



26 August 2009

## Placement and Rights Issue

### Placement

Pryme Oil & Gas Limited (Pryme) is pleased to announce the Placement of 16,658,509 fully paid ordinary shares at \$0.10 per share to raise approximately \$1.67 million. The Placement will be made to the private investment companies of Pryme's cornerstone shareholders Messrs Ian McCauley and John Rawlins and clients of Equity Underwriters of Sydney. Placement shares are expected to be allotted on or about 28 August 2009.

"The further investment in Pryme by Messrs McCauley and Rawlins is a strong endorsement of the Company's growth strategy in the US," said Justin Pettett Pryme's Managing Director. "I also welcome clients of Equity Underwriters to Pryme as new shareholders who are interested in participating in the growth of our business. Pryme Oil and Gas has a loyal shareholder base and I look forward to personally welcoming our new investors in the near future."

The number of new shares to be issued under the Placement is below the 15% limit available to the Company under Listing Rule 7.1, accordingly shareholder approval of the Placement is not required.

### Rights Issue

In conjunction with the Placement, Pryme is also pleased to announce a Non-Renounceable Rights Issue (Rights Issue) providing the opportunity for eligible shareholders to acquire additional shares in the Company. Under the Rights Issue eligible shareholders, including participants in the Placement, will be able to subscribe for 2 new shares in Pryme for every 5 fully paid ordinary shares held, at a price of \$0.10 per share, the same price as for the Placement. If fully subscribed, 51,086,096 new shares (including any shortfall) will be issued under the Rights Issue to raise approximately \$5.11 million.

Following their successful facilitation of the Placement, Equity Underwriters have been appointed as lead manager to the Rights Issue and will endeavour to place any shortfall. Messrs Ian McCauley and John Rawlins have confirmed that they will take up their full entitlement to new shares under the Rights Issue.

The new shares will be offered to Pryme shareholders who are registered at 7.00pm (AEST) on 4 September 2009 (Record Date) and whose registered addresses are 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 10 September 2009. 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 24 September 2009. Valid acceptances must be received before that time.



## Application of Funds

The Placement and the Rights Issue will raise approximately \$6.77 million of new cash funds for the Company.

The additional funds, after the expenses of the Placement and the Rights Issue, will be used primarily to supplement working capital to support the continuing drilling of one to two new wells per month in the Four Rivers Project; to advance the exploration campaigns in the Atocha and Turner Bayou Projects in Louisiana; and to evaluate and, if warranted, progress the exploration of oil and gas prospects in locations other than the United States of America.

## 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 notice titled "Additional Information".

For further information please contact:

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*Pryme Oil and Gas Limited is an Australian oil and natural gas producer and explorer with interests in the U.S., the world's biggest oil market. The company has an exceptional suite of 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 management team has over 75 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 Ananda Kathiravelu (Non Executive Director).*



## PROPOSED TIMETABLE

| Event                                                                                           | Date              |
|-------------------------------------------------------------------------------------------------|-------------------|
| Initial announcement of Rights Issue and lodgement of Appendix 3B                               | 26 August 2009    |
| Despatch of notices to shareholders informing them of Rights Issue including ineligible holders | 28 August 2009    |
| Shares quoted on ex-entitlement basis                                                           | 31 August 2009    |
| Record Date for determining entitlements (Record Date)                                          | 4 September 2009  |
| Despatch of Offer Document and Entitlement and Acceptance Form                                  | 10 September 2009 |
| Closing Date                                                                                    | 24 September 2009 |
| New Shares quoted on a deferred settlement basis                                                | 25 September 2009 |
| Company notifies ASX of under subscriptions                                                     | 29 September 2009 |
| Anticipated date for allotment and issue of New Shares                                          | 2 October 2009    |
| Mail out of transaction confirmation statements                                                 | 6 October 2009    |

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.

### ADDITIONAL INFORMATION

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 Memorandum 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; and
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                                                               | 127,715,241      |
| Number of new Shares offered under the Rights Issue including any shortfall shares and subject to rounding                          | 51,086,096       |
| Total issued capital of Pryme at completion of Rights Issue assuming maximum number of new Shares under the Rights issue are issued | 178,801,337      |

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



The substantial shareholders, J R Energy Pty Limited and BPI Energy Pty Limited have each advised that they intend to participate in the Rights Issue to the extent necessary to maintain their respective voting power at or about their pre-Placement levels of 14.33% and 14.93%.

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) Based on current intentions as advised to Pryme of the substantial shareholders, JR Energy Pty Limited and BPI Energy Pty Limited, the maximum percentage shareholding of any existing shareholder after the Rights Issue will not exceed 20%.