



**PRYME OIL AND GAS LIMITED**

**ABN 75 117 387 354**

## **SHORT FORM PROSPECTUS**

For a non renounceable rights issue of 1 Share for every 6 Shares held by Shareholders (together with 1 free attaching option for every 2 Shares subscribed for) as at 5.00pm EST on 9 August 2006 at an issue price of 75 cents per Share to raise up to approximately \$6,842,170 (Offer).

and

For the offer of 3,500,000 FCC Options to First Capital Corporate Ltd (FCC Offer) as approved by Shareholders in the General Meeting held on 20 July 2006

Manager to the Offer:  
First Capital Corporate Ltd  
(ABN 37 112 297 953)

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### **IMPORTANT NOTICE**

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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.

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## IMPORTANT NOTICE

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This Prospectus is dated 28 July 2006.

A copy of this Prospectus was lodged with the ASIC on 28 July 2006. 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. Application will be made to ASX within seven (7) days after the date of this Prospectus for admission of the Shares offered by this Prospectus to Official Quotation.

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**).

In referring to the IPO Prospectus, the Company:

- (a) identifies the IPO Prospectus 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 5 of this Prospectus which summarises the information in the IPO Prospectus deemed to be incorporated in this Prospectus;
- (c) informs investors and their advisers that they are able to obtain, free of charge, a copy of the IPO Prospectus by contacting the Company at its registered office during normal business hours between the date of this Prospectus and the Closing Date; and
- (d) advises that the information in the IPO Prospectus 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)

### 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](http://www.prymeoilandgas.com)

### Auditor

Moore Stephens  
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

### Manager to the Offer

First Capital Corporate Limited  
Level 10  
300 Adelaide Street  
BRISBANE QLD 4000

\*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.

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**2. CHAIRMAN'S LETTER**

28<sup>th</sup> July 2006

Dear Shareholder

The Board is pleased to offer Shareholders the opportunity to participate in a pro-rata 1 for 6 non-renounceable rights issue of Shares (together with one free attaching Option for every 2 Shares subscribed for).

All Shareholders registered as at 5.00 p.m. EST on 9 August 2006 are entitled to participate in the rights issue, on the basis of 1 Share for every 6 Shares held (together with one free attaching Option for every 2 Shares subscribed for).

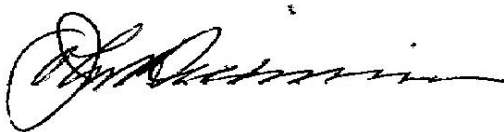
The Closing Date for acceptances is 5.00 p.m. EST on 25 August 2006 (unless the Offer is extended).

The Company will apply to ASX for Official Quotation of the Shares and the Options.

The Company also makes an offer to FCC of 3,500,000 FCC Options as approved by Shareholders in the General Meeting of Shareholders held on 20 July 2006.

The Board takes this opportunity to thank Shareholders for their support since listing and looks forward to your continued support in the future.

Yours faithfully



**Mr John Dickinson**  
Chairman

### 3. TIMETABLE AND IMPORTANT DATES FOR THE OFFER

EVENT	DATE
Prospectus lodged with ASIC and ASX	28 July 2006
Appendix 3B lodged with ASX	28 July 2006
Notice to be sent to Shareholders with details of the timetable, Appendix 3B and a statement that the Prospectus has been lodged with the ASX, and is available on the ASX website	1 August 2006
"Ex" date	2 August 2006
Record date for determining entitlements to Options	9 August 2006
Despatch Prospectus	11 August 2006
Closing Date	25 August 2006
Securities quoted on a deferred settlement basis	28 August 2006
Company notifies ASX of under subscriptions	30 August 2006
Deferred settlement trading ends and despatch date	4 September 2006

\*The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such, the date the Shares and Options are expected to commence trading on ASX may vary with any change in the Closing Date.

The Directors reserve the right to place, in their discretion, any Shortfall Securities within 3 months after the Closing Date, and the offer under this Prospectus for the Shortfall Securities remains open until this date (unless the Directors resolve to close the offer earlier).

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## 4. INVESTMENT OVERVIEW

### 4.1 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.

### 4.2 Summary of the Offer and FCC Offer

Offer price:	\$0.75
Number of Shares offered under Offer:	9,122,894
Number of Options offered under the Offer:	4,561,447
Number of FCC Options offered under the FCC Offer:	3,500,000
Funds raised before expenses of Offer:	\$6,842,170

### 4.3 Purpose of the Offer

To raise additional working capital to fund the shooting and subsequent data processing of up to 90 square miles (57,600 acres) of 3-D seismic data in the Company's 3-D seismic Project in South Central Louisiana. In addition capital raised will be used to fund the leasing, acquisition and ancillary 2-D and 3-D seismic in the Wave Exploration Joint Venture Projects. Further details about the progress of each of these Projects are contained within section 7.2 of this Prospectus.

### 4.4 Use of Proceeds

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

Description	Minimum Subscription	If Offer is fully subscribed \$
Further 3-D Seismic costs in south central Louisiana project	\$1,110,715	\$3,467,815
Funding of Wave Exploration JV projects	\$285,000	\$2,985,000
Expenses of Offer	\$104,285	\$389,355
Total	\$1,500,000	\$6,842,170

\* Assumes that the Offer is fully subscribed.

In the event that the number of Shares subscribed for under the Offer is less than full subscription (of 9,122,894 Shares), the Company will scale back from its intended use of the proceeds of the Offer (less expenses) in the following order:

- (a) Funding of the Wave Exploration JV projects by up to \$2,700,000; and
- (b) Funding further 3-D Seismic costs in south central Louisiana project by up to \$2,357,100.

No funds will be raised pursuant to the FCC Offer.



## 4.5 Capital Structure

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

<b>Shares</b>	<b>Number</b>
Shares on issue at the date of Prospectus	54,737,363
Shares now offered under the Offer <sup>1</sup>	<u>9,122,894</u>
Total Shares on issue at completion of the Offer and FCC Offer <sup>2</sup>	<u><u>63,860,257</u></u>

<b>Options</b>	<b>Number</b>
Existing options on issue at the date of Prospectus	1,500,000
Options now offered under the Offer	4,561,447
FCC Options offered under FCC Offer	<u>3,500,000</u>
Total options on issue at completion of the Offer & FCC Offer <sup>3</sup>	<u><u>9,561,447</u></u>

### **Notes:**

<sup>1</sup> The Company has 10,000 partly paid shares on issue. The Board has, in accordance with the Constitution of the Company, resolved to forfeit those partly paid shares and will determine at a later date whether to sell those shares or otherwise deal with them. Accordingly, the Offer does not extend to the partly paid shares.

<sup>2</sup> Assumes that the Offer is fully subscribed. Also, as noted in note 1 above, the Company has 10,000 partly paid shares on issue.

<sup>3</sup> An additional 21,286,753 Options are proposed to be offered to shareholders pursuant to an Entitlement Issue to be undertaken by a prospectus to be lodged shortly after the closure of the Offer under this Prospectus. Refer to Section 7.1 for further details.

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## 5. DETAILS OF THE OFFERS

The Company is making 2 separate offers pursuant to this Prospectus, namely the Offer to Shareholders by way of a non-renounceable rights issue (**Offer**) and the FCC Offer.

