



PRYME OIL AND GAS LIMITED
ABN 75 117 387 354
NOTICE OF ANNUAL GENERAL MEETING

TIME: 10:00am (Brisbane time)

DATE: 19 April 2010

PLACE: Private Dining Room
Level 3 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 contact the Company Secretary (02) 8280 7061.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting (AGM) of the Shareholders of Pryme Oil and Gas Limited (Pryme) will be held at 10.00am (Brisbane time) on Monday, 19 April 2010 at The Private Dining Room, Level 3, The Brisbane Club, 241 Adelaide Street, Brisbane, Queensland.

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

A. CONSIDERATION OF REPORTS

To receive and consider the Financial Report, the Directors' Report and the Independent Audit Report of the Company for the financial year ended 31 December 2009.

Unless the Company's Share Registry has been notified otherwise, shareholders will not be sent a hard copy of the Annual Report. All Shareholders can view the Annual Report, which contains the Financial Report for the year ended 31 December 2009 on the website of the Company (www.prymeoilandgas.com), go to "Investor Relations" and then "Financial Reports".

B. QUESTIONS AND COMMENTS

Following the consideration of the Reports, the Chairman will give Shareholders a reasonable opportunity to ask questions about or comment on the management of the Company.

The Chairman will also give Shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the Independent Audit Report;
- (c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by Shareholders that are relevant to the content of the Independent Audit Report or the conduct of the audit. A list of written questions, if any, submitted by Shareholders will be made available at the start of the Meeting and any written answer tabled by the Auditor at the Meeting will be made available as soon as practicable after the Meeting.

C. ITEMS FOR APPROVAL

1. Re-election of Director - Mr George Lloyd

To consider and, if thought fit, to pass the following as an ordinary resolution of Shareholders of the Company:

"That, Mr George Lloyd, who retires in accordance with clause 13.2 of the Company's Constitution, having offered himself for re-election and being eligible, is hereby re-elected as a Director of the Company."

2. Remuneration Report

To consider and, if thought fit, to pass the following as an advisory resolution of the Company:

"That, the Company's Remuneration Report for the financial year ended 31 December 2009 (set out in the Directors' Report) be adopted."

3. Re-election of Director - Mr Gregory Short

To consider and, if thought fit, pass the following resolution as an ordinary resolution of Shareholders of the Company:

"That Mr Gregory Short, having been appointed as a Director of the Company on 21 January 2010, who automatically retires pursuant to clause 13.4 of the Constitution, and being eligible for re-election, be re-elected as a Director of the Company."

4. Approval of Issue of Options to Mr Gregory Short

To consider and, if thought fit, pass the following resolution as an ordinary resolution of Shareholders of the Company:

“That, conditional upon Resolution 3 being approved, for the purposes of section 208 of the Corporations Act 2001, ASX Listing Rule 10.11, Exception 10 to ASX Listing Rule 10.12 and for all other purposes, approval is hereby given for the issue of 500,000 options each with an exercise price of \$0.15 and expiry date of 20 January 2012 to Mr Gregory Short, a Director of the Company, or his nominee on the terms described in the Explanatory Statement which forms part of this Notice of Meeting.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 4 by Mr Gregory Short (or his nominees) and any associates of Mr Gregory Short or his nominees.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

5. Ratification of Private Placement of Shares

To consider and, if thought fit, pass the following resolution as an ordinary resolution of Shareholders of the Company:

“That, for the purposes of ASX Listing Rule 7.4, and for all other purposes, Shareholders ratify the issue of 16,658,509 shares at an issue price of \$0.10 per share on 28 August 2009 to a variety of sophisticated and institutional investors, on the terms as described in the Explanatory Statement which forms part of this Notice of Meeting.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 5 by any participants in the issue and any of their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

6. Grant of Performance Rights to Mr Justin Pettett under the Pryme Oil and Gas Limited Long Term Incentive Plan

To consider and, if thought fit, pass the following resolution as an ordinary resolution of Shareholders of the Company:

