



6 September 2010

Non Renounceable Rights Issue

Further to the announcement made on 31 August 2010, Pryme Oil and Gas Limited (***Pryme or the Company***) is pleased to announce a Non Renounceable Rights Issue (***Rights Issue***) providing the opportunity for eligible shareholders to acquire additional shares in the Company.

The Rights Issue enables all eligible shareholders to participate in the capital raising at the same price as the participants in the recently completed private placement (***Placement***) with the added advantage of being in possession of more information on the progress towards completion of the Deshotels 20-H No.1 well prior to the closing date of the Rights Issue.

Under the Rights Issue eligible shareholders, including participants in the Placement, will be able to subscribe for 1 new share in Pryme for every 8 fully paid ordinary shares held at the Record Date, at a price of \$0.08 per share. If fully subscribed, 25,006,417 new shares will be issued to raise approximately \$2 million.

The new shares will be offered to Pryme shareholders who are registered at 7.00pm (AEST) on 14 September 2010 (***Record Date***) and whose address on the Company's register of members is in Australia or New Zealand. The new shares will rank equally with existing shares and Pryme will apply for official quotation of the new shares on the Australian Securities Exchange (***ASX***).

An Offer Document will be despatched to all eligible shareholders, together with an Entitlement and Acceptance Form, on or around 20 September 2010. Details of the terms and conditions of the Rights Issue will be contained in the Offer Document.

The offer will close at 5.00pm (AEST) on 11 November 2010 (***Closing Date***). Valid acceptances must be received before that time.

Application of Funds

The Placement and the Rights Issue will raise approximately \$3.7 million of new cash funds for the Company.

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

- If a decision is taken to commence a second Turner Bayou Chalk project well prior to significant revenue flows from a successful Deshotels 20-H No.1 well, Pryme will be able to participate at its current working interest level;
- In the event of cost overruns on the Deshotels 20-H No.1 well, the Company can continue to fund its proportionate share; and



- The Company can continue with its planned land-based drilling program on the periphery of Catahoula Lake once the water level has been lowered to a level permitting access to drill locations.

Further Details

The timetable for the Rights Issue is attached. Further details of the potential capital structure of Pryme following completion of the Rights Issue and the effect on the control of Pryme are set out in the attached Section 708AA notice.

For further information please contact:

Justin Pettett
Managing Director
Pryme Oil and Gas Limited
Telephone: +61 7 3371 1103

Ryan Messer
Chief Operating Officer
Pryme Oil and Gas Limited
Telephone: +1 713 401 9806

Website: www.prymeoilandgas.com

ASX Code: PYM

OTCQX Code: POGLY

Pryme Oil and Gas Limited is an Australian oil and natural gas producer and explorer with interests in the Gulf States of the U.S. The company has oil and gas exploration projects focused on Louisiana, the fifth-largest oil-producing state in the U.S. These projects are funded in part by existing cash flow. Pryme's board of directors and management team has over 100 years of energy industry experience and has uniquely focused local knowledge, underscored by the proven track records of its managers and directors. Directors of the company are George Lloyd (Non Executive Chairman), Justin Pettett (Managing Director), Ryan Messer (Executive Director) and Greg Short (Non Executive Director).



PROPOSED TIMETABLE

Event	Date
Initial announcement of Rights Issue and lodgement of Appendix 3B	6 September 2010
Despatch of notices to shareholders informing them of Rights Issue (including ineligible holders)	7 September 2010
Shares quoted on ex-entitlement basis	8 September 2010
Record Date for determining entitlements	14 September 2010
Despatch of Offer Document and Entitlement and Acceptance Form – Offer Opens	20 September 2010
Closing Date	11 November 2010
Company notifies ASX of under subscriptions	16 November 2010
Anticipated date for allotment and issue of New Shares	17 November 2010
Mail out of transaction confirmation statements	19 November 2010

This Timetable is indicative only and subject to change. The Directors of the Company reserve the right to vary these dates, including the Closing Date without prior notice, in accordance with the ASX Listing Rules. Any extension of the Closing Date will have a consequential effect on the anticipated date for allotment and issue of the New Shares.

The Directors of the Company also reserve the right not to proceed with the whole or part of the offer under the Rights Issue any time prior to allotment and issue of the New Shares. In that event, the relevant application monies (without interest) will be returned in full to Applicants.



SECTION 708AA NOTICE

1. Pryme will offer shares under the Rights Issue without disclosure to investors under Part 6D.2 of the Corporations Act.
2. Pryme will provide a notice under section 708AA(2)(f) of the Corporations Act prior to release of the Offer Document for the Rights Issue.
3. As at the date of this announcement, Pryme has complied with:
 - (a) the provisions of Chapter 2M of the Corporations Act as they apply to Pryme; and
 - (b) section 674 of the Corporations Act.
4. As at the date of this announcement, there is no information:
 - (a) that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
 - (b) that investors and their professional advisers would reasonably require, and would reasonably expect to find in a disclosure document, for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of Pryme; or
 - (ii) the rights and liabilities attaching to the new Shares.
5. The Rights Issue will not have any material effect on the control of the Pryme. The capital structure before the Rights Issue and the potential structure after the Rights Issue is set out below:

Issued Shares	Number of Shares
Total issued capital of Pryme at the Record Date for the Rights Issue	200,051,337
Number of new Shares offered under the Rights Issue including any shortfall shares and subject to rounding	25,006,417
Total issued capital of Pryme at completion of Rights Issue assuming maximum number of new Shares under the Rights issue are issued	225,057,754

The Directors have reserved the right to offer any shortfall under the Rights Issue in accordance with Listing Rule 7.2 Exception 3.



Investors should note the following:

- (a) If particular eligible shareholders do not take up all of their entitlements under the offer, the shareholding interests of those eligible shareholders will be diluted;
- (b) The proportional interests of shareholders with registered addresses outside Australia and New Zealand will be diluted because those shareholders are not entitled to participate in the Rights Issue;
- (c) Should Pryme's two major shareholders, Belmont Park Investments Pty Ltd and Panorama Ridge Pty Ltd, subscribe for their full entitlement under the Rights Issue, there will not be any material impact on the control of the Company following the issue of shares under the Rights Issue.