### 5.1 The Offer

The Company is making a pro-rata non-renounceable rights issue to Shareholders who are registered as at 5.00 p.m. EST on 9 August 2006 (**Record Date**), of up to 9,122,894 Shares at an issue price of seventy-five cents (75 cents) each (together with one free attaching Option for every 2 Shares subscribed for) to raise up to approximately \$6,842,170 (before costs of the Offer).

The Shares will be offered on the basis of 1 Share for every 6 Shares held on the Record Date (with one free attaching Option for every 2 Shares subscribed for).

The maximum number of Securities which could therefore be issued under the Offer is 9,122,894 Shares and 4,561,447 Options.

In the calculation of any entitlement, fractions will be rounded up to the nearest whole number.

This Offer is made on a non-renounceable basis such that Shareholders who are registered as at the Record Date may not sell or transfer all or part of their Entitlement.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue. Please refer to Section 9.1 of this Prospectus for a summary of the rights attaching to the Shares offered pursuant to this Prospectus.

The Options offered under the Offer will be on the terms and conditions set out in Section 9.2 of this Prospectus.

### 5.2 Entitlement

The number of Shares and Options to which each Shareholder is entitled is shown on the enclosed Entitlement and Acceptance Form.

Shareholders may accept their entitlement in full or in part by returning a completed Entitlement and Acceptance Form to the Company by no later than 5.00 p.m. EST on the Closing Date.

### 5.3 Manager to the Offer

By letter agreement dated 28 July 2006 the Company engaged First Capital Corporate Limited to act as financial and corporate advisor in relation to the Offer on a best endeavours basis. First Capital Corporate Limited is a related party of the Company and will be entitled to receive a fee of 5% of the total amount raised under this Prospectus. Assuming the Offer is fully subscribed, First Capital Corporate Limited will receive a total fee of approximately \$342,108.

### 5.4 Minimum Subscription –Offer

The minimum subscription of the Offer is \$1,500,000. No Shares or Options will be allotted or issued by this Prospectus in respect of the 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.

#### **5.5 Oversubscriptions**

Oversubscriptions will not be accepted.

#### **5.6 Acceptance**

This Offer may be accepted in whole or in part. Acceptance and payment in full of 75 cents per Share must be received before the Closing Date. Instructions for completion and lodgement of acceptances are set out on the back of the enclosed Entitlement and Acceptance Form.

#### **5.7 Action Required**

If you wish to take up all of your Entitlement, complete the enclosed Entitlement and Acceptance Form in accordance with the instructions set out in the form and lodge the form together with your cheque for the amount shown on the form so that it reaches the Company:

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

or

**By Hand:** Level 7, 320 Adelaide Street, Brisbane, Queensland 4000.

by no later than the Closing Date.

Cheques and drafts should be drawn on and payable at any Australian bank and be made payable to "Pryme Oil and Gas Limited – Rights Issue" and crossed "Not Negotiable".

If you wish to take up part of your Entitlement, complete the enclosed Entitlement and Acceptance Form in respect of the Shares you wish to take up in accordance with the instructions set out in the form and lodge the form together with your cheque for the relevant amount (being the number of Shares you wish to take up, multiplied by 75 cents per Share) so that it reaches the Company by no later than the Closing Date.

If you do not wish to take up any of your Entitlement, you do not need to take any action and your Entitlement to the Shares (together with the relevant number of free attaching Options) will lapse.

#### **5.8 Closing Date**

The Closing Date for the Offer is 5.00 pm EST on 25 August 2006. The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such, the date the Shares and Options are expected to commence trading on ASX may vary with any change in the Closing Date.

#### **5.9 Offer Period**

The Prospectus will be despatched to Shareholders on 11 August 2006.

## **5.10 Shortfall**

The Directors reserve the right to place, at their discretion, any Shortfall Securities within 3 months after the Closing Date on the same terms and conditions as those Securities issued to Shareholders under the Offer and as allowed by Exception 3 in ASX Listing Rule 7.2, and the Offer under this Prospectus for the Shortfall Securities remains open until that date (unless the Directors resolve to close earlier).

The Directors reserve the right to issue Shortfall Securities pursuant to any Shortfall Application Forms at their absolute discretion. Related parties (as defined in the ASX Listing Rules) cannot participate in a placement of the Shortfall Securities.

## **5.11 The FCC Offer**

By this Prospectus, and in accordance with the shareholder approval obtained at the General Meeting, the Company makes an offer to First Capital Corporate Ltd of 3,500,000 FCC Options for nil cash consideration. As disclosed in the Notice of Meeting the FCC Options are being provided to First Capital Corporate Ltd in consideration for the provision by First Capital Corporate Ltd of marketing, promotional, strategic advice and introduction to investor network services to the Company. Only First Capital Corporate Ltd may accept the FCC Offer. Accordingly, do not complete the FCC Offer Application Form unless requested by the Directors.

## **5.12 How to Apply for FCC Options under the FCC Offer**

Applications for the FCC Options must be made using the FCC Offer Application Form attached to or accompanying this Prospectus and be delivered to the Company within 5 days of the date of this Prospectus.

## **5.13 Underwriting**

Neither the Offer nor the FCC Offer are underwritten.

## **5.14 Allotment**

It is anticipated that allotment of Securities offered under the Offer by this Prospectus will take place in accordance with the timetable set out in Section 3 of this Prospectus.

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

The Company intends to issue and allot the FCC Options immediately following receipt of the FCC Offer Application Form.

## **5.15 ASX Quotation**

Application to ASX for admission of the Shares, Options and FCC 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 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 Offer will be granted. If the FCC Options are not admitted to Official Quotation on ASX within three (3)

months after the date of this Prospectus or such longer period as permitted by the Corporations Act none of the FCC Options offered under the FCC Option Offer will be granted. In either of those circumstances, all applications will be dealt with in accordance with Section 724 of the Corporations Act.

#### **5.16 Overseas Shareholders**

Only Shareholders who are registered as at 5.00 p.m. EST on the Record Date with registered addresses in Australia and New Zealand will be able to participate in the Offer. To make the Offer in any other jurisdiction may constitute a violation of application securities laws. The Directors believe that it is unreasonable to make the Offer to Foreign Shareholders, having had regard to the number of Shareholders in the relevant jurisdictions, the number and value of Shares those Shareholders would be offered and the cost of complying with the securities legislation of those jurisdictions.

Accordingly, the Offer is not being made, and no Shares or Options will be issued to, any Shareholders whose registered address is in a country other than Australia or New Zealand. This Prospectus is being sent to Foreign Shareholders for information purposes only. No Entitlement and Acceptance Form will be sent to Foreign Shareholders.

#### **5.17 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.

#### **5.18 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 10 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 10, 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.

#### **5.19 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.

## **5.20 Enquiries**

If you have any questions concerning your entitlement, please contact the Company on + 61 7 3371 1103 or facsimile 61 7 3371 1105, or contact your professional adviser.

## **5.21 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.

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## 6. INFORMATION DEEMED TO BE INCORPORATED

### 6.1 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.

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

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.

#### *IPO Prospectus*

##### **Chairman's Letter (Page 6)**

This section of the IPO Prospectus contains information regarding the Company's broad strategy, discussions of the Company's focus on growth and diversity, discussions on the increased global energy consumption and resulting high oil and gas prices and the desire by the Company to acquire further projects in the oil and gas industry.

