryme's website, information mailed to shareholders and general meetings of shareholders;
- giving shareholders ready access to balanced and understandable information about Pryme and corporate proposals; and
- making it easy for shareholders to participate in general meetings of Pryme.

The Annual Report, half-year report, Annual General Meeting and specific investor briefings are all important communication forums. The group encourages shareholders to attend and participate at general meetings to ensure accountability. Pryme welcomes questions from shareholders at any time and these will be answered within the confines of information that is already in the public domain and is not market sensitive. The external auditor attends the AGM and is available to answer any questions with regard to the conduct of the audit and the corresponding report.

Shareholder communication is conducted in accordance with the Pryme Continuous Disclosure Policy and Shareholder Communication Policy, both of which are published on the Pryme website.

Pryme also makes available various communication avenues for shareholders to make enquiries of Pryme.

The following documents that address corporate governance are available within the Corporate Governance section of Pryme's website:

- Corporate Governance Statement
- Board Charter
- Audit Committee Charter
- Remuneration and Nomination Committee Charter
- Code of Conduct and Ethics
- Continuous Disclosure Policy
- Risk Management Policy
- Shareholder Communications Policy

Corporate Governance Statement

Principle 7 – Recognise and manage risk

The Board is responsible for establishing policies on risk management and internal control and acknowledges the importance of effective risk management to the long term success of Pryme. Pryme has a Board approved Risk Management Policy, published on the website, that assists the group in identifying and managing risk in accordance with best practice.

The Board has implemented the following control framework:

Financial reporting: A comprehensive budget is approved by the Board. Monthly results are reported against budget and revised forecasts are prepared regularly;

Special functional reporting: The Board has identified a number of key areas which are subject to regular reporting to the Board such as safety, environmental, insurance and operation matters; and

Investment appraisal: The Board has set clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements. Capital expenditure and revenue commitments that exceed a delegated authority will require prior Board approval. Procedures have been established to ensure business transactions are properly authorised and executed. Compliance with these procedures may be scrutinised by the external auditor.

Due to the size and scale of operations of Pryme, there is no separate internal audit function. The Executive Directors and Group Financial Controller presently carry out an internal audit to analyse and give an appraisal of the adequacy and effectiveness of Pryme's risk management and internal control system. This internal audit is independent of the external auditor. The risk management and internal control system was refined during the year and will be reviewed by the Board at least annually. In addition, the Board reviews and discusses current and emerging material risks at each Board Meeting.

Management is responsible for designing and implementing the risk management framework. Management identifies and reviews the major risks impacting each area of the business and develops strategies to effectively mitigate these risks. To date, at the time the Board approves the half and full-year results, the Managing Director, Chief Operations Officer and Group Financial Controller have represented to the Audit Committee and the Board that, to the best of their knowledge:

- the statement given in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control; and
- Pryme's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

As required by the ASX Principles, Management will report to the Board on the effectiveness of Pryme's management of its material business risks with respect to future reporting periods.

Principle 8 – Remunerate fairly and responsibly

As described previously, the Remuneration & Nomination Committee has been established to review all remuneration and performance related matters of Pryme and to operate in accordance with its Charter. The Committee will assist the Board in fulfilling its responsibilities with respect to establishing appropriate remuneration levels and incentive policies for employees.

In relation to remuneration issues the Board has established a policy to ensure that it remunerates fairly and responsibly. The remuneration policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated directors and employees. The structure of executive remuneration is distinctly different to that of Non-executive Directors which is detailed in the Remuneration Report. The policy is designed for:

(a) decisions in relation to the constituents of executive and Non-executive remuneration policy;

(b) decisions in relation to executive remuneration packages;

(c) decisions in relation to merit recognition arrangements and termination arrangements; and

(d) ensuring that any equity-based executive remuneration is made in accordance with the thresholds set in plans approved by shareholders.

The Pryme Code of Conduct & Ethics states that executives are not permitted to enter into transactions in financial products, securities or derivatives which limit the economic risk of participating in unvested entitlements under equity-based remuneration schemes.

The Remuneration Report for the 2009 year and further details about the Remuneration Policy of Pryme are set out in the 2009 Directors' Report. Further details about Pryme's long-term incentive plan are contained in the Notice of the Annual General Meeting.

Directors' Report

In accordance with a resolution of directors, the directors present their report together with the Financial Report of Pryme Oil and Gas Limited (Pryme) and its wholly owned subsidiaries (together referred to as the Consolidated Group) for the financial year ended 31 December 2009 and the Independent Audit Report thereon. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

1. Directors

The directors of Pryme at any time during or since the end of the financial year are:

(a) George Lloyd – Chairman

Independent Non–Executive Director (Appointed 29 January 2008)

Mr Lloyd has a Bachelors degree in Engineering Science (Industrial Engineering) as well as a Masters degree in Business Administration, both from the University of New South Wales. He is a graduate of the Stanford Executive Program, Stanford University, California and is also a Fellow of the Australasian Institute of Mining and Metallurgy.

He has more than 30 years' senior management experience in the resources and energy sectors, with a focus on business development, corporate strategy, mergers and acquisitions and exploration management. He is the Chairman of AWR Lloyd Limited, an Asian-based corporate finance and strategy advisor to the energy, mining and metals industries in the Asia-Pacific region.

He also holds, or has held during the past three years, directorships in the following ASX listed companies:

- Cape Alumina Limited (Chairman, appointed January 2009)
- Ausenco Limited (Non-Executive Director, appointed May 2005); and
- Goldlink IncomePlus Limited (Non-Executive Director, November 2007 to April 2008)

(b) Justin Pettett - Managing Director and Chief Executive Officer

Executive Director (Appointed 1 December 2005)

As the Managing Director, Chief Executive Officer and co-founder of the Sterling Energy Group of Companies, Mr Pettett has broad experience as a public company director with positions in senior management.

Mr Pettett has worked successfully as a business analyst, broker and Managing Director of medium sized businesses for the past fifteen years, the last eight in the U.S. oil and natural gas industry. He has widespread industry experience, specialising in oil, natural gas and coal bed methane acquisitions and development, as well as extensive commercial knowledge in financial analysis, business development, investor relations, capital aggregation and financial and administrative management.

Mr Pettett also has experience dealing with and advising clients in Australia and worldwide on a range of commodities including base, precious metals and energy.

With the exception of Pryme, Mr Pettett has not served as a director of any Australian listed entity in the last three years.

(c) Ryan Messer - Chief Operating Officer

Executive Director (Appointed 1 December 2005)

Mr Messer graduated from the University of Central Florida with a degree in Business Administration, majoring in Marketing and Finance and is a member of the Independent Petroleum Association of America.

Mr Messer has thirteen years of experience in international business, five of which were in management positions in the technology sector focused on developing business within Fortune 500 accounts. The last eight have been in the energy sector, in the area of oil and gas project finance, asset acquisition and divestiture, asset allocation, and risk assessment. He has experience in managing field and land rig operations, developing midstream assets and assisting in the formation of technical teams, all of which were derived from the drilling of over 130 wells, and the resulting field development, spread across five basins within North America.

With the exception of Pryme, Mr Messer has not served as a director of any Australian listed entity in the last three years.

Directors' Report

(d) Gregory Short

Independent Non – Executive Director (Appointed 21 January 2010)

Mr Short holds a Bachelor's degree in Geology from the University of New England and is a Graduate of the Australian Institute of Company Directors.

Mr Short is a geologist with over 30 years' experience in petroleum exploration, initially as a production and operations geologist then rapidly advancing to supervisory and management positions. His experience includes 15 years overseas in senior exploration management positions in the USA, Europe and Africa. In the USA he was responsible for all of Exxon's petroleum exploration activities which included on shore and offshore Gulf Coast exploration.

Mr Short has a strong technical grounding in exploration, development and production geoscience, exploration operations, joint venture management, Government relations, budgeting, contract and project management, and people management.

Mr Short is also a Non – Executive Director of ASX listed MEO Australia Limited since July 2008.

(e) Ananda Kathiravelu

Non–Executive Director (Appointed 1 December 2005, Resigned 14 October 2009)

Mr Kathiravelu holds a Bachelors degree in Business and a Graduate Diploma in Applied Finance and Investment. He is an associate of the Securities Institute of Australia and has over 18 years experience in the financial services industry.

His areas of expertise include corporate advice, capital raising and mergers and acquisitions, with primary focus on the small cap and emerging business sectors.

He is the Managing Director of Armada Capital Ltd, an investment bank and also, at the time of resignation, held a directorship in the following ASX listed company:

- Transit Holdings Limited (10 August 2006 – current) (Non-Executive Chairman)

2. Company Secretary

Swapna Keskar (MCom, LLB) is a company secretary of a number of unlisted entities and is a member of Chartered Secretaries Australia, the Institute of Company Secretaries and Administrators, UK and the Institute of Company Secretaries of India.

Janine Rolfe resigned as Company Secretary on 25 January 2010.

3. Principal Activities

The principal activities of the Consolidated Group during the year 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 year.

4. Review of Operations and State of Affairs

A review of, and information about, the Consolidated Group's operations, including the results of those operations and changes in its state of affairs during the year together with the information about the financial position of the Consolidated Group appears in the 2009 Annual Report. There are no other significant changes in the state of affairs of the Consolidated Group.

5. Events Subsequent to Reporting Date

Other than the matters discussed below, in the opinion of the directors, there has not arisen in the interval between the end of the financial year and the date of the report any matter or circumstance that has significantly affected, or may significantly affect the Consolidated Group's operations, results or the state of affairs in future financial years:

Directors' Report

- On 11 January, Pryme lodged its Oil and Gas Reserves Report as at 1 January 2010.
- Details of the contract entered into between Pryme and Justin Pettett, Chief Executive Officer and Managing Director were announced on 25 January 2010.

6. Likely Developments

The Consolidated Group intends to continue its principal activities of acquiring, exploring and developing oil and gas prospects in the United States of America. The strategies and objectives of the Consolidated Group are reviewed and discussed in greater detail in the 2009 Annual Report.

Certain information about the likely developments in, and expected results of, the operations of the Consolidated Group in future years, the strategies of the Consolidated Group and its prospects for future financial years has been omitted from this Directors' Report because disclosure of the information is likely to result in unreasonable prejudice to the implementation and execution of the Consolidated Group's business strategies.

7. Environmental Regulations and Performance

The Consolidated Group has various permits and licenses to operate in the United States of America.

