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**PRYME OIL AND GAS LTD****ACN 117 387 354****NOTICE OF GENERAL MEETING**

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**TIME:** 10:30am (EST)**DATE:** 6 July 2007**PLACE:** The Oak Room  
Level 4 The Brisbane Club  
241 Adelaide Street, Brisbane, Queensland  
(Entrance via Brisbane Club Tower, Post Office Square (Queen St Level))

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 7) 3317 1103.***

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**VENUE**

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The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:30am (EST) on 6 July 2007 at:

The Oak Room  
Level 4 The Brisbane Club  
241 Adelaide Street, Brisbane, Queensland  
(Entrance via Brisbane Club Tower, Post Office Square (Queen Street Level))

**YOUR VOTE IS IMPORTANT**

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The business of the General Meeting affects your shareholding and your vote is important.

**VOTING IN PERSON**

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To vote in person, attend the General Meeting on the date and at the place set out above.

**VOTING BY PROXY**

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To vote by proxy, please complete and sign the enclosed proxy form and return by:

- (a) post to Pryme Oil and Gas Limited, GPO Box 111, Brisbane QLD 4001; or
- (b) facsimile to the Company on facsimile number (+61 7) 3371 1105,

so that it is received not later than 10:30am (EST) on 4 July 2007.

**Proxy forms received later than this time will be invalid.**

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## NOTICE OF GENERAL MEETING

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Notice is given that the General Meeting of Shareholders will be held at The Oak Room, Level 4 The Brisbane Club, 241 Adelaide Street, Brisbane, Queensland at 10:30am (EST) on 6 July 2007.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at the close of business on 4 July 2007.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

### AGENDA

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#### 1. RESOLUTION 1 – ISSUE OF OPTIONS TO FIRST CAPITAL CORPORATE LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 750,000 Options to First Capital Corporate Ltd (or its nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by First Capital Corporate Ltd (or its nominee) or any of its associates.

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#### 2. RESOLUTION 2 – ISSUE OF OPTIONS TO PHILIP JUDGE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 150,000 Options to Philip Judge (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Philip Judge (or his nominee) or any of his associates.

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#### 3. RESOLUTION 3 – ISSUE OF DIOP OPTIONS UNDER DIOP TO JUSTIN PETTETT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to allot and issue 3,000,000 DIOP Options to Justin Pettett (or his nominee), in accordance with the terms and conditions of the DIOP, the principal terms of which are summarised in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by the Directors (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any associates of those persons.

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**4. RESOLUTION 4 – ISSUE OF DIOP OPTIONS UNDER DIOP TO RYAN MESSER**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to allot and issue 3,000,000 DIOP Options to Ryan Messer (or his nominee), in accordance with the terms and conditions of the DIOP, the principal terms of which are summarised in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by the Directors (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any associates of those persons.

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**5. RESOLUTION 5 – ISSUE OF DIOP OPTIONS UNDER DIOP TO JOHN DICKINSON**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to allot and issue 1,500,000 DIOP Options to John Dickinson (or his nominee), in accordance with the terms and conditions of the DIOP, the principal terms of which are summarised in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by the Directors (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any associates of those persons.

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**6. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of:*

*(a) 6,666,667 Shares at an issue price of \$0.45 per Share; and*

*(b) 3,333,334 Options,*

*on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who participated in the issue and any associates of those persons.

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**7. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE TO CYGNET CAPITAL PTY LTD**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 750,000 Options to Cygnet*

*Capital Pty Ltd on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Cygnet Capital Pty Ltd and any of its associates.

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**8. RESOLUTION 8 – PLACEMENT**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue 15,000,000 Shares at an issue price of not less than 80% of the average market price for Shares, calculated over the last 5 trading days prior to issue or, if there is a prospectus relating to the issue, calculated over the last 5 days on which sales in the Shares were recorded before the date the prospectus was signed, on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed and any associates of those persons.