##### **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 4 – Details of the Offer (Page 19)**

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

### **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 7 – Investigating Accountant's Report (Page 61)**

This section of the IPO Prospectus contains an investigating accountant's report prepared by Moore Stephens dated 3 March 2006.

### **Section 8 – Financial Report**

This section of the IPO Prospectus contains the Profit and Loss Statement for the Company for the year ended 31 December 2005.

### **Section 9 – Risk Factors (page 76)**

This section of the IPO Prospectus contains a summary of the risk factors that may impact on the performance of the Company including:

- (a) exploration and development risks;
- (b) reliance on key personnel;
- (c) oil and gas volatility;
- (d) reserves and resource estimates;
- (e) foreign exchange risks;
- (f) title and title options;
- (g) environmental risks;
- (h) competition;



- (i) additional requirements for capital;
- (j) regulatory;
- (k) general economic and political risks;
- (l) joint venture parties, contractors and contractual disputes;
- (m) insurance;
- (n) potential acquisitions; and
- (o) speculative investment.

**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) status of partly paid shares;
- (c) disclosure of relevant interests in the Company;
- (d) remuneration of directors of the Company;
- (e) 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;
- (f) consents of parties in relation to their roles;
- (g) ASX restriction on shares;
- (h) expenses of the offer of shares in the IPO Prospectus;
- (i) litigation;
- (j) electronic receipt of the IPO Prospectus; and
- (k) taxation consequences of acquiring and disposing of shares.

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## 7. COMPANY OVERVIEW

### 7.1 Overview and Reference to IPO Prospectus

The Company has been included in the Official List of ASX since 19 April 2006.

A comprehensive overview of the Company is set out in the IPO Prospectus that was lodged with ASIC on 3 March 2006. Persons considering subscribing for Securities under this Prospectus should refer to Section 6 of this Prospectus for a summary of the information contained in the IPO Prospectus 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. The number of Shares and periods of escrow are as follows:

- (a) 10,134,000 Shares for 24 months from the date of official quotation of Shares; and
- (b) 3,300,000 Shares for 12 months from their date of issue.

The balance of the issued Shares of the Company, being 41,303,363 Shares, are quoted on ASX.

The Company has 10,000 partly paid shares on issue, which the Board has resolved to forfeit in accordance with the Company's Constitution. The Board will determine at a later date whether to sell those shares or otherwise deal with them.

The Company currently has 1,500,000 options on issue. As announced on 6 July 2006 the Company intends to undertake an entitlement issue of Options to Shareholders on the basis of 1 Option for every 3 Shares held at an issue price of 5 cents per Option. It is intended that a prospectus for the entitlement issue will be lodged with ASIC shortly after completion of the Rights Issue under this Prospectus.

### 7.2 Update on activities of the Company since IPO Prospectus

The Company is currently involved in three major projects throughout Louisiana in the United States. The first being a producing oil asset located in LaSalle Parish, Louisiana called the LaSalle Parish Project. The second is a three dimensional seismic data acquisition and processing project located in South Central Louisiana (**South Central Louisiana 3-D Seismic Project**) and the third a joint venture development agreement with Wave Exploration LLC all of which are detailed further below.

#### Summary and Highlights

- Purchase of interest in the LaSalle Parish Project.
- Additional interest in the LaSalle Parish Project acquired.
- First successful delineation test drilled in the LaSalle Parish Project.

- A majority interest of 52% working interest (Approx. 39%NRI) secured in large South Central Louisiana 3-D Seismic Project.
- Joint Venture Development Agreement with Wave Exploration Group LLC of the Woodlands, Texas USA, and Baton Rouge, Louisiana (**Wave**) to secure and develop various 2-D and 3D oil and gas prospects throughout the State of Louisiana.
- Securing the Kestrel Prospect opportunity which is the first of the Wave joint venture projects.

(a) **LaSalle Parish Project**

The Company currently owns the interest set out below in the LaSalle Parish Project. The LaSalle Parish Project is approximately 20 miles northeast of Alexandria, Louisiana. The area is geologically known as the "LaSalle Arch", which is oil productive from Wilcox sands that are Eocene Age. The Wilcox sands in this area are characterized by prolific, long-life oil production.

The Project comprises 22 oil wells, several with "stacked" oil formations that have been undeveloped, six formation water disposal wells and associated facilities, all of which are located in six separate fields with leases covering an area of approximately 1,125 acres as set out below:

<u>Field Name</u>	<u>Interest</u>	<u>Oil wells</u>	<u>SWD wells</u>	<u>Acreege</u>
Routh Point Field	13.00%	7	1	425 acres
Northwest Rogers Area	21.50%	6	1	80 acres
Petro Hunt et al Boot				
Hill Lease	20.20%	3	1	120 acres
Shirley State Area	12.40%	2	1	260 acres
Ward Lease	8.25%	2	1	160 acres
LA Pacific SU65				
Ray 2-6SU 56	8.00%	2	1	80 acres

*Note: SWD means Salt Water Disposal*

Pryme initially purchased its interest in the LaSalle Parish Project on Wednesday the 19<sup>th</sup> of April 2006 with completion of the assignment of all working interests' rights, title and ownership to Pryme occurring 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 for the working interest. The effective date of the purchase was April 1<sup>st</sup> 2006, so that Pryme had accrued 19 days of April oil production to be sold at the end of that month.

Pryme increased its working interest in the producing LaSalle Parish Project in Louisiana in July, boosting its projected cash flow. The additional stake was purchased from Miami-based Anglo Energy Company Inc. on the 5<sup>th</sup> of July 2006. The consideration paid was 2,667,000 fully paid shares in Pryme. The additional interest in the LaSalle Parish Project had the effect of increasing Pryme's current net cash flows by approximately 50% based on May 2006 revenue and expense statements from the fields.

## **Reserve Study**

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](http://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 gross Proved and Probable reserves at LaSalle Parish of 2,869,339 barrels and 320,717 net to Pryme. Proved reserves total 2,610,460 gross barrels and 287,971 net, while Probable reserves are 258,879 gross barrels and 32,746 net. 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 close to 15,000 barrels of oil per month at the time of writing this Prospectus of which Pryme's share of this is approximately 1,400 barrels of oil per month. The Company believes it can increase this production rate through development drilling which is continuing in the LaSalle Parish Project. The first step-out well was drilled on the 6<sup>th</sup> of June in the Shirley State Area called the SU118 No.2. 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; Coleman No.6 well.

### **SU118 No.2 well, LaSalle Parish, Louisiana**

The SU118 No.2 step-out well was successfully drilled to a total depth of 4,400 feet (1,341 metres) 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.

Pryme has a 10% working interest (7.5% net revenue interest) in the SU118 well, which is operated by Belle Exploration Inc of Natchez, Mississippi. The G-1 sand is currently producing at a rate of +/- 75 barrels of oil a day to the south and has cumulative production that exceeds 56,000 barrels since December 2003. Pryme will continue to drill for the balance of this year.

### **(b) 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 will fund and own an 80.8% interest in the 3-D seismic

shoot in the south central Louisiana trend area. This will give Pryme the right to a 52% working interest to explore and drill prospects in the onshore trend area in south central Louisiana that is highly prospective for oil and gas at several intervals between 2,000ft and 15,000ft. This seismic project covers territory up to 90 square miles (57,600 acres) within an area of mutual interest of some 200 square miles (128,000 acres.) Our objective is to test and develop zones that may be indicated as prospective via the forthcoming 3-D seismic program which may include the "WEA" (wavelet energy absorption) attribute.