There have been no significant known breaches of the Consolidated Group's licence or permit conditions. Furthermore, no government agency has notified the Consolidated Group of any environmental breaches during the period ended 31 December 2009.

8. Dividends

No dividend was paid, recommended for payment or declared during the year under review.

9. Options and Rights

Since the end of the financial year, Pryme has agreed to issue 500,000 $0.15 options over unissued ordinary shares to Mr Gregory Short, subject to shareholder approval at the 2010 Annual General Meeting. Following Board approval and subject to shareholder approval at the 2010 Annual General Meeting, further grants of incentive securities over unissued ordinary shares are expected. Further details will be contained in the 2010 Notice of Annual General Meeting.

Unissued Shares Under Option

As at the date of this Report there are no unissued ordinary shares of Pryme under option. The following options expired during the 2009 year:

Expiry date	Number of options	Exercise Price ($)
30 June 2009	2,118,000	0.20
31 December 2009	500,000	0.40
Total	**2,618,000**	

Unissued Shares to be Allocated upon Conversion of Performance Rights

As at the date of this Report, there are 1,106,855 unissued ordinary shares of Pryme that may be allocated upon conversion of Performance Rights. Subject to the tenure conditions being satisfied, the timing for vesting of the shares is as follows:

Vesting Date	Number of Shares
01 January 2011	553,428
01 January 2012	553,427
Total	**1,106,855**

Directors' Report

10. Directors' Meetings

The number of meetings of the Board and of each Board Committee held during the year (while each Director was a Director or committee member) and the number of meetings attended by each director are set out below:

	Board Of Directors		Audit Committee (#)		Remuneration Committee(##)	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
George Lloyd	18	18	2	2	2	2
Justin Pettett	18	18	2 (#)	2 (#)	n/a	n/a
Ryan Messer	18	17	2 (#)	2 (#)	n/a	n/a
Ananda Kathiravelu	14	13	2	2	2	2

Committee comprises Non-Executive Directors, although Executive Directors are invited to attend Audit Committee Meetings.

Committee comprises Non-Executive Directors.

11. Directors' Interests

Particulars of directors' interests in securities as at 31 December 2009 are as follows:

Director	Ordinary Shares	Entitlement to Ordinary Shares[1]	American Depository Receipts
Justin Pettett	3,661,000	515,936[2]	
Ryan Messer	2,506,925	515,936[2]	1,110[3]
George Lloyd	3,080,000		

[1] Further information on securities granted to directors as part of their remuneration is set out in Note 5 of the Financial Statements.

[2] These shares are subject to additional vesting requirements as set out in the Remuneration Report.

[3] Equivalent to 11,100 ordinary shares.

Other than as stated above in relation to awards under the Pryme Oil & Gas Long-Term Inventive Plan, there are no contracts to which a director is a party or under which a director is entitled to a benefit that confer a right for the director to call for shares in Pryme.

12. Indemnification and Insurance of Officers and Auditors

Directors, executives and the company secretaries are indemnified by Pryme against any liability incurred in their capacity as an officer of Pryme or a related body corporate to the maximum extent permitted by law. Pryme has not paid any premiums in respect of any contract insuring the directors of Pryme against a liability for legal costs.

Ryan Messer, in his capacity as an employee and director of Pryme Oil and Gas Inc, is indemnified in circumstances where he is called on to provide a personal guarantee of commitments by the Company provided that the commitment of the Company or Subsidiary was incurred with the written approval of Pryme.

Pryme has not paid any premiums in respect of any contract insuring its auditor against a liability incurred in that role as an auditor of Pryme. In respect of non-audit services, Moore Stephens, Pryme's auditor has the benefit of an indemnity to the extent Moore Stephens reasonably relies on information provided by Pryme which is false, misleading or incomplete. No amount has been paid under this indemnity during the financial year ending 31 December 2009 or to the date of this Report.

Directors' Report

13. Non-Audit Services

Details of the amounts paid to Moore Stephens as the auditor of Pryme for audit and non-audit services provided during the year are set out in Note 6 to the financial statements. The directors are satisfied that:

(a) the non-audit services provided during the financial year by Moore Stephens as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act; and

(b any non-audit services provided during the financial year by Moore Stephens as the external auditor did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

i. Moore Stephens' services have not involved partners or staff acting in a managerial or decision making capacity within Pryme or in the processing or originating of transactions; and

ii. the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The auditor's independence declaration under section 307C of the Corporations Act is set out on page 33 and forms a part of the Annual Financial Report for the year ended 31 December 2009.

14. Proceedings on behalf of the Consolidated Group

During the year under review and in the interval between the end of the financial year and the date of the report, the Consolidated Group has made no application for leave under section 237 of the Corporations Act.

15. Remuneration Report

The directors of Pryme present the Remuneration Report prepared in accordance with Section 300A of the Corporations Act, Accounting Standard AASB 124 Related Party Disclosures and Principle 8 of the ASX Corporate Governance Principles and Recommendations.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act. This remuneration report forms part of the Directors' Report.

Remuneration Policies and Practices

In relation to remuneration issues, the Remuneration Committee and the Board regularly review the remuneration policies and practices of Pryme to ensure that it remunerates fairly and responsibly. The remuneration policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated directors and employees.

Executive Remuneration Philosophy

At Pryme, Executive Remuneration consists of:

- Total Remuneration (TR) = Fixed Remuneration (FR) + Short Term Incentive (STI) + Long Term Incentive (LTI)
- Total Remuneration for Executive Directors includes Directors' Fees which are paid in addition to Fixed Remuneration and, for the purposes of calculation of incentive remuneration, do not comprise part of Fixed Remuneration.
- STI and LTI are the 'at risk' portions of remuneration.
- STI is paid in cash and reflects the achievement of a number of short term goals established on an annual basis.
- LTI is delivered in an equity award(s) which is granted upon the satisfaction of performance conditions/key performance drivers which underpin long term sustainable growth for the Company.
- The Board may also determine to pay a bonus in cash in circumstances of outstanding performance not otherwise appropriately rewarded.

Directors' Report

- The Remuneration Committee will review the structure of at risk remuneration from time to time and report to the Board. Such a review may include, but not be limited to, changing the proportion of Total Remuneration which is at risk, the payment of Short Term and Long Term Incentives and the proportion of the at risk remuneration between Short Term and Long Term Incentive.

Total Reward Mix

The proportion of Total Remuneration at risk is related to the agreement on remuneration struck between the Company and the executive, the Company's expectations of executive performance and the executive's position in the Company. The proportion of FR will generally not change on a year to year basis but may be reviewed and modified by the Board.

The mix of STI and LTI offered to executives will depend on their position in the Company. Generally LTI will only be available to the senior executive team; STI may be made available to employees below the senior executive team.

As a general guideline, for members of the senior executive team who receive both STI and LTI, the maximum proportion of at risk remuneration that may be payable as STI is 40%.

Fixed Remuneration

Fixed Remuneration (including the 9% superannuation levy payable as employer contribution (where applicable)) is set with reference to market data, reflecting the scope of the role and the performance of the person in the role.

At-Risk Remuneration

Clear and focused performance targets for management are critical to the success of the Company.

STI

- STI is paid in cash and reflects the achievement of a number of short term goals established on an annual basis

LTI

- LTI is delivered in an equity based award(s) which is granted upon the satisfaction of performance conditions/key performance drivers which underpin long term sustainable growth for the Company.
- LTI is the key tool to allow the Company to attract and retain talented executives and ensure the interests of executives are aligned with those of Shareholders in creating long-term Shareholder value.

The LTI scheme for Pryme approved at the 2009 AGM provides for the grant of equity in the form of performance rights (PRs) which are subject to the achievement of a dual performance measure (for US residents Restricted Stock Units (RSU), which have similar value characteristics).

The at risk remuneration for 2009 (which comprises both short term incentives, payable in cash, and long term incentives payable in PRs or RSUs as the case may be) as a percentage of fixed remuneration (FR) is dependent on the achievement of specific hurdles, is as follows:

	Fixed Remuneration	At-Risk Remuneration	
	FR %	Short term Incentive % of FR	Long term Incentive % of FR
Managing Director & Chief Executive Officer	100	nil	50
Chief Operating Officer	100	nil	50
Other Executives	100	8	10

The hurdles under the 2009 Incentive Plan related to relative production growth and the attainment of a total shareholder return comparable with the energy sector (Performance Conditions). The performance conditions under the FY 2009 Incentive Plan were as follows:

Directors' Report

Production Target (For which the award of up to 50% of the Total Available Incentive may be granted)		Total Shareholder Return Target (For which the award of up to 50% of the Total Available Incentive may be granted)	
Growth in Oil and Gas Sales Per Share	**Portion of Total Available Incentives to be Granted**	**Growth in TSR**	**Portion of Total Available Incentives to be Granted**
< 30% above previous year	Nil	< Energy Accumulation Index growth	0
30% above previous year	20%	Equal to Energy Accumulation Index growth	25%
> 30% and < 50% above previous year	An additional 1% for each 1% increment	Between 1 and 1.5 times Energy Accumulation Index growth	1% for each 0.2 times increase in Energy Accumulation Index over 1
50% or more above previous year	50%	> 1.5 times Energy Accumulation Index growth	50%

The Performance Conditions are measured in respect of the period 1 January 2009 to 31 December 2009 and are tested at 1 January 2010 (Base Date).

A second hurdle that must be met as a precondition to vesting of Incentives is continued employment with Pryme as set out below:

Time	Available Incentives to Vest
Base Date + 1 years (1 Jan 2011)	50%
Base Date + 2 years (1 Jan 2012)	50%

In accordance with sound corporate governance principles, there will be no re-test function for any awards, instead each target has a one-off 'cliff vesting'.

<u>Non-Executive Director Remuneration</u>

The Non-Executive Directors are remunerated distinctive from the Executive Directors.

Fees

Non-executive director fees are determined within an aggregate directors' fee pool limit, which will be periodically approved by shareholders in general meeting. The current limit is $300,000. During the year ended 31 December 2009, $165,000 of the fee pool was used.

Upon shareholder approval at the Annual General Meeting held on 5 March 2008, Mr Lloyd was issued 500,000 options. This was an award to Mr Lloyd in anticipation of his contribution as the incoming Chairman of the Company. These options were exercisable at $0.40 each on or before 31 December 2009. These options expired on 31 December 2009.

Since the end of the financial year, Pryme has agreed to issue 500,000 $0.15 options over unissued ordinary shares to Mr Gregory Short, subject to shareholder approval at the 2010 Annual General Meeting.