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**DATED: 5 JUNE 2007**

**BY ORDER OF THE BOARD**

**MATTHEW FOGARTY  
PRYME OIL AND GAS LTD  
COMPANY SECRETARY**

**Voting Exclusion Note:**

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at The Oak Room, Level 4 The Brisbane Club, 241 Adelaide Street, Brisbane, Queensland at 10:30am (EST) on 6 July 2007.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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### 1. RESOLUTION 1 – ISSUE OF OPTIONS TO FIRST CAPITAL CORPORATE LTD

#### 1.1 General

First Capital Corporate Ltd (**FCCL**) is a company controlled by Mr Ananda Kathiravelu. FCCL acted as financial and corporate adviser to the Company in relation to the capital raising pursuant to a prospectus dated 5 April 2007. In consideration for the provision of those services the Board (other than Mr Kathiravelu) has agreed, subject to obtaining shareholder approval, to grant 750,000 options to FCCL (**FCCL Options**) on the terms and conditions set out below.

#### 1.2 Shareholder Approvals (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Shareholder approval is required under Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 for the grant of the FCCL Options to FCCL because the grant of FCCL Options constitutes giving a financial benefit and, by virtue of Mr Kathiravelu being a controller of FCCL and also a Director, FCCL is a related party of the Company.

It is the view of the Directors that the arms length exception under the Corporations Act to the provision of financial benefits to related parties would apply in the current circumstances. Notwithstanding, the Board has resolved to seek Shareholder approval to the grant of FCCL Options to FCCL in accordance with Chapter 2E of the Corporations Act.

In accordance with the requirements of sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided to allow Shareholders to assess the proposed grant of FCCL Options:

- (a) the maximum number of FCCL Options (being the nature of the financial benefit being provided) to be granted to FCCL is 750,000;
- (b) the FCCL Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (c) the value of the FCCL Options and the pricing methodology is set out in Schedule 3;
- (d) the trading history of the Shares on ASX in the 12 months before the date of this Notice is as follows:

Highest	\$1.1368 on 7 July 2006
Lowest	\$0.2323 on 14 June 2006
Last	\$0.50 on 25 May 2007

- (e) FCCL and Mr Kathiravelu currently have an interest in the following securities in the Company:

<b>Related Party</b>	<b>Shares</b>	<b>Options</b>
FCCL	4,687,500	5,062,500 <sup>1</sup>
Ananda Kathiravelu	40,000	13,334 <sup>2</sup>

<sup>1</sup> 3,500,000 Options exercisable at \$0.20 each on or before 30 June 2008, and 1,562,500 Options exercisable at \$0.40 each on or before 30 June 2008.

<sup>2</sup> 13,334 Options exercisable at \$0.40 each on or before 30 June 2008.

- (f) Mr Kathiravelu currently receives \$89,157 per year as remuneration including superannuation. In the previous financial year Mr Kathiravelu received \$51,386 in remuneration including superannuation from the Company;
- (g) if the FCCL Options granted to FCCL are exercised, a total of 750,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 76,991,529 to 77,741,529 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

Related Party	Number of options to be issued	Issued Shares as at the date of this Notice	Dilutionary effect if all FCCL Options issued to FCCL are exercised
FCCL	750,000	76,991,529	0.965%

The market price for Shares during the term of the FCCL Options would normally determine whether or not the FCCL Options are exercised. If, at any time any of the FCCL Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the FCCL Options, there may be a perceived cost to the Company;

- (h) the terms and conditions of the FCCL Options are set out in Schedule 1;
- (i) the FCCL Options will be granted to FCCL no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the FCCL Options will be issued on one date;
- (j) the primary purpose of the grant of the FCCL Options is to provide consideration to FCCL for its services as financial and corporate adviser to the Company in relation to the capital raising pursuant to a prospectus dated 5 April 2007. Given this purpose the Directors (other than Mr Kathiravelu) do not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the FCCL Options on the terms proposed; and
- (k) Mr Kathiravelu declines to make a recommendation to Shareholders in relation to Resolution 1 due to his material personal interest in the outcome

of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 1, recommend that Shareholders vote in favour of Resolution 1. The Directors (other than Mr Kathiravelu) are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the resolution.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the FCCL Options to FCCL as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of FCCL Options to FCCL will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

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## **2. RESOLUTION 2 – ISSUE OF OPTIONS TO PHILIP JUDGE**

### **2.1 General**

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue 150,000 Options to Philip Judge (**Judge Options**) on the terms and conditions set out below. The issue of the Judge Options to Philip Judge is in the form of a director fee. Philip Judge does not receive any other form of cash remuneration from the Company in his role as Director.

Philip Judge is a related party of the Company by virtue of the fact that he is a Director. The grant of the Judge Options requires shareholder approval under ASX Listing Rule 10.11 and Section 208 of the Corporations Act.