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 United States, are members of this project team.

The sequence of events is as follows:

- Permit and option (if possible) prospective acreage.
- 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.

The Company currently has over 25,000 acres permitted to shoot 3-D seismic and is planning to begin drilling the shot holes in early September to gather the 3-D data. This process usually takes 3 months based on a shoot of this size taking the Company through to the end of November at which point the data will be processed and ready to view at the end of the year early 2007. If successful, a drilling program will commence in the first quarter of 2007. The 3-D data collected will be in addition to 250 miles of existing 2-D seismic data owned by Pryme that identifies several drillable prospects in the same region.

(c) **Wave Exploration Projects**

In May 2006, 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 on-sell projects 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% in the prospect with Pryme's working interest as high as 80%, depending upon the ultimate negotiated trade for the capitalization of the prospect (as described in more detail below)

#### **Kestrel Prospect, Calcasieu Parish, Louisiana**

Pryme, under the Joint Venture Agreement with Wave, will earn 45% of all promotes including overrides, carried working interests and cash fees. The Kestrel Prospect has a two well potential and is located on 300 consolidated acres that would be drilled to 13,500 feet, targeting four "Hackberry" natural gas and condensate (oil) sands. Two wells should effectively drain this objective if permeabilities are encountered that are analogous to consolidated sandstones found in the Hackberry in this general area.

The location has also been confirmed by 3-D seismic data. Approximately 6,500,000 barrels of oil and 101 billion cubic feet of gas have been produced in the vicinity of the Kestrel Prospect, in what is postulated to be from separate reservoirs. The Kestrel Prospect will be drilled on a 200-acre horst block 300 feet up dip and upthrown to a well that produced 1.2 BCF from a Hackberry Sand.

The budgeted cost outlay by Pryme to secure the prospect is US\$101,250. Based on the trade terms to be offered to third parties, Pryme will receive all of its outlaid capital back in the prospect plus an US\$80,000 cash fee prior to drilling. A 0.8% overriding royalty interest and an 8% carried working interest will be Pryme's objective during trade negotiations with third-parties.

The trade package for the on-sale of the Kestrel Prospect is due to be released in early August.

#### **Raven Prospect, Lincoln Parish, Louisiana**

Pryme and Wave have a combined working interest of 100% in the prospect with Pryme's participating working interest expected to be as high as 65%, depending upon the ultimate negotiated trade for the capitalisation of the Prospect. In addition, Pryme, under its joint venture agreement with Wave, will earn 45% of all promotes including overrides, carried working interests and cash fees, that may be received from the project.

Leasing of the prospect acreage has begun and is expected to be finalised in the coming months, with the drilling of the first well scheduled to begin in the second quarter of 2007.

The Raven Prospect exists along a very prolific gas fairway of Cotton Valley marine bars in the Lincoln Parish. The prospect is targeting 10,000 foot Cotton Valley sands and is located on 4000 consolidated acres. Pryme anticipates that six to 10 wells should be sufficient to effectively drain this objective if permeabilities are encountered that are analogous to consolidated sandstones found in the Cotton Valley area.

The budgeted cost outlay by Pryme to secure the prospect is US\$1,040,000. Based on the trade terms to be offered to third parties,

Pryme will receive all of its outlaid capital back in the prospect plus a US\$160,000 cash fee prior to drilling. A 0.8% overriding royalty interest and an 8% carried working interest will be Pryme's objective during trade negotiations with third-parties.

The Directors continue to review opportunities.

#### **Introduction of the Directors' Incentive Option Plan (DIOP)**

The Company has introduced the DIOP with the objective of recognising performance of the Directors in managing the Company's growth and market performance targets during a 3 year performance period commencing from 1 July 2006 and ending on 30 June 2009.

Only Directors who perform strategic and management functions and contribute to the growth of the Company's business activities will be eligible to participate in the DIOP.

A summary of the terms of the DIOP is provided in Annexure A to this Prospectus.

#### **Introduction of the Directors' Share Incentive Plan (DSIP)**

The Company has introduced the DSIP with the objective of recognising performance of the Directors in managing the Company's growth and market performance targets during a 3 year performance period commencing from 1 July 2006 and ending on 30 June 2009.

Only Directors who perform strategic and management functions and contribute to the growth of the Company's business activities will be eligible to participate in the DSIP.

A summary of the terms of the DSIP is provided in Annexure B to this Prospectus.

#### **Advisory Committee**

Pryme has established an advisory committee to assist the Board in assessment of projects. Pryme has initially appointed the following people to the Advisory Committee:

##### ***Donald Ellison (Don)***

Donald Ellison will be Pryme's Advisory member for Petroleum Engineering. Don holds a degree in Petroleum Engineering from the University of Missouri School of Mines. His singular domestic career has involved the engineering management of Lake Pasture Field, the third-largest oil and gas reserve in Texas; two significant oil and gas discoveries in Oklahoma that each have cumulative production of several million barrels of oil and several billion cubic feet of natural gas and a successful gas/condensate resource development project in East Texas.

Outside of the US, Ellison was the first US citizen to successfully establish a joint venture for the product of oil and associated gas in the former Soviet Union, when in 1989 he entered into oil resource development accords with Tatneft, the state-owned oil and gas company of the

Republic of Tatarstan. His company, Ellison Engineering, conducts reservoir engineering studies, project management of oil and gas drilling, completions and product operations, coalbed methane project consulting, plus thermal and wind power project co-development.

***James R Stewart (Jay)***

James Stewart will be Pryme's Advisory member for Geology, Petroleum Land and Environmental Studies. Jay graduated with Honors from the University of Southern Mississippi in 1982. Stewart holds a Bachelor of Science degree in Geology. His accomplishments and areas of activity include Geologist and Petroleum Land and Environmental Affairs Consultant since December 1983 for various companies in Mississippi, Louisiana, Arkansas, Alabama, Kentucky and Texas. For the past 10 years Stewart has utilised his land and geological talent in aggregating considerable wealth for his own account and for the account of others. He has been focused on oil and gas prospect generation in north Louisiana, during which time Stewart also managed the land and mineral leasing rights for two JV partnerships centred in the Wilcox Basin.

Stewart's consulting work has included working with environmental compliance departments in the states of Alabama, Arkansas, Kentucky, Louisiana and Mississippi. He has represented clients in all environmental aspects, including site testing evaluation, documentation, proposing test methods and remediation plans acceptable to the State.



## 8. FINANCIAL INFORMATION

Set out below is:

- (a) an unaudited pro forma consolidated statement of financial position of the Company as at 31 May 2006;
- (b) an unaudited pro forma consolidated statement of financial position of the Company as at 31 May 2006 incorporating the effect of the Offer, the FCC Options and issue of options as approved in the General Meeting.