Retirement Benefits

Non-executive directors do not receive retirement benefits.

Superannuation

Where applicable, Pryme pays Australian resident non-executive directors the statutory superannuation guarantee contribution.

Directors' Report

Relationship between Policy and Pryme's Performance

The Board believes that remuneration arrangements for employees should incorporate an "at-risk" component which is performance related and rewards employees for the achievement of goals which contribute to shareholder wealth. Such arrangements should both incentivise and reward employees for out-performance.

During 2008, the Remuneration & Nomination Committee (Committee) identified the need for revised at-risk remuneration arrangements and devised new arrangements which were considered and agreed by Shareholders at the 2009 Annual General Meeting. In formulating the scheme, the Committee considered the appropriate elements of incentive plan design and canvassed market practice. The Pryme Oil and Gas Limited Long Term Incentive Plan (Plan), is designed to put a portion of executive remuneration "at-risk" and provide reasonable levels of incentives to key executives to encourage and reward performance that adds value to the Company for all Shareholders.

Specifically, the value to Shareholders will be readily measurable only if targets that align to Pyrme's strategy are met. Under the Plan, there are two hurdles which test Pryme's relative production growth and the attainment of a total shareholder return comparable with the energy sector (Performance Conditions). The Board considers it appropriate to have a dual test since:

- growth in production (represented by growth in annual sales per year of oil and gas) rewards achievement against Board approved targets/plan, converting opportunity into a revenue stream for the Company. The target is within management's influence, thereby focusing executives on Pryme's key business drivers; while
- growth in total shareholder return (TSR) component provides an additional challenging test (where reward is only delivered for strengthening Pryme's position comparable the S&P/ASX Energy Index) which has the benefit of transparency and is directly related to the return to shareholders through ownership of Pryme shares relative to the returns from the S&P/ASX Energy Index.

The Board believes that the dual tests, if achieved, will demonstrably aid the creation of shareholder value.

Anti-Hedging Policy

No Pryme personnel are permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under an Pryme equity-based remuneration scheme.

As part of Pryme's due diligence undertaken at the time of half-year and full-year results, Pryme equity plan participants are required to confirm that they have not entered into any such prohibited transactions.

Continuous Improvement

Pryme will continually review all elements of its remuneration philosophy to ensure that they are appropriate from the perspectives of governance, disclosure, reward and market conditions.

REMUNERATION SUMMARY

	SHORT TERM				POST EMPLOYMENT		EQUITY BASED PAYMENTS [1]		TOTAL	Proportion of Remuneration Performance Related	Value of Options as Proportion of Remuneration
	CASH, SALARY & FEES	CASH PROFIT SHARE	RELATED PARTY CONSULTING FEES	TOTAL	SUPER-ANNUATION	LONG TERM BENEFITS	OPTIONS	RIGHTS			
	$	$	$	$	$		$	$	$	%	%
Non-Executive Directors											
GEORGE LLOYD (CHAIRMAN)											
2009	-	-	125,000	125,000	**-**	-	-	-	125,000	**-**	-
2008	-	-	114,583	114,583	**-**	-	67,500	-	182,083	**-**	-
JOHN DICKINSON											
2009	-	-	-	-	-	-	-	-	-	-	-
2008 [2]	32,792	-	-	**32,792**	-	-	106,060	98,735	**237,587**	86	45
ANANDA KATHIRAVELU											
2009 [3]	-	-	40,000	**40,000**	-	-	-	-	**40,000**	-	-
2008	81,795	-	-	**81,795**	7,362	-	-	-	**89,157**	-	-
Executives											
JUSTIN PETTETT Managing Director											
2009	165,135	-	120,000	**285,135**	14,863	-	-	10,506	**310,504**	3	3
2008	296,535	-	90,000	**386,535**	25,388	-	223,000	207,600	**842,523**	51	25
RYAN MESSER Chief Operating Officer											
2009	160,690	-	106,813	**267,503**	-	-	-	10,506	**278,009**	4	4
2008	269,161	-	-	**269,161**	-	-	127,271	118,482	**514,914**	48	25
SANDRA GAFFNEY Group Financial Controller											
2009	129,600	-	-	**129,600**	11,664	-	-	1,527	**142,791**	**1**	1
2008 [4]	15,000	-	-	**15,000**	1,350	-	-	-	**16,350**	-	-
TOTAL											
2009	**455,425**	**-**	**391,813**	**847,238**	**26,527**	**-**	**-**	**22,539**	**896,304**		
2008	**695,283**	**-**	**204,583**	**899,866**	**34,100**	**-**	**523,831**	**424,817**	**1,882,614**	-	-

[1] Total Directors' remuneration of $753,513 (2008: $1,866,264) includes $732,501 (2008: $917,616) which was paid in cash or cash equivalents and an amount of $21,012 (2008: $948,648) which is attributable to the expensing of rights granted pursuant to the Pryme Oil and Gas Long Term Incentive Plan in accordance with Australian Accounting Standard AASB2 – Share-based payments. AASB2 requires securities to be expensed over the performance period of the security, from the date of the grant and despite the fact that the vesting conditions related to continuity of tenure are yet to be attained.The 2008 comparative amounts relate to the previous Directors' Incentive Option Plan (DIOP) and Directors' Share Incentive Plan (DSIP). During the 2008 financial year, all unvested options and rights were relinquished by the directors. During the 2009 financial year, all remaining vested options expired. In accordance with AASB2, all related amounts were reversed in the Group's financial report by adjustment to the retained earnings via the Statement of Changes in Equity.

[2] Resigned 1 June 2008

[3] Resigned 14 October 2009

[4] Commenced 17 November 2008. The total cash salary paid includes an amount of $9,600 paid pursuant to the Short Term Incentive Plan.

Directors' Report

SHORT TERM INCENTIVE PLAN

During the financial year, the following short term incentive bonus was awarded as part of compensation:

Employee	Position	Short Term Incentive including superannuation (Cash)
Sandra Gaffney	Group Financial Controller	$10,464

ANALYSIS OF OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION

The following table sets out the interests held in securities granted pursuant to the 2009 Long Term Incentive Plan ("LTIP"):

Name	Date of Grant	At 1 January 2009	Granted	Vested	Lapsed	At 31 December 2009	Date award vests	Market Price on Date of Grant
Justin Pettett	31 Dec 09	-	257,968	-	-	257,968	1 Jan 2011	$0.059
	31 Dec 09	-	257,968	-	-	257,968	1 Jan 2012	$0.059
Total			**515,936**			**515,936**		
Ryan Messer	31 Dec 09	-	257,968	-	-	257,968	1 Jan 2011	$0.059
	31 Dec 09	-	257,968	-	-	257,968	1 Jan 2012	$0.059
Total			**515,936**			**515,936**		
Sandra Gaffney	31 Dec 09	-	37,492	-	-	37,491	1 Jan 2011	$0.059
	31 Dec 09	-	37,491	-	-	37,491	1 Jan 2012	$0.059
Total			**74,983**			**74,982**		

The fair value of the Incentive Plan securities granted on 31 December 2009, estimated using a Black Scholes Merton model, was $0.059.

Estimated Value Range of Awards

The maximum possible value of awards yet to vest to be disclosed under the Corporations Act 2001 is not determinable as it is dependent on, and therefore fluctuates with, the share price of Pryme Oil and Gas Limited at a date that any award is exercised. An estimate of a maximum possible value of awards can be made using the highest share price during FY2009, which was $0.145 multiplied by the number of shares awarded for the scheme.

FAIR VALUE OF OPTIONS – FACTORS AND ASSUMPTIONS

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date		Expiry Date	Fair Value per option ($)	Exercise Price ($)	Price of shares on grant date ($)	Estimated volatility (%)	Risk free interest rate (%)	Dividend yield (%)
31.07.06	Tranche 1[1]	**30.06.09**	**0.1784**	**0.20**	**0.730**	**75.0**	**5.695**	**0**
31.07.06	Tranche 2[1]	**30.06.09**	**0.1784**	**0.20**	**0.730**	**75.0**	**5.695**	**0**
31.07.06	Tranche 3[1]	**30.06.09**	**0.1784**	**0.20**	**0.730**	**75.0**	**5.695**	**0**
06.03.08	Chairman[2]	**31.12.09**	**0.1350**	**0.40**	**0.275**	**111.5**	**6.510**	**0**

Directors' Report

Shareholders approved the introduction of the Directors Incentive Option Plan at the 20 July 2006 General Meeting. On 30 June 2009, the remaining 2,118,000 options under Tranche 1 of the DIOP expired. The options in respect of Tranche 2 and 3, originally exercisable until 30 June 2009, were voluntarily relinquished by the directors during 2008.

At the Annual General Meeting held on 5 March 2008 shareholders approved the award of 500,000 options granted to Mr George Lloyd upon his appointment as Chairman of the company. These options, exercisable at $0.40 cents, expired on 31 December 2009.

Since the end of the financial year, Pryme has agreed to issue 500,000 $0.15 options over unissued ordinary shares to Mr Gregory Short, subject to shareholder approval at the 2010 Annual General Meeting.

MOVEMENT IN OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION

During the reporting period, the following movements occurred in relation to entitlements to options over ordinary shares in Pryme that were previously granted to key management personnel as compensation:

Name	Year	Held at the beginning of the year	Granted as Remuneration	Exercised	Voluntarily Relinquished	Lapsed	Held at the end of the Financial year	Vested during the year	Vested and exercisable as at 31 December 2009
Executive Directors									
Justin Pettett	2009	600,000	515,936*	-	-	(600,000)	515,936	-	-
	2008	4,500,000	-	-	(3,900,000)	-	600,000	-	600,000
Ryan Messer	2009	759,000	515,936*	-		(759,000)	515,936	-	-
	2008	3,450,000	-	-	(2,691,000)		759,000	-	759,000
Non –Executive Directors									
John Dickinson	2009	759,000	-	-		(759,000)	-	-	-
	2008	3,450,000	-	-	-	(2,691,000)	759,000	-	759,000
Ananda Kathiravelu	2009	-	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-	-
George Lloyd	2009	500,000	-	-	-	(500,000)	-	-	-
	2008	-	500,000	-	-	-	500,000	500,000	500,000

* These Performance Rights/Restricted Stock units were granted on 4 February 2010 in respect of the performance period 1 January 2009 to 31 December 2009.

The initial entitlement to options arose on 31 July 2006. The directors voluntarily relinquished all unvested options during 2008. The remaining vested options, available to be exercised until 30 June 2009, expired at that date.

