



PRYME OIL AND GAS LIMITED

ABN 75 117 387 354

SHORT FORM PROSPECTUS

For the conditional offer of 6,666,667 fully paid ordinary Shares at an issue price of 45 cents each (with a free attaching option for every 2 Shares subscribed for) to raise up to approximately \$3,000,000 (Placement Offer).

Cygnnet Capital Pty Ltd
(ABN 83 103 488)

Managers of the Offer:
and

First Capital Corporate Limited
(ABN 37 112 297 953)

IMPORTANT NOTICE

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act 2001. This Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type but refers to another document, the information of which is deemed to be incorporated in this Prospectus.

IMPORTANT NOTICE

This Prospectus is dated 5 April 2007.

A copy of this Prospectus was lodged with the ASIC on 5 April 2007. The ASIC takes no responsibility for the contents of this Prospectus.

No Securities will be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus.

This Prospectus will be issued in paper form and as an electronic Prospectus. The offer of Securities pursuant to this Prospectus is available to persons receiving an electronic version of this Prospectus in Australia. The Corporations Act prohibits any person from passing onto another person the Application Form unless it is attached to or accompanied by the complete and unaltered version of this Prospectus. During the Offer Period a person may obtain a hard copy of this Prospectus by contacting the Company.

Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisers before deciding whether to apply for Securities. There are risks associated with an investment in the Company and the Securities offered under this Prospectus must be regarded as a speculative investment. The Securities offered under this Prospectus carry no guarantee with respect to return on capital investment or the future value of the Securities.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer of Securities in any place in which, or to any person to whom, it would not be lawful to make the Offer.

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type. Rather, the Prospectus incorporates by reference information contained in documents that have been lodged with the ASIC.

This Prospectus refers to the prospectus issued by the Company dated 3 March 2006 (**IPO Prospectus**), and to the Prospectus issued by the Company dated 28 July 2006 (**July 2006 Prospectus**) and to the Prospectus issued by the Company dated 20 September 2006 (**September 2006 Prospectus**) and to the Company's 2006 Annual Report for the financial year ended 31 December 2006 (**Annual Report**).

In referring to the IPO Prospectus, the July 2006 Prospectus, the September 2006 Prospectus and the Annual Report, the Company:

- (a) identifies the IPO Prospectus, the July 2006 Prospectus, the September 2006 Prospectus and the Annual Report as being relevant to the offers of Securities pursuant to this Prospectus and containing information that will provide investors and their professional advisers information to assist them in making an informed assessment of:
 - (i) the rights and liabilities attaching to the Securities;

- (ii) the capacity of the Company to issue the Securities; and
 - (iii) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company;
- (b) refers investors and their advisers to Section 4.2 of this Prospectus which summarises the information in the IPO Prospectus deemed to be incorporated in this Prospectus;
- (c) refers investors and their advisers to Section 4.3 of this Prospectus which summarises the information in the July 2006 Prospectus deemed to be incorporated in this Prospectus;
- (d) refers investors and their advisers to Section 4.4 of this Prospectus which summarises the information in the September 2006 Prospectus deemed to be incorporated in this Prospectus;
- (e) refers investors and their advisers to Section 4.5 of this Prospectus which summarises the information in the Annual Report deemed to be incorporated in this Prospectus;
- (f) informs investors and their advisers that they are able to obtain, free of charge, a copy of the IPO Prospectus, the July 2006 Prospectus, the September 2006 Prospectus or the Annual Report by contacting the Company at its registered office during normal business hours between the date of this Prospectus and the Closing Date; and
- (g) advises that the information in the IPO Prospectus, the July 2006 Prospectus, the September 2006 Prospectus and the Annual Report will be primarily of interest to investors and their professional advisers and analysts.

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1. 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)

Mr Phillip Judge (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

Website

www.prymeoilandgas.com

Auditor

Moore Stephens
Chartered Accountant
Level 25, 71 Eagle Street
BRISBANE QLD 4000

Share Registry

Advanced Share Registry Services*
110 Stirling Hwy
NEDLANDS WA 6009

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

Solicitors

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

Managers to the Offer

Cygnnet Capital Pty Ltd*
Unit 4
26 Clive Street
WEST PERTH WA 6005

Telephone: (08) 9226 5511

First Capital Corporate Limited*
Unit 3 16 Bellevue Mansions
Bellevue Terrace
WEST PERTH WA 6005

Telephone: (08) 9322 6940

*These entities have not been involved in the preparation of any part of this Prospectus and have not consented to being named in the Prospectus. Their names are included for information purposes only.

2. INVESTMENT OVERVIEW

2.1 Important Notice

This section is not intended to provide full information for investors intending to apply for the Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

2.2 Summary of the Placement Offer

Placement Offer price:	\$0.45
Number of Shares offered under Placement Offer:	6,666,667
Number of Shares on issue following Placement Offer:	76,929,030
Number of Options offered under the Placement Offer:	3,333,334
Number of Options to be issued to Cygnet Capital	750,000
Number of Options on issue following Placement Offer ¹ :	44,662,375
Funds raised before expenses of Placement Offer:	\$3,000,000

¹ As at the date of this Prospectus the Company has 4,225,000 options on issue which are exercisable at 20 cents each on or before 30 June 2008, and 36,354,041 options which are exercisable at 40 cents each on or before 30 June 2008. In addition, under the mandate with First Capital Corporate, First Capital Corporate will subject to shareholder approval be entitled to receive 750,000 Options (refer to Sections 2.6 and 3.2 for further details on this issue). The Options to be issued to First Capital Corporate may not be issued until the Company obtains shareholder approval, due to First Capital Corporate being a related party of the Company.

2.3 Indicative Timetable of the Placement Offer

Lodgement of Prospectus with the ASIC:	5 April 2007
Opening Date:	5 April 2007
Annual General Meeting	17 April 2007
Closing Date (5:00pm WST):	18 April 2007
Dispatch of Holding Statements:	20 April 2007

2.4 Purpose of the Offer

To raise additional working capital to replenish working capital in readiness to pursue programs on the basis of the results of the Turner Bayou 3D shoot, anticipated to become available in May 2007, of which Pryme holds a 52% working interest and subsequent drilling program in this project planned to begin in July.

2.5 Use of Proceeds

It is intended to apply the funds raised from the Placement Offer as follows*:

Description	Amount
	\$
Drilling costs of first six Frio wells in Turner Bayou	2,730,000
Working Capital	63,767
Expenses of the Offer	206,233
Total	<u>\$3,000,000</u>

* Assumes that the Placement Offer is fully subscribed.

In the event that the number of Shares subscribed for under the Placement Offer is less than full subscription (of approximately \$3,000,000), the Company will scale

back from its intended use of the proceeds of the Placement Offer (less expenses) in the following order:

- (a) The drilling of three Frio wells in Turner Bayou amounting to \$1,320,000;
- (b) the Expenses of the Offer by up to \$180,000.

2.6 Capital Structure

The capital structure of the Company following completion of the Placement Offer is summarised below:

Shares	Number
Shares on issue at the date of Prospectus	70,262,363
Shares now offered under the Placement Offer	<u>6,666,667</u>
Total Shares on issue at completion of the Placement Offer and FCC Offer*	<u>76,929,030</u>
Options	Number
Existing Options on issue at the date of Prospectus	40,579,041
Options now offered under the Placement Offer	3,333,334
Options to be issued to Cygnet Capital	<u>750,000</u>
Total Options on issue at completion of the offers* ¹	<u>44,662,375</u>

Notes:

* Assumes that the Placement Offer is fully subscribed.