	Unaudited Actual 31/05/2006	Pro forma Transactions	Pro forma 31/05/2006
<b>Assets</b>			
Current Assets			
Cash at Bank	1,259,161	6,452,816	7,711,977
Other Debtors	507,918		507,918
Revenue Receivable	99,529		99,529
<b>Total Current Assets</b>	<b>1,866,609</b>		<b>8,319,424</b>
Non-Current Assets			
Interests in Oil & Gas Ventures			
Turner Bayou, LLC	732,722		732,722
LaSalle Parish	4,673,322		4,673,322
<b>Total Interest in Oil &amp; Gas Ventures</b>	<b>5,406,044</b>		<b>5,406,044</b>
Fixed Assets			
Formation Costs	7,593		7,593
	1,077		1,077
<b>Total Non-Current Assets</b>	<b>5,414,714</b>		<b>5,414,714</b>
<b>Total Assets</b>	<b>7,281,322</b>		<b>13,734,138</b>
<b>Liabilities</b>			
Current Liabilities			
Vouchers Payable	43,689		43,689
Trade Creditors	35,000		35,000
GST Liabilities	-49,323		-49,323
<b>Total Current Liabilities</b>	<b>29,366</b>		<b>29,366</b>
Non-Current Liabilities			
	-		-
<b>Total Liabilities</b>	<b>29,366</b>		<b>29,366</b>
<b>Equity</b>			
Paid Up Capital	7,425,747	6,452,816	13,878,563
Exchange Reserve	-75,711		-75,711
Net Income/loss	-98,080		-98,080
	<b>7,251,956</b>		<b>13,704,772</b>
<b>Total Liabilities &amp; Equity</b>	<b>7,281,322</b>		<b>13,734,138</b>

### Pro forma Transactions

1. An entitlement issue of 1 share for every six shares held at the date of this prospectus.

Shares issued at the date of this prospectus	54,737,363
1 in 6 share offer @ 75 cents	\$6,842,170
Less: Issue costs	<u>\$389,355)</u>
	\$6,452,815

2. The following options were assigned under this placement offer:

- One option for every 2 shares purchased amounting to 4,561,447 options
- Options offered to FCC of 3,500,000

Subsequent to 31 May 2006 shares were issued for the acquisition of the following projects:

- Turner Bayou LLC 1,180,363 shares
- La Salle Parish 2,667,000 shares

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## 9. RIGHTS ATTACHING TO SHARES

### 9.1 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.

## 9.2 Options under the Offer

The terms and conditions of the Options offered under the 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 \$0.75 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.

### 9.3 Terms of FCC Options and Existing Options

Under the FCC Offer, the FCC Options will be granted pursuant to this Prospectus.

The Company also has 1,500,000 options on issue. The terms and conditions of the existing options and the FCC Options are as follows:

- (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 \$0.20 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.

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## 10. 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.

### 10.1 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;
- (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.

## **10.2 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.

## **10.3 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.

## **10.4 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.

## **10.5 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.

#### **10.6 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.

#### **10.7 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.

#### **10.8 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.

#### **10.9 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.

#### **10.10 Regulatory**

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

#### **10.11 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.

#### **10.12 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.

#### **10.13 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.

#### **10.14 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.

#### **10.15 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.

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## 11. ADDITIONAL INFORMATION

### 11.1 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 \$1.15 on 7 July 2006 and 23 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 76.5 cents on 27 July 2006.

### 11.2 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.

### 11.3 Legal Proceedings

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

### 11.4 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 6 of this Prospectus.

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

Date	Description of Announcement
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.

## 11.5 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	1,700,000	Nil
Justin Pettett	1,755,000	Nil

Ryan Messer	1,700,000	Nil
Ananda Kathiravelu*	4,727,500	Nil

\* Ananda Kathiravelu has an indirect interest in 4,687,000 Shares. The balance of 40,000 Shares is held personally by Ananda Kathiravelu. On completion of the FCC Offer Ananda Kathiravelu will have an interest in 3,500,000 FCC Options through his interest in First Capital Corporate Ltd.

In addition, John Dickinson, Justin Pettett and Ryan Messer shall be entitled to participate in the DIOP and the DSIP. John Dickinson and Ryan Messer may each receive up to a total of 3,450,000 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 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.

Ananda Kathiravelu also has an interest in the Management Agreement between First Capital Corporate Limited and the Company summarised in Section 11.8 of this Prospectus by virtue of being a director and controller of First Capital Corporate Limited.

## 11.6 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:

<b>Name</b>	<b>Directors' Remuneration per annum \$</b>
John Dickinson (Non-Executive Chairman)	60,000
Mr Justin Pettett (Managing Director)	80,000
Mr Ryan Messer (Executive Director)	60,000
Mr Ananda Kathiravelu (Non-Executive Director)	20,000
	<u><u>220,000</u></u>

Since incorporation to the date of this Prospectus a total of approximately \$110,000 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.

## 11.7 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 has assisted the Company in relation to this Prospectus. The Company estimates it will pay Moore Stephens \$5,000 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, Moore Stephens received fees of \$19,500 for audit services provided to the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. 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 \$77,000 for legal services provided to the Company.

First Capital Corporate Limited has provided the Company with financial and corporate advice in relation to the Offer and is acting as Manager to the Offer. First Capital Corporate Limited will be entitled to receive a fee of 5% of the amount raised under this Prospectus. Assuming the Offer is fully subscribed, First Capital Corporate Limited will receive a total fee of approximately \$342,108. During the 24 months preceding lodgement of this Prospectus with the ASIC, First Capital Corporate Ltd has received fees of approximately \$55,000 for services provided to the Company.

## **11.8 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 and are incorporated by reference into this Prospectus pursuant to Section 6 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.

### **Management Agreement with First Capital Corporate Limited**

The Company has entered into an agreement with First Capital Corporate Limited whereby First Capital Corporate Limited will provide management services to the Company on a best endeavours basis. The details of that contract are summarised in Section 5.3 of this Prospectus. First Capital Corporate Limited is a related party of the Company because Ananda Kathiravelu, a director of the Company, is a controller of First Capital Corporate Limited.

### **Executive Services Agreement with Mr Ryan Messer**

On 29 June 2006, the Company announced that Ryan Messer had been appointed an Executive Director. The Company has entered into an Executive Services Agreement with Mr Messer. The term of the Executive Services Agreement is for a period of 3 years. The term of the appointment may be extended by either the Company or Mr Messer for a further period of 3 years.

Pursuant to the Executive Services Agreement, Mr Messer will receive a salary of \$60,000 per year exclusive of superannuation.

Mr Messer will also be entitled to receive fees in the form of cash and/or securities in consideration for introducing new projects to the Company for acquisition and/or participation (subject to the requirement to obtain shareholder approval). The quantum and form of such fee will be determined by the Board in its absolute discretion.

### **Wave Exploration Joint Venture Agreement**

The Company entered into an agreement with Wave Exploration Group LLC (**Wave Exploration**) on or about 17 May 2006 whereby Wave Exploration agreed to provide the Company (on a first right of refusal basis) with introductions to participate in various 2D and 3D oil and gas prospects in the United States, by funding the lease and option costs to secure the prospectus.

The consideration for Wave Exploration providing introductions to the Company, was the grant of 250,000 Options.

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

### **Joint Venture Participation Agreement – 3D Seismic Project in South Central Louisiana**

The Company has entered into a Joint Venture Participation Agreement with Big Pine Petroleum Inc and Jennings Resource LLC to participate in the Turner Bayou

Prospect located in Avoyelles, St Landry and Pointe Coupee Parishes, Louisiana (**Project**).

