ASX Announcement / Media release **13 September 2006**

Pryme Oil and Gas Reports First-Half Results

Pryme Oil and Gas Limited (ASX Code: PYM), a fast-growing Australian oil and natural gas producer and explorer operating in the U.S., is pleased to announce its first half-yearly results.

Pryme listed on the Australian Stock Exchange (ASX) on 21 April 2006 and whilst the Directors are pleased to be selling oil on a monthly basis, the enclosed financial reports only represent the three months of April, May and June and not the entire half year from January through to the end of June 2006.

Pryme has been producing and selling oil since listing and it acquired an interest in its first oil producing property, the LaSalle Parish Project, effective 1 April 2006 with revenues from operations after royalties of $285,179 and earnings before interest, tax and depreciation (EBITDA) of $188,010 for the U.S. operations. **These figures represent only three months of production out of the six-month reporting period ending 30 June 2006.**

Whilst the Consolidated entity is enjoying strong income from oil sold from this project, the final result for the Consolidated entity is a loss of $(279,168). This is due to the large amount of costs associated with the first three to four months of operation of the Company as a listed entity here in Australia being offset by only three months of revenue from oil sold.

The Directors expect revenues and profitability to increase in the second half of 2006, particularly with the Company's additional interest in the LaSalle Parish Project which was purchased subsequent to this report and has had the effect of increasing revenues by 50%. The Company took ownership of this additional interest from 1 July 2006.

The 2006 half-yearly result was impacted favourably by:

- Successful acquisition of the LaSalle Parish Project;
- Efficient operation of the LaSalle Parish Project by Pryme's operator Belle Oil; and
- Very favourable prices for both oil and gas where Pryme operates in one of the strongest oil and gas producing states in the U.S., Louisiana.

The 2006 half-yearly result was adversely affected by:

- Only the three months of April, May and June being recorded as the Company listed on the ASX on 21 April, 2006 and only took ownership of the LaSalle Parish Project on 1 April 2006; and

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
ATLANTA – BRISBANE – HOUSTON

- High income statement costs offsetting only three months of revenue attributable to the start-up or newly listing of Pryme.

As at 30 June 2006, the balance sheet reported $965,406 in cash and the Company has no debt.

Operations for the half year and looking forward

LaSalle Parish Project
Development work continues at this project with the drilling of development/step-out wells to increase oil production and revenue to the Company. Pryme initially purchased its interest in the LaSalle Parish Project on 19 April 2006, with the assignment of all working interests' rights, title and ownership made to Pryme on that day. Pryme paid US$3,110,000 in cash and 3,300,000 ordinary shares to Mr Jay Stewart and Craig J Sceroler Inc. The effective date of the purchase was 1 April 2006, so that Pryme had accrued 19 days of oil production to be sold at the end of that month.

Subsequent to this report, Pryme increased its working interest in LaSalle Parish in July, boosting its projected cash flow. The additional stake was purchased from Miami-based Anglo Energy Company Inc. on 5 July 2006. The consideration paid was 2,667,000 fully paid shares in Pryme. The additional interest in the LaSalle Parish Project had the affect of increasing Pryme's current net cash flows by approximately 50 per cent, which will be reflected in the next reporting period.

A reserve study was conducted on Pryme's interest in LaSalle Parish. The report was written by R.A. Lenser & Associates of Houston, Texas, an established reservoir engineering firm with large and small corporate clients and known for producing bankable reserve analyses (see: www.ralenser.com). The study was made via the "Deterministic" method, the only one approved by the U.S. Securities & Exchange Commission.

The study, which includes all of Pryme's new aggregate interests on a current basis, shows P2 reserves at LaSalle Parish of 2,869,339 barrels (320,717 net to Pryme) and P1 reserves totaling 2,610,460 gross barrels (287,971 net to Pryme). No Possible reserves were calculated.

This equates to a purchase price of US$15.62 per barrel in the ground when dividing the total amount of net reserves to Pryme by the total purchase price paid for the interests.

