



1 July 2014

Dear Shareholder,

On 30 June 2014, Pryme Energy Limited (***Pryme or the Company***) lodged a prospectus with Australian Securities and Investments Commission (***ASIC***) and Australian Securities Exchange (***ASX***) for the following offers:

(a) to raise approximately \$5.2 million by a renounceable rights issue of approximately 516,680,985 shares and 258,340,493 new options (***New Securities***) on the basis of 3 new shares for every 2 shares held at an issue price of 1 cent per share together with 1 free attaching option for every 2 shares subscribed for under the Prospectus (***Rights Issue Offer***). The options have an exercise price of 2 cents each and an expiry date of 23 July 2016; and

(b) to issue up to 46,245,422 Adjusting Offer Shares to the participants of the March 2014 Rights Issue on the basis of 1 Adjusting Offer Share for every 1 March Rights Issue share delivered for no subscription price (***Adjusting Offer***),

***(Prospectus)***.

The funds raised under the Rights Issue Offer will be used to:

- fund the Capitola Oil Project;
- to provide general working capital; and
- to pay the costs of the rights issue offer process including the underwriting fee.

\$4.0 million of the Rights Issue Offer is underwritten by Patersons Securities Limited (***Underwriter***).

The timetable for the Rights Issue Offer is as follows:

Prospectus lodged with ASIC and ASX	30 June
Appendix 3B lodged with ASX for quotation of shares and options under the Prospectus	30 June
Notices sent to Shareholders	1 July
<b>“Ex” date</b> (date from which Shares trade on ASX without the entitlement to participate in the Offer)	2 July
Rights trading commences	2 July
<b>Record Date</b> (to determine eligibility of Shareholders to participate in the Rights Issue Offer)	4 July
Anticipated despatch of Prospectus and Entitlement and Acceptance Forms to Eligible Shareholders	8 July
Last day for Rights trading	10 July
Securities quoted on a deferred settlement basis	11 July
<b>Closing Date</b>	17 July



ASX notified of under-subscriptions	22 July
Issue date	23 July
Deferred settlement trading ends	23 July
New Securities commence normal trading on ASX	24 July

Further details of the capital structure of the Company are set out in section 2.4 of the Prospectus.

The timetable for the Adjusting Offer is as follows:

Record Date (to determine eligibility to participate in the Adjusting Offer)	20 June
Prospectus lodged with ASIC and ASX	30 June
Appendix 3B lodged with ASX	30 June
Anticipated despatch of Prospectus and Entitlement and Acceptance Forms to Eligible Shareholders	8 July
Closing Date	17 July
ASX notified of Adjusting Offer subscriptions	22 July
Issue date (to all participants other than Directors)	23 July
New Securities commence normal trading on ASX (in respect of all participants other than Directors)	24 July
Issue date (to Directors - subject to Shareholder approval)	6 August 2014
New Securities commence normal trading on ASX (in respect of Directors - subject to Shareholder approval)	7 August 2014

It is anticipated that the Prospectus offering New Securities and Adjusting Offer shares will be mailed out to Eligible Shareholders on 8 July 2014. The Prospectus may be viewed on the ASX website at [www.asx.com.au](http://www.asx.com.au) or alternatively on Pryme's website at [www.prymeenergy.com](http://www.prymeenergy.com).

Application will be made to ASX for official quotation of the New Securities and Adjusting Offer shares. In the calculation of any entitlement, fractions will be rounded up to the nearest whole number. No shareholder approval is required for the Rights Issue Offer.

### Overseas Shareholders

The Rights Issue offer is only made to Eligible Shareholders (shareholders with a registered address in Australia or New Zealand on the Record Date of 4 July 2014). Therefore, if you are a shareholder with a registered address than in Australia or New Zealand (**Excluded Shareholder**), no offer will be made to you. In making this decision, the Directors have taken into account the small number of overseas shareholders and the costs and administrative complexity of complying with applicable regulations in jurisdictions outside Australia and New Zealand.

The Company has appointed the Underwriter as a nominee to sell the rights to the New Securities to which Excluded Shareholders are entitled. The Underwriter will have absolute and sole discretion to determine the timing and pricing at which rights will be sold and the manner of any such sale. The Company will pay a brokerage fee



equal to 1.5% on the total gross dollar value of the all rights sold or \$1,500 plus GST, whichever is greater. The net proceeds (if any) from the sale of rights after the deducting of expenses will be forwarded to the Excluded Shareholders in proportion to the sale of such rights. Excluded Shareholders may receive no net proceeds if the costs of the sale are greater than the sale proceeds.

The Adjusting Offer is only made to participants of the March 2014 Rights Issue and who have a registered address in Australia or New Zealand on the Record Date of 20 June 2014 (***Adjusting Offer Eligible Shareholder***). Therefore, if you were a participant of the March 2014 Rights Issue, but do not have a registered address in Australia or New Zealand on the Record Date of 20 June 2014 (***Adjusting Offer Excluded Shareholder***), no Adjusting Offer will be made to you.

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

Yours sincerely,

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

George Lloyd  
Chairman