“That, for the purposes of ASX Listing Rule 10.14, and for all other purposes, in respect of his at-risk remuneration for the performance period ending 31 December 2010, the grant to Mr Justin Pettett, Managing Director and Chief Executive Officer, of up to 1,747,572 Performance Rights for nil financial consideration which, subject to the achievement of performance conditions, may convert to ordinary shares in the capital of Pryme Oil and Gas Limited on a one-for-one basis, under the Pryme Oil and Gas Limited Long Term Incentive Plan, on the terms described in the Explanatory Statement which forms part of this Notice of Meeting, is approved.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 6 by any Director of the Company and their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

7. Grant of Restricted Stock Units to Mr Ryan Messer under the Pryme Oil and Gas Limited Long Term Incentive Plan

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Shareholders of the Company:

“That, for the purposes of ASX Listing Rule 10.14, and for all other purposes, in respect of his at-risk remuneration for the performance period ending 31 December 2010, the grant to Mr Ryan Messer, Executive Director and Chief Operating Officer, of up to 1,747,572 Restricted Stock Units, for nil financial consideration which, subject to the achievement of performance conditions, may convert to ordinary shares in the capital of Pryme Oil and Gas Limited on a one-for-one basis, under the Pryme Oil and Gas Limited Long Term Incentive Plan, on the terms described in the Explanatory Statement which forms part of this Notice of Meeting, is approved.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 7 by any Director of the Company and their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

8. Appointment of Auditor

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Shareholders of the Company:

“That, for the purposes of section 327B(1)(b) of the Corporations Act 2001, and for all other purposes, Moore Stephens (Queensland) Audit Pty Ltd A.B.N 62 126 208 179, having been nominated by a shareholder and consented in writing to act in the capacity of auditor, be appointed as auditor of the Company.”

By order of the Board



Swapna Keskar
Company Secretary
3 March 2010

ENTITLEMENT TO ATTEND AND VOTE

In accordance with Reg 7.11.37 of the Corporations Regulations 2001, the Board has determined that persons who are registered holders of shares of the Company as at 7:00pm (Brisbane time) on 17 April 2010 will be entitled to attend and vote at the Meeting as a shareholder.

If more than one joint holder of shares is present at the Meeting (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

Voting by Proxy

If you are a shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act 2001 to exercise its powers as proxy at the Meeting.

A proxy need not be a shareholder of the Company.

A shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the shareholder's votes.

To be effective, the proxy must be received at the share registry of the Company no later than 10.00am (Brisbane time) on 17 April 2010. Proxies must be received before that time by one of the following methods:

Online: Log onto the website www.linkmarketservices.com.au and follow the instructions. You will need to put your Securityholder Reference Number (SRN) or Holder Identification Number (HIN), details and postcode.

By post: Pryme Oil and Gas Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

By facsimile: In Australia (02) 9287 0309
From outside Australia +61 2 9287 0309

By delivery: Link Market Services Limited
Level 12, 680 George Street
Sydney South NSW 2000

Voting by Attorney

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 10.00am (Brisbane time) on 17 April 2010, being 48 hours before AGM.

Corporate Representatives

A body corporate which is a shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the Meeting. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act 2001. The representative should bring to the Meeting a properly executed letter or other document confirming its authority to act as the company's representative.

Shareholder Questions

If you wish to put a question to the Chairman of the Meeting or Auditor and you are not able to attend the AGM, please email your question to the Company Secretary at keskar@company matters.com.au. To allow time to collate questions and prepare answers, questions are to be received by the Company Secretary by 5:00 pm (Brisbane time), 12 April 2010.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held at The Private Dining Room, Level 3 The Brisbane Club, 241 Adelaide Street, Brisbane, Queensland at 10.00am (Brisbane time) on 19 April 2010.

The 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 at the Annual General Meeting.

RESOLUTION 1: RE-ELECTION OF DIRECTOR – MR GEORGE LLOYD

In accordance with clause 13.2 of the Company's Constitution, Mr George Lloyd retires by rotation and, being eligible, offers himself for re-election as a Director.