The LaSalle Parish Project production is almost 15,000 barrels of oil per month, of which Pryme's share is approximately 1,400 barrels of oil per month. We expect to increase this production rate through development drilling which is continuing in this project. The first step-out well was drilled on 6 June 2006 in the Shirley State Area, called the SU118 No.2. This well is currently flowing around 10 barrels a day while the gas cap is being vented to enable the operator to beginning pumping oil from the formation.

The second development well has been staked and permitted and is awaiting a drilling rig in the Routh Point Field called the WX F RA SUA; the Coleman No.6 well.

Turner Bayou, South Central Louisiana, 3-D Seismic Project
Under the Development agreement with Big Pine Petroleum, Inc., of Downsville, Louisiana and Jennings Resource LLC, of Mandeville, Louisiana, Pryme owns an 80.8% interest in the 3-D seismic shoot in the south central Louisiana trend area known as Turner Bayou.

This will give Pryme the right to a 52% working interest to explore and drill prospects in an onshore trend area that is highly prospective for oil and gas at several intervals between 2,000 and 16,000 feet. This seismic project covers territory of up to 80 square miles (51,200 acres) within an area of mutual interest of some 200 square miles (128,000 acres.)

The group that is driving this initiative is composed of Louisiana geologists, geophysicists and a petroleum engineer, all of who hold a stake in the Company and have successful track records in exploration in the region. Two out of three of Pryme's executive management, both living in the U.S., are members of this project team.

Permitting and optioning of the acreage has commenced and is almost finished. Weems Geophysical out of Houston, Texas has been chosen as the 3-D seismic contractor and work is expected to start on the property within the next ten days.

The sequence of events is as follows:

- Drill shot holes and shoot three dimensional seismic over prospective acreage
- Process and evaluate 3-D data
- Derive and high-grade prospects from data evaluation
- Drill prospects

This project is on schedule and we expect to have the 3-D seismic shot and preliminarily evaluated by the end of this year. First wells are scheduled to be drilled at the beginning of April 2007 with revenue expected from those first wells drilled to be received approximately 3 months after that.

Wave Exploration Projects
In May, Pryme signed a Joint Venture Development Agreement with Wave for the first right of refusal to fund the lease and option costs to secure various project acreage, along with any ancillary 2-D or 3-D

data required to turn projects over to third parties for a profit, while keeping a minimum 20 per cent working interest, also on a "first right of refusal" basis.

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

The scope of projects being targeted by Wave include large oil and intermediate natural gas reserve type targets confirmed with analogue shows or production, and 2-D or 3-D seismic data. In the first Wave project, the Kestrel Prospect, Pryme and Wave have a combined working interest of 100 per cent with Pryme's working interest as high as 80 per cent, depending upon the ultimate negotiated trade for the capitalisation of the Prospect.

Summary

We expect over the next six months for revenues to increase primarily from our additional ownership in the LaSalle Parish Project that was secured on 1 July 2006 and from scheduled development/step-out drilling of additional wells in this project.

We also expect to successfully market and receive our capital back, a cash profit and overriding royalty interests and/or carried working interests from the sale of the Kestrel and other prospects under the Joint Venture with Wave Exploration Group. At the same time we remain focused on the evaluation of Turner Bayou and the 3-D seismic shoot.

For further information please contact:

Justin Pettett
Managing Director
Pryme Oil and Gas Limited
Telephone: +61 07 3371 1103
Email: justin@prymeoilandgas.com
Website: www.prymeoilandgas.com

Dudley White
Savage and Partners
Telephone: +61 02 8282 3235
Email: Dudley@sandp.com.au

Pryme Oil and Gas Limited is a fast-growing Australian oil and natural gas producer and explorer with interests in the U.S., the world's biggest oil market. The company has an exceptional suite of exploration projects focused in Louisiana, the fifth-largest oil-producing state in the U.S. These projects are funded in part by existing cash flow. Pryme's management team has a total of almost 50 years of energy industry experience and has uniquely focused local knowledge, underscored by the proven track records of its managers and directors. Directors of the company are John Dickinson (Non Executive Chairman), Justin Pettett (Managing Director), Ryan Messer (Executive Director) and Ananda Kathiravelu (Non Executive Director).

