



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

TIME: 10:00am (Brisbane time)

DATE: 18 April 2011

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 contact the Managing Director on +617 3371 1103.

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, 18 April 2011 at The Oak Room, Level 4, 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 2010.

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 2010, on the Company's website (www.prymeoilandgas.com); go to "Investor Relations" and then "Financial Reports".

B. QUESTIONS AND COMMENTS

Following 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 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 Ryan Messer

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

"That, Mr Ryan Messer, 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 2010 (set out in the Directors' Report) be adopted."

3. 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 21,250,000 shares at an issue price of \$0.08 per share on 6 September 2010 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 3 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.

4. Ratification of Issue of Convertible Note

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 the principal amount of the \$2,500,000 Convertible Note, which is convertible into ordinary shares in the capital of Pryme at the option of the holder at a price of \$0.30 per share, on 11 March 2011 to Belmont Park Investments Pty Ltd 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 4 by Belmont Park Investments Pty Ltd and any of its 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.

5. Approval of Issue of Convertible Note

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 7.1, and for all other purposes, Shareholders approve the issue of the principal amount of the \$1,500,000 Convertible Note, which is convertible into ordinary shares in the capital of Pryme at the option of the holder at a price of \$0.30 per share, to Belmont Park Investments Pty Ltd, 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 Belmont Park Investments Pty Ltd and any of its 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 2011, the grant to Mr Justin Pettett, Managing Director and Chief Executive Officer, of up to 918,530 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 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 2011, the grant to Mr Ryan Messer, Executive Director and Chief Operating Officer, of up to 918,530 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. Amendments to Constitution

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

“That, the Constitution of Pryme Oil and Gas Limited be amended as follows:

- a. clause 21.1 is amended by inserting the words “determine or” before the words “declare a dividend”.*
- b. clause 21.3 is deleted and replaced with the following new clause 21.3:*

Circumstances in which a dividend may be paid

21.3 *Dividends of the Company may be paid in accordance with the Act*.*

* "Act" refers to the Corporations Act 2001 (Cth).

c. *clause 21.6 is amended by inserting the words "determining or" before the words "declaring any dividend".*

9. Appointment of Auditor

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

"That, for the purposes of section 327B(1)(b) of the Corporations Act 2001 (Cth) and for all other purposes, PricewaterhouseCoopers having been nominated by a shareholder and consented in writing to act in the capacity of auditor, be appointed as the Auditor of the Company."

10. Change of Company Name

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

"That, in accordance with section 157(1) of the Corporations Act 2001, the name of the Company be changed to Pryme Energy Limited"

By order of the Board



**Swapna Keskar
Company Secretary
15 March 2011**

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 16 April 2011 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 16 April 2011. Proxies must be received before that time by one of the following methods:

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 16 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 Chief Financial Officer at sandra@prymeoilandgas.com. To allow time to collate questions and prepare answers, questions are to be received by the Chief Financial Officer by 5:00 pm (Brisbane time), 11 April 2010.

Questions submitted in writing to the Chief Financial Officer will be put to the Chairman or Auditor at the Board's discretion.

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 Oak Room, Level 4 The Brisbane Club, 241 Adelaide Street, Brisbane, Queensland at 10.00am (Brisbane time) on 18 April 2011.

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 RYAN MESSER

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

Mr Messer, the co-founder of Pryme, graduated from the University of Central Florida with a degree in Business Administration, majoring in Marketing and Finance and is a member of the Independent Petroleum Association of America and American Association of Petroleum Geologists.

Mr Messer has fifteen years of experience in international business, five of which were in management positions in the technology sector in the late 1990's. The past ten years have been in the energy sector in the areas of oil and gas project finance, asset acquisition and divestiture, asset allocation and risk assessment. He has experience in managing field and land rig operations, developing midstream assets and assisting in the formation of technical teams, all of which were derived from the drilling of over 150 wells and the resulting field development across five basins in North America.