### **2.2 Shareholder Approvals (Chapter 2E of the Corporations Act and Listing Rule 10.11)**

Shareholder approval is required under Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 for the grant of the Judge Options to Philip Judge because the grant of Judge Options constitutes giving a financial benefit and as a Director, Philip Judge is a related party of the Company.

It is the view of the Directors that the exceptions under the Corporations Act to the provision of financial benefits to related parties may not apply in the current circumstances. Accordingly, the grant of Judge Options to Philip Judge requires Shareholder approval.

In accordance with the requirements of sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided to allow Shareholders to assess the proposed grant of Judge Options:

- (a) the maximum number of Judge Options (being the nature of the financial benefit being provided) to be granted to Philip Judge is 150,000;
- (b) the Judge Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (c) the value of the Judge Options and the pricing methodology is set out in Schedule 3;
- (d) the trading history of the Shares on ASX in the past 12 months is set out in paragraph 1.2(d) above;
- (e) Philip Judge currently has an interest in the following securities in the Company:
  - (i) 4,565,163 Shares; and



(ii) 1,504,722 Options (exercisable at \$0.40 on or before 30 June 2008);

These Shares and Options are held by Anglo Energy Company Inc., a company in which Philip Judge is a director and shareholder.

- (f) Mr Judge currently receives nil cash remuneration. In the previous financial year Mr Judge received no remuneration from the Company. The proposed issue of the Judge Options to Mr Judge is in the form of a director fee;
- (g) if the Judge Options granted to Philip Judge are exercised, a total of 150,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 76,991,529 to 77,141,529 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

Related Party	Number of options to be issued	Issued Shares as at the date of this Notice	Dilutionary effect if all Judge Options issued to Philip Judge are exercised
Philip Judge	150,000	76,991,529	0.194%

The market price for Shares during the term of the Judge Options would normally determine whether or not the Judge Options are exercised. If, at any time any of the Judge Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Judge Options, there may be a perceived cost to the Company;

- (h) the terms and conditions of the Judge Options are set out in Schedule 1;
- (i) the Judge Options will be granted to Philip Judge no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Judge Options will be issued on one date;
- (j) the Directors (other than Mr Judge) believe the grant of Judge Options provides cost effective consideration to Philip Judge for his ongoing commitment and contribution to the Company in his role as a Director. Given this purpose the Directors (other than Mr Judge) do not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Judge Options upon the terms proposed;
- (k) the Board acknowledges the grant of Judge Options to Philip Judge is contrary to Recommendation 9.3 of the ASX Good Corporate Governance and Best Practice Recommendations. However, the Board considers the grant of Judge Options to Philip Judge reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves; and
- (l) Mr Judge declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the

outcome of Resolution 2, recommend that Shareholders vote in favour of Resolution 2. The Directors (other than Mr Judge) are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the resolution.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Judge Options to Philip Judge as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of Judge Options to Philip Judge will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

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### **3. RESOLUTIONS 3, 4 & 5 – ISSUE OF DIOP OPTIONS**

#### **3.1 Background**

At a general meeting of Shareholders held on 20 July 2006 approval was obtained for the Company to adopt a Directors' Incentive Option Plan (**DIOP**). The DIOP allows the Board, in their discretion, to offer DIOP Options to an eligible participant and impose conditions, including performance related conditions on the right of a participant to exercise any DIOP Options granted.

A summary of the principal terms of the DIOP rules is set out in Schedule 2. A full copy of the DIOP rules is available on the Company's website, [www.prymeoilandgas.com](http://www.prymeoilandgas.com), or you may request a copy by sending an email to [Justin@prymeoilandgas.com](mailto:Justin@prymeoilandgas.com).

The Company now proposes to grant DIOP Options to Justin Pettett, Managing Director of the Company, Ryan Messer, Director, and John Dickinson, Non-Executive Chairman (**Participating Directors**) who are eligible participants under the DIOP.

It is important to note that while John Dickinson is a non-executive Director, he is heavily involved in the Company's activities in the US, and the Board considers that his contribution, along with Messrs Pettett and Messer, is critical to the Company achieving the performance targets that have been set.

The grant of DIOP Options to the Participating Directors under Resolutions 3, 4 and 5 is an issue of securities to Directors under an employee incentive scheme and consequently Shareholder approval is required under Chapter 2E of the Corporations Act and ASX Listing Rule 10.15A.