During the reporting period, no shares were issued to key management personnel on the exercise of options previously granted as compensation.

Directors' Report

Summary of Key Contracts Terms

The key contract and other terms of the executives are set out below:

Contract Details	**Justin Pettett – Chief Executive Officer (CEO) and Managing Director (MD)**	**Ryan Messer – Chief Operations Officer (COO)**	**Sandra Gaffney – Group Financial Controller**
Term	On-going	On-going	On-going
Termination notice period and payments	**Termination as per CEO Agreement:** **<u>By Pryme</u>** • For cause - 1 months' notice or salary in lieu (if convicted of any indictable criminal offence, termination shall be immediate). • For illness, injury or insanity - 9 months' notice or salary in lieu. • For convenience - 12 months' notice paid in lieu. • For redundancy - 12 months' notice + 1 months' salary for each completed year of service. **<u>By the CEO</u>** • For convenience - 3 months' written notice. • Immediately, with payment of annual and long service leave and 6 months' salary, if Pryme commits a serious or persistent breach of the Agreement. **Termination as per the MD Appointment Letter:** • Notice for termination as Director paid in lieu of notice in proportion to notice paid under the Agreement on termination as Chief Executive Officer. • No redundancy payment as Managing Director. **Annual Leave payment:** On termination, the CEO is entitled to payment in lieu of the annual leave owing to him. **Conditions to Payments** No payment is to be made where such payment is contrary to the *Corporations Act 2001* or Listing Rules of the Australian Securities Exchange (as applicable).	**Termination by Pryme** • For cause - 1 months' notice or salary in lieu (if convicted of any indictable criminal offence, termination shall be immediate). • For illness, injury or insanity - 9 months' notice or salary in lieu. • For convenience - 12 months' notice paid in lieu. • For redundancy - 12 months' notice + 1 months' salary for each completed year of service. **Termination by the COO:** • For convenience - 3 months' written notice. • Immediately, with payment of annual and long service leave and 6 months' salary, if Pryme commits a serious or persistent breach of the Agreement. **Annual Leave payment:** On termination, the COO is entitled to payment in lieu of the annual leave owing to him. **Conditions to Payments** No payment is to be made where such payment is contrary to the *Corporations Act 2001* or Listing Rules of the Australian Securities Exchange (as applicable).	**Termination by Pryme:** • For cause - 1 month's notice or salary in lieu (if convicted of any indictable criminal offence, termination shall be immediate, with no payment other than salary accrued up to date of termination). • For insanity - 3 months' written notice salary in lieu thereof, • For convenience - 3 months' written notice • For redundancy – 3 months written notice + 1 months' salary for each completed year of service. **Termination by the employee:** • For convenience - 3 months' written notice. • Immediately, with payment of annual and long service leave and 6 months' salary, if Pryme commits a serious or persistent breach of the Agreement **Annual Leave payment:** On termination, the employee is entitled to payment in lieu of the accrued annual leave owing to her. **Conditions to Payments** No payment is to be made where such payment is contrary to the *Corporations Act 2001* or Listing Rules of the Australian Securities Exchange (as applicable).

Directors' Report

16. Corporate Governance

The directors aspire to maintain the highest possible standards of Corporate Governance. Pryme's Corporate Governance Statement is contained in the Annual Report.

This report is signed in accordance with a resolution of the directors.

Justin Pettett
Managing Director
Brisbane, Queensland
26 February 2010

Auditor's Independence Declaration

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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

Offices
Brisbane
Burdekin
Cairns
Innisfail
Toowoomba
Townsville

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PRYME OIL & GAS LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2009 there have been:

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

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

Moore Stephens

MOORE STEPHENS

M McDonald
Director

Date: 18 February 2010
Brisbane, Queensland

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Financials

Pryme Oil and Gas Limited ABN 75 117 387 354 and Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
Revenue	2	2,062,801	3,213,831	1,194,960	809,512
Accounting and Audit Fees		(165,620)	(303,245)	(98,652)	(120,936)
Depreciation and amortisation expenses and write offs	3	(3,917,720)	(2,043,642)	(5,698)	(2,965)
Directors Remuneration	5	(340,687)	(684,824)	(179,998)	(382,871)
Directors Remuneration – Share/Option Plan	5	(21,012)	(948,648)	(21,012)	(498,102)
Professional Consulting Fees	5	(502,478)	(454,965)	(354,104)	(277,284)
Employee benefits expense		(241,287)	(88,904)	(205,110)	(57,424)
Legal Expenses		(82,778)	(38,946)	(54,017)	(24,644)
Production Costs		(531,125)	(607,833)	-	-
Share Registry and Listing Costs		(46,486)	(36,864)	(46,486)	(36,864)
Travel and Accommodation Expenses		(141,444)	(199,686)	(112,228)	(128,494)
Other expenses		(323,141)	(277,393)	(97,381)	(92,864)
Share of net profits of associates and joint ventures		(19,273)	(17,895)	-	-
Loss before income tax	3	(4,270,250)	(2,489,014)	20,274	(812,936)
Income tax expense	4	-	-	-	-
Net Loss attributable to members of the parent entity		(4,270,250)	(2,489,014)	20,274	(812,936)
Overall Operations					
Basic earnings per share (cents per share)	7	(3.4)	(2.3)		
Diluted earnings per share (cents per share)	7	(3.3)	(1.9)		

The accompanying notes form part of these statements

Financials

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	5,454,607	2,963,925	5,346,220	2,823,586
Trade and other receivables	9	1,237,778	643,475	33,379	19,661
Other current assets		49,177	60,970	-	-
TOTAL CURRENT ASSETS		6,741,562	3,668,370	5,379,599	2,843,247
NON-CURRENT ASSETS					
Trade and other receivables	9	-	-	29,943,713	26,204,219
Investments accounted for using the equity method	10	8,623,033	10,369,973	-	-
Property, plant and equipment	13	442,901	27,757	9,151	9,970
Working Interest	14	10,552,905	15,947,838	-	-
Other non-current assets		-	-	-	-
TOTAL NON-CURRENT ASSETS		19,618,839	26,345,568	29,952,864	26,214,189
TOTAL ASSETS		26,360,401	30,013,938	35,332,463	29,057,436
CURRENT LIABILITIES					
Trade and other payables	15	182,243	393,227	72,582	66,755
TOTAL CURRENT LIABILITIES		182,243	393,227	72,582	66,755
TOTAL LIABILITIES		182,243	393,227	72,582	66,755
NET ASSETS		26,178,158	29,620,711	35,259,881	28,990,681
EQUITY					
Issued capital	16	36,399,647	29,902,450	36,399,648	29,902,450
Reserves		(2,282,977)	3,831,874	22,539	445,351
Accumulated losses		(7,938,512)	(4,113,613)	(1,162,306)	(1,357,120)
TOTAL EQUITY		26,178,158	29,620,711	35,259,881	28,990,681

The accompanying notes form part of these statements

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STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2009

	Note	Ordinary Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Options Reserve	Total
Consolidated Group						
Balance at 1 January 2008		21,508,685	(5,409,586)	(2,299,098)	4,865,948	18,665,949
Loss for the year		-	(2,489,014)	-	-	(2,489,014)
Shares issued during the year		7,133,809	-	-	-	7,133,809
Share capital raising cost		(406,069)	-	-	-	(406,069)
Adjustments from translation of foreign controlled entities		-	2,288	5,685,621	-	5,687,909
Transfer borrowing costs options not exercised		468,300	-	-	(468,300)	-
Transfers options not exercised		1,197,725	-	-	(1,197,725)	-
Transfers from retained earnings		-	3,782,699	-	(3,782,699)	-
Options issued during the year		-	-	-	1,028,127	1,028,127
Balance at 31 December 2008		**29,902,450**	**(4,113,613)**	**3,386,523**	**445,351**	**29,620,711**
Loss for the year		-	(4,270,250)	-	-	(4, 270,250)
Shares issued during the year		6,774,460	-	-	-	6,774,460
Share capital raising cost		(277,263)	-	-	-	(277,263)
Adjustments from translation of foreign controlled entities		-		(5,692,039)	-	(5,692,039)
Transfers from retained earnings		-	445,351	-	(445,351)	-
Options issued during the year		-	-	-	22,539	22,539
Balance at 31 December 2009		**36,399,647**	**(7,938,512)**	**(2,305,516)**	**22,539**	**26,178,158**
Parent Entity						
Balance at 1 January 2008		21,508,685	(2,161,834)	-	4,865,948	24,212,799
Loss for the year		-	(812,936)	-	-	(812,936)
Shares issued during the year		7,133,809	-	-	-	7,133,809
Share capital raising cost		(406,069)	-	-	-	(406,069)
Transfer borrowing costs options not exercised		468,300	-	-	(468,300)	-
Transfers options not exercised		1,197,725	-	-	(1,197,725)	-
Transfers from retained earnings *		-	1,617,650	-	(1,617,650)	-
Transfers to intercompany account *		-	-	-	(2,165,049)	(2,165,049)
Options issued during the year		-	-	-	1,028,127	1,028,127
Balance at 31 December 2008		**29,902,450**	**(1,357,120)**	**-**	**445,351**	**28,990,681**
Loss for the year		-	20,274	-	-	20,274
Shares issued during the year		6,774,460	-	-	-	6,774,460
Share capital raising cost		(277,262)	-	-	-	(277,262)
Transfers from retained earnings *		-	174,540	-	(174,540)	-
Transfers to intercompany account *		-	-	-	(270,811)	(270,811)
Options issued during the year		-	-	-	22,539	22,539
Balance at 31 December 2009		**36,399,648**	**(1,162,306)**	**-**	**22,539**	**35,259,881**

*Transfers from the options reserve as a result of the relinquishing of options by Directors has resulted in a reversal of the applicable options expense in the holding company, and where applicable has been reflected in the intercompany balance for amounts previously passed on to wholly owned subsidiaries.