The Directors, with Mr Ryan Messer abstaining, unanimously 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 30 in the Company's 2010 Annual Report (available on the Pryme website, go to "Investor Relations" and then "Financial Reports").

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

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

RESOLUTION 3: 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 within any twelve month period. 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 shareholder approval for the purpose of Listing Rule 7.1.

Accordingly, Resolution 3 is seeking ratification for the issue of 21,250,000 shares which were issued on 6 September 2010 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 that Shareholders ratify the issue of the shares the subject of Resolution 3 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:

- 21,250,000 shares were granted in total.
- The shares were issued at \$0.08 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 sophisticated and institutional investors.
- The funds raised through the placement were used to supplement working capital and 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.
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.

The Directors unanimously recommend Shareholders vote in favour of this Resolution.

RESOLUTIONS 4 AND 5: RATIFICATION AND APPROVAL OF ISSUES OF CONVERTIBLE NOTES

On 14 March 2011, Pryme announced that it had successfully raised \$4,000,000 from Belmont Park Investments Pty Ltd (**BPI**) through the issue to BPI of convertible debt facility. This \$4,000,000 facility was divided into two parts:

- The issue to BPI of a \$2,500,000 Convertible Note, under which the principal, interest and facility fee are convertible into ordinary shares in the capital of Pryme at the option of the holder at a price of \$0.30 per share (**Convertible Note 1**); and
- A loan of \$1,500,000 from BPI to the Company (**BPI Loan**), which may, at Pryme's election, be replaced with a \$1,500,000 Convertible Note, under which the principal, interest and facility fee are convertible into ordinary shares in the capital of Pryme at the option of the holder at a price of \$0.30 per share (**Convertible Note 2**).

Under ASX Listing Rule 7.1, a company must obtain shareholder approval to issue more than 15% of its equity securities in any 12-month period. 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.

Under the ASX Listing Rules, the principal of Convertible Note 1 and the principal of Convertible Note 2 each constitute equity securities.

Resolution 4 – Convertible Note 1

Accordingly, Resolution 4 is seeking ratification, for the purposes of Listing Rule 7.4, for the issue of the principal amount of Convertible Note 1, which was issued to BPI on 11 March 2011 without shareholder approval. The issue of Convertible Note 1 was within the 15% limit permitted by ASX Listing Rule 7.1. Nevertheless, the Company is requesting that Shareholders ratify the issue of the principal amount of Convertible Note 1, the subject of Resolution 4, 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.

The issue of ordinary shares in lieu of interest and the facility fee under Convertible Note 1 is not being approved in this resolution for the purposes of Listing Rule 7.1 or Listing Rule 7.4. If these issues are made, they will be made (at BPI's election) within 12 months of initial drawdown of Convertible Note 1. At a later stage Pryme may, but is not required to, seek approval for these issues for the purposes of Listing Rule 7.1 or Listing Rule 7.4.

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

- The terms of Convertible Note 1 are as follows:
 - The principal under Convertible Note 1 is \$2,500,000 (**CN 1 Principal**), which must be drawn down by Pryme prior to 30 May 2011;
 - Convertible Note 1 matures on the date falling 12 months after initial draw down;
 - The interest payable on the CN 1 Principal is 9.381% per annum, with maximum interest payable being \$234,525 on maturity;
 - The facility fee on Convertible Note 1 is 2.5% of the CN 1 Principal, which is \$62,500;
 - The total maximum payable on maturity for Convertible Note 1 is therefore \$2,797,025;
 - The principal, interest and facility fee for Convertible Note 1 is convertible into ordinary shares of the Company at BPI's election at any time from initial draw down to maturity at a price of \$0.30 per share in the Company (with such issue price being adjusted in the event that the Company reorganises its share capital or undertakes a rights issue);
 - The maximum number of shares in the capital of the Company that can be issued to BPI on conversion of the principal amount of Convertible Note 1 is therefore 8,333,334;
 - The maximum number of shares in the capital of the Company that can be issued to BPI on conversion of the interest and facility fee amounts of Convertible Note 1 is therefore 781,750 and 208,333 respectively;
 - Convertible Note 1 is unsecured;
 - Convertible Note 1 cannot be repaid prior to maturity, unless Pryme raises \$5,000,000 or more in new equity at a share price equal to or greater than \$0.30 per ordinary share at any time prior to maturity, in which case Pryme can elect to repay Convertible Note 1 at that time, either through (at BPI's election) the issue of shares, repayment in cash or a combination of the two;
 - The Company has given various warranties, covenants and undertakings to BPI under Convertible Note 1 in relation to its activities; and
 - Convertible Note 1 becomes immediately due and payable on certain events of default;
- Convertible Note 1 was issued to BPI; and
- The funds raised through the issue of Convertible Note 1 are to be used to supplement working capital including contributing to funding the Company's share of drilling costs for wells in the Turner Bayou Chalk project. The second well in this project is planned to begin drilling in early May.