#### **3.2 Shareholder Approval**

Under ASX Listing Rule 7.1, a company must not issue or agree to issue, equity securities amounting to more than 15% of the issued capital in any rolling 12 month period without shareholder approval unless an exception applies. One of the exceptions is an issue of securities under an employee incentive scheme which was approved by shareholders no more than three years before the date of issue of such securities. As stated above the current DIOP was approved by Shareholders in the general meeting held on 20 July 2006.

Resolutions 3, 4 and 5 seek Shareholder approval for the grant of DIOP Options under the DIOP so they will not be included in the 15% limit referred to above.

#### **3.3 Terms of Participation in the DIOP**

It is proposed that the Participating Directors will be granted a total of 7,500,000 DIOP Options upon Shareholder approval being received. The DIOP Options will

only become exercisable at \$0.60 each on achievement of the following performance targets:

- (a) from the time the Company's Shares trade on ASX at \$0.75 calculated on the basis of a 20 trading day volume-weighted-average-price (**VWAP**):
  - (i) 800,000 DIOP Options to Justin Pettett;
  - (ii) 800,000 DIOP Options to Ryan Messer; and
  - (iii) 400,000 DIOP Options to John Dickinson;
- (b) from the time the Company's Shares trade on ASX at \$1.00 calculated on the basis of a 20 trading day volume-weighted-average-price (**VWAP**):
  - (i) 1,000,000 DIOP Options to Justin Pettett;
  - (ii) 1,000,000 DIOP Options to Ryan Messer; and
  - (iii) 500,000 DIOP Options to John Dickinson;
- (c) from the time the Company's Shares trade on ASX at \$1.25 calculated on the basis of a 20 trading day volume-weighted-average-price (**VWAP**):
  - (i) 1,200,000 DIOP Options to Justin Pettett;
  - (ii) 1,200,000 DIOP Options to Ryan Messer; and
  - (iii) 600,000 DIOP Options to John Dickinson;

Once the relevant performance criteria is met and the DIOP Options become exercisable the DIOP Options are exercisable by no later than 5.00pm (EST) on 31 December 2009.

Where a Participating Director ceases to be a Director either through termination by the Company or resignation, that Participating Director's entitlement to exercise those DIOP Options for which the relevant performance criteria has not been satisfied, will lapse. However, a Participating Director will be entitled to exercise those DIOP Options for which the relevant performance criteria has been satisfied.

### **3.4 Shareholder approvals (Chapter 2E of the Corporations Act and Listing Rule 10.15A)**

Shareholder approval is required under Chapter 2E of the Corporations Act and ASX Listing Rule 10.14 for the grant of the DIOP Options to the Participating Directors because the grant of DIOP Options constitutes an issue of securities to Directors under an employee incentive scheme.

In accordance with the requirements of sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.15A, the following information is provided to allow Shareholders to assess the proposed grant of DIOP Options:

- (a) the maximum number of DIOP Options (being the nature of the financial benefit being provided) to be granted to the Participating Directors is:
  - (i) 3,000,000 DIOP Options to Justin Pettett;
  - (ii) 3,000,000 DIOP Options to Ryan Messer; and
  - (iii) 1,500,000 DIOP Options to John Dickinson;

- (b) the DIOP Options will be granted for nil consideration on achievement of the performance criteria set out in paragraph 3.3 above. Accordingly no funds will be raised from the grant of the DIOP Options and no loan will be provided by the Company to Participating Directors in respect of the acquisition of the DIOP Options;
- (c) the value of the DIOP Options and the pricing methodology is set out in Schedule 3;
- (d) the trading history of the Shares on ASX in the past 12 months is set out in paragraph 1.2(d) above;
- (e) as at the date of this Notice of Meeting the following DIOP Options have been granted to the following participants in the DIOP since the last approval at the general meeting of Shareholders held on 20 July 2006:

<b>DIOP Participant</b>	<b>DIOP Options</b>	<b>Acquisition Price</b>
John Dickinson	759,000	Nil
Justin Pettett	1,100,000	Nil
Ryan Messer	759,000	Nil