The accompanying notes form part of these statements

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CASH FLOW STATEMENT FOR YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,800,774	2,560,196	-	-
Interest received		87,307	327,439	87,307	327,466
Payments to suppliers and employees		(2,236,178)	(2,198,007)	(1,154,339)	(1,237,944)
Net cash provided by (used in) operating activities	21(a)	(348,097)	689,628	(1,067,032)	(910,478)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of working interest		-	860,007	-	-
Purchase of property, plant and equipment		(12,292)	(24,896)	(4,879)	(7,109)
Purchase of equity accounted investments		(310,346)	(2,663,310)	-	-
Payment for working interest		(2,319,729)	(4,632,798)	-	-
Net cash provided by (used in) investing activities		(2,642,367)	(6,460,997)	(4,879)	(7,109)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares (net of capital raising costs)		6,497,198	6,804,372	6,497,198	6,804,372
Loans Advanced		(985,977)	-	(2,902,653)	(4,809,306)
Net cash provided by (used in) financing activities		5,511,221	6,804,372	3,594,545	1,995,066
Net increase in cash held		2,520,757	1,033,003	2,522,634	1,077,479
Cash at beginning of financial year		2,963,925	1,854,713	2,823,586	1,746,107
Effect of exchange rate movement		(30,075)	76,209	-	-
Cash at end of financial year	8	5,454,607	2,963,925	5,346,220	2,823,586

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements for the Year Ended 31 December 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB")and the Corporations Act 2001.

This financial report covers the consolidated financial statements and notes of Pryme Oil and Gas Limited and controlled entities ('Consolidated Group' or 'Group') and Pryme Oil and Gas Limited as an individual parent ('Parent Entity'). Pryme Oil and Gas Limited is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity over which Pryme Oil and Gas Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 11 to the financial statements.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Jointly Controlled Entities

A jointly controlled entity is a corporation, partnership or other entity in which each participant holds an interest. A jointly controlled entity operates in the same way as other entities, controlling the assets of the joint venture, earning its own income and incurring its own liabilities and expenses. Interests in jointly controlled entities are accounted for using the proportional consolidation method whereby the Group's proportionate interest in the assets, liabilities, revenues and expenses of jointly controlled entities are recognised within each applicable line item of the financial statements. The share of jointly controlled entities' results is recognised in the Group's financial statements from the date that joint control commences until the date at which it ceases.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of offset exists and it is intended net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of setoff exists, the deferred tax assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liabilities will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis. 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 asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Where applicable, increases in the carrying value 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 assets original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office Equipment	25%
Drilling Rig Equipment	10%
Other Drilling Equipment	20%

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.

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Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) 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 that 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.

(e) 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 is transferred to entities in the consolidated group, 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.

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

(f) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value

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through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. 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 subsequently measured at amortised cost using the effective interest rate method.

iii. Held-to-maturity investments

Held-to-maturity einvestments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

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 assesses 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 recognised in the income statement.

(g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the

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asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the group's share of post-acquisition reserves of its associates.

(i) Foreign Currency Transactions and Balances

Functional and presentation currency
The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(j) Employee Benefits

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation
The group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market

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vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Cash and Cash Equivalents

Cash and cash equivalents include 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-term borrowings in current liabilities on the balance sheet.

(m) Revenue and Other Income

The group uses the sales method to account for sales of crude oil and natural gas revenues. Under this method, revenues are recognised based on volumes of oil and gas sold to purchasers.

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

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

(n) 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 balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) Capital Raising Costs

All transaction costs on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment
The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key Judgments — Provision for Impairment of Receivables
No key judgements were made during the year.

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Notes to the Financial Statements for the Year Ended 31 December 2009

NOTE 2: REVENUE

	Note	Consolidated Group		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
Sales Revenue					
— Oil and gas revenue		1,962,367	2,886,365	-	-
Total Sales Revenue		1,962,367	2,886,365	-	-
Other Revenue					
— Interest from other persons		87,310	327,466	87,307	327,466
— Other revenue		13,124	-	1,107,653	482,046
Total Other Revenue		100,434	327,466	1,194,960	809,512
Total Sales Revenue and Other Revenue		2,062,801	3,213,831	1,194,960	809,512

NOTE 3: LOSS FOR THE YEAR

	Note	Consolidated Group		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
Expenses					
Production costs – oil and gas		531,125	607,833	-	-
Depreciation and amortisation		13,429	5,384	5,698	2,965
Depletion of working interest		1,014,374	1,083,514	-	-
Capitalised exploration expenditure write-off		2,889,917	954,744	-	-
Total Depreciation, amortisation and write-offs		3,917,720	2,043,642	5,698	2,965

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Notes to the Financial Statements for the Year Ended 31 December 2009

NOTE 4: INCOME TAX EXPENSE

	Note	Consolidated Group		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
a. The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:					
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2007: 30%)					
— consolidated group		(1,281,075)	(746,704)		
— parent entity				6,082	(243,881)
Add:					
Tax effect of:					
— other non-allowable items		24,163	18,657	18,684	14,390
— Effect of current year tax losses derecognised		1,770,954	1,001,002	135,099	259,851
— share options expensed during year		13,121	294,248	6,762	149,431
		527,163	567,203	166,627	179,791
Less:					
Tax effect of:					
— tax deductible equity raising costs		152,237	135,601	152,237	135,601
— tax deductible formation costs		-	-	-	-
— Other tax deductible items		374,926	431,602	14,390	44,190
Income tax attributable to entity		-	-	-	-
The applicable weighted average effective tax rates are as follows:		0%	0%	0%	0%
b. Deferred tax assets not brought to account:					
- Temporary differences		293,769	357,643	293,769	357,643
- Tax losses		2,422,391	1,894,127	790,767	674,353
		2,716,160	2,251,770	1,084,536	1,031,996

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Notes to the Financial Statements for the Year Ended 31 December 2009

Note 5: Key Management Personnel Compensation

a. Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Executive Directors	
Justin Pettett	Managing Director and Chief Executive Officer since 1 December 2005
Ryan Messer	Chief Operations Officer since 1 December 2005
Non Executive Directors	
Ananda Kathiravelu	Appointed Director on 1 December 2005; resigned on 14 October 2009
George Lloyd	Appointed Director and Chairman on 29 January 2008

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

b. Related Party Transaction – Key Management Personnel

Management consulting fees totalling $120,000 (2008: $90,000) were paid to an entity of which Mr J Pettett is a beneficial shareholder and director and amounts totalling $47,130 (2008:$44,199) were paid to associates of Mr J Pettett for accounting and graphic design related services.

Management consulting fees totalling $106,813 (2008: Nil) were paid to an entity of which Mr R Messer is a beneficial shareholder and director and amounts totalling $22,189 (2008: $20,651) were paid to an associate of Mr Messer for administration related services.

Directorship fees totalling $125,000 (2008: $114,583) have been paid to an entity of which Mr G Lloyd is a beneficiary.

Directorship fees totalling $40,000 (2008: Nil) have been paid to an entity of which Mr A Kathiravelu is a beneficial shareholder and director.

c. Options and Rights Holdings

(i) **Number of Options Held by Key Management Personnel**

2009	Balance 1.1.2009	Granted as Compensation	Exercised	Net Change Other*	Balance 31.12.2009	Vested during the year	Vested and Exercisable 31.12.2009	Total Unexercisable 31.12.2009
Justin Pettett	600,000	-	-	(600,000)	-	-	-	-
Ryan Messer	759,000	-	-	(759,000)	-	-	-	-
Ananda Kathiravelu	-	-	-	-	-	-	-	-
George Lloyd	500,000	-	-	(500,000)	-	-	-	-
Total	1,859,000	-	-	(1,859,000)	-	-	-	-

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Notes to the Financial Statements for the Year Ended 31 December 2009

2008	Balance 1.1.2008	Granted as Compensation	Exercised	Net Change Other*	Balance 31.12.2008	Vested during the year	Vested and Exercisable 31.12.2008	Total Unexercisable 31.12.2008
Justin Pettett	4,500,000	-	-	(3,900,000)	600,000	-	600,000	-
Ryan Messer	3,450,000	-	-	(2,691,000)	759,000	-	759,000	-
John Dickinson	3,450,000	-	-	(2,691,000)	759,000	-	759,000	-
Ananda Kathiravelu	-	-	-	-	-	-	-	-
Phillip Judge	150,000	-	-	(150,000)	-	-	-	-
George Lloyd	-	500,000	-	-	500,000	500,000	500,000	-
Total	11,550,000	500,000	-	(9,432,000)	2,618,000	500,000	2,618,000	-

(ii) **Number of Rights Held by Key Management Personnel**

2009	Balance 1.1.2009	Granted as Compensation	Exercised	Net Change Other*	Balance 31.12.2009	Vested 31.12.2009	Exercisable 31.12.2009	Total Unexercisable 31.12.2009
Justin Pettett	-	515,936	-	-	515,936		-	515,936
Ryan Messer	-	515,936	-	-	515,936		-	515,936
Ananda Kathiravelu	-	-	-	-	-	-	-	-
George Lloyd	-	-	-	-	-	-	-	-
Total		1,031,872	-	-	1,031,872	-	-	1,031,872

2008	Balance 1.1.2008	Granted as Compen-sation	Exercised	Net Change Other*	Balance 31.12.2008	Vested 31.12.2008	Exercisable 31.12.2008	Total Unexercisable 31.12.2008
Justin Pettett	2,000,000	-	-	(2,000,000)	-		-	-
Ryan Messer	1,380,000	-	-	(1,380,000)	-		-	-
John Dickinson	1,380,000	-	-	(1,380,000)				
Ananda Kathiravelu	-	-	-	-	-	-	-	-
George Lloyd	-	-	-	-	-	-	-	-
Total	4,760,000	-	-	(4,760,000)	-	-	-	-

*The Net Change Other reflected above includes those options and rights that were voluntarily relinquished or forfeited by holders during the 2008 year.

Financials

Notes to the Financial Statements for the Year Ended 31 December 2009

d. Shareholdings

2009	Balance 1.1.2009	Received as Compensation	Options Exercised	Net Change Other *	Balance 31.12.2009
Justin Pettett	2,825,000	-	-	836,000	3,661,000
Ryan Messer	1,906,925	-	-	600,000	2,506,925
Ananda Kathiravelu	75,000	-	-		75,000
George Lloyd	1,350,000	-	-	1,730,000	3,080,000
Total	6,156,925	-	-	3,166,000	9,322,925

2008	Balance 1.1.2008	Received as Compensation	Options Exercised	Net Change Other *	Balance 31.12.2008
Justin Pettett	2,325,000	-	-	500,000	2,825,000
Ryan Messer	1,700,000	-	-	206,925	1,906,925
John Dickinson	1,700,000	-	-	-	1,700,000
Ananda Kathiravelu	4,727,500	-	-	(4,652,500)	75,000
Phillip Judge	4,565,163	-	-	-	4,565,163
George Lloyd	-	-	-	1,350,000	1,350,000
Total	15,017,663	-	-	(2,595,575)	12,422,088

* Net Change Other refers to shares purchased or sold during the financial year.