The Directors unanimously recommend Shareholders vote in favour of this Resolution

Resolution 5 – Convertible Note 2

Further, Resolution 5 is seeking approval, for the purposes of Listing Rule 7.1, for the issue of the principal amount of Convertible Note 2, which has not yet been issued. Subject to Pryme having capacity under Listing Rule 7.1, Pryme may issue Convertible Note 2 to BPI to replace the BPI Loan. The Company may be able to issue Convertible Note 2 within the 15% limit permitted by ASX Listing Rule 7.1. Nevertheless, the Company is requesting that Shareholders approve the issue of the principal amount of Convertible Note 2, the subject of Resolution 5, for the purpose of ASX Listing Rule 7.1 so that the Company will not need to rely on its 15% capacity to issue Convertible Note 2, and will have the flexibility to issue further securities under ASX Listing Rule 7.1 if the need or opportunity arises.

The issue of ordinary shares in lieu of interest and the facility fee under Convertible Note 2 is not being approved in this resolution for the purposes of Listing Rule 7.1. If these issues are made, they will be made (at BPI's election) within 12 months of initial drawdown of Convertible Note 1. At a later stage Pryme may, but is not required to, seek approval for these issues for the purposes of Listing Rule 7.1 or Listing Rule 7.4.

The terms of the BPI Loan are as follows:

- The principal under the BPI Loan is \$1,500,000 (**BPI Loan Principal**), which must be drawn down by Pryme prior to 30 May 2011;
- The BPI Loan matures on the date falling 12 months after initial draw down of Convertible Note 1;
- The interest payable on the BPI Loan is 14% per annum, compounding daily;
- The facility fee payable on the BPI Loan is 2.5% of the BPI Loan Principal, which is \$37,500; and
- All principal, accrued interest and the facility fee for the BPI Loan may be replaced at any time following draw down under the BPI Loan and prior to 30 May 2011 by the issue of Convertible Note 2, the terms of which are set out below.

For the purposes of ASX Listing Rule 7.3, the following information is provided:

- The terms of Convertible Note 2 are as follows:
 - The principal under Convertible Note 2 is \$1,500,000 (**CN 2 Principal**);
 - Convertible Note 2 matures on the date falling 12 months after initial draw down of Convertible Note 1;
 - The interest payable on the CN 2 Principal is 9.381% per annum, with maximum interest payable being \$140,715 on maturity;
 - The facility fee on Convertible Note 2 is 2.5% of the CN 2 Principal, which is \$37,500;
 - The total maximum payable on maturity for Convertible Note 2 is therefore \$1,678,215;
 - The principal, interest and facility fee for Convertible Note 2 is convertible into ordinary shares of the Company at BPI's election at any time from issue of Convertible Note 2 to maturity at a price of \$0.30 per share in the Company (with such issue price being adjusted in the event that the Company reorganises its share capital or undertakes a rights issue);
 - The maximum number of shares in the capital of the Company that can be issued to BPI on conversion of the principal amounts of Convertible Note 2 is therefore 5,000,000;
 - The maximum number of shares in the capital of the Company that can be issued to BPI on conversion of the interest and facility fee amounts of Convertible Note 2 is therefore 469,050 and 125,000 respectively;
 - Convertible Note 2 is unsecured;
 - Convertible Note 2 cannot be repaid prior to maturity, unless Pryme raises \$5,000,000 or more in new equity at a share price equal to or greater than \$0.30 per ordinary share at any time prior to maturity, in which case Pryme can elect to repay Convertible Note 2 at that time, either through (at BPI's election) the issue of shares, repayment in cash or a combination of the two;
 - The Company gives various warranties, covenants and undertakings to BPI under Convertible Note 2 in relation to its activities; and
 - Convertible Note 1 becomes immediately due and payable on certain events of default;
- Convertible Note 2 will be issued to BPI if the Company decides to replace the BPI Loan with Convertible Note 2;
- If the Company decides to issue Convertible Note 2, it will be issued on or prior to 30 May 2011; and
- The BPI Loan (and therefore the funds raised through the issue of Convertible Note 2) are to be used to supplement working capital including contributing to funding the Company's share of drilling costs for wells in the Turner Bayou Chalk project. The second well in this project is planned to begin drilling in early May.

The Directors unanimously 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 FY2011 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?

The at risk remuneration, which comprises long term incentives payable in Performance Rights or Restricted Stock Units as the case may be, as a percentage of fixed remuneration which, in the case of executive directors, is the aggregate of salary and any directors fees (FR) which may be payable in 2011, subject to the achievement of specific hurdles, is as follows:

	Fixed Remuneration	At-Risk Remuneration
	FR %	Long term Incentive % of TR
Managing Director & Chief Executive Officer	100	50
Chief Operating Officer	100	50
Other Executives	100	35

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 2010: (\$0.1878). 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, 50% of Mr Justin Pettett's Fixed Remuneration is divided by \$0.1878 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)

918,530 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 Operating Officer (Resolution 7)

918,530 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 FY2011 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%

The Performance Conditions are measured in respect of FY2011, being the period 1 January 2011 to 31 December 2011. The Performance Conditions will be tested at 31 December 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 2012).

A further 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 year (31 Dec 2012)	50%
Base Date + 1 year (31 Dec 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 918,530 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 918,530 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 918,530 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 918,530 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 1,389,722 Performance Rights and Mr Messer has been issued 1,389,722 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 FY2011 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 FY2011 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 2012, 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: Amendments to Constitution

a and c. Amendment to clauses 21.1 and 21.6

Clause 21.1 authorises the Directors to *declare* a dividend. Clause 21.6 of the Constitution outlines a number of circumstances applicable where Directors *declare* a dividend, such as the distribution of specific assets, etc and directing that the dividend be payable to particular members (to the extent permitted by law).

In order to extend the application of these clauses to the *determination* of dividends, it is proposed that clause 21.1 of the Constitution be amended so that the words "determine or" are inserted before the words "declare a dividend". Similarly, clause 21.6 of the Constitution be amended so that the words "determining or" are inserted before the words "declaring any dividend".

The distinction between the declaration and determination of a dividend in the Company's Constitution is the result of the Act. Section 254V of the Act distinguishes between determining a dividend and declaring a dividend, in that if the Company declares a dividend, the Company incurs a debt when the dividend is declared. However, if the Company determines the amount, and time, of payment of a dividend, the debt arises only when the time fixed for payment arrives, since the decision to pay the dividend may be revoked at any time before then.

b. Replacement of clause 21.3

Under the former section 254T of the Act and clause 21.3 of the Constitution of the Company (Constitution), a dividend is only payable out of the Company's profits (Profits Test).

The current section 254T of the Act (effective from 28 June 2010) replaces the Profits Test with a new three tiered test, which provides that a company may only pay a dividend if:

- a. the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend; and
- b. the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- c. the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

Approval of Resolution 8 will allow the Company to pay a dividend subject to satisfying the three tiered test, without the requirement for the Company to have profits to pay a dividend. The Directors believe it is in the best interests of the Company and its shareholders to have the flexibility to be able to take advantage of the new dividend requirements.