- (f) as at the date of this Notice of Meeting no person, other than the Participating Directors, is entitled to participate in the DIOP;
- (g) details of any DIOP Options issued under the DIOP will be published in each annual report of the Company relating to a period in which such securities have been issued, and that approval for the issue of such securities was obtained under ASX Listing Rule 10.14;
- (h) any additional persons referred to in ASX Listing Rule 10.14 who become entitled to participate in the DIOP after Resolutions 3, 4 and 5 are approved and who were not named in the Notice will not participate in the DIOP until approval is obtained under ASX Listing Rule 10.14; and
- (i) the Participating Directors currently have an interest in the following securities in the Company;

<b>Participating Director</b>	<b>Shares</b>	<b>Options</b>	<b>ADRs*</b>
Justin Pettett	1,775,000	1,891,927 <sup>1</sup>	NIL
Ryan Messer	1,700,000	1,532,592 <sup>2</sup>	555
John Dickinson	1,700,000	1,325,667 <sup>3</sup>	NIL

\* An ADR is an American Depository Receipt, a facility which allows investors to purchase US-denominated securities through brokers in North America, and represents 20 Shares. 555 ADRs is the equivalent of 11,100 Shares.

<sup>1</sup> 1,306,925 Options exercisable at \$0.20 each on or before 30 June 2008 and 585,002 Options exercisable at \$0.40 each on or before 30 June 2008.

<sup>2</sup> 965,925 Options exercisable at \$0.20 each on or before 30 June 2008 and 566,667 Options exercisable at \$0.40 each on or before 30 June 2008.

<sup>3</sup> 759,000 Options exercisable at \$0.20 each on or before 30 June 2008 and 566,667 Options exercisable at \$0.40 each on or before 30 June 2008.

- (j) the Participating Directors currently receive the following remuneration and emoluments from the Company:
- (i) Mr Pettett currently receives remuneration of \$204,531 per year plus superannuation;
  - (ii) Mr Messer currently receives remuneration of \$150,261 per year plus superannuation; and
  - (iii) Mr Dickinson currently receives remuneration of \$93,679 per year plus superannuation;

In the previous financial year Messrs Pettett, Messer and Dickinson received \$130,199, \$110,323 and \$81,031 respectively in remuneration from the Company;

- (k) if the DIOP Options granted to the Participating Directors are exercised, a total of 7,500,000 Shares would be allotted and issued and a total of \$4,500,000 would be received by the Company. This will increase the number of Shares on issue from 76,991,529 to 84,491,529 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be as follows:

<b>Participating Director</b>	<b>Number of options to be issued</b>	<b>Issued Shares as at the date of this Notice</b>	<b>Dilutionary effect if all DIOP Options issued to Participating Director are exercised</b>
Justin Pettett	3,000,000	76,991,529	3.55%
Ryan Messer	3,000,000	76,991,529	3.55%
John Dickinson	1,500,000	76,991,529	1.775%
<b>Total effect if all DIOP Options are exercised</b>	<b>7,500,000</b>	<b>76,991,529</b>	<b>8.875%</b>

The market price for Shares during the term of the DIOP Options would normally determine whether or not the DIOP Options are exercised. If, at any time any of the DIOP Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the DIOP Options, there may be a perceived cost to the Company;

- (l) the DIOP Options become exercisable on satisfaction of the performance criteria set out in paragraph 3.3 above and are exercisable at \$0.60 per DIOP Option on or before 31 December 2009. The full terms and conditions of the DIOP Options are set out in Schedule 4;
- (m) the DIOP Options will be granted to the Participating Directors no later than 3 years after the date of the Meeting;