All references to $ are Australian Dollars unless otherwise indicated.

ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE

13 September 2006

Company Announcements Office
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000

Dear Sir/Madam,

RE: HALF YEAR REPORT (APPENDIX 4D) FOR THE 6 MONTHS ENDED 30 JUNE 2006

The Directors of Pryme Oil and Gas Ltd (the "Company") are pleased to announce the operating results of the Company for the six months ended 30 June 2006 comprising:

- Appendix 4D;
- Directors' Report;
- Financial Report;
- Directors' Declaration; and
- Independent Auditors Review report.

For further information, please visit www.prymeoilandgas.com

Yours faithfully,

JUSTIN PETTETT
Managing Director/CEO

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
ATLANTA – BRISBANE – HOUSTON

Appendix 4D
Half Yearly Report
For the half-year ended 30 June 2006

Name of Entity:	Pryme Oil and Gas Limited
ABN:	75 117 387 354
Reporting Period:	Half Year Ended 30 June 2006
Previous Corresponding Period:	Half Year Ended 30 June 2005

Results for Announcement to the Market	Half year ended 30 June 2006		Half year ended 30 June 2005	% Increase/ (Decrease)
	USA	Consolidated Entity		
Revenues from operations after royalties	285,179	290,128	-	-
Earnings before interest, tax and depreciation (EBITDA)	188,010	(185,513)	-	-
Profit/(Loss) before income tax	125,970	(247,854)	-	-
Profit/(Loss) after income tax	94,656	(279,168)	-	-
Basic earnings per share (cents) (based on total consolidated earnings)	0.5	0.5	-	-
Average USD/AUD exchange rate	0.7431	0.7431	-	-

Note: These financial reports are reported in Australian Dollars unless indicated otherwise. These financial reports only represent three months of operation of the Company being April, May and June 2006 out of the possible six months for the half year period.

Dividends	Amount per security	Franked amount per security	% Increase/ (Decrease)
Interim Dividend	Nil	-	-
Previous Corresponding period	Nil	-	-

Results Commentary

Overview

Pryme listed on the Australian Stock Exchange (ASX) on 21 April 2006 and whilst the Directors are pleased to be selling oil on a monthly basis the enclosed financial reports only represent the months of April, May and June of 2006 and not the entire half year from January through to the end of June.

Pryme has been producing and selling oil from the LaSalle Parish Project since 1 April 2006 with revenues from operations after royalties of $285,179 and earnings before interest, tax and depreciation (EBITDA) of $188,010 for the U.S. operations.

Whilst the Consolidated entity is enjoying strong income from oil sold in this project the final result of the Consolidated entity for this reporting period is a loss of $(279,168). This is due to the large amount of costs associated with the first three to four months of operation of the Company as a listed entity here in Australia being offset by only three months of revenue from oil sold.

The Directors expect revenues and profitability to increase for the second half of 2006, particularly with the Company's additional interests in the LaSalle Parish Project, which were purchased subsequent to the end of the period and have had the effect of increasing revenues by 50%. The Company took ownership of the additional interests from 1 July 2006.

The 2006 half yearly result was impacted favourably by:

- Successful acquisition of the LaSalle Parish Project;
- Efficient operation of the LaSalle Parish Project by Pryme's operator Belle Oil; and
- Very favourable prices for both oil and gas where Pryme operates in one of the strongest oil and gas producing states in the U.S., Louisiana.

The 2006 half yearly result was adversely affected by:

- Only the three months of April, May and June being recorded as the Company listed on the ASX on 21 April, 2006 and recent, thus-far short-term ownership of the LaSalle Parish Project on 1 April 2006; and
- High income statement costs offsetting only three months of revenue attributable to the start-up or new listing of Pryme.

As at 30 June 2006 the balance sheet reported $965,406 in cash and the Consolidated entity has no debt.