¹ In addition to the Options issued on completion of the Placement and to Cygnet Capital, the Company proposes to issue 750,000 Options to First Capital Corporate in part consideration for its assistance with the management of the Placement Offer. The issue of these Options is subject to the Company approving the issue in general meeting because First Capital Corporate is a related party of the Company. As at the date of this Prospectus the Company intends to hold a general meeting with respect to the proposed issue in May or June 2007.

3. DETAILS OF THE OFFER

The Company is making a conditional offer pursuant to this Prospectus, namely the Placement Offer.

3.1 The Placement Offer

By this Prospectus, the Company conditionally offers for subscription up to 6,666,667 Shares at an issue price of \$0.45 per Share to raise up to approximately \$3,000,000 together with one free attaching Option for every two Shares subscribed for. Only those investors invited by the Board may apply for the Placement Offer. Accordingly, do not complete the Placement Offer Application Form unless requested by the Directors.

The Placement Offer is conditional on the Company having sufficient capacity to issue all of the Securities offered under the Placement offer in accordance with the Listing Rules. Whether the Company will have sufficient capacity to issue the Securities is conditional on shareholder approval being obtained to certain resolutions in the Annual General Meeting. Please refer to Section 3.4 of this Prospectus for details regarding the resolutions to be considered in the Annual General Meeting.

If the Company does not have capacity to issue the Securities offered under this Prospectus within 4 months of the date of this Prospectus, the Placement Offer will not proceed and all application monies and respective Application Forms will be returned.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue. Please refer to Section 7.1 of this Prospectus for a summary of the rights attaching to the Shares offered pursuant to this Prospectus.

The Options offered under the Placement Offer will be on the terms and conditions set out in Section 7.2 of this Prospectus.

3.2 Managers to the Offer

The Company has entered into mandates with both of Cygnet Capital and First Capital Corporate to engage the Managers to act as financial and corporate advisors with respect to the Placement Offer on a best endeavours basis.

Pursuant to a mandate letter dated 26 March 2007 entered by the Company and Cygnet Capital, Cygnet Capital has agreed to introduce private investors to assist the Company to raise \$1,500,000 pursuant to this Prospectus on a best endeavours basis. In return for Cygnet Capital's assistance to the Company, Cygnet Capital will receive 750,000 Options and a fee of 6% of the capital raised through investment by Cygnet Capital's introduced investors (being a maximum fee of \$90,000). In addition, Cygnet Connect, a division of Cygnet Capital has been engaged in respect of assisting the Company with future roadshow presentations for a fee of \$12,500 (refer to Section 9.9 for further details regarding this separate agreement).

By letter agreement dated 2 April 2007, the Company also engaged First Capital Corporate to act as financial and corporate advisor and to introduce private investors to the Company to assist the Company raise \$1,500,000 pursuant to this Prospectus on a best endeavours basis. First Capital Corporate is a related party of the Company because it is controlled by Ananda Kathiravelu, a director of

the Company. In return for First Capital's assistance to the Company, First Capital Corporate will receive 750,000 Options subject to obtaining shareholder approval by the Company in general meeting, and a fee of 6% of the capital raised through investment by First Capital Corporate's introduced investors (being a maximum of \$90,000).

3.3 Minimum Subscription – Placement Offer

The minimum subscription of the Placement Offer is \$1,500,000. No Shares or Options will be allotted or issued by this Prospectus in respect of the Placement Offer until the minimum subscription is reached. If the minimum subscription is not received within 4 months after the date of this Prospectus all application monies will be refunded in accordance with the Corporations Act.

3.4 Oversubscriptions

Oversubscriptions will not be accepted.

3.5 How to Apply for Securities under the Placement Offer

Applications for Securities under the Placement Offer by investors must be made using the Placement Offer Application Form which is attached to or accompanies this Prospectus (**Placement Offer Application Form**).

Payment for Shares must be made in full at the issue price of \$0.45 per Share. Completed Application Forms and accompanying cheques must be mailed or delivered to:

By Post: Pryme Oil and Gas Limited, GPO Box 111, Brisbane, Queensland, 4001

or

By Hand: Pryme Oil and Gas Limited, Level 7, 320 Adelaide Street, Brisbane, Queensland, 4000

by no later than the Closing Date.

Cheques and drafts should be made payable to "Pryme Oil and Gas Limited – Placement Offer" and crossed "Not Negotiable".

3.6 Underwriting

The Placement Offer is not underwritten.

3.7 Allotment

It is anticipated that allotment of Securities offered under the Placement Offer by this Prospectus will take place in accordance with the timetable set out in Section 2.3 of this Prospectus.

Prior to allotment of the Securities under the Placement Offer, all application monies will be held in trust for applicants. The Company will retain any interest earned on the application monies.

The Directors reserve the right to allot Securities under the Placement Offer in full for any application or to allot any lesser number or to decline any application. Where the number of Securities allotted under the Placement Offer is less than

the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the applicant within seven (7) days of the allotment date.

No Securities will be allotted and issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus.

3.8 ASX Quotation

Application to ASX for admission of the Shares and Options to Official Quotation will be made by the Company within seven (7) days of the date of this Prospectus. If the Shares and Options under the Placement Offer are not admitted to Official Quotation on ASX within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares and Options offered under the Placement Offer will be granted. All applications will be dealt with in accordance with Section 724 of the Corporations Act.

3.9 CHESS

The Company participates in the Clearing House Electronic Subregister System (CHESS). CHESS is operated by ASX Settlement and Transfer Corporation Pty Ltd (ASTC), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASTC Settlement Rules,

Under CHESS, the Company will not issue certificates to investors. Instead, subscribers will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send a CHESS statement to the investor.

3.10 Risk Factors

Prospective investors in the Company should be aware that subscribing for Shares through this Prospectus involves a number of risks. These risks are set out in Section 8 this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 8, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares. Accordingly, an investment in the Company should be considered speculative.

3.11 Financial Forecasts

The Directors have considered the matters set out in ASIC Policy Statement 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projected information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

3.12 Enquiries

If you have any questions concerning the Placement Offer, please contact:

Cygnnet Capital
Phone: (08) 9226-5511

First Capital Corporate
Phone: (08) 9322 6940

or contact your professional adviser.

3.13 Privacy Statement

The Company collects information about each Applicant from an Application Form for the purposes of processing the Application Form and, if the Applicant is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's share registry, the Company's related bodies corporate, agents, contractors and third party service providers, (including mailing houses), ASX, the ASIC and other regulatory authorities.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

4. INFORMATION DEEMED TO BE INCORPORATED

4.1 Short Form Prospectus

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type, however it incorporates by reference information contained in a document that has been lodged with the ASIC.

Specifically this Prospectus incorporates by reference specific sections of the IPO Prospectus, the July 2006 Prospectus, the September 2006 Prospectus and the Annual Report.

The Company informs investors and their professional advisers that they are able to obtain, free of charge, a copy of the IPO Prospectus, the July 2006 Prospectus, the September 2006 Prospectus and the Annual Report by contacting the Company at its registered office during normal business hours until the Closing Date. Each of the IPO Prospectus, the July 2006 Prospectus, the September 2006 Prospectus and the Annual Report will also be available by searching the ASIC's records in relation to the Company.

4.2 IPO Prospectus

Set out below is a summary of the information contained in the IPO Prospectus that is deemed to be incorporated in this Prospectus to assist investors and their professional advisers to determine whether, for the purposes of making an informed investment decision in relation to the issue of the Shares pursuant to this Prospectus, they should obtain a copy of the IPO Prospectus.