The Joint Venture Participation Agreement is an agreement in which the parties agree to participate in the Project by: (i) acquiring 3D seismic permits, and (ii) related mineral lease options, and (iii) subsequently undertaking a 3D seismic survey in the Turner Bayou Prospect.

Pursuant to the Joint Venture Participation Agreement, the Company must fund 80.8% of the costs of the participating vehicle's interest in the Project, to receive a 52% working interest in the Project.

In the event that any of the parties to the Joint Venture Participation Agreement are unable to fund their portion of the seismic shooting cost within 90 days of being billed for such costs (as budgeted and set out in the agreement) then such defaulting party shall surrender its interest in the Project to the non-defaulting parties.

#### **Advisory Committee Appointment Terms – Don Ellison**

By letter agreement dated 6 July 2006, the Company appointed Don Ellison to the Company's Advisory Committee to review and provide his opinion to the Board on the technical merits of any proposed oil and gas project that the Company may from time to time consider investing in, and which the Board requests the review.

It is also agreed that Don Ellison may source potential projects for the Company to consider investing in. The Company may pay a fee to Don Ellison for the introduction of projects, to be negotiated at the time. The Board is not obliged to follow or act upon any advice, opinion or recommendation that Don Ellison provides to the Company in his role as an advisory committee member.

In consideration for Don Ellison's services, the Company has granted to Don Ellison 250,000 options exercisable at 20 cents per option on or before 30 June 2008. The Company will also pay Don a fee of US\$100 per hour of work performed on the Advisory Committee.

The appointment may be terminated by either party by giving 4 weeks written notice.

#### **Advisory Committee Appointment Terms – James Stewart**

By letter agreement dated 12 July 2006 the Company appointed James Stewart to the Advisory Committee on the same terms and conditions as the appointment of Don Ellison except for the consideration payable. In consideration for James Stewart's services on the Advisory Committee, the Company has granted 250,000 options exercisable at 20 cents per option on or before 30 June 2008 and has agreed to pay a fee of AU\$24,000 per year. If James Stewart's work on the Advisory Committee exceeds 44 days in any year, the Company will additionally pay a fee of US\$400 per day for each additional day worked by James.

## 11.9 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 in this Prospectus and to the reference in Section 6 of this Prospectus to the Investigating Accountant's Report in Section 7 and the Financial Report in Section 8 of the IPO 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.

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 6 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.

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.

## 11.10 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$389,355 (exclusive of GST) as follows:

ASIC Fees	\$2,010
Printing and mailing expenses	\$10,000
ASX fees	\$20,237
Management Fees	\$342,108
Legal	\$10,000
Accountant	\$5,000

TOTAL	\$389,355
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#### 11.11 Options issued to persons in accordance with approvals under General Meeting

The Company has granted 1,500,000 options to the persons set out in resolutions 8 to 11 of the Notice of Meeting and in accordance with the approvals obtained under the General Meeting. The offer of options to those participants does not need disclosure under Section 706 of the Corporations Act as all the offers are exempt under Section 708 of the Corporations Act.

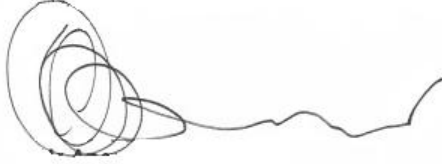
In certain circumstances Sections 707(1) and 707(3) of the Corporations Act restrict the sale of the above options within 12 months after their issue without disclosure. Section 708A provides exceptions to the provisions in Sections 707(1) and 707(3) of the Corporations Act where the Company lodges a prospectus prior to the sale of the options the provisions of Sections 707(1) and 707(3) of the Corporations Act do not apply to the sale within 12 months in certain circumstances. The Company intends to rely on Section 708A in the event of a sale of options issued pursuant to the approvals obtained by the Company in the General Meeting.

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**12. 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.

A handwritten signature in black ink, consisting of several overlapping loops and a long, wavy tail extending to the right.

**Mr Ananda Kathiravelu**  
**Director**  
**For and on behalf of Pryme Oil and Gas Limited**

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## 13. GLOSSARY

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

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

**Applicant** means an applicant for Securities pursuant to this Prospectus.

**Application Form** means either the Entitlement and Acceptance Form or the FCC 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 Perth, Western Australia.

**Closing Date** means 5pm EST 25 August 2006 (unless extended).

**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).

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

**DIOP** means the Company's Director's Incentive Option Plan.

**DSIP** means the Company's Directors Share Incentive Plan.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Offer.

**Entitlement and Acceptance Form** means the entitlement and acceptance form enclosed with this Prospectus for Shareholders.

**EST** means Eastern Standard Time, Brisbane, Queensland.

**FCC Offer** means the offer of 3,500,000 FCC Options to First Capital Corporate Ltd set out in Section 5.11 of this Prospectus.

**FCC Offer Application Form** means the application form titled "FCC Offer Application Form" attached to or accompanying this Prospectus.

**FCC Option** means an option to acquire a Share at an exercise price of 20 cents on the terms and conditions set out in Section 9.3 of this Prospectus.

**Foreign Shareholder** means a Shareholder whose registered address is (as recorded in the Company's register of members) is in a foreign jurisdiction outside of Australia or New Zealand.

**General Meeting** means a meeting of Shareholders held on 20 July 2006.

**IPO Prospectus** means the prospectus issued by the Company dated 3 March 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 19 July 2006 in relation to the General Meeting.

**Official List** means the Official List of ASX.

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

**Option** means an option to subscribe for one Share in the Company exercisable on or before 30 June 2008 at an exercise price of 75 cents on the terms and conditions described in Section 9.2 of this Prospectus.

**Offer or Rights Issue** means the pro-rata non-renounceable rights issue offer of Shares to Shareholders on the basis of 1 Share for every 6 Shares held on the Record Date at an issue price of 75 cents per Share (together with one free attaching Option for every two Shares subscribed for) described in this Prospectus.

**Prospectus** means this Prospectus.

**Securities** mean Shares, Options and FCC Options.

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

**Shareholder** means a holder of Shares.

**Shortfall Application Form** means the application form for Shortfall Securities that is attached to and accompanies this Prospectus.

**Shortfall Offer** means the offer of Shortfall Securities described in Section 5.10 of this Prospectus.

**Shortfall Securities** means any Shares (together with the relevant number of free attaching Options) offered pursuant to the Offer for which valid applications have not been received by the Closing Date.