(e) Share based payments

Long Term Incentive Plan

Shareholders approved the introduction of the Pryme Oil and Gas Limited Long Term Incentive Plan ("LTIP") at the 8 April 2009 Annual General Meeting. Under the LTIP employees are granted securities upon satisfaction of performance conditions linked to Pryme's business plan and strategies. There are no dividend or voting rights attaching to the securities until such time as the vesting conditions related to tenure are satisfied at which point ordinary shares, which rank equally with all other Pryme shares, are issued and quoted on the ASX. The securities cannot be transferred and will not be quoted on the ASX.

The securities granted pursuant to the LTIP and related terms and conditions of the entitlements are as follows:

Name	Date of Grant	At 1 January 2009	Granted	Vested	Lapsed	At 31 December 2009	Date award vests	Market Price on Date of Grant
Justin Pettett	31 Dec 09		257,968	-	-	257,968	1 Jan 2011	$0.059
	31 Dec 09		257,968			257,968	1 Jan 2012	$0.059
Total			**515,936**	**-**	**-**	**515,936**		
Ryan Messer	31 Dec 09		257,968	-	-	257,968	1 Jan 2011	$0.059
	31 Dec 09		257,968			257,968	1 Jan 2012	$0.059
Total			**515,936**	**-**	**-**	**515,936**		
Sandra Gaffney	31 Dec 09		37,492	-	-	37,491	1 Jan 2011	$0.059
	31 Dec 09		37,491			37,491	1 Jan 2012	$0.059
Total			**74,983**	**-**	**-**	**74,982**		

Financials

Notes to the Financial Statements for the Year Ended 31 December 2009

- The fair value of the Incentive Plan securities granted on 31 December 2009, estimated using a Black Scholes Merton model, was $0.059.
- Estimated Value Range of Awards
- The maximum possible value of awards yet to vest to be disclosed under the Australian Corporations Act 2001 is not determinable as it is dependent on, and therefore fluctuates with, the share price of Pryme Oil and Gas Limited at a date that any award is exercised. An estimate of a maximum possible value of awards can be made using the highest share price during FY2009, which was $0.145 multiplied by the number of shares awarded for the scheme.

Directors Incentive Option Plan (DIOP)

During the year ended 31 December 2009, all options remaining under the DIOP approved at the July 2006 General Meeting expired.

The terms and conditions of the DIOP were as follows:

Entitlement Date	No. of Options	Vesting Date	Vesting Conditions	Expiry Date/ Date of Relinquishment*	Original Life of Entitlement	Exercise Price
31.07.06	2,618,000	21.04.07	Note a	30.06.09	3 years	$0.20
31.07.06	5,117,000	Up to 30.06.09	Note b	26.06.08*	3 years	$0.20
31.07.06	4,165,000	Up to 30.06.09	Note c	26.06.08*	3 years	$0.20

Note a: These options vested during the 2007 financial year upon Pryme increasing annual net operating income in LaSalle Parish Project by 25% (to A$1,250,000 annually calculated monthly) within 12 months from the date of listing Pryme.

Note b: The options were to be granted upon the successful conclusion of the 3D data acquisition (receipt of field tapes) the evaluation thereof and the preparation from the 3D data of at least 10 drilling prospects in the Couth 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.

Note c: The options were to be granted upon Pryme achieving and annualised EBIT of A$10,000,000 calculated monthly from the projects that Pryme is involved in within the performance period.

In addition to the above options, upon shareholder approval at the Annual General Meeting held on 5 March 2008, Mr George Lloyd was issued 500,000 options with an exercise price of $0.40. This was a unique award to Mr Lloyd in anticipation of his contribution as the incoming Chairman of the Company. These options expired on 31 December 2009.

The number and weighted average exercise price of share options is as follows:

	2009		2008	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding at the beginning of the year	2,618,000	$0.24	11,400,000	$0.20
Granted	-	-	500,000	$0.40
Lapsed / Forfeited	(2,618,000)	$0.24	(9,282,000)	$0.20
Exercised	-	-	-	-
Outstanding at year-end	-		2,618,000	$0.24
Exercisable at year-end	-		2,618,000	$0.24

Financials

Payment for Research Costs

On 22 October 2009, 350,000 shares were issued to RM Research Pty Ltd as consideration for the provision of a mandate to compile broker research and financial analysis and to assist with the distribution of such research on behalf of Pryme. The shares are ordinary fully paid shares issued in settlement of a research services invoice for $35,000. The shares were issued as part of the non-renounceable rights issue shortfall offered to shareholders in October 2009. The number of shares issued was determined using the same price and terms offered to shareholders under the non-renounceable rights issue.

NOTE 6: AUDITORS' REMUNERATION

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	79,615	84,498	79,615	84,498
— taxation services	8,070	4,750	8,070	4,750
Remuneration of other auditors of subsidiaries for:				
— auditing or reviewing the financial report of subsidiaries	-	102,718	-	-

NOTE 7: EARNINGS PER SHARE

		Consolidated Group	
		2009 $	2008 $
a.	Reconciliation of earnings to profit or loss		
	Loss	(4,270,250)	(2,489,014)
	Earnings used to calculate basic EPS	(4,270,250)	(2,489,014)
		No.	No.
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	127,156,180	106,359,384
	Weighted average number of options outstanding	1,550,296	26,730,813
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	128,706,476	133,090,197

Financials

Notes to the Financial Statements for the Year Ended 31 December 2009

NOTE 8: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
Cash at bank and in hand		225,604	212,026	117,217	71,687
Short-term bank deposits		5,229,003	2,751,899	5,229,003	2,751,899
		5,454,607	2,963,925	5,346,220	2,823,586

The effective interest rate on short-term bank deposits was 3.2% (2008: 6.4%).

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	5,454,607	2,963,925	5,346,220	2,823,586
	5,454,607	2,963,925	5,346,220	2,823,586

NOTE 9: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
CURRENT					
Trade receivables		1,204,399	596,300	-	2,861
Provision for impairment of receivables		-	-	-	-
		1,204,399	596,300	-	2,861
Other receivables		-	-	-	-
Amounts receivable from:					
— key management personnel		-	30,375	-	-
— GST receivable		33,379	16,800	33,379	16,800
		1,237,778	643,475	33,379	19,661
NON-CURRENT					
Amounts receivable from:					
— wholly-owned entities		-	-	29,943,713	26,204,219
		-	-	29,943,713	26,204,219

There are no balances within trade and other receivables that contain assets that are impaired or are past due. It is expected these balances will be received when due. Impaired assets are provided for in full.

Financials

Notes to the Financial Statements for the Year Ended 31 December 2009

NOTE 10: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
Associated companies	10a	8,623,033	10,369,973	-	-
		8,623,033	10,369,973	-	-

Interests are held in the following associated unincorporated companies

Name	Principal Activities	Country of Incorporation	Ownership Interest		Carry amount of investment	
			2009	2008	2009	2008
			%	%	$	$
Unlisted:						
Turner Bayou, LLC	Oil and Gas Exploration and Drilling	United States of America	80.80	80.80	5,776,156	7,383,237
Avoyelles Energy, LLC	Oil and Gas Exploration and Drilling	United States of America	52.00	52.00	2,846,877	2,986,736
					8,623,033	10,369,973

		Note	Consolidated Group		Parent Entity	
			2009	2008	2009	2008
			$	$	$	$
a.	**Movements During the Year in Equity Accounted Investment in Associated Companies**					
	Balance at beginning of the financial year		10,369,973	6,308,229	-	-
	Adjustment for foreign currency movement		(2,222,386)	1,670,327		
Add:	New investments during the year		494,719	2,409,312	-	-
	Share of associated company's loss after income tax		(19,273)	(17,895)	-	-
	Balance at end of the financial year		8,623,033	10,369,973	-	-
b.	**Equity accounted profit/(loss) of associates are broken down as follows:**					
	Share of associate's loss before income tax expense		(19,273)	(17,895)	-	-
	Share of associate's income tax expense		-	-	-	-
	Share of associate's loss after income tax		(19,273)	(17,895)	-	-

Financials

Notes to the Financial Statements for the Year Ended 31 December 2009

c. **Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates**

Current assets	3,725	41,441	-	-
Non-current assets	11,651,353	13,927,118	-	-
Total assets	11,665,078	13,968,559	-	-
Current liabilities	99,233	218,314	-	-
Non-current liabilities	-	-	-	-
Total liabilities	99,233	218,314	-	-
Net assets	11,565,845	13,750,245	-	-
Revenues	-	-	-	-
Loss after income tax of associates	32,018	29,909	-	-

d. The reporting date of the associated companies is 31 December.

NOTE 11: CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest (%)*	
		2009	**2008**
Subsidiaries of Pryme Oil and Gas Limited Listed Public Ltd:			
Pryme Oil and Gas Inc	US	100%	100%
- Pryme Energy LLC	US	100%	100%
- Trident Minerals LLC	US	100%	100%
- Pryme Royalty Holdings LLC	US	100%	100%
- Pryme Mineral Holdings LLC	US	100%	100%

** Percentage of voting power is in proportion to ownership*

NOTE 12: INTERESTS IN JOINTLY CONTROLLED ENTITIES

Entities included below are subject to joint control as a result of governing contractual arrangements.

	Country of Incorporation	Principal Activity	Reporting Date	Ownership Interest (%)	
				2009	**2008**
Pryme Lake Exploration LLC	US	Oil Exploration	31 Dec	50%	-

During the year Pryme acquired a 50% interest in Pryme Lake Exploration LLC for the purpose of exploration and development of the Catahoula Lake project. The entity is subject to joint control under the relevant ownership and management agreements with the remaining 50% membership interest in the entity owned by a single member.