The Sections referred to below are a reference to sections in the IPO Prospectus of the Company.

Section 1 – Corporate Summary (Page 8)

This section of the IPO Prospectus contains a summary of the Company's history and the conditional acquisitions of oil fields by the Company following the date of the IPO Prospectus.

Section 2.1 – Company Strategy (Page 9)

This section of the IPO Prospectus contains a summary of the proposed strategy of the Company to further test and develop several hydrocarbon prospects in LaSalle Parish Louisiana, the Louisiana Prairie and potentially the United States Gulf Coast region, the Midwest and the Rocky Mountains.

Section 2.2 - LaSalle Parish Project Overview (Page 10)

This section of the IPO Prospectus contains a summary of the LaSalle Parish project.

Section 2.3 – Exploration and Development (Page 13)

This section of the IPO Prospectus contains a summary of the exploration and development in the testing of the Louisiana Prairie Venture (**LPV**) for oil and gas with three-dimensional seismic technology, the use of the modern three-

dimensional seismic methodology and the timeline of events and strategy on the LPV.

Section 3 – The Industry (Page 17)

This section of the IPO Prospectus contains a summary of the natural gas and oil supply and demand in the United States and other parts of the world.

Section 5 – Directors and Corporate Governance (Page 23)

This section of the IPO Prospectus contains a summary of the Company's Directors and corporate governance policy.

Section 6 – Independent Geologist's Report (Page 26)

This section of the IPO Prospectus contains an independent geologist's report prepared by Certified Petroleum Geologists dated 13 February 2006 on the Ruth Point Field, the Northwest Rogers Area, the Petro Unit el al Lease, the Shirley State area, the Ward Lease and the LA Pacific SU65 Ray 2-6 SU 56.

Section 11 – Additional information (Page 83)

This section of the IPO Prospectus contains additional information including:

- (a) rights attaching to shares in the Company;
- (b) remuneration of directors of the Company;
- (c) fees and benefits to be rendered in connection with the formation or promotion of the Company and the offer of shares in the IPO Prospectus;
- (d) consents of parties in relation to their roles;
- (e) ASX restriction on shares;
- (f) expenses of the offer of shares in the IPO Prospectus;
- (g) litigation;
- (h) electronic receipt of the IPO Prospectus; and
- (i) taxation consequences of acquiring and disposing of shares.

4.3 July 2006 Prospectus

Set out below is a summary of the information contained in the July 2006 Prospectus that is deemed to be incorporated in this Prospectus to assist investors and their professional advisers to determine whether, for the purposes of making an informed investment decision in relation to the issue of the Securities pursuant to this Prospectus, they should obtain a copy of the July 2006 Prospectus.

The Sections referred to below are a reference to sections in the July 2006 Prospectus of the Company.

July 2006 Prospectus

Section 4 – Investment Overview (Page 8)

This section of the July 2006 Prospectus contains a summary of the purpose of the offer made in the July 2006 Prospectus and the use of proceeds. This section also summarised the capital structure.

Section 5 – Details of Offer (Page 10)

This section of the July 2006 Prospectus contains a summary of the offer made in the July 2006 Prospectus.

Section 7 – Company Overview (Page 18)

This section of the July 2006 Prospectus contains an update of the activities of the Company since the IPO Prospectus. This section summarises the three main projects of the Company, being: the LaSalle Parish Project, South-Central Louisiana 3-D Seismic Project, and the Wave Exploration Projects. It also outlines the terms of the Directors' Incentive Option Plan (**DIOP**) and the Directors' Share Incentive Plan (**DSIP**). This section also confirms that an advisory committee has been established by the Company to assist the Board in its assessment of projects.

Section 11 – Additional information (Page 37)

This section of the July 2006 Prospectus contains additional information including:

- (a) market price of shares;
- (b) taxation;
- (c) legal proceedings;
- (d) continuous disclosure obligations of the Company;
- (e) disclosure of relevant interests in the Company;
- (f) remuneration of directors of the Company;
- (g) fees and benefits to be rendered in connection with the formation or promotion of the Company and the offer of shares in the July 2006 Prospectus;
- (h) material contracts including the management agreement with First Capital Corporate Limited relevant to the offer under the July 2006 Prospectus, the Executive Services Agreement between the Company and Ryan Messer, the Wave Exploration Joint Venture Agreement, the Joint Venture Participation Agreement – 3D Seismic Project in South Central Louisiana and the terms of appointment of Advisory Committee Members;
- (i) consents of parties in relation to their roles;
- (j) expenses of the offer of shares in the July 2006 Prospectus; and

- (k) options issued to persons in accordance with approvals under the General Meeting.

4.4 September 2006 Prospectus

Set out below is a summary of the information contained in the September 2006 Prospectus that is deemed to be incorporated in this Prospectus to assist investors and their professional advisers to determine whether, for the purposes of making an informed investment decision in relation to the issue of the Securities pursuant to this Prospectus, they should obtain a copy of the September 2006 Prospectus.

The Sections referred to below are a reference to sections in the September 2006 Prospectus of the Company.

September 2006 Prospectus

Section 4 – Investment Overview (Page 8)

This section of the September 2006 Prospectus contains a summary of the purpose of the offer made in the September 2006 Prospectus and the use of proceeds. This section also summarised the capital structure.

Section 5 – Details of Offer (Page 10)

This section of the September 2006 Prospectus contains a summary of the offer made in the September 2006 Prospectus.

Section 7 – Company Overview (Page 19)

This section of the September 2006 Prospectus contains an update of the activities of the Company since the IPO Prospectus and the July 2006 Prospectus. This section summarises the three main projects of the Company, being: the LaSalle Parish Project, South-Central Louisiana 3-D Seismic Project, and the Wave Exploration Projects. This section also refers to the fact that the offer of shares pursuant to the July 2006 Prospectus did not reach the minimum subscription within the offer period and that the Company returned all application monies and did not issue any Securities under the July 2006 Prospectus (other than 3,500,000 FCC Options).

Section 8 – Effect of the Offer on the Company (page 21)

This section of September 2006 Prospectus contains an unaudited pro forma consolidated statement of financial position of the Company as at 30 June 2006 incorporating the effect of the offer under the September 2006 Prospectus, the issue of options to First Capital Corporate Ltd and the approval of the Director Incentive Option Plan (DIOP) and the Director Incentive Share Plan (DSIP).

Section 9 – Terms and Conditions of Options and Rights attaching to Shares (page 25)

This section of the September 2006 Prospectus contains a summary of the rights attaching to Shares as well as the terms and conditions of the options under the September 2006 Prospectus.

Section 11 – Additional information (Page 34)

This section of the September 2006 Prospectus contains additional information including:

- (a) market price of shares;
- (b) taxation;
- (c) legal proceedings;
- (d) continuous disclosure obligations of the Company;
- (e) disclosure of relevant interests in the Company;
- (f) remuneration of directors of the Company;
- (g) fees and benefits to be rendered in connection with the formation or promotion of the Company and the offer of shares in the September 2006 Prospectus;
- (h) material contracts including the management agreement with First Capital Corporate Limited relevant to the offer under the September 2006 Prospectus;
- (i) consents of parties in relation to their roles;
- (j) expenses of the offer of shares in the September 2006 Prospectus; and
- (k) shares and options issued to persons in accordance with a placement to investors within the sophisticated and professional investor categories of Section 708 of the Corporations Act announced to ASX on 11 September 2006.

