

MARCH 2007 QUARTERLY REPORT

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## Glossary

Bbls/day.....	Barrels (of oil) per day
Bbls/month.....	Barrels (of oil) per month
Bcf.....	Billion Cubic Feet
Mcf.....	Thousand cubic feet
NRI.....	Net Return on Investment
Tcf.....	Trillion Cubic Feet
3.28 feet.....	Equals 1 metre

## Corporate Directory

### Directors

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

### Company Secretary

Mr Matthew Fogarty

### Registered and Principal Office

Level 7, 320 Adelaide Street  
 BRISBANE QLD 4000

**Phone:** +61 7 3371 1103

**Fax:** +61 7 3371 1105

### Postal Address

GPO Box 111  
 BRISBANE QLD 4001

### Atlanta USA Office

925B Peachtree Street NE  
 Suite 384  
 ATLANTA GA 30309

**Phone:** +1 678 840 2348

**Fax:** +1 404 420 2043

**Email:** info@prymeoilandgas.com

**Website:** www.prymeoilandgas.com

### Australian Company Number

117 387 354

### Australian Business Number

75 117 387 354

### Auditors

Moore Stephens  
 Level 25, 71 Eagle Street  
 BRISBANE QLD 4000

### Share Registry

Advanced Share Registry Services  
 110 Stirling Hwy  
 Nedlands WA 6009  
 Phone: +61 8 9389 8033  
 Fax: +61 8 9389 7871

### Solicitors

Steinepreis Paganin  
 Lawyers & Consultants  
 Level 4, Next Building  
 16 Milligan Street,  
 PERTH WA 6000

### Stock Exchange

Australian Securities Exchange Limited (ASX)

**Code:** PYM

**Code:** PYMO

### American Depository Receipts (ADR)

**Code:** POGLY

### Depository for ADR

Bank of New York  
 101 Barclay Street  
 NEW YORK NY 10286

# March 2007 Quarterly Activity Report

27 April 2007

*In accordance with Listing Rule 5.2, Pryme Oil and Gas Limited, an oil and natural gas producer and explorer operating in the U.S., is pleased to report on its activities and those of its wholly-owned subsidiary, Pryme Oil and Gas Inc., for the three month quarter ending 31 March 2007.*

## SUMMARY AND HIGHLIGHTS

- NWR No.16 and No.17 come online producing in excess of 40 Bbls/day each
- Recording of 3-D Seismic data in Turner Bayou begins
- Pryme’s inaugural 2006 Annual Report released
- First third-party research report released by RM Research in Perth
- ADRs listed on the International OTCQX, a new electronic premium market tier in the U.S. for international exchange-listed companies
- \$3 million raised through placement

## A SMALL CAP GROWTH OPPORTUNITY

<b>ASX Code:</b>	<b>PYM</b>
<b>Recent price (26 April 07):</b>	<b>\$0.56</b>
<b>International OTCQX Code:</b>	<b>POGLY</b>
<b>Cash on hand:</b> <small>(Including the recent \$3 million raising)</small>	<b>\$4,965,000</b>
<b>Shares outstanding (diluted):</b> <small>(Including the recent \$3 million raising)</small>	<b>124,209,403</b>
<b>Current monthly net production:</b>	<b>1,460 Bbls</b>
<b>Market Cap (diluted):</b>	<b>\$69,577,266</b>
<b>Prospective reserves:</b>	<b>277 Bcf</b>
<b>Price range (21/4/06 – present):</b>	<b>\$0.23-\$1.15</b>



# Projects

## LaSalle Parish Project

As reported in the last quarterly report, the Northwest Rogers No.16 and No.17 were drilled back-to-back and discovered 24 feet and 22 feet respectively of oil sand in the second Cockfield Sand formation in the Wilcox Basin. In addition, the Coleman No.7 in the Routh Point Field was completed and is flowing in excess of 60 Bbls/day with no water production.

The Northwest Rogers No.16 and No.17 are both producing in excess of 40 Bbls/day to the 100% working interest. The average production rate of wells in this field is around 20 Bbls/day and whilst it is expected that production rates will level out at these rates, Pryme is delighted to add this reliable production to its current income statement.

Weather has temporarily delayed further development drilling in this project although the site for the Coleman No.8 in the Routh Point Field is being cleared to spud that well later in the following quarter. Production remains consistent in this project as Pryme received an average 1,500 Bbls/month net to its interest. With rising oil prices this is good news for Pryme and its shareholders and the production is expected to increase cash flow considerably commencing over the next few months.

It is important to note that Pryme is a current producer of oil and therefore has regular, systematic monthly income from its LaSalle Parish Project in central Louisiana. This aspect of the plan was fundamental to Pryme initial strategy. LaSalle Parish has proven to be a consistent, low-maintenance earner for Pryme, thereby differentiating us from many other junior and some medium-sized ASX-listed oil and gas explorers because of this stable platform which facilitates growth in the future.