The basic earnings per share is based on 52,080,363 shares on issue (restricted and trading) as at 30 June 2006 divided by the profit(loss) for the period.

U.S. Acquisitions

The Company increased its working interest in the Turner Bayou 3-D seismic shoot in south central Louisiana by an additional 12% making it the majority owner in this project with a 52% working interest (approximately 39% net revenue interest.) The Company paid 1,180,363 ordinary shares to Anglo Energy Company for this additional interest.

Results Commentary (Cont')

U.S. Drilling
In the half-year to 30 June 2006, the Company drilled one well which was successful. Subsequent to 30 June 2006 and at the time of writing this report the Company had participated in the drilling of another well in Adams County, Mississippi that had oil shows but was deemed non-commercial resulting in an adjustment of the Company's success rate to 50%.

U.S. Reserves
A reserve study was conducted on Pryme's interest in the LaSalle Parish Project. The report was written by R.A. Lenser & Associates of Houston, Texas, an established reservoir engineering firm with large and small corporate clients and known for producing bankable reserve analyses (see: www.ralenser.com). The study was made via the "Deterministic" method, the only one approved by the U.S. Securities & Exchange Commission.

The study, which includes all of Pryme's new aggregate interests on a current basis, shows P2 reserves at LaSalle Parish of 2,869,339 barrels (320,717 net to Pryme) and P1 reserves totaling 2,610,460 gross barrels (287,971 net to Pryme). No Possible reserves were calculated. This equates to an equivalent purchase price of US$15.62 per barrel in the ground when dividing the total amount of net reserves to Pryme by the total purchase price paid for the interests.

Summary
We expect over the next six months for revenues to increase primarily from our additional ownership in the LaSalle Parish Project that was secured on 1 July 2006 and scheduled development/step-out drilling of additional wells in this project throughout the remainder of the year.

We also expect to successfully market and receive our capital back, a cash profit and overriding royalty and/or carried working interests from the sale of the Kestrel and other Wave prospects under the Joint Venture with Wave Exploration Group. At the same time we remain focused on the evaluation of Turner Bayou and the 3-D seismic shoot.

Control gained over entities having material effect

Pryme Oil and Gas Inc. on 21 April 2006 (Wholly owned subsidiary)

Loss of control of entities having a material effect

N/A

Details of aggregate share of profits (losses) of associated and joint venture entities

N/A

This report is based on:
The accounts have been subject to review

Name: Justin Pettett (Managing Director) Date: 13 September 2006

ABN 75 117 387 354

AND CONTROLLED ENTITIES
HALF-YEAR REPORT 30 JUNE 2006

Contents

Corporate Directory

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

Company Secretary
Mr Matthew Fogarty

Australian Business Number
75 117 387 354

Registered and Principal Office
Level 7, 320 Adelaide Street
BRISBANE QUEENSLAND 4000

Telephone: (07) 3371 1103
Facsimile: (07) 3371 1105

Postal Address
GPO Box 111
BRISBANE QLD 4001

Share Registry
Advanced Share Registry Services
110 Stirling Hwy
NEDLANDS WA 6009

Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

Website
www.prymeoilandgas.com

Australian Auditors
Moore Stephens
Level 25, 71 Eagle Street
BRISBANE QLD 4000

USA Auditors
Malone and Bailey PC
2925 Briarpark Drive Suite 930
Houston, Texas 77042

Australian Bankers
Westpac Bank
260 Queen Street
Brisbane Qld 4000

USA Bankers
Wachovia Bank, NA
761 Powder Springs Road,
Marietta Georgia 30064,

Stock Exchange Listing
Pryme Oil and Gas Limited shares are listed on the Australian Stock Exchange (ASX Code: PYM)

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

Directors Report

The Directors present their report together with the consolidated financial report for the half-year ended 30 June 2006 and the review report thereon.