4.5 2006 Annual Report

Set out below is a summary of the information contained in the Annual Report that is deemed to be incorporated in this Prospectus to assist investors and their professional advisers to determine whether, for the purposes of making an informed investment decision in relation to the issue of the Securities pursuant to this Prospectus, they should obtain a copy of the Annual Report.

The Sections referred to below are a reference to sections in the Annual Report of the Company.

Annual Report

Corporate Governance Statement (pages 13 to 18)

This section of the Company's Annual Report sets out the Corporate Governance Statement that the Board has adopted in accordance with the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*.

Directors Report (pages 19 to 31)

This section of the Company's Annual Report summarises the background and experience of each of the Directors of the Company and the Advisory Board. In addition, this provides an overview of the operations and activities of the Company (and its subsidiaries) with respect to its operational requirements in the US.

The section also provides information regarding the Directors' remuneration and interests in securities in the Company.

Financials (pages 33 to 49)

This section of the Company's Annual Report summarises the financial accounts of the Company.

Audit Report (pages 50 to 51)

This section incorporates the independent audit report to members of the Company, in relation to the Financial Section of the Annual Report, given by Moore Stephens.

Shareholder Information (pages 52 to 54)

This section sets out information regarding the Company's capital structure, substantial shareholders, shareholder distribution and top 20 shareholders.

5. COMPANY OVERVIEW

5.1 Overview

A comprehensive overview of the Company is set out in the IPO Prospectus that was lodged with ASIC on 3 March 2006. Comprehensive updates of the Company's activities since the lodgement of the IPO Prospectus are set out in the July 2006 Prospectus, the September 2006 Prospectus and the Annual Report. Persons considering subscribing for Securities under this Prospectus should refer to Section 4 of this Prospectus for a summary of the information contained in the IPO Prospectus, the July 2006 Prospectus, the September 2006 Prospectus and the Annual Report deemed to be incorporated in this Prospectus.

Pryme was admitted to the Official List on 19 April 2006 with official quotation of its Shares commencing on 21 April 2006.

Under the ASX Listing Rules, 13,434,000 Shares were subject to escrow restrictions of which 3,300,000 Shares have been released from escrow. There are currently 10,134,000 Shares escrowed for 24 months from the date of official quotation of Shares.

The balance of the issued Shares of the Company being 60,128,363 Shares, are quoted on ASX.

The Company currently has 40,579,041 options on issue.

5.2 Update on activities of the Company

The Company's activities have been disclosed in the Annual Report and announcements to the ASX. In summary, since the September 2006 Prospectus the Company has continued to work on its projects as follows:

(a) LaSalle Parish Project

The Company drilled the first well in this project in May 2006 (the Shirley SU118 No.2 well). The well was successfully drilled to a total depth of 4,400 feet and encountered five feet of the G-1 sand. A core analysis indicated excellent permeability and the completion of the well has begun with the running of well casing. Commercial oil shows were also recovered from two other secondary objectives, the F-1 and the F-4 sands which each contained 4 feet of pay. Marginal oil shows were also recovered from the C-2 sand and the F-2 intervals. The F-1 and the F-4 zones will be kept as Proved, Undeveloped formations for future recompletion up the hole. The well was completed and is currently producing 23 barrels of oil per day. Belle Oil, the operator intends to monitor the well over the coming months to look at increasing the production to an optimum rate without harming the formation.

The Coleman No. 7 development well was the second well to be drilled in September 2006. It was brought into production on 13 December 2006 flowing on its own at rates increasing daily to its current level of approximately 65 barrels of oil per day with no water on an 11/64th choke and tubing pressure of 125 pounds per square inch gauge.

The Northwest Rogers No.16 and No.17 wells were drilled back to back in the Northwest Rogers Field in late December. The Northwest Rogers No.16 well was successfully drilled to a total depth of 1,614 feet. The Northwest Rogers No. 17 well was successfully drilled to a total depth of 1,683 feet. The results of the drilling indicate permeability and the indication of pure hydrocarbons. Both wells have been successfully completed and are producing 43 barrels of oil per day each.

(b) **Turner Bayou 3-D Seismic Project**

The shooting of this project is scheduled to be completed by the end of April with the Company currently processing and interpreting seismic data as it is shot. The 80 square mile objective coverage of the project is located in an onshore trend area that is highly prospective for oil and gas at several intervals between 2,000 feet and 16,000 feet. The main oil and gas objectives at different depths in this project are: the Miocene and Frio sands; the Cockfield/Yegua and Sparta sands; Wilcox sands; Austin Chalk and the Tuscaloosa sands. The initial drilling program is scheduled to begin in June or July of 2007.

(c) **Wave Exploration Joint Venture**

A number of projects targeted by the Wave Joint Venture are discussed. In summary the status of those projects is:

Raven Prospect

The Raven Prospect consists of drilling in the fairway of the Cotton Valley natural gas trend in Lincoln Parish, Louisiana. Pryme has elected to retain an undivided 40% working interest in this project for its own account, which includes a carried working interest, because of the favourable risk-to-reward ratio that characterises the region. The other 60% will be held by Nelson Energy of Shreveport, Louisiana.

Approximately 10 drilling locations have been identified in the project with the leasing of acreage continuing to expand the project size beyond its original scope.

Kestrel Prospect

Kestrel has been fully leased and is currently being marketed to third parties for project funding.

Condor Prospect

The Condor Prospect is located along the Tuscaloosa Trend in central Louisiana. Pryme expects to have its leasing completed by mid 2007 and then the marketing of the project will begin.

The Company has also upgraded its Level 1 American Depository Receipt (**ADR**) to International OTCQX, a new electronic exchange platform in the United States of America for international exchange-listed companies, operated by Pink Sheets, LLC.

6. FINANCIAL INFORMATION

Set out below is:

- (a) an unaudited pro forma consolidated statement of financial position of the Company as at 31 December 2006; and
- (b) an unaudited pro forma consolidated statement of financial position of the Company as at 31 December 2006 incorporating the effect of the Offer.

Pryme Oil & Gas Ltd			
Consolidated Proforma Statement of Financial Position			
	Proforma Transactions (unaudited)		
	Audited 31/12/2006	Prospectus Offer	Proforma 31/12/2006
ASSETS			
CURRENT ASSETS			
Cash at Bank	4,784,829	2,793,767	7,578,596
Trade and other receivables	112,712		112,712
Other current assets	15,514		15,514
Total Current Assets	4,913,055		7,706,822
NON-CURRENT ASSETS			
Trade and other receivables	-		-
Investment accounted for using Equity method	3,130,786		3,130,786
Plant and equipment	6,503		6,503
Formation costs	1,077		1,077
Working interest in projects	7,385,404		7,385,404
Total Non-Current Assets	10,523,770		10,523,770
TOTAL ASSETS	15,436,825		18,230,592
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	439,696		439,696
Total Current Liabilities	439,696		439,696
NON-CURRENT LIABILITIES			
	-		-
TOTAL LIABILITIES	439,696		439,696
Equity			
Paid Up Capital	14,952,733	2,793,767	17,746,500
Reserves	2,092,011		2,092,011
Accumulated loss	(2,047,615)		(2,047,615)
Parent Interest	14,997,129		17,790,896
TOTAL EQUITY	14,997,129		17,790,896

Pro forma Transactions

1. Short Form Prospectus Offer:-

	Share	Option	AU\$
(i) Shares offered under the Offer at an issue price of 45 cents	6,666,667		\$3,000,000
One free attaching option for every two shares issued		3,333,334	-
Less: Issue costs			
• Cash consideration			(\$206,233)
• Issue of 1,500,000 options (see note 3 and 4 below)		1,500,000	-
			<u>\$2,793,767</u>

- The exercise prices of Options as per 1(i) above are at 40 cents per Option.
- The issue of Options in satisfaction of broker costs have been based on an estimate of the Board of Directors that the commercial market costs of such raising and appointment as corporate advisers would be \$300,000; accordingly, 1,500,000 Options have been (or will be subject to shareholder approval) issued to the Managers of the Offer at a calculated value of 20 cents per Option. Each Option is exercisable at 40 cents per Option.
- First Capital Corporate is a related party of the Company because it is controlled by Ananda Kathiravelu, a director of the Company. In return for First Capital's assistance to the Company, First Capital Corporate will receive 750,000 Options subject to obtaining shareholder approval by the Company in general meeting.