Mr Lloyd has a Bachelors degree in Engineering Science (Industrial Engineering) as well as a Masters degree in Business Administration, both from the University of New South Wales. He is a graduate of the Stanford Executive Program, Stanford University, California and is also a Fellow of the Australasian Institute of Mining and Metallurgy.

He has more than 30 years' senior management experience in the resources and energy sectors, with a focus on business development, corporate strategy, mergers and acquisitions and exploration management. He is the Chairman of AWR Lloyd Limited, an Asian-based corporate finance and strategy advisor to the energy, mining and metals industries in the Asia-Pacific region, Chairman of ASX listed Cape Alumina Limited and a Non-executive Director of ASX listed Ausenco Limited.

The Directors, with Mr George Lloyd abstaining, recommend that Shareholders vote in favour of this Resolution.

RESOLUTION 2: REMUNERATION REPORT

Section 250R(2) of the Corporations Act 2001 requires shareholders to vote on an advisory resolution that the Remuneration Report (the Report) be adopted.

The Report details the remuneration policy for the Company and:

- reports the remuneration arrangements for Company Executives and Non-Executive Directors (Pryme Personnel);
- explains Board policies in relation to the nature and value of remuneration paid to Pryme Personnel; and
- discusses the relationship between the policy and Company performance.

The Report is available on pages 24 to 31 in the Company's 2009 Annual Report (available on the Pryme website).

The Chairman will give Shareholders a reasonable opportunity to ask questions about or make comments on the Report.

The Directors recommend that Shareholders vote in favour of this advisory Resolution.

RESOLUTION 3: RE-ELECTION OF DIRECTOR – MR GREGORY SHORT

Clause 13.4 of the Constitution permits the Directors to appoint at any time a person to be a Director in addition to the existing Directors. Mr Gregory Short was appointed in this manner on 21 January 2010.

Clause 13.4 of the Constitution requires that a Director so appointed only holds office until the next following general meeting and is then eligible for re-election. Being eligible, Mr Short seeks re-election.

Mr Short holds a Bachelor's degree in Geology from the University of New England and is a Graduate of the Australian Institute of Company Directors.

Mr Short is a geologist with over 30 years' experience in petroleum exploration, initially as a production and operations geologist then rapidly advancing to supervisory and management positions. His experience

includes 15 years overseas in senior exploration management positions in the USA, Europe and Africa. In the USA he was responsible for all of Exxon's petroleum exploration activities which included on shore and offshore Gulf Coast exploration.

Mr Short has a strong technical grounding in exploration, development and production geoscience, exploration operations, joint venture management, Government relations, budgeting, contract and project management, and people management. He is also a non-executive director of ASX Listed MEO Australia Limited since July 2008.

The appointment of Mr Short will assist Pryme in expanding its operations and developing its strategies.

The Directors, with Mr Short abstaining, recommend that Shareholders vote in favour of this Resolution.

RESOLUTION 4: APPROVAL OF ISSUE OF OPTIONS TO MR GREGORY SHORT

Under ASX Listing Rule 10.11 and Exception 10 to Listing Rule 10.12, a company must not issue or agree to issue equity securities to a related party without the approval of holders of ordinary securities.

The Board acknowledges the skills and experience that Mr Short brings to the Company and wishes to issue Mr Short or his nominee 500,000 options over ordinary shares in the Company as an incentive attaching to his Directorship. These options will have an exercise price of \$0.15, will expire on 20 January 2012 and can be exercised after 20 January 2011. While the options will not be quoted on the ASX, the Company will seek quotation from the ASX of any shares issued as a result of the exercise of these options.

The complete terms attaching to the options are set out in Annexure A of this Notice.

Accordingly, Resolution 4 is seeking approval of Shareholders for the said issue of options as this is a related party transaction. Mr Short, being a Director of the Company, is deemed to be a related party by virtue of section 228(2)(a) of the Corporations Act. ASX Listing Rule 10.11 generally prohibits the Company from issuing shares to a related party without shareholder approval. Similarly, Chapter 2E of the Corporations Act generally prohibits the Company from giving a financial benefit to a related party without shareholder approval.

