



5 July 2006

Mr B Donovan
Adviser, Issuers
Australian Stock Exchange Limited
Level 8, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Dear Sir

PRYME OIL AND GAS LIMITED (COMPANY)

I refer to your letter dated 3 July 2006 in regards to the change in the price of the Company's securities from \$0.48 on 29 June 2006 to \$0.895 today and also the increase in the volume of trading in the securities over this period.

We respond to your questions as follows:

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?
 - A. No. As announced in its announcement dated 27 June 2006, the Directors recently completed a trip to the United States and are currently reviewing further opportunities in Louisiana and surrounding areas. In addition, as previously announced, the Directors have commissioned Lenser and Associates of Houston to complete a reserve report on the LaSalle Parish Project which will show Proved, Producing, Probable and Possible reserves by the conservative "deterministic" method required by banking institutions. The Company expects to receive this report in the next 24 hours and announce it shortly thereafter. For this reason, the Company has requested a trading halt pending the release of that announcement. The Company has today agreed to purchase a further interest in the LaSalle Parish Project and will release further details to the market as soon as is practicable and prior to the trading halt being lifted.
2. If the answer to question 1 is yes, can an announcement be made immediately?
 - A. Not applicable.



ASX

AUSTRALIAN STOCK EXCHANGE

FAXED
5 July 2006

Australian Stock Exchange Limited
ABN 98 008 624 691
Level 8
Exchange Plaza
2 The Esplanade
Perth WA 6000

GPO Box D187
Perth WA 6840

Telephone 61 (08) 9224 0025
Facsimile 61 (08) 9221 2020
Internet <http://www.asx.com.au>

Mr Matthew Fogarty
Company Secretary
Pryme Oil and Gas Limited
Level 7
320 Adelaide Street
BRISBANE QLD 4000

By Facsimile: (07) 3371 1105

Dear Matthew

Pryme Oil and Gas Limited (the "Company")

RE: PRICE QUERY

We have noted a change in the price of the Company's securities from \$0.48 on 29 June 2006 to \$0.895 today. We have also noted an increase in the volume of trading in the securities over this period.

In light of the price change and increase in volume, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

In answering this question please address the recent press reports in the West Australian titled "Rumour of the Day". (which I have attached)

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?

4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by facsimile on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 1:00pm WST on Wednesday, 5 July 2006.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

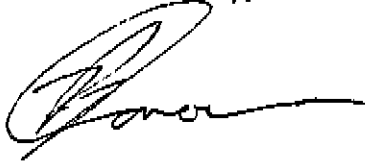
If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ben Donovan', written in a cursive style.

Ben Donovan
Advisor, Issuers

Direct Line: (08) 9224 0025

RUMOUR OF THE DAY

Shares in Essange-based Pyrite Oil & Gas have been on fire since it listed in April. Its shares shot up a further 49 per cent to 25¢ to 32¢ yesterday. Talk is that Pyrite has been running the wild west show in the US and was close to revealing had acquired an interest in a handful of projects. Those who got in on the ground floor are sitting on a 350 per cent gain.