Financials

Notes to the Financial Statements for the Year Ended 31 December 2009

	In Aggregate 2009 $	In Aggregate 2008 $	Group Share 2009 $	Group Share 2008 $
Net Assets of Jointly Controlled Entities				
Current assets	46,684		23,342	
Non-current assets	1,785,388		892,694	
Current liabilities	23,501		11,752	
Non-current liabilities	-		-	
Net assets	1,808,571		904,284	
Revenues	-		-	
Profit/(Loss) after income tax	1,144		572	

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
PLANT AND EQUIPMENT					
Office Equipment:					
At cost		45,423	36,626	21,250	16,371
Accumulated depreciation		(20,957)	(8,869)	(12,099)	(6,401)
		24,466	27,757	9,151	9,970
Drilling Equipment:					
At cost		418,435	-	-	-
Accumulated depreciation		-	-	-	-
		418,435	-	-	-
TOTAL					
At cost		463,858	36,626	21,250	16,371
Accumulated depreciation		(20,957)	(8,869)	(12,099)	(6,401)
		442,901	27,757	9,151	9,970

a. **Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Office Equipment $	Drilling Equipment $	Total $
Consolidated Group:			
Balance at 1 January 2008	5,826	-	5,826
Additions	27,365	-	27,365
Disposals	-	-	-
Depreciation expense	(5,434)	-	(5,434)
Balance at 31 December 2008	27,757	-	27,757
Foreign currency movement	(2,999)		(2,999)
Additions	13,137	418,435	431,572
Disposals	-		-
Depreciation expense	(13,429)		(13,429)
Balance at 31 December 2009	24,466	418,435	442,901

Financials

Notes to the Financial Statements for the Year Ended 31 December 2009

Parent Entity:			
Balance at 1 January 2008	5,826	-	5,826
Additions	7,109	-	7,109
Disposals	-	-	-
Depreciation expense	(2,965)	-	(2,965)
Balance at 31 December 2008	9,970	-	9,970
Additions	4,879	-	4,879
Disposals	-	-	-
Depreciation expense	(5,698)	-	(5,698)
Balance at 31 December 2009	9,151	-	9,151

NOTE 14 WORKING INTEREST

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Exploration expenditure capitalised				
- Exploration and evaluation phases	2,127,925	3,906,396	-	-
- Less exploration costs written off	(1,128,523)	(954,744)	-	-
Production phase	12,044,983	12,831,629	-	-
Accumulated depletion	(2,750,753)	(2,299,625)	-	-
Intangible exploration costs capitalised*	1,652,584	2,464,182	-	-
Less intangible costs written off	(1,393,311)	-	-	-
Total Exploration Expenditure	10,552,905	15,947,838	-	-

*Intangible assets comprise the acquisition costs of seismic data. Recoverability of the carrying amount of these costs is dependent on either the successful exploration in the area of interest to which the seismic data relates or subsequent sale of the asset to third parties.

NOTE 15: TRADE AND OTHER PAYABLES

	Note	Consolidated Group		Parent Entity	
		2009	**2008**	**2009**	**2008**
		$	**$**	**$**	**$**
Current					
Other payables and accrued expenses		182,243	393,227	72,582	66,755

Financials

Notes to the Financial Statements for the Year Ended 31 December 2009

NOTE 16: ISSUED CAPITAL

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
178,801,337 (2008: 111,056,732) fully paid ordinary shares	38,409,345	31,634,885	38,409,345	31,634,885
Capital raising costs	(2,009,698)	(1,732,435)	(2,009,698)	(1,732,435)
	36,399,647	29,902,450	36,399,647	29,902,450

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	No.	No.	No.	No.
a. **Ordinary shares**				
At the beginning of reporting period	111,056,732	89,504,029	111,056,732	89,504,029
Shares issued during the year				
— 24 January 2008		75,000		75,000
— 6 March 2008		9,528,577		9,528,577
— 6 March 2008		8,571,423		8,571,423
— 6 March 2008		700,000		700,000
— 2 July 2008		2,575,000		2,575,000
— 3 July 2008		1,100		1,100
— 9 July 2008		101,603		101,603
— 10 September 2009	16,658,509		16,658,509	
— 2 October 2009	21,725,948		21,725,948	
— 22 October 2009	29,360,148		29,360,148	
Shares lapsed during the year	-	-	-	-
At reporting date	178,801,337	111,056,732	178,801,337	111,056,732

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Financials

Notes to the Financial Statements for the Year Ended 31 December 2009

b. **Options**

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
20 cent option issued				
At the beginning of the period	2,118,000	5,943,000	2,118,000	5,943,000
Less:				
20 cent options exercised/lapsed#				
2 July 2008		(2,575,000)		(2,575,000)
2 July 2008		(75,000)		(75,000)
2 July 2008		(1,175,000)		(1,175,000)
30 June 2009	(2,118,000)		(2,118,000)	
Total 20 cent options	-	2,118,000	-	2,118,000
40 cent options issued				
At the beginning of the period	500,000	41,487,374	500,000	41,487,374
Add: 40 cent options issued				
- 5 March 2008		500,000		500,000
Less 40 cent options exercised/lapsed				
- 3 July 2008		(1,100)		(1,100)
- 3 July 2008		(41,486,274)		(41,486,274)
- 31 December 2009	(500,000)	-	(500,000)	
Total 40 cent options	-	500,000	-	500,000

NOTE 17: RESERVES

a. **Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

b. **Option Reserve**

The option reserve records items recognised as expenses on valuation of directors share rights/ options under the Directors Incentive Option Plan and the Pryme Long Term Incentive Plan.

Financials

Notes to the Financial Statements for the Year Ended 31 December 2009

NOTE 18: CAPITAL AND LEASING COMMITMENTS

		Note	Consolidated Group		Parent Entity	
			2009 $	2008 $	2009 $	2008 $
a.	**Operating Lease Commitments**					
	Non-cancellable operating leases contracted for but not capitalised in the financial statements					
	Payable — minimum lease payments					
	— not later than 12 months		8,855	11,182	-	-
	— between 12 months and 5 years		7,456	18,640	-	-
	— Greater than 5 years		-	-	-	-
			16,311	29,822	-	-
c.	**Capital Expenditure Commitments contracted for**					
	Expenditure on working interest		186,513	213,101	-	-
			186,513	213,101	-	-
	Payable:					
	— not later than 12 months		186,513	213,101	-	-
	— between 12 months and 5 years		-	-	-	-
	— greater than 5 years		-	-	-	-
			186,513	213,101	-	-

NOTE 19: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets as at 31 December 2009 (2008: Nil)

Financials

Notes to the Financial Statements for the Year Ended 31 December 2009

NOTE 20: SEGMENT REPORTING

Primary Reporting — Geographical Segments

	Australia		United States of America		Eliminations		Total	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Income	1,194,960	809,512	1,975,493	2,886,365	(1,107,652)	(482,046)	2,062,801	3,213,831
Depletion, depreciation and exploration expenditure written off	5,698	2,966	3,912,022	2,040,676	-	-	3,917,720	2,043,642
Segment result	20,274	(812,936)	(10,545,450)	8,734,884	6,254,926	(10,410,962)	(4,270,250)	(2,489,014)
Assets	35,332,462	29,057,436	20,971,650	27,160,721	(29,943,711)	(26,204,219)	26,360,401	30,013,938
Liabilities	72,582	66,755	30,053,260	26,530,548	(29,943,599)	(26,204,076)	182,243	393,227

Primary Reporting — Business Segments

The Consolidated group operates predominantly in the exploration and development for production of oil and gas and is therefore considered to be under one business segment.

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits and accrued expenses. Segment assets and liabilities do not include deferred income taxes.

Exploration Expenditure Write-offs

Exploration costs previously capitalised amounting to $2,889,917 (2008: $954,744) relating to the United States of America Segment was recognised as an expense for the year ended 31 December 2009.

Financials

Notes to the Financial Statements for the Year Ended 31 December 2009

NOTE 21: CASH FLOW INFORMATION

		Consolidated Group		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
a.	**Reconciliation of Cash Flow from Operations with Profit after Income Tax**				
	Loss after income tax	(4,270,250)	(2,489,014)	20,274	(812,936)
	Non-cash flows in profit				
	Depreciation, depletion and amortisation	1,027,803	1,088,897	5,698	2,965
	Share options expensed	22,539	948,650	22,539	498,102
	Intercompany fees			(1,107,653)	(482,046)
	Write-off of capitalised expenditure	2,889,917	954,744		
	Movement in foreign currency reserve	(74,615)	1,537,794		
	Share of associated companies net loss after income tax and dividends	19,273	17,895		
	Changes in assets and liabilities				
	(Increase)/decrease in trade and term receivables	73,912	(621,862)	(16,579)	4,223
	(Increase)/decrease in prepayments	(5,007)	(25,070)	2,861	(2,861)
	Increase/(decrease) in trade payables and accruals	(31,669)	(722,406)	5,828	(117,925)
	Cashflow from operations	(348,097)	689,628	(1,067,032)	(910,478)

b. **Credit Standby Arrangements with Banks**

There are no credit or standby arrangements with financiers as at 31 December 2009 (2008: Nil)

NOTE 22: EVENTS AFTER THE BALANCE SHEET DATE

On 11 January, Pryme lodged its Oil and Gas Reserves Report as at 1 January 2010.

Details of the contract entered into between Pryme and Justin Pettett, Chief Executive Officer and Managing Director were announced on 25 January 2010.

The financial report was authorised for issue on 26 February 2010 by the Board of Directors.

NOTE 23: RELATED PARTY TRANSACTIONS

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.					
Transactions with related parties:					
Key Management Personnel	5(b)	461,132	321,857	332,130	248,782
The working interest in one of Pryme's exploration projects is held via an entity of which John Dickinson is the sole director. Pryme holds an option over 100% of the shares in this entity. The exploration costs incurred were written off in 2009 upon determination that the project was unsuccessful.		-	292,865	-	-

Financials

NOTE 24: FINANCIAL RISK MANAGEMENT

a. **Financial Risk Management Policies**

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries and leases.

i. Treasury Risk Management

Senior executives of the group regularly analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The executive's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis.

ii. Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are foreign currency risk, liquidity risk, credit risk and price risk.

Interest Rate Risk

There is no exposure to interest rate risk as there is no debt owing.

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. The group is also exposed to fluctuations in foreign currencies arising from the loans advanced by the Australian based parent entity to its United States based subsidiaries. Foreign currency gains/losses are recorded by the subsidiaries and eliminated on consolidation via the foreign currency translation reserve.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funds from capital raising are maintained for future expenditure on working interest.

Credit risk

The maximum exposure to credit risk is the carrying amount of receivables, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is managed on a group basis. It arises from exposures to customers as well as through deposits with financial institutions.

The group manages credit risk by actively assessing the rating quality and liquidity of counter parties including:

— only utilising banks and financial institutions with an 'A' rating;
— all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under arrangements entered into by the consolidated group.