For the purpose of ASX Listing Rule 10.13, the following information is provided to allow Shareholders to assess the proposed issue of options:

- The number of options to be issued to Mr Gregory Short will be 500,000. All options are options over ordinary shares in the Company which may be converted on a one-for-one basis; therefore Mr Short may receive up to 500,000 Shares upon the exercise of options.
- The options will be issued no later than one month after the date of the meeting i.e. no later than 19 May 2010 (or such later date as permitted by ASX waiver or modification of the Listing Rules) and it is anticipated that the options will be issued on the day after the meeting.
- Mr Short is a Non-Executive Director of the Company.
- The options will be issued at no cost to Mr Short. These options will have an exercise price of \$0.15, will expire on 20 January 2012 and can be exercised after 20 January 2011; while the options will not be quoted on the ASX, the Company will seek quotation from the ASX of any shares issued as a result of the exercise of these options.
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.
- Funds raised upon exercise of the options will contribute towards additional working capital of the Company to be used on exploration projects.

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

The Directors, with Mr Short abstaining, recommend that Shareholders vote in favour of this Resolution.

RESOLUTION 5: RATIFICATION OF PRIVATE PLACEMENT OF SHARES

Under ASX Listing Rule 7.1, a company must obtain shareholder approval if it wants to issue more than 15% of its equity securities. ASX Listing Rule 7.4.2 provides that shareholders may approve an issue of securities after the fact so that the securities issued are regarded as having been made with approval for the purpose of Listing Rule 7.1.

Accordingly, Resolution 5 is seeking ratification for 16,658,509 shares which were issued on 28 August 2009 without Shareholder approval. The issue of these shares was within the 15% limit permitted by ASX Listing Rule 7.1. Nevertheless, the Company is requesting Shareholders ratify the issue of the shares the subject of Resolution 5 for the purpose of ASX Listing Rule 7.4 so that the Company will have the flexibility to issue further securities under ASX Listing Rule 7.1 if the need or opportunity arises.

For the purposes of ASX Listing Rule 7.5, the following information is provided:

- 16,658,509 shares were granted in total.
- The shares were issued at \$0.10 per share.
- The shares are ordinary fully paid shares in the capital of the Company issued on the same terms and conditions as the Company's existing shares.
- The shares were issued to 36 sophisticated and institutional investors.
- The funds raised through the placement were used to supplement working capital for the purposes of continuing drilling in the Four Rivers Project, advancing exploration in the Atocha and Turner Bayou Projects in Louisiana and evaluation and, if warranted, progressing the exploration of oil and gas prospects in locations other than the United States of America.
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.

The Directors recommend Shareholders vote in favour of this Resolution.

RESOLUTIONS 6 AND 7: GRANT OF INCENTIVES TO MR JUSTIN PETTETT AND MR RYAN MESSER UNDER THE PRYME OIL AND GAS LIMITED LONG TERM INCENTIVE PLAN

Resolutions 6 and 7 seek Shareholder approval to issue Incentives to two Executive Directors, Mr Justin Pettett and Mr Ryan Messer, under the terms and conditions of the Pryme Oil and Gas Limited Long Term Incentive Plan (Plan) (Terms & Conditions), for which Pryme was granted shareholder approval at the 2009 Annual General Meeting.

Details about the grant of Incentives to the Executive Directors under the FY2010 Executive Award

Which Incentives are to be issued?

In accordance with the Plan Terms & Conditions:

- Performance Rights will be granted to Mr. Justin Pettett, an Australian resident for taxation purposes; and
- Restricted Stock Units will be granted to Mr. Ryan Messer, a United States resident for taxation purposes.

How is the Total Available Incentives determined?