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#### 14. ANNEXURE A – SUMMARY OF TERMS OF DIOP

- (a) Under Pryme Oil and Gas Ltd's Directors Incentive Option Plan (DIOP) the Board may, subject to obtaining shareholder approval required by law, offer to grant options (**Plan Options**) to a director of the Company or any associated company at the Board's discretion (**Eligible Director**) having regard to the Eligible Director's position, length of service, record of employment, potential contribution to the growth and profitability of the Company or an associated company and any other matter which the Board considers relevant.
- (b) Following receipt of the offer, an Eligible Director may apply for Plan Options up to the number specified in the offer. No consideration is payable by an Eligible Director to the Company in respect of the grant of Plan Options.
- (c) The exercise price payable on the exercise of a Plan Option shall be determined by the Board, in its absolute discretion, but shall not be less than 20 cents.
- (d) The exercise period of each Plan Option shall be determined by the Board in its absolute discretion (**Exercise Period**). However, a Plan Option cannot be exercised after the fourth anniversary of the date on which it is granted (**Grant Date**).
- (e) Notwithstanding paragraph (d), all Plan Options may be exercised:
  - (i) during a takeover period (as that term is defined in section 624 of the Corporations Act);
  - (ii) at any time after a change of shareholding has occurred which gives a person or an associated group of persons the ability in general meeting to replace all or a majority of the Board;
  - (iii) at any time after the announcement of a proposed capital reconstruction in relation to the Company, in the Board's absolute discretion following the occurrence announcement by the Company of an event that in the opinion of the Board is likely to lead to the Company being removed from the official list of ASX; and
  - (iv) in the Board's absolute discretion within 12 months in the event of the cessation of the Eligible Director's (in respect of whom Plan Options were granted) employment with a group Company as a result of the Eligible Director's position becoming redundant.
- (f) All Shares issued upon the exercise of the Plan Options will upon the allotment rank pari passu with all existing Shares in the capital of the Company. If the Shares are quoted, the Company will apply for quotation by the ASX of all Shares allotted pursuant to the exercise of the Plan Options.
- (g) The Board may determine in its discretion whether Plan Options will be quoted on ASX. If the Board determines that Plan Options are to be quoted on ASX, the Company will apply for official quotation by ASX of the Plan Options.
- (h) Plan Options will lapse on the fourth anniversary of their grant date.
- (i) Subject to written approval by the Directors, a Plan Option may only be transferred by the holder of a Plan Option if the transfer is to the Director for whose benefit that Plan Option was originally granted.



- (j) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, then the number of Plan Options to which each holder of Plan Options is entitled or the exercise price of the Plan Options or both will be reconstructed in the manner required by the ASX Listing Rules.
- (k) The holder of a Plan Option will only be permitted to participate in a pro rata issue to the holders of Shares on the prior exercise of the Plan Option. The Company must notify the holder of a Plan Option of the proposed issue at least 10 business days before the record date to determine entitlements to the pro rata issue.
- (l) If the Company makes a bonus issue, the number of Shares over which a Plan Option is exercisable will not be increased by the number of Shares which the holder of the Plan Option would have received if the Plan Option had been exercised before the record date for the bonus issue.
- (m) Subject to the ASX Listing Rules, the Directors may from time to time alter, delete or add to the provisions of the rules by an instrument in writing without obtaining the consent of Shareholders of the Company. Notwithstanding the foregoing, the Directors may only amend provisions of the rules, or any restrictions or other conditions relating to any Plan Option granted pursuant to the DIOP with retrospective effect after obtaining the prior approval of at least 50% of the holders of Plan Options who are affected by the retrospective amendment in relation to Plan Options previously granted to them.

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**15. ANNEXURE B – SUMMARY OF TERMS OF DSIP**

- (a) The Plan is open to directors of Pryme Oil and Gas Ltd (**Company**) or its subsidiaries who are determined by the Board to be eligible to participate in the Plan.
- (b) Shares may be issued under the Plan.
- (c) Participants will not be liable to make any payment for the Shares provided to them.
- (d) The maximum number of Shares that may be provided to a Participant will be determined by the Board in its absolute discretion.
- (e) The Performance Period will be determined by the Board in its absolute discretion.
- (f) The Performance Criteria for each Performance Period will be determined by the Board in its absolute discretion prior to the commencement of the Performance Period.
- (g) If a Participant ceases employment with the Group before Shares are provided to them, that Participant's right to be provided Shares (either in whole or in part) lapses immediately.
- (h) If the Company makes a bonus issue of securities, the number of Shares to which a Participant may be entitled at the expiration of a Performance Period will not be increased by the number of Shares the Participant would have received if Shares had been issued before the record date for the bonus issue.
- (i) If the Company makes an offer of securities pro-rata to all or substantially all holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) for a subscription price which is less than the market price then the Board must endeavour to ensure that the pro-rata issue is taken into account in providing Shares to Participants at the expiration of the relevant Performance Period in a manner which is fair and equitable to the Participants.
- (j) Each Share provided under the Plan confers on the holder the same right to participate in any new issues by the Company as that conferred by each other Share.
- (k) If any reconstruction of the issued ordinary capital of the Company occurs, the number of Shares to which the Participant may be entitled will be adjusted to ensure that the Participant does not receive a benefit that holders of ordinary securities do not receive.
- (l) The Board may, in its complete discretion, determine whether to provide to a Participant all or part of the Shares and any Adjustment Shares, having regard to performance against the Performance Criteria if:
  - (i) a takeover bid is made for the Company and the bidder has or acquires a relevant interest in more than 20% of the voting shares in the Company; or

- (ii) in the reasonable opinion of the Board, another transaction is proposed under which control of the Company is likely to pass from the then existing shareholders.
- (m) Shares provided to Participants will be issued directly to them by the Company.
- (n) Unless otherwise determined by the Board, Shares provided under the Plan rank equally with other Shares on issue at the time those Shares are provided and carry the same rights and entitlements as those conferred by other Shares.
- (o) The Plan will be administered by or on behalf of the Board in accordance with the Rules. The Board may use or delegate any power or discretion conferred by the Rules in the interests of, or for the benefit of, the Company. Under the Rules powers of the Board are exercisable by the Company's Nomination and Remuneration Committee or any other committee nominated by the Board in its place.
- (p) Subject to the Listing Rules, the Board may amend the provisions of the Rules at any time. However, no amendment to the provisions of the Rules may reduce the rights of any Participant in respect of Shares provided under the Plan unless the amendment was introduced primarily to comply with or conform to any present or future laws or the Listing Rules, to correct a manifest mistake, or to reduce tax payable by either the Company or of Participants generally.
- (q) The Board will ensure that all awards of Shares under the Plan are subject to shareholder approval.

# ENTITLEMENT AND ACCEPTANCE FORM

Accompanying the Prospectus dated 28 July 2006

**Office:**

PO Box 111  
BRISBANE QLD 4001

**Share Registry:**

Advanced Share Registry  
PO Box 1156  
NEDLANDS WA 6909

Telephone: (07) 3371 1103

Facsimile: (07) 3371 1105

Telephone: (08) 9389 8033

Facsimile: (08) 9389 7871

A non-renounceable rights issue of 9,122,894 Shares at a price of 75 cents each (together with one free attaching Option for every two Shares subscribed for), on the basis of 1 Share for every 6 Shares held.

No of Shares  
held as at 5.00  
pm EST on 9  
August 2006

Entitlement to  
Shares (\*)

Amount payable  
on acceptance  
@ 75 cents per  
Option

To the Directors,

- (1) I/We the above named being registered on 9 August 2006 (at 5.00pm Australian E.S.T) as the holders of Shares, Shareholder(s) in the Company hereby accept the undermentioned Shares (with free attaching Options) under the Prospectus accompanying this form.

**To be completed by Applicant if not accepting full entitlement**

No. of Shares accepted @ 75 cents per Share

No. of Options accepted (on basis of 1 Option for every 2 Shares accepted)

**Cheque details**

BSB Number

Drawer Account No.