Completion of the NWR No.16 - pump jack and pad

## Turner Bayou 3-D Seismic Project, Central Louisiana

The 3-D seismic shoot in the Turner Bayou Project is progressing well and nearing its completion. Over 73% of the data collection had been attained at the time of the writing of this report. Data is shipped for processing throughout the data collection phase in an attempt to make up time lost due to poor weather conditions that occurred early in this field collection phase.

The collection of data is expected to be completed in early May, with the evaluation and drilling program to follow. Subject to the results, extensive drilling is scheduled to begin late July 2007. Pryme has a 52% interest (39% NRI)



Woody Dunn (Weems Geophysical field superintendent) inspecting fuse wire connected to field charges and receiver lines within the 3-D shoot

## Projects (cont.)

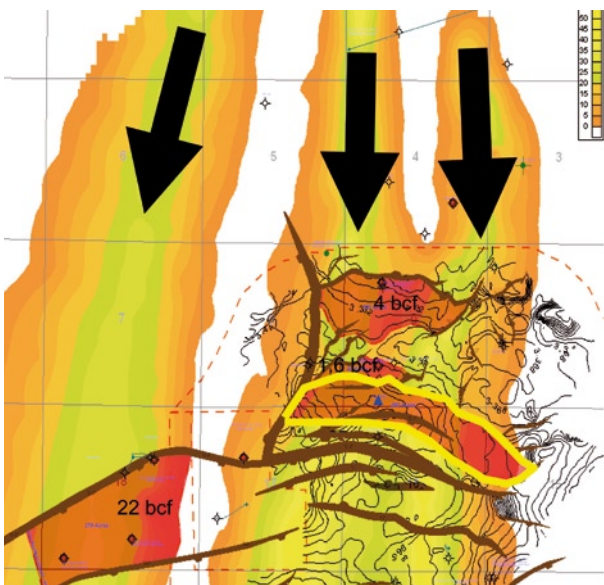
in this project, which covers approximately 85 square miles (54,674 acres). Prospective reserves are 150Bcf to the 100% Working Interest, un-risked. Primary targets are six prospective formations in a range of 3,000 feet to 16,000 feet.

Turner Bayou is on trend with major producing fields such as Port Hudson and Judge Digby that have produced 1.3Tcf and 486Bcf respectively. In addition, the Morganza and Moore Sams fields are in close vicinity and they have produced 432Bcf, and 264Bcf respectively to date. The Turner Bayou Project has always been Pryme's "company-maker" objective since its ASX listing. The board of directors are eager to begin the next phase using the drill bit.

### Kestrel Prospect, Calcasieu Parish, Louisiana

Kestrel has been fully leased and is currently being marketed to third parties for project funding. Interest in the project has been high with three mid-sized oil and gas companies reviewing the data for a second time. Any one of these companies has the capability to be operator. Twenty-five percent (25%) of the project has been sold thus far.

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



Updip Kestrel location to existing downdip production

### Raven Prospect, Lincoln Parish, Louisiana

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

The first well in this project is expected to be drilling mid-June 2007 to a total depth of 10,000 feet to penetrate two primary objectives in the Cotton Valley formation. The project has been classed as an "engineering play" to the extent that more emphasis is given to the drilling and completion techniques and production of the well, as generally most wells in the area will produce natural gas and condensate.

Approximately ten drilling locations have been identified in the project thus far, with the leasing of acreage continuing. Prospective gas reserves to the 100% working interest within the Raven Prospect could be on the order of 50Bcf (20Bcf net to Pryme) according to Wave, based on 5Bcf per well.

### Condor Prospect, Tuscaloosa Trend, Louisiana

The Condor Prospect consists of two 640 acre blocks within the Tuscaloosa "fairway", which in the past 11 years has experienced resurgence in exploration activity, led by Amoco, now BP Plc. The Condor project area includes multiple Tuscaloosa targets that historically, have produced as much as 100Bcf of gas.

Based on external studies, Pryme expects 20-40Bcf in Proved, Undeveloped reserves. Leasing continues in this area, with an estimated drill date late 2007.



BP drilling the deep Tuscaloosa formation near Condor

# Corporate

## 2006 Annual Report

On 4 March 2007, the board of directors proudly dispatched the inaugural annual report for Pryme Oil and Gas Limited. The report outlined the progress of the company throughout the year 2006 and detailed how it ran (like clockwork!) following the successful quotation of Pryme shares on the ASX on 21 April 2006. From inception, Pryme has traded at a premium to its listing price of A\$0.20 and peaking in excess of A\$1.00 per share in July 2006. Last year was extremely busy for Pryme as management endeavoured to lay a very good foundation for real growth throughout this current year.

A full copy of the 2006 Annual Report can be downloaded from our website or by emailing us at [info@prymeoilandgas.com.au](mailto:info@prymeoilandgas.com.au) to request a printed copy.