- (n) the primary purpose for the issue of DIOP Options under the DIOP is to provide a market-linked incentive component in the remuneration package for the Participating Directors and for the future performance by the Participating Directors in managing the operations and strategic direction of the Company.
- (o) in determining the performance criteria for the DIOP Options, and the number of DIOP Options to be awarded pursuant to the DIOP, the Board considered the market value of the performance targets that must be met before the DIOP Options can be issued, the market price of the Shares and current market practice. In addition, the Board considers that the issue of DIOP Options pursuant to the DIOP as proposed (and set out in this Explanatory Statement) is reasonable given that the performance criteria will direct the Participating Directors to specific performance targets for the Company, which aligns the interests of the Participating Directors with those of Shareholders;
- (p) the Directors believe that the grant of DIOP Options pursuant to the DIOP provides cost effective consideration to the Participating Directors for their ongoing commitment and contribution to the Company in their respective roles as Directors of the Company. Given this purpose, the Directors do not consider that there are any opportunity costs to the Company or benefits foregone by the Company in granting the DIOP Options upon the terms proposed; and
- (q) the Board acknowledges the grant of DIOP Options to Mr Dickinson is contrary to Recommendation 9.3 of the ASX Good Corporate Governance and Best Practice Recommendations. However, the Board considers the grant of DIOP Options to Mr Dickinson is reasonable in the circumstances, given that he has significant experience in the oil and gas industry, and it is through his expertise, and contacts within the US oil and gas industry in which the Company operates, that will assist the Company in achieving its goals. The Board considers that the grant of DIOP Options pursuant to the DIOP aligns the interests of Mr Dickinson with the interests of Shareholders, whilst maintaining the Company's cash reserves;
- (r) each of Messrs Pettett, Messer and Dickinson decline to make a recommendation to Shareholders in relation to Resolutions 3, 4 and 5 respectively due to their respective material personal interest in the outcome of those Resolutions. The Board (other than Messrs Pettett, Messer and Dickinson), who does not have a material interest in the outcome of either of Resolutions 3, 4 or 5, recommends that Shareholders vote in favour of Resolutions 3, 4 and 5. The Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 3, 4 and 5.

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#### **4. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE**

##### **4.1 General**

On 19 April 2007, the Company announced the completion of a placement of 6,666,667 Shares at an issue price of \$0.45 per Share and 3,333,334 free attaching Options on the basis of 1 Option for every 2 Shares subscribed for pursuant to a prospectus dated 5 April 2007.

None of the subscribers pursuant to this issue were related parties of the Company.

Resolution 6 seeks shareholder ratification pursuant to Listing Rule 7.4 for the issue of those Shares and Options (**Placement Ratification**).

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% threshold set out in ASX Listing Rule 7.1 without the requirement to obtain prior shareholder approval.

#### **4.2 Technical information required by ASX Listing Rule 7.4**

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the Placement Ratification:

- (a) 6,666,667 Shares and 3,333,334 Options were allotted;
- (b) the Shares were issued at \$0.45 per Share and the Options were issued for nil consideration;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the full terms and conditions of the Options are set out in Schedule 1;
- (e) the Shares and Options were allotted and issued to various applicants pursuant to a prospectus dated 5 April 2007; and
- (f) the funds raised are being used for drilling costs at the Company's Turner Bayou project, expenses of the offer under the prospectus dated 5 April 2007 and general working capital purposes.

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#### **5. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE TO CYGNET CAPITAL PTY LTD**

On 27 April 2007, the Company issued 750,000 Options to Cygnet Capital Pty Ltd in consideration for its role as joint manager to the offer and corporate adviser in the capital raising conducted pursuant to a prospectus dated 5 April 2007.

Resolution 7 seeks shareholder ratification pursuant to Listing Rule 7.4 for the issue of those Options (**Cygnnet Capital Ratification**).

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% threshold set out in ASX Listing Rule 7.1 without the requirement to obtain prior shareholder approval.

#### **5.1 Technical information required by ASX Listing Rule 7.4**

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the Cygnet Capital Ratification:

- (a) 750,000 Options were allotted;
- (b) the Options were issued for nil cash consideration;
- (c) the full terms and conditions of the Options are set out in Schedule 1;
- (d) the Options were allotted and issued to Cygnet Capital Pty Ltd, who is not a related party of the Company; and
- (e) no funds were raised from the issue of the Options.

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## 6. RESOLUTION 8 – PLACEMENT

### 6.1 General

Resolution 8 seeks Shareholder approval for the allotment and issue of 15,000,000 Shares, at an issue price of not less than 80% of the average market price for Shares, calculated on the basis of the 5 trading days prior to issue or, if there is a prospectus relating to the issue, calculated over the last 5 days on which sales in the Shares were recorded before the date the prospectus was signed (**Placement**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in general meeting.

The effect of Resolution 8 will be to allow the Directors to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's annual 15% placement capacity.

The Company has not yet considered the size and nature of the capital raising.

### 6.2 Technical Information Required by ASX Listing Rule 7.3

The following information is provided in relation to the Placement pursuant to and in accordance with Listing Rule 7.3:

- (a) the maximum number of Shares to be issued is 15,000,000;
- (b) the Shares will be issued no later than three (3) months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the Shares will each be issued at not less than 80% of the average market price for Shares calculated for the 5 trading days prior to the issue or, if there is a prospectus relating to the issue, calculated over the last 5 days on which sales in the Shares were recorded before the date the prospectus was signed;
- (d) the Directors will determine to whom the Shares will be issued but these persons will not be related parties of the Company;
- (e) the Shares are fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares; and
- (f) the Company intends to use funds raised from the Placement for the purposes of drilling and development costs for its Turner Bayou and Raven projects.

