



## Welcome Message

We are happy to report that in the last quarter we embarked on the next phase of Pryme's development; an exciting phase that will build on our existing cash flow from LaSalle Parish.

At Turner Bayou, a geophysical contractor has been appointed to conduct a 3D seismic shoot and work began in September. The first of the Wave Exploration joint venture prospects, Kestrel, has also been fully leased and is being marketed to parties interested in participating. The second and third prospects - Condor and Raven - are also progressing ahead of schedule and the board is reviewing further projects to add to this portfolio. In addition to Turner Bayou and Wave, we're also looking forward to further development wells being drilled at LaSalle Parish during the current quarter.



To help facilitate these projects, we have appointed to Pryme's advisory board three highly experienced and successful individuals in petroleum engineering and geology. This will bolster the technical expertise of the board of directors. We also completed an A\$6 million placement to fund our activities.

Furthermore, the Securities and Exchange Commission has accepted our application to have Pryme stock quoted in the U.S. through American Depositary Receipts (ADRs). We believe this will increase liquidity and raise Pryme's profile in North America.

As we move into this exciting period, we would like to thank our shareholders for their support since our listing in April this year, and in particular those investors who participated in the private placement.

Regards,

**Justin Pettett** CEO/Managing Director

### Quarterly Highlights

- ↪ Roll out of Raven joint venture with Wave Exploration
- ↪ Wave joint venture begins leasing ground for Condor Project
- ↪ Pryme named as winner of RIU Good Oil Best Newcomer Award 2006
- ↪ Second development well started at LaSalle Parish
- ↪ Agreement signed for 3D seismic at Turner Bayou
- ↪ SEC approves Pryme ADR program in the U.S.

### Key Dates

#### October

- ↪ Drill two wells at LaSalle Parish
- ↪ Commencement of ADR program
- ↪ Address drill rig availability
- ↪ Assess additional projects (LaSalle Parish oil exploration program and extra Wave opportunity)
- ↪ Complete Australian roadshow

#### November

- ↪ Ready to farm out Kestrel project
- ↪ Drill two wells at LaSalle Parish
- ↪ Commence first U.S. road show

#### December

- ↪ Near completion of 3D shoot at Turner Bayou
- ↪ Drill two wells at LaSalle Parish
- ↪ Complete leasing of Condor and Raven projects

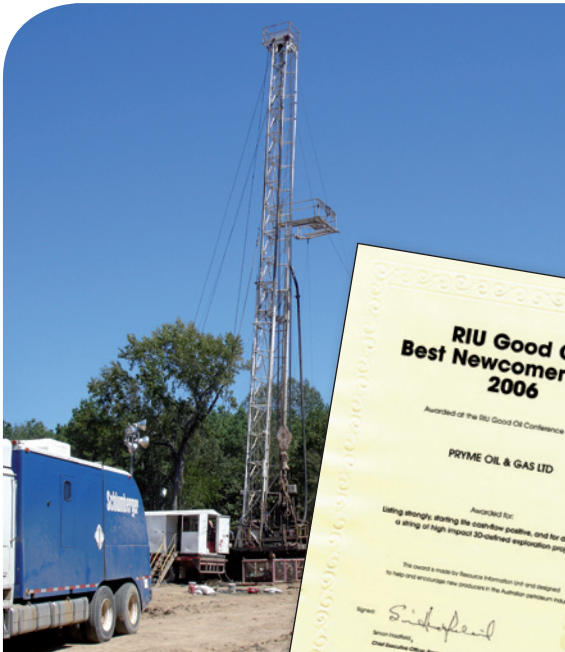
## Pryme Goes Hunting in Elephant Country

Pryme Oil and Gas last month began a 3D seismic survey in Turner Bayou, south central Louisiana, a project that has the potential to transform the company's production profile.

The 80 square-mile (51,200-acre) project is prospective for oil and gas at several intervals and is on trend with several large projects operated by BP Plc, including the Judge Digby and Port Hudson fields.

"We're excited to be going after targets in such a historically productive region," Pryme Chief Executive Justin Pettett said. "The shallower targets in Turner Bayou are low risk and have the potential to yield early production, while the deeper Tuscaloosa and the sequence from Wilcox extending to the Midway Shale are targets that could provide major increases to Pryme's production and revenue in the longer term."

3D seismic data from the area will be evaluated in early 2007, allowing the company to start drilling wells at Turner Bayou at the start of the second quarter. Pryme is the major shareholder in the project with a 52% stake.