Directors
The names of the directors who held office during or since the end of the half-year:

Name	Period of Directorship
Executive	
Justin Pettett	Appointed 1 December 2005
Ryan Messer	Appointed 1 December 2005
Non-Executive	
John Dickinson	Appointed 1 December 2005
Ananda Kathiravelu	Appointed 1 December 2005

Operating Results
Production for the half year ended 30 June 2006 of 41,416 barrels (3,099 net to Pryme) of oil represented only three months of production from April, May and June. The Company listed on the ASX on 21 April 2006 and took ownership of its interest in the LaSalle Parish Project effective 1 April 2006. Net revenues after royalties in the U.S. were $285,179 and Earnings before Interest, Tax and Depreciation (EBITDA) were $188,010 for the U.S. operations and ($185,513) for the Consolidated entity, for the three months in the half year ending 30 June 2006. The average oil price received by the Company was US$68.37 per barrel for the three-month period.

Whilst the Company is enjoying strong income from oil sold in this project the final result of the Company for this reporting period is a loss of $(279,168). This is due to the large amount of costs associated with the first three to four months of operation as a listed company here in Australia being offset by only three months of revenue from oil sold.

The Directors expect revenues and profitability to increase for the second half of 2006 particularly with the Company's additional interest in the LaSalle Parish Project which was purchased subsequent to the end of the financial year and which has had the effect of increasing revenues by 50%. The Company took ownership of this additional interest from 1 July 2006.

Cash on hand at the end of the half year was $965,406.

Review of Operations
During the period, the consolidated entity continued its oil and gas exploration and production activities throughout Louisiana in the U.S. In the first half of 2006, $5,894,671 was invested in exploration, evaluation and development activities.

Production
Production for the current period was 3,099 barrels of oil from the LaSalle Parish Project (representing only three months of production).

Directors Report (Cont')

Exploration
Permitting and optioning continued in Turner Bayou, Pryme's south central Louisiana 3-D seismic shoot. Over 31,561 contiguous acres have been permitted with work on the topographical survey and shot holes due to begin in September with the 3-D survey to be completed by the end of 2006.

Lease Acquisitions
The Kestrel Prospect under the joint venture with Wave Exploration has been progressing with the conversion of an option over the majority of the 700 acres leased.

Subsequent Events after Balance Date
Since 30 June 2006 the following subsequent event has occurred:

An increase in working interest in the LaSalle Parish Project was acquired from Anglo Energy Company, for which the consideration paid was 2,667,000 ordinary shares in Pryme.

Adoption of Australian Equivalents to IFRS
This interim financial report has been prepared under Australian equivalents to IFRS. There is no reconciliation of differences to previous GAAP as this is the first year of operations and there are no comparatives.

Auditor's Declaration
The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 8 for the half year ended 30 June 2006

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

Justin Pettett
Managing Director

Dated at Brisbane, Queensland this 13th Day of September 2006

Auditors Independence Declaration

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF Pryme Oil & Gas LTD

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2006 there has been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

Moore Stephens
Chartered Accountants

MJ McDonald
Partner
Brisbane 13th September 2006

Consolidated Income Statement

For the half year ended 30 June 2006

	Note	Economic Entity 30 June 2006	30 June 2005
Revenue	3	290,128	-
Directors Fees		(128,334)	-
Audit Fees		(7,500)	
Lease Operating Expense		(28,155)	-
Formation Expense		(28,542)	-
Legal fees		(24,490)	-
Rental expenses		(2,763)	-
Postage, printing and stationary		(4,933)	-
Travel expenses		(53,969)	-
Depletion and depreciation expense		(62,342)	-
Severance Tax		(32,998)	-
Share registry and listing fees		(17,946)	-
Corporate Retainer		(25,000)	
Other expenses		(121,010)	-
Loss before income tax		(247,854)	-
Income tax expense		(31,314)	-
Loss attributable to members of the parent entity		(279,168)	-
Overall Operations:			
Basic earnings per share - Cents		(0.5) cents	-
Diluted earnings per share - Cents		(0.5) cents	-