7. RIGHTS ATTACHING TO SHARES

7.1 Rights attaching to Shares

Full details of the rights attaching to Shares are set out in the Company's Constitution a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

All Shares issued pursuant to the exercise of Options issued under this Prospectus will, from the time they are issued, rank *pari passu* with the Company's existing Shares.

The following are the more important rights, privileges and restrictions attaching to the Shares:

(a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of Shares (excluding amounts credited).

(c) Dividend Rights

Subject to the rights of persons (if any) entitled to shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the

Company to the shareholders of such interim dividends that the Directors determine. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend all dividends are to be declared and paid according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares in accordance with Part 2H.5 of Chapter 2H of the Corporations Act. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other Shares in respect of which there is any liability. Subject to the rights of shareholders (if any) entitled to shares with special rights in a winding-up and the Corporations Act all monies and property that are to be distributed in proportion to the shares held by them respectively irrespective of the amount paid-up or credited as paid-up on the shares. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted Shares at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) Transfer of Shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) Variation of Rights

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

7.2 Options under the Placement Offer

The terms and conditions of the Options offered under the Placement Offer are:

- (a) The Options will expire at 5.00pm Australian Eastern Standard Time on 30 June 2008 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
 - (b) Each Option gives the Option holder the right to subscribe for one Share. To obtain the right given by each Option, the Option holder must exercise the Options in accordance with the terms and conditions of the Options.
 - (c) The exercise price payable upon exercise of each Option will be \$0.40 Australian (**Exercise Price**).
 - (d) All or part of the Options may be exercised at any time prior to the Expiry Date, from time to time.
 - (e) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (g) Within 5 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
 - (h) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
 - (i) The Company will apply for quotation of the Options on ASX.
 - (j) The Company will also apply for quotation by ASX of all Shares allotted pursuant to the exercise of Options within 10 Business Days after the date of allotment of those Shares.
 - (k) In the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company before the expiry of any Options, the number of Options to which an Option holder is entitled or the Exercise Price of the Options or both will be reconstructed (as appropriate) in accordance with the Listing Rules.
 - (l) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

- (m) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of the proposed issue notice of the new issue will be given to Optionholders at least ten (10) business days before the record date. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

8. RISK FACTORS

The Shares offered under this Prospectus should be considered speculative because of the nature of the Company's business.

The business activities of the Company are subject to various risks that may impact on the future performance of the Company. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which Shares will trade.

A number of material risk factors are set out below. This list is not exhaustive and potential applicants should examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Shares.

8.1 Exploration and Development Risks

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (a) the discovery and/or acquisition of economically recoverable reserves;
- (b) access to adequate capital for project development;
- (c) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (d) securing and maintaining title to interests;
- (e) obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production; and
- (f) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual hydrocarbons and formations, flow consistency and reliability and commodity prices affect successful project development and operations.

Drilling activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment. In addition, drilling and operations include reservoir risk such as the presence of shale laminations in the otherwise homogeneous sandstone porosity.

Industry operating risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of

sufficient sub-surface data from correlative well logs and/or formation core analyses. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

8.2 Reliance on Key Personnel

Within the existing corporate structure, the Company's success is dependent upon the ability of the Directors to manage the existing asset and identify acquisition opportunities for future growth. To manage its growth, the Company must in due course identify, hire, train and retain skilled personnel and senior management.

8.3 Oil and Gas Price Volatility

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

8.4 Reserves and Resource Estimates

Reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis the estimates are likely to change. This may result in alterations to development and production plans which may in turn, adversely affect the Company's operations.

8.5 Foreign Exchange Risk

The current operations of the Company are in the United States and the costs of and revenues from operations will be in United States dollars. As the Company's financial reports will be presented in Australian dollars, the Company will be exposed to the volatility and fluctuations of the exchange rate between the United States dollar and the Australian dollar.

Global currencies are affected by a number of factors that are beyond the control of the Company. These factors include economic conditions in the

relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities together with the ability to fund those plans and activities.

8.6 Title and Title Opinions

The system for obtaining development rights to oil and gas leases in Louisiana can be complex given that numerous parties may hold the undivided mineral estate to a particular tract of land. Securing the leases to those mineral estates often requires lengthy negotiation with the various parties.

In order to independently verify that the parties with whom a company is dealing are the correct and sole holders of the mineral estate and to analyse the full rights and restrictions applying to the interest held by those parties requires that a company obtain detailed title opinions from appropriately qualified and experienced lawyers in Louisiana. This can be a lengthy and expensive process and the final opinions are often the subject of numerous qualifications and requirements.

8.7 Environmental Risks

The Company's activities will be subject to the environmental risks inherent in the oil and gas industry. The Company will be subject to environmental laws and regulations in connection with operations it may pursue in the oil and gas industry, which operations are currently in Louisiana. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

8.8 Competition

The Company will compete with other companies, including major oil and gas companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce oil and gas, but also carry out downstream operations on these and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

8.9 Additional Requirements for Capital

The Company believes that it currently has sufficient working capital to carry out the objectives in the IPO Prospectus. The funding of any further ongoing capital requirements beyond the requirements as set out in this Prospectus will depend upon a number of factors including the extent of the Company's ability to

generate income from activities which the Company cannot forecast with any certainty.

Any additional equity financing will be dilutive to shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may not be able to take advantage of opportunities or develop projects. Further, the Company may be required to reduce the scope of its operations or anticipated expansion and it may affect the Company's ability to continue as a going concern.

8.10 Regulatory

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

8.11 General Economic and Political Risks

Changes in the general economic and political climate in the United States, Australia and on a global basis that could impact on economic growth, the oil and gas prices, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any oil and gas activity that may be conducted by the Company.

8.12 Joint Venture Parties, Contractors and Contractual Disputes

The Company by its subsidiary, Pryme Oil and Gas Inc is a party to a joint venture in respect of the LaSalle Parish Project and the Turner Bayou Prospect and has also entered a joint venture development agreement with Wave Exploration Group LLC. The Company is thereby reliant upon its joint venture participants complying with their obligations. For example, the operator of a joint venture may fail to implement necessary work programs within the time required for the particular interest, which would have a direct impact on the Company.

With respect to this issue, the Directors are unable to predict the risk of:

- (a) financial failure or default by a participant in any joint venture to which the Company may become a party; or
- (b) insolvency or other managerial failure by any of the operators and contractors used by the Company in its exploration activities; or
- (c) insolvency or other managerial failure by any of the other service providers used by the Company or its operators for any activity.