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## 7. ENQUIRIES

Shareholders are required to contact Matthew Fogarty on (+ 61 7) 3317 1103 if they have any queries in respect of the matters set out in these documents.



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## GLOSSARY

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**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Company** means Pryme Oil and Gas Ltd (ACN 117 387 354).

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

**Corporations Act** means the Corporations Act 2001 (Cth).

**DIOP** means the Directors' Incentive Option Plan approved by Shareholders at the general meeting of Shareholders held on 20 July 2006.

**DIOP Option** means an Option granted in accordance with the terms and conditions of the DIOP, the principle terms of which are summarised in Schedule 2, with the terms and conditions set out in Schedule 4.

**Directors** means the current directors of the Company.

**EST** means Eastern Standard Time as observed in Brisbane, Queensland.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**FCCL** means First Capital Corporate Ltd (ABN 37 112 297 953).

**FCCL Option** means an Option granted to FCCL as described in Section 1 of the Explanatory Statement, with the terms and conditions set out in Schedule 1.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**Judge Option** means an Option granted to Philip Judge as described in Section 2 of the Explanatory Statement, with the terms and conditions set out in Schedule 1.

**Notice** or **Notice of Meeting** means this notice of general meeting including the Explanatory Statement.

**Option** means an option to acquire a Share.

**Participating Directors** has the meaning attributed to it in Section 3 of the Explanatory Statement.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

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

**Shareholder** means a holder of a Share.

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## SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

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The options issued under Resolutions 1 and 2 to FCCL and Philip Judge are on the same terms as the options being ratified under Resolutions 5 and 6. The options entitle the holder to subscribe for ordinary fully paid shares in the capital of the Company on the following terms and conditions:

- (a) The Options will expire at 5.00pm Australian Eastern Standard Time on 30 June 2008 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (b) Each Option gives the Option holder the right to subscribe for one Share. To obtain the right given by each Option, the Option holder must exercise the Options in accordance with the terms and conditions of the Options.
- (c) The exercise price payable upon exercise of each Option will be \$0.40 Australian (**Exercise Price**).
- (d) All or part of the Options may be exercised at any time prior to the Expiry Date, from time to time.
- (e) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
  - (ii) 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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## SCHEDULE 2 – DIRECTORS' INCENTIVE OPTION PLAN

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The principle terms of the Directors' Incentive Option Plan are as follows:

- (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:
  - (f) during a takeover period (as that term is defined in section 624 of the Corporations Act);
  - (g) 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;
  - (h) 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
  - (i) 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.
- (j) 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.
- (k) 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.
- (l) Plan Options will lapse on the fourth anniversary of their grant date.
- (m) 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.

- (n) 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.
- (o) 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.
- (p) 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.
- (q) 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.

### SCHEDULE 3 – VALUATION OF OPTIONS

**Valuation of FCCL Options** - The Company commissioned an independent valuation of the FCCL Options to be issued to FCCL pursuant to Resolution 1 (**FCCL Options**).

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the FCCL Options were ascribed a value range, as follows:

	FCCL Options		
<b>Indicative value per option (cents)</b>	17.36 cents	21.03 cents	24.76 cents
<b>Total Value of FCCL Options</b>	\$130,200	\$157,725	\$185,700
<b>Assumptions(1):</b>			
Valuation date	24 May 2007	24 May 2007	24 May 2007
Share price	51.5 cents	51.5 cents	51.5 cents
Exercise price	40 cents	40 cents	40 cents
Expiry date	30 June 2008	30 June 2008	30 June 2008
Volatility	50%	75%	100%
Risk free interest rate	6.15%	6.15%	6.15%

Note: The valuation ranges noted above are not necessarily the market prices that the FCCL Options could be traded at and they are not automatically the market prices for taxation purposes.

**Valuation of Judge Options** - The Company commissioned an independent valuation of the Judge Options to be issued to Philip Judge pursuant to Resolution 2 (**Judge Options**).