## Corporate Governance at Pryme

As part of its 2006 Annual Report, the board of directors approved an enhanced corporate governance statement, endorsing wherever applicable the ASX Corporate Governance Council's *Principles of Good Corporate Governance*. A new corporate governance website, can be found at: <http://www.prymeoilandgas.com/governance.htm>, containing all of the Pryme's key governance documentation.

## Annual General Meeting

The Annual General Meeting of shareholders was held on 17 April 2007 at the Brisbane Club in Brisbane. After all resolutions were passed, the Managing Director, Justin Pettett, presented to those in attendance (a copy of the presentation is available via the ASX). The AGM ran smoothly with approximately 25 shareholders and visitors attending.

## Pryme Joins International OTCQX Platform in the US

On 5 April 2007, Pryme upgraded its Level 1 American Depositary Receipt (ADR) to International OTCQX, a new electronic premium market tier in the U.S. for international exchange-listed companies, operated by Pink Sheets, LLC.

International OTCQX provides a gateway to U.S. securities markets by giving public international companies a vehicle to have their shares traded in the U.S. electronically and provide ongoing disclosure to U.S. investors. More importantly, International OTCQX distinguishes the reputable international issuers from the almost 5,000 OTC securities electronically traded on the Pink Sheets. Only leading companies that have substantial operating businesses and provide credible disclosure to the public are eligible for inclusion on the premium-tier International OTCQX, which commenced trading on 5 March 2007.

Pryme's ADRs trade under the code POGLY (CUSIP number 74439B101). Each Pryme Oil and Gas ADR is equivalent to 20 ordinary shares of Pryme Oil and Gas Limited as traded on the ASX. The Bank of New York is the depository bank and the Pryme ordinary shares are held through its nominee ANZ Bank Australia Limited.



Further information can be obtained by visiting the International OTCQX website at [www.otcqx.com](http://www.otcqx.com) and entering Pryme's ADR code: POGLY.

## Placement

On 5 April 2007, Pryme released a short-form prospectus to raise \$3,000,000. On 19 April, Pryme announced that the offer was fully subscribed – 6,666,667 ordinary shares were issued at a price of 45 cents and 3,333,333 attaching options were issued with an exercise price of 40 cents each. The placement money will contribute towards Pryme's extensive drilling program.

For further company information please visit our website at [www.prymeoilandgas.com](http://www.prymeoilandgas.com) or contact:

### Justin Pettett

*Managing Director*

### Pryme Oil and Gas Limited

Telephone: +61 7 3371 1103

Email: [justin@prymeoilandgas.com](mailto:justin@prymeoilandgas.com)

### Ryan Messer

*President*

### Pryme Oil and Gas Inc

Telephone: +1 678 840 2348

Email: [ryan@prymeoilandgas.com](mailto:ryan@prymeoilandgas.com)

# Appendix 5B

## Mining exploration entity quarterly report

**Name of entity** **ABN** **Quarter ended ("current quarter")**  
 Pryme Oil and Gas Limited 75 117 387 354 31 March 2007

### Consolidated statement of cash flows

	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	448	448
1.2 Payments for (a) exploration and evaluation	(2,826)	(2,826)
(b) development	-	-
(c) production	(37)	(37)
(d) administration	(386)	(386)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	37	37
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(2,764)</b>	<b>(2,764)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:	-	-
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:	-	-
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	(2,764)	(2,764)

# Appendix 5B

## Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,764)	(2,764)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
<b>Net financing cash flows</b>		-	-
<b>Net increase (decrease) in cash held</b>			
1.20	Cash at beginning of quarter/year to date	4,786	4,786
1.21	Exchange rate adjustments to item 1.20	(57)	(57)
1.22	<b>Cash at end of quarter</b>	1,965	1,965

### Payments to directors of the entity and associates of the directors

### Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	134
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	N/A

### Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A
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- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A
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# Appendix 5B

## Mining exploration entity quarterly report

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,950
4.2 Development	-
<b>Total</b>	<b>1,950</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,965	4,786
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,965</b>	<b>4,786</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A			
6.2 Interests in mining tenements acquired or increased	N/A			

# Appendix 5B

## Mining exploration entity quarterly report

### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference *securities</b> (description)	N/A	N/A	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	70,262,363	70,262,363	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	N/A	N/A		
7.5 <b>*Convertible debt securities</b> (description)	N/A			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> Listed Options	40,579,041	40,579,041	<i>Exercise price</i> Various	<i>Expiry date</i> 30 June 2008
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> (totals only)	N/A			
7.12 <b>Unsecured notes</b> (totals only)	N/A			

# Appendix 5B

## Mining exploration entity quarterly report

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  ..... Date: 27 April 2007  
 (Director)

Print name: Justin Pettett

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.





ABN 75 117 387 354  
Tel: +61 7 3371 1103 Fax: +61 7 3371 1105  
Level 7 320 Adelaide Street GPO Box 111 Brisbane Queensland 4001  
[www.prymeoilandgas.com](http://www.prymeoilandgas.com)

ATLANTA - BRISBANE - HOUSTON