As published in Pryme's Remuneration Report, the at risk remuneration (which comprises both short term incentives, payable in cash, and long term incentives payable in Performance Rights or Restricted Stock Units as the case may be) as a percentage of fixed remuneration (FR) which may be payable in 2010, dependent on the achievement of specific hurdles, is as follows:

	Fixed Remuneration	At-Risk Remuneration	
	FR %	Short term Incentive % of FR	Long term Incentive % of FR
Managing Director & Chief Executive Officer	100	nil	75
Chief Operating Officer	100	nil	75
Other Executives	100	8	20

In order to determine the Total Available Incentives, the 'remuneration value' attributable to the LTI component of total remuneration is divided by a number (the divisor) which is intended to represent the value of an Incentive (in this case one Performance Right or one Restricted Stock Unit) to the Executives. The divisor employed is the 20 trading day volume weighted average share price (VWAP) of all Pryme Shares traded on the Australian Securities Exchange for the period up to and including 31 December 2009:

(\$0.07725). Use of a VWAP as a divisor is best practice and recommended by numerous institutional and governance bodies who publish related commentary.

Therefore:

- in respect of his LTI, 75% of Mr Justin Pettett's Fixed Remuneration is divided by \$0.07725 to determine the Total Available Incentives which may be granted, subject to the achievement of performance conditions.
- in respect of his LTI, the calculation of the Total Available Incentives which may be granted to Mr Ryan Messer, shall be the same number used for the calculation of the Total Available Incentives which may be granted to Mr Justin Pettett, subject to the achievement of performance conditions.

The Board has determined the maximum number of Incentives which may be granted to Mr Justin Pettett and Mr Ryan Messer to be:

Mr. Justin Pettett, Managing Director & Chief Executive Officer (Resolution 6)

1,747,572 Performance Rights which may convert on a one-for-one basis to ordinary shares upon achievement of vesting conditions (described below).

Mr. Ryan Messer, Executive Director & Chief Operations Officer (Resolution 7)

1,747,572 Restricted Stock Units which may convert on a one-for-one basis to ordinary shares upon achievement of vesting conditions (described below).

How is the actual number of Incentives to be granted determined?

The actual number of Incentives to be granted will depend on the extent to which the specified performance conditions (which are described below) are achieved.

What are the Performance Conditions?

Under the FY2010 Award, there will be two hurdles which test Pryme's relative production growth and the attainment of a total shareholder return comparable with the energy sector (Performance Conditions). The Board considered it appropriate to have a dual test since:

- production rewards achievement against Board approved targets/plan, converting opportunity into a revenue stream for the Company. The target is within management's influence, thereby focusing executives on Pryme's key business drivers; while
- a total shareholder return (TSR) component provides an additional challenging test (where reward is only delivered for strengthening Pryme's position comparable the S&P/ASX Energy Index) which has the benefit of transparency for and is directly related to the return to shareholders through ownership of Pryme shares relative to the returns from the S&P/ASX Energy Index.

The Board believes that the dual tests, if achieved, will demonstrably aid the creation of shareholder value.

Each Performance Condition is weighted evenly and details are as follows:

Production Target (For which the award of up to 50% of the Total Available Incentive may be granted)		Total Shareholder Return Target (For which the award of up to 50% of the Total Available Incentive may be granted)	
Growth in Oil and Gas Sales Per Share	Portion of Total Available Incentives to be Granted	Growth in TSR	Portion of Total Available Incentives to be Granted
< 30% above previous year	Nil	< Energy Index growth	0
30% above previous year	20%	Equal to Energy Index growth	25%
> 30% and < 50% above previous year	An additional 1% for each 1% increment	Between 1 and 1.5 times Energy Index growth	1% for each 0.2 times increase in Energy Index over 1

50% or more above previous year	50%	> 1.5 times Energy Index growth	50%
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The Performance Conditions are measured in respect of FY2010, being the period 1 January 2010 to 31 December 2010. The Performance Conditions will be tested at 1 January 2011 (Base Date).

Dependent on the achievement of the Performance Conditions, the actual number of Incentives to be granted to each Participant will be calculated and securities granted (this is expected to be in the first quarter of 2011).

A second hurdle that must be met as a precondition to vesting of Incentives is continued employment with Pryme as set out below. This time scale recognises the need to incentivise top tier management in the medium-term (and acknowledges the tight labour conditions) and also achieves the longer-term objective of retaining these key individuals.