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Judge Options were ascribed a value range, as follows:

	Judge Options		
<b>Indicative value per option (cents)</b>	17.36 cents	21.03 cents	24.76 cents
<b>Total Value of Judge Options</b>	\$26,040	\$31,545	\$37,140
<b>Assumptions(1):</b>			
Valuation date	24 May 2007	24 May 2007	24 May 2007
Share price	51.5 cents	51.5 cents	51.5 cents
Exercise price	40 cents	40 cents	40 cents
Expiry date	30 June 2008	30 June 2008	30 June 2008
Volatility	50%	75%	100%
Risk free interest rate	6.15%	6.15%	6.15%

Note: The valuation ranges noted above are not necessarily the market prices that the Judge Options could be traded at and they are not automatically the market prices for taxation purposes.

**Valuation of DIOP Options** - The Company commissioned an independent valuation of the DIOP Options to be issued to Participating Directors pursuant to Resolutions 3, 4 and 5 (**DIOP Options**).

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the DIOP Options were ascribed a value range, as follows:

	DIOP Options		
<b>Indicative value per option (cents)</b>	11.89 cents	11.52 cents	7.35 cents
<b>Total Value of DIOP Options</b>	\$891,750	\$864,000	\$551,250
Value of DIOP Options to be granted to Justin Pettett	\$356,700	\$345,600	\$220,500
Value of DIOP Options to be granted to Ryan Messer	\$356,700	\$345,600	\$220,500
Value of DIOP Options to be granted to John Dickinson	\$178,350	\$172,800	\$110,250
<b>Assumptions(1):</b>			
Valuation date	24 May 2007	24 May 2007	24 May 2007
Share price	51.5 cents	51.5 cents	51.5 cents
Exercise price	60 cents	60 cents	60 cents
Expiry date	31 December 2009	31 December 2009	31 December 2009
Volatility	50%	75%	100%
Risk free interest rate	6.15%	6.15%	6.15%

Note: The valuation ranges noted above are not necessarily the market prices that the DIOP Options could be traded at and they are not automatically the market prices for taxation purposes.

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## **SCHEDULE 4 – TERMS AND CONDITIONS OF DIOP OPTIONS**

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The options entitle the holder to subscribe for ordinary fully paid shares in the capital of the Company on the following terms and conditions:

- (a) The Options will expire at 5.00pm Australian Eastern Standard Time on 31 December 2009 (**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 \$0.60 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) 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.

## PROXY FORM

**APPOINTMENT OF PROXY  
PRYME OIL AND GAS LTD  
ACN 117 387 354**

### GENERAL MEETING

I/We

being a member of Pryme Oil and Gas Ltd entitled to attend and vote at the general meeting, hereby

Appoint

Name of proxy

OR

Mark this box if you wish to appoint the Chair of the general meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the meeting or the Chair's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the general meeting to be held at 10:30am (EST), on 6 July 2007 at The Oak Room, Level 4 The Brisbane Club, 241 Adelaide Street, Brisbane, Queensland.  
and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the resolutions.

#### Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Issue of Options to First Capital Corporate Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Issue of Options to Philip Judge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Issue of DIOP Options under DIOP to Justin Pettett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Issue of DIOP Options under DIOP to Ryan Messer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Issue of DIOP Options under DIOP to John Dickinson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Ratification of Prior Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Ratification of Prior Issue to Cygnet Capital Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**OR**

If the Chair of the meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in this box.

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and votes cast by the Chair of the meeting for those resolutions other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 1 to 8 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 8.

**IF THE CHAIR IS TO BE YOUR PROXY IN RELATION TO RESOLUTIONS 1 TO 8 YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY IN RELATION TO RESOLUTIONS 1 TO 8 WILL BE DISREGARDED.**

If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007 \_\_\_\_\_ %

**By:**

#### Individuals and joint holders

Signature

Signature

Signature

#### Companies (affix common seal if appropriate)

Director

Director/Company Secretary

Sole Director and Sole Company Secretary



**PRYME OIL AND GAS LTD**  
**ACN 117 387 354**

**Instructions for Completing 'Appointment of Proxy' Form**

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. To vote by proxy, please complete and sign the enclosed proxy form and return by:
  - (c) post to Pryme Oil and Gas Limited, GPO Box 111, Brisbane QLD 4001; or
  - (d) facsimile to the Company on facsimile number +61 7 3371 1105,so that it is received not later than 10:30am (EST) on 4 July 2007.

**Proxy forms received later than this time will be invalid.**