



Company Announcements Office  
Australian Securities Exchange  
20 Bridge Street  
Sydney NSW 2000

7 September 2010

Dear Sirs,

**Rights Issue**

We refer to the announcement made on 6 September 2010 regarding a non-renounceable rights issue (***Rights Issue***).

Please find attached letters that will be mailed to shareholders today regarding the Rights Issue.

Yours sincerely,

A handwritten signature in black ink, appearing to read "SKeskar", is written over a light grey horizontal line.

Swapna Keskar  
Company Secretary



7 September 2010

Dear Shareholder,

Pryme Oil & Gas Limited (**Pryme**) recently announced to the Australian Securities Exchange (**ASX**) that it proposed to raise up to approximately \$2 million of new equity through a non renounceable rights issue (**Rights Issue**) in accordance with section 708AA of the Corporations Act 2001.

Shareholders with an address in Australia or New Zealand recorded on Pryme's register of members will be offered the opportunity to subscribe for 1 fully paid ordinary share in Pryme (**New Shares**) for every 8 fully paid ordinary shares held at 7.00pm (Sydney time) on 14 September 2010, with fractional entitlements rounded up.

The New Shares will be offered at an issue price of \$0.08 per share (**Issue Price**). The Directors have reserved the right to offer at the Issue Price any additional shares that are not subscribed for in the Rights Issue (**Shortfall Shares**) in accordance with Listing Rule 7.2 Exception 3.

The Rights Issue (including the issue of any Shortfall Shares), may result in the issue of up to 25,006,417 fully paid ordinary shares. This will result in a total number of up to 225,057,754 ordinary fully paid shares on issue (excluding the exercise of any of the 500,000 unlisted \$0.15 options). New Shares and Shortfall Shares will rank equally with existing ordinary fully paid shares.

The single option holder was advised in writing on 6 September 2010 that they must exercise their options prior to the Record Date in order to participate in the Rights Issue.

Details of the terms and conditions of the offer of New Shares and the ability to apply for Shortfall Shares will be contained in the offer document that will be sent to Eligible Shareholders on 20 September 2010. Subject to any changes that may be made by your Directors, the other key dates for this Rights Issue are:

<b>Event</b>	<b>Date</b>
Shares quoted on ex-entitlement basis	8 September 2010
Record Date for determining entitlements	7.00pm Sydney time on 14 September 2010
Despatch of Offer Document and Entitlement and Acceptance Form – Offer Opens	20 September 2010
Closing Date	5.00pm Sydney time on 11 November 2010

Event	Date
Anticipated date for allotment and issue of New Shares	17 November 2010 (Shortfall Shares may be issued at any time up to 11 February 2011)
Anticipated date of mail out of transaction confirmation statements	19 November 2010

The additional funds, after the expenses of the Placement and the Rights Issue and normal working capital requirements, will be used primarily to ensure that:

- If a decision is taken to commence a second Turner Bayou Chalk project well prior to significant revenue flows from a successful Deshotels 20-H No.1 well, Pryme will be able to participate at its current working interest level;
- In the event of cost overruns on the Deshotels 20-H No.1 well, the Company can continue to fund its proportionate share; and
- The Company can continue with its planned land-based drilling program on the periphery of Catahoula Lake once the water level has been lowered to a level permitting access to drill locations.

The Rights Issue will enable all shareholders to participate at the same price as the participants in the private placement, with the added advantage of being in possession of more information on the progress towards completion of the Deshotels 20-H No.1 well prior to the Closing Date of the Rights Issue.

**Your Directors recommend that you read the offer document carefully when you receive it. The offer will be made without a disclosure document and accordingly it is important that you review Pryme's ASX announcements made in relation to the Rights Issue, together with past ASX announcements made regarding Pryme, its business operations, financial position and prospects before deciding whether to participate in the Rights Issue.** All ASX announcements released by Pryme and any documents relating to the Rights Issue can be accessed at [www.prymeoilandgas.com](http://www.prymeoilandgas.com) or at asx.com.au.

If you have any questions in relation to this letter please seek professional advice or contact Pryme on +61 7 3371 1103 during office hours.

Yours sincerely,



George Lloyd  
Chairman



7 September 2010

Dear Shareholder,

Pryme Oil & Gas Limited (**Pryme**) is in the process of raising up to approximately \$2 million of new equity through a non renounceable rights issue (**Rights Issue**) in accordance with section 708AA of the Corporations Act 2001. Details of the Rights Issue are as announced to the Australian Securities Exchange (**ASX**) on 6 September 2010.

Shareholders with an address in Australia or New Zealand recorded on Pryme's register of members will be offered the opportunity to subscribe for 1 fully paid ordinary share in Pryme (**New Shares**) for every 8 fully paid ordinary shares held at 7.00pm (Sydney, Australia time) on 14 September 2010, with fractional entitlements rounded up. The New Shares will be offered at \$0.08 per share.

Pryme has determined, in accordance with Listing Rule 7.7.1(a) of the ASX Listing Rules, that it would be unreasonable to offer participation in the Rights Issue to shareholders outside of Australia and New Zealand due to the legal limitations in some countries, the relatively small number of shares held by shareholders in other countries, the likely funds that would be raised from shareholders in those countries and the cost of complying with regulatory requirements in those countries.

Accordingly, as you do not have an address in Australia or New Zealand recorded on Pryme's register of members, Pryme unfortunately must advise you that **you will not be extended the opportunity to participate in the Rights Issue.**

Under the terms of the offer you are not eligible to subscribe for New Shares and you will not be sent a copy of the offer documents.

This notice is to inform you of the Rights Issue. It is not an offer to issue New Shares to you, nor is it an invitation to apply for New Shares. You are not required to do anything in response to this letter.

If you have any questions in relation to this letter please seek professional advice or contact Pryme on +61 7 3371 1103 during office hours.

Yours sincerely,

A handwritten signature in black ink, appearing to be "George Lloyd", written over a horizontal line.

George Lloyd  
Chairman