It is proposed that the Constitution be amended in the following manner to adopt the new provisions contained in the Act:

~~"Dividends only Payable from Profits-Circumstances in which a dividend may be paid~~

21.3 ~~No dividend shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. Dividends of the Company may be paid in accordance with the Act*."~~

* "Act" refers to the Corporations Act 2001 (Cth).

When considering the payment of dividends in the future, the Directors will still consider a number of factors in addition to the new three-tiered test referred to above, including the operating results, financial position, franking credit position, available cash flows and future capital requirements of the Company.

Voting Requirements

Section 136(2) of the Act requires the amendments to the Constitution to be approved by a special resolution of the Shareholders of the Company.

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

Resolution 9: Appointment of Auditor

Moore Stephens (Queensland) Audit Pty Ltd have given notice of their intention to resign as Auditor of the Company pursuant to section 329(5) of the Act; this is subject to receipt of the consent of the Australian Securities & Investments Commission (ASIC).

Subject to ASIC consenting to the resignation of Moore Stephens (Queensland) Audit Pty Ltd and Moore Stephens (Queensland) Audit Pty Ltd submitting a resignation to the Company, it is proposed that the Company appoint PricewaterhouseCoopers as Auditor of the Company.

In accordance with section 328B(1) of the Act, the Company has sought and obtained a nomination from a Shareholder for PriceWaterhouseCoopers to be appointed as the Company's Auditor. A copy of this nomination is attached to this Explanatory Statement under Annexure A.

PricewaterhouseCoopers have given their written consent to act as the Company's Auditor subject to Shareholder approval of this Resolution.

If this Resolution is passed, the appointment of PricewaterhouseCoopers as the Company's Auditor will take effect at the close of this AGM.

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

Resolution 10: Change of Company Name

It is proposed that the name of the Company be changed to "Pryme Energy Limited".

The Company intends to continue its focus on oil and gas exploration and production in the United States. However, the proposed re-naming recognises the importance of oil and gas in the energy sector as well as the potential for the Company's focus to be broadened to include new energy opportunities and technologies which are emerging including, for example, unconventional gas developments such as tight gas and shale gas which are fast becoming major elements of the global energy sector.

In conjunction with the proposed name change, the Company is currently undertaking a review of its current branding and the branding of its subsidiaries.

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

ANNEXURE A

Nomination from a shareholder for the appointment of PricewaterhouseCoopers as Auditor (the subject of Resolution 9)

11 March 2011

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

Dear Sirs,

Nomination of PricewaterhouseCoopers as Auditor of the Company


I, Justin Pettett, being a shareholder of Pryme Oil and Gas Limited (Pryme), hereby nominate PricewaterhouseCoopers of Riverside Centre Level 15, 123 Eagle Street Brisbane Qld 4000, for appointment as auditor of Pryme at its 2011 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 2011 Annual General Meeting of Pryme as required by section 328B(3) of the Corporations Act, 2001.

Yours Sincerely,



Justin Pettett

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

 **By fax:** (02) 9287 0309

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



X99999999999

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, 18 April 2011, at The Oak Room, Level 4, The Brisbane Club, 241 Adelaide Street, Brisbane, Queensland (Entrance via Brisbane Club Tower, Post Office Square (Queen St Level))** 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 Ryan Messer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Grant of Performance Rights to Mr Justin Pettett under the Pryme Oil and Gas Limited Long Term Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Remuneration Report	<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"/>	<input type="checkbox"/>
3 Ratification of Private Placement of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Amendments to Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratification of Issue of Convertible Note	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of Issue of Convertible Note	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Change of Company Name	<input type="checkbox"/>	<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 those Items and that votes cast by him/her for those 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 these 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)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

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).

PYM PRX102



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, 16 April 2011**, 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



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.