Financials

Price risk

The group is exposed to commodity price risk for oil and gas as determined by the world market prices which fluctuate based on demand and supply. These prices are regularly monitored.

b. **Financial Instruments composition and maturity analysis.**

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period and maturity, as well as management's expectations of the settlement period for all other financial instruments. As such amounts may not reconcile to the balance sheet.

			Fixed Interest Rate			
2009	**Average Interest Rate**	**Variable Interest Rate $**	**Less than 1 year $**	**1 to 5 years $**	**Non Interest Bearing $**	**Total $**
CONSOLIDATED						
Financial Assets:						
Cash and cash equivalents	3.2%	5,454,607				5,454,607
Receivables	-				1,237,778	1,237,778
Financial Liabilities:						
Trade and sundry payables	-				(182,243)	(182,243)
Total		5,454,607			1,055,535	6,510,142
PARENT						
Financial Assets:						
Cash and cash equivalents	3.2%	5,346,220				5,346,220
Receivables	-				33,379	33,379
Financial Liabilities:						
Trade and sundry payables	-				(72,582)	(72,582)
Total		5,346,220			(39,203)	5,307,017

			Fixed Interest Rate			
2008	**Average Interest Rate**	**Variable Interest Rate $**	**Less than 1 year $**	**1 to 5 years $**	**Non Interest Bearing $**	**Total $**
CONSOLIDATED						
Financial Assets:						
Cash and cash equivalents	7.50%	2,963,925				2,963,925
Receivables	-				643,475	643,475
Financial Liabilities:						
Trade and sundry payables	-				(393,227)	(393,227)
Total		2,963,925			250,248	3,214,173

Financials

	Average Interest Rate	Variable Interest Rate $	Less than 1 year $	1 to 5 years $	Non Interest Bearing $	Total $
PARENT						
Financial Assets:						
Cash and cash equivalents	7.5%	2,823,586				2,823,586
Receivables	-				19,661	19,661
Financial Liabilities:						
Trade and sundry payables	-				(66,755)	(66,755)
Total		2,823,586			(47,094)	2,776,492

c. **Net Fair Values**

The net fair values of:

— Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.

— Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

Financial assets where the carrying amount exceeds net fair values have not been written down as the consolidated group intends to hold these assets to maturity.

d. **Sensitivity Analysis**

Interest Rate Risk, Foreign Currency Risk and Price Risk

The group has performed sensitivity analysis relating to its exposure to price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Price Risk Sensitivity Analysis

At 31 December 2009, the effect on profit and equity as a result of changes in the price risk, with all other variables remaining constant would be as follows:

	Consolidated Group		Parent Entity	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Change in profit				
— Increase in oil/gas price by 10%	**162,456**	**315,887**	**-**	**-**
— Decrease in oil/gas price by10%	**(162,456)**	**(315,887)**	**-**	**-**

The above price risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

Financials

Notes to the Financial Statements for the Year Ended 31 December 2009

NOTE 25: COMPANY DETAILS

The registered office of the company is:

Pryme Oil and Gas Limited
Level 7, 320 Adelaide Street
Brisbane QLD 4000

The principal place of business is:

Pryme Oil and Gas Inc
1001 Texas Ave, Suite 1400 Houston
Texas 77002, United States of America

Financials

DIRECTORS' DECLARATION

In the opinion of the Directors of Pryme Oil and Gas Limited (Pryme):

(a) the Financial Statements and Notes as set out on pages 34 to 64 are in accordance with the Corporations Act 2001, including:

   i. complying with Accounting Standards and Corporations Regulations 2001; and

   ii. giving a true and fair view of Pryme's financial position as at 31 December 2009 and of their performance as represented by the results of their operations and their cash flows for the year ended on that date; and

(b) the remuneration disclosures that are included on pages 24 to 31 of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and

(c) there are reasonable grounds to believe that Pryme will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 31 December 2009.

Signed in accordance with a Resolution of the Directors:

Justin Pettett
Managing Director
Brisbane, Queensland.

26 February 2010

Independent Auditor's Report

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Partners

Robert W. Clarke
Richard Hoult
Michael J. McDonald

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PRYME OIL AND GAS LIMITIED AND CONTROLLED ENTITIES

We have audited the accompanying financial report of Pryme Oil and Gas Limited (the company) and Pryme Oil and Gas Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 31 December 2009, and the statement of financial performance, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Moore Stephens (Brisbane) & Partners ABN 28 102 334 945
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Chartered Accountants
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Liability limited by a scheme approved under Professional Standards Legislation
The Queensland firm is not a partner or agent of any other Moore Stephens firm
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Independent Auditor's Report

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Independence

In conducting our audit, 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 on 12 February 2010, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Pryme Oil and Gas Limited and Pryme Oil and Gas Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the report of the directors for the year ended 31 December 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Pryme Oil and Gas Limited for the year ended 31 December 2009, complies with s 300A of the *Corporations Act 2001.*

Moore Stephens

MOORE STEPHENS

M. J McDonald
Partner

Brisbane, 26 February. 2010

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Shareholder Information

AS AT 2 MARCH 2010

Shareholder Information required by the Australian Securities Exchange Limited (ASX) Listing Rules and not disclosed elsewhere in the Report is set out below.

1. Substantial shareholders

The number of securities held by substantial shareholders and their associates are set out below:

Fully paid Ordinary Shares

Name	Number	%
Panorama Ridge Pty Ltd	26,730,933	14.95
Belmont Park Investments Pty Ltd	25,791,063	14.42

2. Number of security holders and securities on issue

Pryme has issued the following securities:

(a) 178,801,337 fully paid ordinary shares held by 1,524 shareholders;
(b) 590,919 unlisted Performance Rights held by two holders; and
(c) 515,936 unlisted Restricted Stock Units held by one holder.

3. Voting rights

Ordinary shares
The voting rights attached to ordinary shares are that on a show of hands, every member present, in person or proxy, has one vote and upon a poll, each share shall have one vote.

Performance Rights and Restricted Stock Units
The holders of Performance Rights and Restricted Stock Units do not have any voting rights on the Performance Rights and Restricted Stock Units held by them.

4. Distribution of security holders

(a) Quoted securities

Category	Fully paid Ordinary shares		
	Holders	Shares	%
1 - 1,000	51	34,041	0.02
1,001 - 5,000	267	810,748	0.45
5,001 - 10,000	308	2,690,045	1.51
10,001 - 100,000	705	27,212,964	15.22
100,001 and over	193	148,053,539	82.80
Total	**1,524**	**178,801,337**	**100.00**

(b) Unquoted securities

Category	Performance Rights			Restricted Stock Units		
	Holders	Performance Rights	%	Holders	Restricted Stock Units	%
1 - 1,000	-	-	-	-	-	-
1,001 - 5,000	-	-	-	-	-	-
5,001 - 10,000	-	-	-	-	-	-
10,001 - 100,000	-	-	-	-	-	-
100,001 and over	2	590,919	100	1	515,936	100
Total	**2**	**590,919**	**100**	**1**	**515,936**	**100**

Shareholder Information

AS AT 2 MARCH 2010

5. Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of ordinary shares is 429. 8,334 shares comprise a marketable parcel at the Pryme closing share price of $0.060.

6. Unquoted securities

(a) Performance Rights

590,919 unlisted Performance Rights have been issued to two holders and remain unexercised. Details of holders of 20% or more of the Performance Rights are as follows:

Name	Number	%
Justin Pettett	515,936	87.31

(b) Restricted Stock Units

515,936 unlisted Restricted Stock Units have been issued to 1 holder and remain unexercised. Details of holders of 20% or more of the options are as follows:

Name	Number	%
Ryan Messer	515,936	100

7. On market buy-back

There is no current on market buy-back.

8. Twenty largest shareholders of quoted equity securities

Fully paid ordinary shares

Details of the 20 largest shareholders by registered shareholding are:

	Name	No. of shares	%
1	Belmont Park Investments Pty Ltd	25,578,051	14.31
2	Panorama Ridge Pty Ltd	25,106,933	14.04
3	Peter Daniel Adams	5,028,931	2.81
4	Dreampt Pty Limited	4,200,000	2.35
5	Bond Street Custodians Ltd <Kret-V05765 A/C>	3,650,000	2.04
6	Pettett Pty Ltd <Pettett Family A/C>	3,225,000	1.80
7	Jojeto Pty Ltd <Lloyd Super Fund A/C>	3,080,000	1.72
8	Sourcerock Investments LLC	2,506,925	1.40
9	Anglo Energy Company Inc	2,437,613	1.36
10	Anglo Energy Company Inc <Account 2 A/C>	2,000,000	1.12
11	Whittingham Securities Pty Ltd	2,000,000	1.12
12	Libertine Investments Pty Ltd	1,873,291	1.05
13	Craig Sceroler <Sceroler Properties A/C>	1,800,000	1.01
14	James Stewart	1,650,000	0.92
15	Shannon Corporate Nominees Pty Ltd	1,409,021	0.79
16	B & M Jackson Pty Ltd <Jackson Superfund A/C>	1,400,000	0.78
17	Anthony Haggarty <Haggarty Superfund A/C>	1,400,000	0.78
18	Lilero Pty Ltd <Stanley Superfund A/C>	1,060,516	0.59
19	ANZ Nominees Ltd <Cash Income A/C>	1,034,834	0.58
20	Paul Jackson	1,006,720	0.56
		91,447,835	**51.13**

Corporate Directory

Directors

Mr George Lloyd (Chairman)
Mr Justin Pettett (Managing Director)
Mr Ryan Messer (Executive Director)
Mr Greg Short (Non-Executive Director)
(effective 21 January 2010)
Mr Ananda Kathiravelu (Non-Executive Director)
(up to 14 October 2009)

Company Secretaries

Mrs Janine Rolfe (up to 25 January 2010)
Ms Swapna Keskar

Registered and Principal Office

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Phone: +61 7 3371 1103
Fax: +61 7 3371 1105

Postal Address

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Share Registry

Link Market Services Limited
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BRISBANE QLD 4000

Phone: +61 2 8280 7454
Fax: +61 2 9287 0303

Auditors

Moore Stephens
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BRISBANE QLD 4000

Phone: +61 7 3317 7851
Fax: +61 7 3100 0028

Attorneys

Winstead P.C.
1100 J.P. Morgan Chase Tower
600 Travis Street
HOUSTON Texas 77002
United States of America

Stock Exchanges

Australian Securities Exchange Limited (ASX)
Code: PYM

International OTCQX
Code: POGLY

Australian Company Number

117 387 354

Australian Business Number

75 117 387 354

Notes

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pryme
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