## Pryme in the News

*"But there's nothing quite like cash flow, and another recent listing, Pryme Oil & Gas, has lifted its interest in the LaSalle Parish project in Louisiana which has 22 producing wells. This 50 per cent boost for Pryme's revenue will help the company as it focuses on its exploration projects in Louisiana, the fifth-largest oil-producing state in the U.S."*

Robin Bromby,  
The Australian 8 July

*"The fortunes of new float Pryme Oil and Gas are continuing to rise, with the company making significant gains in terms of both exploration and development."*

Haydn Black, Oil & Gas Gazette,  
August 2006

*"Pryme Oil and Gas continues to gobble up acreage onshore in the U.S., the latest with a joint venture on the Tuscaloosa Trend in Louisiana which has been a big gas producer and is now getting a new look-over, led by BPAmoco."*

Robin Bromby,  
The Australian,  
12 August

ASX code: PYM

## Pryme to Tap Into Massive U.S. Investor Community Through ADR Program

North American investors were this month given an easier way to buy Pryme Oil and Gas shares after the company signed an agreement to have its stock traded in the U.S. through an issue of American Depositary Receipts (ADRs).

The ADR program is expected to help Pryme capitalise on growing investor interest in the stock in the U.S., allowing the company's shares to be purchased by individuals and institutions in a market that's grown to more than US\$50 billion a year.

"Many investors in the U.S. find it difficult to buy shares in non-U.S. companies, so this will enlarge the market for our stock and provide us with another arena in which to raise capital," said Pryme's U.S.-based Chief Operating Officer Ryan Messer. "Our profile is already growing in the U.S. through our suite of exciting exploration projects and production in Louisiana, and this program will help us capitalise on that interest. In addition it will allow the U.S.-based directors and their associates to more efficiently promote the company and expand our shareholder base."

Bank of New York is sponsoring the program. Pryme joins other Australian oil companies including Woodside Petroleum Ltd. and Santos Ltd., which also have ADRs trading in the U.S.



## Initial Demand for Wave Joint Venture Projects

Pryme Oil and Gas and partner Wave Exploration are already drawing interest from several potential investors who wish to look at the projects the two companies are working on in Louisiana.

Pryme funds the leasing of exploration tenements for the projects, which are then packaged up by the joint venture for on-sale to other companies. The sale price typically covers costs plus a cash profit for Pryme and, most often, working and carried interests for Pryme in the fields as they're developed.

Pryme and Wave are currently working on three projects – Kestrel, Raven and Condor – that have combined prospective reserves of 110 billion cubic feet of gas.

"The Wave exploration joint venture will help Pryme to increase reserves and production at a low capital cost," Pryme Chief Executive Justin Pettett said. "Large, reputable exploration and production companies are already interested – there's a good market for quality projects at the right price."

Tenements for the Raven and Condor projects are currently being leased, while ground has already been secured for Kestrel and the project may be funded by December.

## Pryme Appoints Advisory Board

Pryme Oil and Gas has appointed an advisory board to assist the company with its exciting suite of exploration projects in Louisiana.

Craig Sceroler was added to the board last month as advisory director for exploration. He joins Donald R. Ellison and James R. (Jay) Stewart, respectively the company's advisory directors for petroleum engineering and for geology, petroleum land and environmental studies.

**Q What are your projections for cash flow and production from LaSalle Parish over the next six months?**

**A** Answer: We're currently banking A\$1.5M in net operating income from this project annually and with further development drilling planned over the next 6 months we expect to increase this to more than A\$2.0M.

**Q What prospective reserves do you expect to find at the Turner Bayou and Wave exploration projects?**

**A** 150 Billion Cubic Feet (BCF) of gas for Turner, to the 100% working interest. Even risk adjusted at a 35% success rate Pryme's expected net reserve value could be as high as 27.3BCF based on its 52% working interest. 110BCF for the current Wave Exploration Projects to the 100% working interest and based on a 10% carried working interest and 10% working interest Pryme's net reserve value could be as high as 22BCF.

**Q What impact could they have on the company's stock price?**

**A** If Turner is 35% successful we're looking at around \$1.06 of value impact on the share price, based on US\$2.50 per MCF in the ground, and an AUD/USD exchange rate of 0.75. With Wave we're looking at about \$0.87 of fully diluted value based on US\$2.50 per MCF in the ground, an AUD/USD exchange rate of 0.75 and assuming a 10% carried interest plus a 10% working interest. That's a total \$1.93 on our current share price based on the above assumptions.

**Q How are you going to make money from the Wave Exploration venture?**

**A** As a funding partner we will make money from the sale of the projects to third parties and securing a cash profit (and our initial capital), plus in most cases a carried working interest and overriding royalty interest.

**Q How important to the company is the ADR program in the U.S.?**

**A** We look at the ADR program as another string to our bow and an important fundamental moving forward in creating liquidity for shareholders and further exposure in one of the largest oil and gas markets.

**Key People**  
**Ryan Messer**



Ryan forms an integral part of Pryme's U.S. operations and is the chief operating officer. In the past five years, he has been directly involved in the drilling of well over one hundred wells throughout the Gulf states and Oklahoma.

One of two Pryme board members based in the U.S., Ryan has more than ten years of international corporate experience, of which the past five years has been spent in energy project finance and project management. He also focused on field operations and project risk assessment for prior energy companies.

A business marketing and finance graduate from the University of Central Florida, Ryan brings expertise in the areas of project management, I.T. research and design, partner relationship development, asset allocation and risk assessment, and executive management.

**Pryme Oil and Gas Ltd.**

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