8.13 Insurance

Insurance against all risks associated with oil and gas production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

8.14 Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

8.15 Investment is Speculative

An investment in the Company is speculative. The Company will acquire projects in the oil and gas sector and there are no guarantees that the projects acquired or any future investments or acquisitions in the oil and gas sector will be profitable or otherwise successful. There are inherent risks and uncertainty associated with the Company's current and future investments. Neither the Directors nor the Company warrant the future performance of the Company or any return on an investment in the Company.

9. ADDITIONAL INFORMATION

9.1 Market Prices of Shares

Official Quotation of the Company's Shares commenced on 21 April 2006 and consequently, the trading history on ASX as at the date of this Prospectus is limited to that period.

The highest and lowest recorded market sale prices of the Company's Shares quoted on ASX during the period from commencement of Official Quotation to the date of this Prospectus were \$1.1368 on 7 July 2006 and 22.74 cents on 21 April 2006 respectively.

The last market sale price of the Company's Shares on ASX on the last day that trading took place in these Shares prior to the date of this Prospectus was 51 cents on 4 April 2007.

9.2 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in the Shares. Taxation consequences will depend on particular circumstances. Neither the Company nor any of its officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the Shares in the Company.

9.3 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

9.4 Continuous Disclosure Obligations

This document is issued pursuant to Section 712 of the Corporations Act and does not of itself contain all the information that is generally required to be set out in a document of this type. Rather the Prospectus incorporates by reference information contained in documents that have been lodged with the ASIC, namely the IPO Prospectus.

The Company is a disclosing entity under the Corporations Act and, as such, is subject to regular reporting and disclosure requirements. As a listed company, the Company is subject to the Listing Rules that require it to immediately notify ASX of any information concerning the Company of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of its Shares.

Copies of documents lodged in relation to the Company with the ASIC may be obtained from or inspected at any office of the ASIC. This includes the IPO Prospectus referred to in Section 4 of this Prospectus.

The following documents have been lodged with ASX since its listing on ASX:

Date	Description of Announcement
5 April 2007	Pryme Joins International OTCQX Platform in the US
4 April 2007	Appendix 3B: Release of Securities from Escrow

Date	Description of Announcement
4 April 2007	Independent Research Report
29 March 2007	Funding Secured to begin extensive Drilling Program
14 March 2007	Annual Report
14 March 2007	Notice of Annual General Meeting
14 March 2007	Despatch of Annual Report & AGM Documents
28 February 2007	Preliminary Final Report
22 February 2007	Project Summary and Progress Update
30 January 2007	Fourth Quarter Activities & Cashflow Report
19 January 2007	December 2006 Quarterly Newsletter – Pryme Times
12 January 2007	Change of Director's Interest Notice
9 January 2007	Change of Director's Interest Notice
9 January 2007	Appendix 3B
22 December 2006	Success again with oil found in NWR No.16 LaSalle Parish
20 December 2006	Oil found in NWR No.17 – LaSalle Parish Project
19 December 2006	Third Development Well spudded in LaSalle Parish Project
15 December 2006	Progress Report & Investor Presentation December 2006
14 December 2006	Full Syndication Commitment of large Natural Gas Project
14 December 2006	Results of General Meeting
14 December 2006	Trading halt
7 December 2006	Appendix 3B
13 November 2006	Notice of General Meeting
7 November 2006	Change of Director's Interest Notice
31 October 2006	Third quarter Activities & Cashflow Reports
30 October 2006	Change of Director's Interest Notice x 5
30 October 2006	Response to ASX Query re: Share Price
26 October 2006	Becoming a substantial holder
25 October 2006	Becoming a substantial holder
25 October 2006	ADR Trading of Pryme Shares Committee in the US
19 October 2006	Drill Rigs Secured to Aid Future Growth
17 October 2006	September 06 Quarterly Newsletter – Pryme Times
17 October 2006	Replacement Initial Director's Interest Notice
17 October 2006	Initial Director's Interest Notice
12 October 2006	Shirley SU118 No.2 Producing Oil & Director Appointment
6 October 2006	Appendix 3B
3 October 2006	Dispatch of Options Short Form Prospectus
29 September 2006	Oil found in second development well in LaSalle Parish
22 September 2006	Notice of timetable Options Short form Prospectus
20 September 2006	Options Short Form Prospectus & Appendix 3B
20 September 2006	Short Form Prospectus Investor Presentation
15 September 2006	Receive Exemption by SEC to Trade Shares in the US
15 September 2006	3D Shoot Set to Begin at Turner Bayou/Placement Completed
13 September 2006	Second Development Well to be Drilled at LaSalle Parish
13 September 2006	Half Yearly Report & Half Year Accounts
11 September 2006	To Raise up to \$5.6 Million in Placement
7 September 2006	Trading Halt
28 August 2006	Non-Renounceable Rights Issue and Hogue Estate Well
18 August 2006	To drill Mississippi Exploration Well with Belle Oil
11 August 2006	Change of Director's Interest Notice
11 August 2006	Despatch of Rights Issue Prospectus
9 August 2006	Leases acreage in deep Tuscaloosa Trend JV with Wave
1 August 2006	Notice of Timetable Non-Renounceable Rights Issue
28 July 2006	Appendix 3B

Date	Description of Announcement
28 July 2006	Disclosure Document
28 July 2006	Non-Renounceable Issue
28 July 2006	Fourth Quarter Activities Report
28 July 2006	Fourth Quarter Cashflow Report
26 July 2006	Rolls out second JV exploration project with Wave
20 July 2006	Change of Financial Year End
20 July 2006	Results of General Meeting
13 July 2006	Advisory Board to Bolster Company's Expansion appointed
7 July 2006	Starts up first exploration project with Wave
7 July 2006	Study confirms strength of LaSalle Parish Project
6 July 2006	Appendix 3B
6 July 2006	Shareholder Option Offer and Appointment of Second Executive Director
6 July 2006	Increases Stake in producing oil project in Louisiana
5 July 2006	Response to ASX Query
5 July 2006	Trading Halt
30 June 2006	Appendix 3B
27 June 2006	Stake increased in 3-D Seismic Project in Central Louisiana
27 June 2006	Trading Halt
19 June 2006	Notice of General Meeting
19 June 2006	Change of Director's Interest Notice
6 June 2006	New oil shows found at LaSalle Parish Project Louisiana
31 May 2006	Step-Out Well Spudded in LaSalle Parish Project Louisiana
26 May 2006	Drilling rig for first step-out well secured and on site
17 May 2006	Signs Joint Venture with Louisiana-focused Geoscientists
4 May 2006	Initial Director's Interest Notice x 4
3 May 2006	Media Rel: PYM Secures Interest in Large 3D Seismic Proj
3 May 2006	3D Seismic Project secured & Development Drilling Initiated
27 April 2006	Commissions Reserve Report & Completes Louisiana Acquisition
20 April 2006	Restricted Securities
20 April 2006	Admission to Official List
20 April 2006	Restricted Securities
20 April 2006	Statement from Company
20 April 2006	Corporate Governance Statement
20 April 2006	Top 20 shareholders/Distribution Schedule
20 April 2006	Pre-Quotation Disclosure
20 April 2006	Commencement of Official Quotation - Amended
19 April 2006	ASX Circular: Commencement of Official Quotation
19 April 2006	Constitution
19 April 2006	Appendix 1A - ASX Listing application & agreement
17 March 2006	Disclosure Document

ASX maintains files containing publicly available information for all listed companies on its internet site (<http://www.asx.com.au>). The Company's announcements can be viewed on this site.