Time	Available Incentives to Vest
Base Date + 1 years (1 Jan 2012)	50%
Base Date + 2 years (1 Jan 2013)	50%

In accordance with sound corporate governance principles, there will be no re-test function for any awards, instead each target has a one-off 'cliff vesting'.

Legislative Requirements

Pursuant to the requirements of ASX Listing Rule 10.15, the following information is provided with regard to Resolutions 6 and 7 respectively:

- Mr Justin Pettett is the Managing Director and Chief Executive Officer of Pryme.
- Mr Ryan Messer is an Executive Director and the Chief Operating Officer of Pryme.
- Mr Pettett will be granted up to 1,747,572 Performance Rights for nil financial consideration which, subject to the achievement of performance conditions, may convert to ordinary shares in the capital of Pryme on a one-for-one basis. As such, up to 1,747,572 ordinary shares may be allotted to Mr Pettett upon the conversion of vested Performance Rights, for nil financial consideration. Any shares allotted to Mr Pettett may be acquired on market or issued by Pryme.
- Mr Messer will be granted up to 1,747,572 Restricted Stock Units for nil financial consideration which, subject to the achievement of performance conditions, may convert to ordinary shares in the capital of Pryme on a one-for-one basis. As such, up to 1,747,572 ordinary shares may be allotted to Mr Messer upon the conversion of vested Restricted Stock Units, for nil financial consideration. Any shares allotted to Mr Messer may be acquired on market or issued by Pryme.
- Pursuant to the 2009 Long Term Incentive Plan (approval for which was granted at the 2009 Annual General Meeting), Mr Pettett has been issued 515,936 Performance Rights and Mr Messer has been issued 515,936 Restricted Stock Units at nil consideration, as part of remuneration.
- The Terms and Conditions of the Pryme Oil and Gas Limited Long Term Incentive Plan provide that any Director is eligible to participate in particular awards. At this stage, the only Directors who are eligible for participation are the Executive Directors, Mr Pettett and Mr Messer.
- The Incentives will be granted under the Terms & Conditions of the Pryme Oil and Gas Limited Long Term Incentive Plan, which was approved at Pryme's 2009 Annual General Meeting and under the rules of the FY2010 Award.
- A Voting Exclusion Statement is set out under Resolutions 6 and 7 in the Notice of Meeting.
- There is no loan attaching to the offer under the Plan.
- Details of any securities issued under the FY2010 Award will be published in Pryme's future annual remuneration reports, including that approval for this issue of securities was obtained under ASX Listing Rule 10.14.
- Pryme is expected to allocate the Incentives within the first quarter of 2011, after the Performance Conditions can be assessed following the Base Date, but in any event, will be allotted within one year following approval at the AGM, as permitted by ASX Listing Rule 10.15.7.

RESOLUTION 8: APPOINTMENT OF MOORE STEPHENS (QUEENSLAND) AUDIT PTY LTD AS AUDITORS

Moore Stephens Brisbane and Partners, the current auditors of the Company, have advised that their professional practice has been restructured into a corporate venture as a result of which all audits are now being

conducted in the name of Moore Stephens (Queensland) Audit Pty Ltd. This is an audit company that is registered and approved by Australian Securities & Investments Commission (ASIC).

As required under Section 329(5) of the Corporations Act 2001, Moore Stephens Brisbane and Partners have given their notice of intention to resign as auditor of the Company, subject to ASIC consenting to their resignation as auditor of the Company. It is proposed to appoint Moore Stephens (Queensland) Audit Pty Ltd as the auditor of the Company.

In accordance with section 328B(1) of the Corporations Act, 2001, the Company has sought and obtained a nomination from a shareholder for Moore Stephens (Queensland) Audit Pty Ltd to be appointed as the Company's auditor. A copy of this nomination is attached to this Explanatory Statement as Annexure B.

Moore Stephens (Queensland) Audit Pty Ltd has given its consent to act as the Company's auditor, subject to shareholder approval of this resolution. If this resolution is passed, the appointment of Moore Stephens (Queensland) Audit Pty Ltd as the Company's auditor will take effect at the close of this AGM.

The Directors recommend Shareholders vote in favour of this Resolution.