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

For the half year ended 30 June 2006

	Note	Economic Entity 30 June 2006	31 December 2005
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		965,406	-
Trade and other receivables	6	828,557	-
TOTAL CURRENT ASSETS		1,793,963	-
NON-CURRENT ASSETS			
Property, plant and equipment		7,462	-
Working Interest	7	5,832,562	-
TOTAL NON-CURRENT ASSETS		5,840,024	-
TOTAL ASSETS		7,633,987	-
CURRENT LIABILITIES			
Trade and other payables		143,078	-
Accrued liabilities		31,943	
TOTAL CURRENT LIABILITIES		175,021	-
NON-CURRENT LIABILITIES			
Trade and other payables		-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		175,021	-
NET ASSETS		7,458,966	-
EQUITY			
Issued capital	9	7,731,766	-
Foreign Exchange Reserves		6,368	
Retained earnings		(279,168)	-
TOTAL EQUITY		7,458,966	-

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half year ended 30 June 2006

	Note	Issued Capital Ordinary	Retained Earnings	Asset Revaluation Reserve	Minority Equity Interests	Total
Balance at 31.12.2004						
Shares issue during the period		-	-	-	-	-
Share issue costs		-	-	-	-	-
Loss attributable to members		-	-	-	-	-
Balance at 30.06.2005		**-**	**-**	**-**	**-**	**-**
Balance at 31.12.2005						
Shares issue during the period		8,268,602	-	6,368	-	8,274,970
Share issue costs		(536,836)	-	-	-	(536,836)
Loss attributable to members		-	(279,168)	-	-	(279,168)
Balance at 30.06.2006		7,731,766	(279,168)	6,368	**-**	7,458,966

The accompanying notes form part of these financial statements.

Cash Flow Statement

For the half year ended 30 June 2006

	Economic Entity	
	30 June 2006	**30 June 2005**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	100,085	-
Payments to suppliers and employees	(392,546)	-
Prepayment & formation expense	(1,077)	-
Interest received	4,949	-
Net cash provided by (used in) operating activities	(288,589)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets		-
Purchase of Property Plant and Equipment	(7,763)	-
Purchase of Working Interest and other assets	(5,888,235)	-
Net cash provided by (used in) investing activities	(5,895,998)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	7,419,425	-
Equity raising costs		-
Loan advancement	(269,433)	-
Proceeds from borrowings		-
Net cash provided by (used in) financing activities	7,149,992	-
Net increase in cash held	965,406	-
Cash at beginning of period	-	-
Cash at end of period	965,406	-

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the half year ended 30 June 2006

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) Principles of Consolidation

A controlled entity is any entity controlled by Pryme Oil & Gas Ltd. Control exists where Pryme Oil & Gas Ltd has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Pryme Oil & Gas Ltd to achieve the objectives of Pryme Oil & Gas Ltd.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowable items. It is calculated using tax rates that have been enacted or are substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

NOTE 1: BASIS OF PREPARATION (Continued)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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 assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount 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 asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

Class of Fixed Asset	Depreciation Rate
Office equipment	25%

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.

NOTE 1: BASIS OF PREPARATION (Continued)

(d) 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 are transferred to entities in the economic entity 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.

(e) 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 which 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.

(f) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

NOTE 1: BASIS OF PREPARATION (Continued)

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirement of AASB 139: Recognition & Measurement of Financial Instruments. Derivatives are also recognized as held for trading unless they are designated as hedges. Realised and recognized gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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 stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognized at amortised cost, comprising original debt less principal payments and recognized.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

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 assess 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 recognized in the income statement.

(g) Cash and Cash Equivalents

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

NOTE 1: BASIS OF PREPARATION (Continued)

(h) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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

Revenue from investment properties is recognised on an accruals or straight line basis in accordance with the lease agreements.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

(i) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(j) 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 statement of financial position are shown inclusive of GST.

(k) Foreign Currency Translation

The functional currency of the overseas subsidiary, Pryme Oil & Gas, Inc is United Stated dollars ($US).