9.5 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in securities of the Company as set out in the table below:

Director	No. of Shares held	No. of Options held
John Dickinson(1)	1,700,000	566,667
Justin Pettett(1)	1,765,000	585,002
Ryan Messer(1)	1,711,100	566,667
Ananda Kathiravelu(2)	4,727,500	5,075,834
Phillip Judge(3)	4,565,163	1,918,572

Note (1): In addition, John Dickinson, Justin Pettett and Ryan Messer shall be entitled to participate in the DIOP and the DSIP. Pursuant to the shareholder approval given in the Company's general meeting on 20 July 2006, the first performance target under the DIOP has been reached and the Company is expected to issue 759,000 Options to each of Mr Dickinson and Mr Messer, and 1,100,000 Options to Mr Pettett under the DIOP. Following the anticipated issue of those Options, John Dickinson and Ryan Messer may receive up to an additional 2,691,000 Options under the DIOP and a total of 1,380,000 Shares under the DSIP provided that specified performance hurdles are met. Justin Pettett may receive up to a further 3,900,000 Options under the DIOP and a total of 2,000,000 Shares under the DSIP provided that specified performance hurdles are met.

Note (2) Ananda Kathiravelu will have an interest in 750,000 Options proposed to be granted to First Capital Corporate Limited (subject to shareholder approval) as described in Sections 3.2 and 9.7 of this Prospectus.

Note (3) In addition, and as set out in the Directors Report in the Annual Report, the Company intends to issue 150,000 Options to Mr Judge, subject to obtaining shareholder approval. It is intended to seek shareholder approval from Shareholders in May or June 2007.

9.6 Remuneration

The remuneration paid or payable to Directors and related parties of the Directors for the financial period from incorporation of the Company on 1 December 2005 to the date of this Prospectus is set out below:

Name	Directors' Remuneration per annum \$
John Dickinson (Non-Executive Chairman)	104,449
Mr Justin Pettett (Managing Director)	161,472
Mr Ryan Messer (Executive Director)	147,886
Mr Ananda Kathiravelu (Non-Executive Director)	65,018

Since incorporation to the date of this Prospectus a total of approximately \$478,825 has been paid or is payable by the Company to Directors, former directors, companies associated with the Directors or their associates. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

The Company's Constitution provides that the remuneration of Non-Executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors has been set at an amount not to exceed \$300,000 per annum.

9.7 Related Party Benefits

First Capital Corporate Limited has provided the Company with financial and corporate advice in relation to the Placement Offer and is acting as Manager to the Offer (together with Cygnet Capital). First Capital Corporate Limited will be entitled to receive a fee of 5% of the amount raised under this Prospectus. Assuming the Placement Offer is fully subscribed First Capital Corporate Limited will receive a total fee of approximately \$90,000 and will subject to the Company obtaining shareholder approval, receive 750,000 Options. During the 24 months preceding lodgement of this Prospectus with the ASIC, First Capital Corporate Ltd has received fees of approximately \$412,500 for services provided to the Company. In addition, First Capital Corporate Limited was granted 3,500,000 Options following shareholder approval which was obtained at the General Meeting. The grant of these Options was for past services in providing the Company with marketing, promotions, strategic advice and introduction to the Company of investor networks.

First Capital Corporate Limited is a related party of the Company due to Ananda Kathiravelu, a director of the Company, being a controller of First Capital Corporate Limited.

As set out in Section 9.9 of this Prospectus, the Golden West Drilling Services Agreement is a related party agreement.

9.8 Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

- (a) Director;
- (b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (c) promoter of the Company,

has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Options under this Prospectus; or
- (f) the offer of Options under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the Offer of Options under this Prospectus.

Moore Stephens has acted as the Company's auditor and will not receive any fees in relation to this Prospectus. During the 24 months preceding lodgement of this Prospectus with the ASIC, Moore Stephens received fees of \$62,806 for audit services provided to the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Issue. The Company estimates it will pay Steinepreis Paganin \$10,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received fees of approximately \$154,909 for legal services provided to the Company.

Cygnnet Capital has acted as corporate adviser and manager of the Placement Offer and will receive 750,000 Options and approximately \$90,000 in fees with respect to its services in relation to this Prospectus. During the 24 months preceding lodgement of this Prospectus with the ASIC, neither Cygnnet Capital Pty Ltd, nor Cygnnet Connect has not received any other fees from the Company.

9.9 Material Contracts

The Directors consider that certain contracts are significant or material to the Company and are of such a nature that an investor may wish to have particulars of them when making an assessment of whether to accept the Offer.

Investors should note that a summary of many of the material contracts involving the Company were included in the IPO Prospectus, the July 2006 Prospectus and the September 2006 Prospectus and are incorporated by reference into this Prospectus pursuant to Section 4 of this Prospectus.

In addition to the summaries of material contracts that are incorporated by reference into this Prospectus, set out below are summaries of contracts to which the Company is a party, which are, or may be, material in terms of the Offer or the operations of the business of the Company or otherwise are, or may be, relevant to a potential investor in the Company.

Golden West Drilling Agreement

On 17 October 2006, the Company through its wholly owned subsidiary Pryme Oil and Gas Inc. entered into a services agreement with Golden West Drilling, LLC (**Golden West Drilling**) pursuant to which the Company agreed to engage Golden West Drilling to provide drilling rig services on a priority basis in connection with all of Pryme Oil and Gas Inc.'s operated properties requiring the

use of drilling rigs of the type then in service by Golden West Drilling (**Services Agreement**).

The Services Agreement was subject to the receipt of shareholder approval for the entry into this agreement and the provision and receipt of Services pursuant to the agreement in accordance with the Corporations Act and ASX Listing Rules. Shareholder approval was obtained by the Company on 14 December 2006.

This agreement is a related party transaction because each of the Directors of the Company, have a personal interest in Golden West Drilling. The Golden West Drilling Services Agreement

The material terms of the Services Agreement are set out below:

- (a) the term of the Services Agreement is five years commencing on the later of ten days after the date on which Golden West Drilling places its first drilling rig in service, or the date shareholder approval to enter into the Services Agreement is obtained by the Company;
- (b) the Services Agreement shall be automatically renewed for successive periods of one year unless either party notifies the other of its intent not to renew not less than 60 days prior to the expiration of the initial or any renewal term;
- (c) Golden West Drilling will provide drilling rig services in connection with all of Pryme Oil and Gas Inc.'s operated properties requiring the use of drilling rigs of the type then in service by Golden West Drilling (**Services**);
- (d) a limitation to the commitment of both parties applies in that both parties recognise and acknowledge that, depending on future circumstances:
 - (i) the Company may require Services beyond the physical, geographic, or time limit capability of Golden West Drilling;
 - (ii) Golden West Drilling may lack the capacity to provide all Services required by the Company; and
 - (iii) Golden West Drilling may have more capacity than may be needed by the Company from time to time.

Nothing in the agreement shall be construed as:

- (i) precluding the Company from contracting with third parties for the provision of Shares beyond the capabilities of Golden West Drilling; and
- (ii) requiring that Golden West Drilling provide all Services requested by the Company from contracting with third parties during times when the Company is not in need of Services from Golden West Drilling.

The intent of the agreement is that only to the extent reasonable and feasible considering all factors shall Golden West Drilling be the provider of Services to the Company;

- (e) in consideration for providing the Services, Pryme Oil and Gas Inc. will pay Golden West Drilling no more than the then-current market rates for such Services in the locations in which the Services are provided or for which the lowest bid is attainable, with the current market rates to be established at arm's length; and
- (f) Golden West Drilling agrees to secure and bear the cost of insurance usual and customary in the industry for the Services provided.