ANNEXURE A

Complete Terms of the Options (the subject of resolution 4)

Options have been issued on the following terms and conditions:

- (a) each Option entitles the holder to one (1) Share in the Company;
- (b) the Options the subject of Resolution 4 are exercisable at any time after 20 January 2011 and at on or prior to 5.00pm (Brisbane time) on 20 January 2012 (Expiry Date) by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company;
- (c) the Option exercise price is \$0.15 per Option;
- (d) (subject to (h) below) 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;
- (e) subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Options are freely transferable. The Company does not intend on seeking quotation on ASX of the Options at this stage;
- (f) all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for quotation on ASX of all Shares issued upon exercise of the Options;
- (g) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options; and
- (h) if at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules.

ANNEXURE B

Nomination from a shareholder for the appointment of Moore Stephens (Queensland) Pty Ltd A.B.N. 62 126 208 179 as Auditor (the subject of Resolution 8)

26 February 2010

Pryme Oil and Gas Limited
Level 7 320 Adelaide Street
Brisbane
QLD 4000

Dear Sirs,

Nomination of Moore Stephens (Queensland) Pty Ltd as Auditor of the Company

I, Justin Pettett, being a shareholder of Pryme Oil and Gas Limited (Pryme), hereby nominate Moore Stephens (Queensland) Pty Ltd of Level 25, Riparian Plaza, 71 Eagle Street Brisbane Qld 4000, for appointment as auditor of Pryme at its 2010 Annual General Meeting.

I consent to the distribution of a copy of this notice of nomination as an annexure to the Notice of Meeting and Explanatory Statement for the 2010 Annual General Meeting of Pryme as required by section 328B(3) of the Corporations Act, 2001.


Yours Sincerely,




Justin Pettett


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LODGE YOUR VOTE

 **By mail:**
Pryme Oil and Gas Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **By fax:** +61 2 9287 0309

 **ONLINE** www.linkmarketservices.com.au

All enquiries to:
 **Telephone:** 02 8280 7454

SHAREHOLDER VOTING FORM

I/We being a member(s) of Pryme Oil and Gas Limited and entitled to attend and vote hereby appoint:

STEP 1 **APPOINT A PROXY**


the Chairman of the Meeting (mark box) **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10:00am on Monday, 19 April 2010, at Private Dining Room, Level 3 The Brisbane Club, 241 Adelaide Street, Brisbane QLD and at any adjournment or postponement of the meeting.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. Please read the voting instructions overleaf before marking any boxes with an **X**

STEP 2 **VOTING DIRECTIONS**

Resolutions	For	Against	Abstain*	For	Against	Abstain*
1 Re-election of Director - Mr George Lloyd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Ratification of Private Placement of Shares	<input type="checkbox"/>	<input type="checkbox"/>
2 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Grant of Performance Rights to Mr Justin Pettett under the Pryme Oil & Gas Limited Long Term Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Director - Mr Gregory Short	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Grant of Restricted Stock Units to Mr Ryan Messer under the Pryme Oil and Gas Limited Long Term Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of Issue of Options to Mr Gregory Short	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>

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

STEP 3 **IMPORTANT - VOTING EXCLUSIONS**

If the Chairman 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 Items 6 and 7 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of these Items and that votes cast by him/her for these Items, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 6 and 7 and your votes will not be counted in calculating the required majority if a poll is called on those Items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 6 and 7.

STEP 4 **SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED**

Shareholder 1 (Individual) <input type="text"/>	Joint Shareholder 2 (Individual) <input type="text"/>	Joint Shareholder 3 (Individual) <input type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.


Corporate Representatives


If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 10:00am on Saturday, 17 April 2010, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.


Proxy Forms may be lodged using the reply paid envelope or:

 **by mail:**
Pryme Oil and Gas Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

 **by fax:**
+61 2 9287 0309

 **online:** **ONLINE** www.linkmarketservices.com.au

lodging it online at Link's website (www.linkmarketservices.com.au) in accordance with the instructions given there (you will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website);

 **by hand:**
delivering it to Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.**