As at the reporting date the assets and liabilities of this overseas subsidiary are translated into the presentation currency of Pryme Oil & Gas Ltd at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average rates for the period. The exchange differences arising on the retranslations are taken directly to a separate component of equity.

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

No reconciliation between Australia GAAP and AIFRS is required under AASB 1 as this is the first year of operations and there are no comparatives.

	Economic Entity	
	30 June 2006	30 June 2005
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES		
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Oil & Gas Revenue	(285,179)	-
Other income	(4,949)	-
	(290,128)	-

NOTE 4: DIVIDENDS

There were no ordinary dividends declared or paid during the year (2005: $Nil).	-	-

NOTE 5: SEGMENT REPORTING

Business Segment

The consolidated entity operates predominantly in the exploration and development of properties for the production of oil and gas.

Geographic Segment

Geographic segment	AUS	USA	Elimination	Consolidated
Income	4,949	285,179	-	290,128
Depletion & Depreciation	301	62,040	-	62,341
Segments results before tax	(373,824)	125,970	-	(247,854)
Income tax	-	31,314	-	31,314
Assets	7,437,392	6,519,816	(6,323,222)	7,633,986
Liabilities	(79,451)	(6,424,919)	6,329,349	175,021

	Economic Entity	
	30 June 2006	31 December 2005

NOTE 6: RECEIVABLES

CURRENT		
Trade Debtors	185,094	-
Other Debtors	583,445	-
GST Receivable	60,018	-
	828,557	-

Other debtors includes, loan receivable lent to an unrelated party. The loan is secured by a promissory note, is non-interest bearing, and is due upon demand. The Company loaned additional funds subsequent to June 30, 2006 and the total loan was paid in full on August 23, 2006.

NOTE 7: WORKING INTEREST

Exploration expenditure capitalised		-
-exploration phase	1,147,314	-
	1,147,314	-
Production phase	4,747,357	-
Accumulated depletion	(62,109)	-
	4,685,248	-
	5,832,562	-

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

After the reporting date the following events occurred:-

- The Company purchased working interest in the LaSalle Parish Project from Anglo Energy Company for which consideration paid was 2,667,000 ordinary shares in Pryme.
- The Company issued 3,500,000 options to First Capital Corporate Ltd as well as 1,500,000 options to specific parties by approval at a General Meeting of Shareholders held on the 20th of July 2006.
- Shareholder approval was obtained at the General Meeting held on the 20th of July 2006, for John Dickinson, Justin Pettett and Ryan Messer to be entitled to participate in the Director Incentive Option Plan (DIOP) and the Director Incentive Share Plan (DSIP). This shareholder approval allows John Dickinson and Ryan Messer to each receive up to a total of 3,450,000 Options under the DIOP and a total of 1,380,000 Shares each under the DSIP provided that specified performance hurdles are met. Justin Pettett may receive up to a total of 5,000,000 Options under the DIOP and a total of 2,000,000 Shares under the DSIP provided that specified performance hurdles are met. As at the date of this Prospectus no Options or Shares have been issued to any of the Directors under the DIOP or DSIP.

NOTE 9: ISSUED CAPITAL

Fully paid ordinary shares	8,268,602	-
Capital Raising Cost	(536,836)	-
	7,731,766	-
Ordinary shares issued during the half year:	52,080,363	

Directors Declaration

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 20:

    a. Comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporation Regulations 2001; and

    b. Give a true and fair view of the economic entities financial position as at 30 June 2006 and of its performance for the half year ended on that date.

2. In the directors opinion there are reasonable grounds to believe that the company will be able to pay its debts as and what they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors

Director Justin Pettett

Dated this 14th Day of September 2006

Independent Review Report

Scope

We have reviewed the financial report of Pryme Oil & Gas Ltd for the half-year ended 30 June 2006 as set out on pages 9 to 21. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/ Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pryme Oil & Gas Ltd is not in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

MOORE STEPHENS
Chartered Accountants

M J McDonald
Partner
Brisbane, 13th September 2006