Investor Roadshow Agreement with Cygnet Connect

On 4 April 2007, the Company entered into a letter agreement with Cygnet Connect (effectively Cygnet Capital Pty Ltd) engaging Cygnet Connect to provide investor roadshow services. The material terms of the agreement are:

- (a) The roadshow is not required to assist with the capital raising and will be conducted after the raise is completed to create awareness regarding Pryme;
- (b) the services that will be provided by Cygnet Connect will be the creation of a professional powerpoint presentation, preparation of an "investor pack", identification and contact of key investors using Cygnet Connect's database, event management and attendance and comprehensive roadshow report (including meeting notes and attendees contact details);
- (c) Pryme will pay Cygnet Connect a fee of \$12,500 (exclusive of GST) for the provision of the investor roadshow services;
- (d) in addition to the fee, Pryme will pay the expenses of representatives of Cygnet Connect including the flights, accommodation, transport and meals of the representatives to attend the roadshow; and
- (e) the agreement can be terminated by one month's notice unless otherwise agreed. If work is cancelled prior to completion a service fee will be charged on the basis of the percentage of work completed.

9.10 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Moore Stephens has given its written consent to being named as the auditors to the Company and to the incorporation of the audit report and the reference to the audited numbers in the financial information in the form and context in

which this information appears in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Mr Joe B Adams has given his written consent in relation to the Independent Geologist's Report in Section 6 of the IPO Prospectus and the reference to that report in Section 4 of this Prospectus and has not withdrawn his consent prior to the lodgement of this Prospectus with the ASIC.

First Capital Corporate Limited has given its written consent to be named as the Manager to the Offer in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Cygnnet Capital Pty Ltd has given its written consent to be named as the Manager to the Placement Offer in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

R.A. Lenser and Associates has given its written consent to being named as the author of the reserve report referred to in this Prospectus, and to references to the reserve report in this Prospectus in the form and context in which they appear and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

9.11 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$206,233 (exclusive of GST) as follows:

ASIC Fees	\$2,010
ASX Fees	\$14,223
Management Fees	\$180,000
Legal	\$10,000
Total	\$206,233

10. DIRECTORS' AUTHORISATION

This Prospectus is issued by Pryme Oil and Gas Limited and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



Mr Justin Pettett
Managing Director
For and on behalf of Pryme Oil and Gas Limited

11. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

A\$ or **\$** means an Australian dollar.

Annual General Meeting means the annual general meeting of Shareholders to be held on 17 April 2007.

Applicant means an applicant for Shares pursuant to this Prospectus.

Application Form means either the Placement Offer Application Form attached to or accompanying this Prospectus.

ASIC means Australian Securities & Investments Commission.

ASX means Australian Stock Exchange Limited.

Board means the board of Directors of the Company as constituted from time to time.

Business Day means a week day when trading banks are ordinarily open for business in Brisbane, Queensland.

Closing Date means 18 April 2007 (unless varied by the Directors in their discretion).

Company and **Pryme** means Pryme Oil and Gas Limited (ABN 75 117 387 354).

Constitution or **Company's Constitution** means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Cygnnet Capital means Cygnnet Capital Pty Ltd.

Directors mean the directors of the Company at the date of this Prospectus.

DIOP means the Directors Incentive Option Plan.

DSIP means the Directors Share Incentive Plan.

EST means Eastern Standard Time, Brisbane, Queensland.

First Capital Corporate means First Capital Corporate Ltd.

IPO Prospectus means the prospectus issued by the Company dated 3 March 2006.

July 2006 Prospectus means the prospectus issued by the Company dated 28 July 2006.

Listing Rules means the official Listing Rules of the ASX.

Notice of Meeting means the notice of meeting issued by the Company and dated 13 March 2007 in relation to the Annual General Meeting.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Official List means the Official List of ASX.

Official Quotation means official quotation by ASX in accordance with the Listing Rules.

Opening Date means the date on which the Offers opens.

Option means an option to subscribe for one Share in the Company exercisable on or before 30 June 2008 at an exercise price of 40 cents on the terms and conditions described in Section 7.2 of this Prospectus.

Placement Offer or **Offer** means the offer of 6,666,667 Shares at an issue price of 45 cents per Share (together with one free attaching Option for every two Shares subscribed for) described in Section 3.1 of this Prospectus.

Placement Offer Application Form means the application form titled Placement Offer Application Form attached to or accompanying this Prospectus.

Prospectus means this Prospectus.

Securities mean Shares and Options.

September 2006 Prospectus means the prospectus issued by the Company dated 20 September 2006.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Pryme Oil and Gas Limited ABN 75 117 387 354

Placement Offer Application Form

Please read all instructions on reverse of this form

Number of Shares applied for at \$0.45 per Share	Number of free attaching Options	Total amount payable cheque(s) to equal this amount
<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

Share Registrars use only	
Broker reference – stamp only	
Broker code	Adviser Code

you may be allocated all of the Shares and Options above or a lesser number

Full name, details, title, given name(s) (no initials) and surname or Company name

Name of Applicant 1

Tax file number(s)
Or exemption category

Applicant 1/Company

Name of joint Applicant 2 or <account name>

Joint Applicant 2/ trust

Full postal address
Number/street

Contact details
Contact name

Contact daytime telephone number

Suburb/town State/postcode

Contact email address

CHESS HIN (if applicable)

PID Number (if applicable)

Cheque payment details. Please fill out your cheque details and make your cheque payable to "Pryme Oil and Gas Limited – Placement Offer "

Drawer	Cheque number	BSB number	Account number	Total amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$

You should read the Prospectus carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary prospectus.

I/We declare that:

- (a) this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the Constitution of Pryme Oil and Gas Limited; and
- (b) I/we have received personally a copy of this Prospectus accompanied by or attached to the Application Form or a copy of the Application Form or a direct derivative of the Application Form, before applying for Shares (together with free attaching Options).

THIS FORM DOES NOT REQUIRE A SIGNATURE

INSTRUCTIONS TO APPLICANTS

Please post or deliver the completed Application Form together with a cheque to the Company. If an Applicant has any questions on how to complete this Application Form, please telephone the Company Secretary on + 61 7 3371 1103. The Application Form must be received by the Company no later than the Closing Date.

A. Application for Shares

The Application Form must only be completed in accordance with instructions included in the Prospectus.

B. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Application Form.

C. Cheque Details

Make cheques payable to "**Pryme Oil and Gas Limited - Placement Offer**" in Australian currency and cross them "**Not Negotiable**". Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Application Form.

Declaration

Before completing the Application Form the Applicant(s) declare(s) that he (they) has (have) read the Prospectus to which the application relates. The Applicant(s) agree(s) that this Application is for Shares in Pryme Oil and Gas Limited upon and subject to the terms of the Prospectus, agree(s) to take any number of Shares equal to or less than the number of Shares indicated on the front of the form that may be allotted to the Applicant pursuant to the Prospectus and declare(s) that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept an Application Form, and how to construe, amend or complete it, shall be final. An Application Form will not however, be treated as having offered to subscribe for more Shares than is indicated by the amount of the accompanying cheque.

Forward your completed application together with the application money to:

Pryme Oil and Gas Limited
PO Box 111
BRISBANE QLD 4001

Facsimile: 07 3371 1105