Amount of cheque

- (2) I/We enclose my/our cheque for an amount shown being payment at the rate of 75 cents per Share applied for.
- (3) I/We hereby authorise you to place my/our name(s) on the register of Share Holders and Option Holders in respect of the number of Shares and Options allotted to me/us.
- (4) I/We agree to be bound by the Constitution of the Company.
- (5) My/Our contact numbers in case of enquiries are:

**Telephone**

**Facsimile**

**Area Code**

**Area Code**

**THIS FORM DOES NOT REQUIRE SIGNING UNLESS YOU WISH TO CHANGE YOUR ADDRESS**

**Please complete ONLY if your ISSUER SPONSORED address is INCORRECT.**

**NEW ADDRESS: (CHESS HOLDERS CAN ONLY AMEND THEIR ADDRESS BY ADVISING THEIR SPONSORING BROKER)**

Block  
Letters  
Please

Telephone:

Your Signature:

Note: Return of this document with the required remittance will constitute your acceptance of the Options being offered. Please read lodgement instructions overleaf. This acceptance form with payment in full must be lodged with the share registry no later than 5.00pm EST on 25 August 2006.

**LODGEMENT INSTRUCTIONS TO SHAREHOLDERS IN  
PRYME OIL AND GAS LIMITED**

**NON-RENOUNCEABLE RIGHTS ISSUE  
CLOSING 5PM EST ON 25 AUGUST 2006**

**1. Acceptance in Full or in Part:**

If you are accepting your entitlement to Shares in full or in part please:-

- (a) Complete the form overleaf. If the form is not completed properly you will be treated as having applied for the number of Shares covered by your remittance.
- (b) Forward it together with your remittance for application money at 75 cents per Option subscribed for so as to reach the Company at:

**By Post:** PO Box 111, Brisbane, Queensland 4001

Or

**By Hand:** Level 7, 320 Adelaide Street, Brisbane, Queensland, 4000

by 5.00pm (EST) on 25 August 2006.

A return addressed envelope is provided.

**2. General Instructions**

Only cheques and/or bank drafts in Australian currency and drawn or payable on a bank within Australia should be sent, made payable to "PRYME OIL AND GAS LIMITED – RIGHTS ISSUE" and crossed 'Not Negotiable-Account Payee Only'.

Receipt for payment will not be forwarded.

Personal cheques drawn on overseas banks in Australia or foreign currency will not be accepted. These will be returned and the application deemed invalid.

**3. Enquiries**

Any enquiries about your entitlement should be directed to First Capital Corporate Limited by telephone on +61 1300 886 796 or facsimile on +61 7 3319 8920.

**PRYME OIL AND GAS LIMITED**

**ABN 75 117 387 354**

**SHORTFALL APPLICATION FORM (FOR SHORTFALL SECURITIES ONLY)**

Shareholders wishing to accept their entitlement to Shares under the Offer cannot use this Shortfall Application Form. They must use the personalised Entitlement and Acceptance Form which accompanied their copy of the Prospectus.

This application will only be considered after the Closing Date of 25 August 2006. Applicants should read the Prospectus dated 28 July 2006 in its entirety before deciding to apply for Shortfall Securities. The Prospectus will expire on the date that is 13 months from the date of this Prospectus. While the Prospectus is current, the Company will send paper copies of the Prospectus, any supplementary documents and the Shortfall Application Form, free of charge to any person upon request. A person who gives another person access to the Shortfall Application Form must at the same time and by the same means give the other person access to the Prospectus and any supplementary document. The Corporations Act prohibits any person from passing onto another person an application form unless it is attached to a hard copy of the Prospectus or it accompanies the complete and unaltered version of the Prospectus.

To: The Directors  
Pryme Oil and Gas Limited  
PO Box 111  
BRISBANE QLD 4001

I / We apply for \_\_\_\_\_ Shares (number of shares applied for) (together with 1 free attaching Option for every 2 Shares subscribed for) and pay in full application moneys at 75 cents per Share by, lodgement herewith of \$\_\_\_\_\_ (amount of your cheque).

**Complete Full Name:**

(Applicant)

\_\_\_\_\_  
(Mr / Mrs / Miss / Ms or Company Name) (given names)  
(surname)

(Joint Applicant)

\_\_\_\_\_  
(Mr / Mrs / Miss / Ms or Company Name) (given names) (surname)

**Address Details:**

\_\_\_\_\_  
(number and street)

\_\_\_\_\_  
(suburb or city)

\_\_\_\_\_  
(state)

\_\_\_\_\_  
(postcode)

**Telephone Details:**

\_\_\_\_\_  
name) STD ( ) (Home) STD ( ) (Business) (contact

**Cheque Details:**

\_\_\_\_\_  
(Drawer)

\_\_\_\_\_  
(Bank)

\_\_\_\_\_  
(Branch)

**Broker Sponsored Applicants Only:**

SBN / IPN \_\_\_\_\_

HIN \_\_\_\_\_

This Application Form does not need to be signed. By lodging this Shortfall Application Form and a cheque for the application monies, the applicant hereby:

1. applies for the number of Options specified in the Shortfall Application Form or such lesser number as may be allocated by the Directors;
2. agrees to be bound by the terms and conditions set out in the Prospectus and the Constitution of the Company; and
3. authorises the Directors to complete or amend this Shortfall Application Form where necessary to correct any errors or omissions.

### **SHORTFALL APPLICATION FORM AND INSTRUCTIONS TO APPLICANTS**

Please complete all relevant sections of the Shortfall Application Form using BLOCK LETTERS. If you have questions on how to complete this Shortfall Application Form please telephone the Company Secretary on (07) 3371 1103, or contact your professional adviser.

Please post or deliver the completed Shortfall Application Form together with your cheque to the address listed below:

Pryme Oil and Gas Limited  
 PO Box 111  
 BRISBANE QLD 4001

Please write your name in full. This must be either your own name or the name of a company. You should refer to the examples noted for the correct forms of name which can be registered. Applications using the incorrect form of name may be rejected. If your Shortfall Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. Any decision as to whether to treat your application as valid, and how to construe, amend or complete it, shall be final. You will not, however, be treated as having offered to subscribe for more Options than is indicated by the amount of the accompanying cheque for the application monies referred to.

Your address should be your preferred postal address for all correspondence. All communications to you from the Company's Registry (shareholding statements, annual / interim reports, correspondence, etc) will be mailed to the person(s) and address as shown.

### **CORRECT FORMS OF REGISTRABLE TITLE**

Note that ONLY legal entities can hold Options. The application must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Pryme Oil and Gas Limited. At least one full given name and the surname is required for each natural person. Applications cannot be made by persons under 18 years of age. Examples of the correct form of registrable title are set out below:-

<b>Type of Investor</b>	<b>Correct Form of Registrable Title</b>	<b>Incorrect Form of Registrable Title</b>
Trusts	Mr John David Smith	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith	John Smith (Deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith	Smith Investment Club
Superannuation Funds	John Smith Pty Ltd	John Smith Superannuation Fund





## INSTRUCTIONS TO APPLICANT

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 07 3371 1103. The Application Form must be received by the Company within 5 days of the date of the Prospectus.

### **A. Application for Shares**

The Application Form must only be completed if directed by the Board of Directors and 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**

Not Applicable.

### **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 options in Pryme Oil and Gas Limited upon and subject to the terms of the Prospectus, agree(s) to take any number of options equal to or less than the number of options 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 options 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 400