

14 March 2014

Pryme Energy Non-Renounceable Rights Issue

HIGHLIGHTS

- **1 for 1 non-renounceable rights issue to raise A\$5.9 million at an offer price of A\$0.02 per share**
- **Funds raised will be used for drilling and development of the Capitola Oil Project**
- **Rights issue structure means that existing shareholders have the chance to avoid dilution in their shareholdings**
- **Existing shareholders are invited to apply for more than their pro-rata entitlement**
- **Capital raising supported by Board and Senior Management who will participate in the entitlement offer**

Pryme Energy Limited (**Pryme** or **the Company**) is pleased to announce a Non-Renounceable Rights Issue (**Rights Issue**). The Rights Issue will provide funding for Pryme's Capitola Oil Project in the Eastern Shelf of the Permian Basin, Texas USA.

Under the Rights Issue, eligible shareholders will be able to subscribe for 1 new fully paid ordinary share (**New Shares**) in Pryme for every 1 fully paid ordinary share held at the Record Date, at a price of A\$0.02 per share. The allottees of the Capitola Shares (see below) will also be entitled to participate in the Rights Issue. If fully subscribed, 295,708,568 New Shares will be issued raising approximately A\$5.9 million. The offer price provides the opportunity for shareholders to purchase New Shares at a substantial discount to the current market price:

- 44.4% discount to closing price of A\$0.036 per share as at 13 March 2014
- 29.2% discount to the 15 day VWAP
- 28.6% discount to the Theoretical Ex-Rights Price

Chairman George Lloyd said "the Capitola Oil Project has the potential to greatly increase the value of Pryme. It offers multiple objectives in the well-demonstrated, oil-rich Permian Basin as well as a significant interest in the emerging Cline shale oil play. This, supported by a favourable earn-in structure, provides a very attractive risk profile for investors. We have the experience and capability to execute this project in the field and the phased development plan will provide early and regular indications of progress. I recommend your participation in the entitlement offer".

The Capitola Oil Project is described in detail in the Company's recent presentation lodged with the Australian Securities Exchange (**ASX**) on February 11, 2014 and is also accessible on the Company's website.



The capital raising is supported by Pryme’s Board and Senior Management who will be participating in the Rights Issue. The Board and Senior Management recommend your full participation in the rights issue.

“The Rights Issue has been designed to allow existing shareholders to avoid dilution of their interests and apply for additional New Shares,” said Pryme’s Managing Director, Justin Pettett. “Funds raised will be used for drilling and development of the Capitola Oil Project. Sufficient funds are being raised to cover our drilling commitments in Capitola for the remainder of the year. Pryme expects to transition the project to alternative funding sources, including cash flows generated from the Project, at that time.”

Use of Funds

The funds raised under the Rights Issue, after the expenses of the Rights Issue and normal working capital requirements, will be used primarily to fund the Company’s share of costs in the Capitola Oil Project located in the Permian Basin, Texas.

Detailed use of funds

Capitola Oil Project lease costs – Phase I	US\$0.75m
Phase I drilling and completion costs – 2 wells (100% working interest (WI) before 25% back-in after payout in both wells)	US\$1.90m
Capitola Oil Project lease costs – Phase II	US\$0.75m
Phase II drilling and completion costs – 2 wells (100% WI before 25% back-in after payout in 3rd well and assume 75% WI in well 4 onwards)	US\$1.58m
Total operational uses	US\$4.98m
<i>Conversion to A\$ using an exchange rate of 0.88US\$/A\$</i>	<i>A\$5.66m</i>
Working capital and Rights Issue expenses	A\$0.25m
Total uses	A\$5.91m

Subscription

Eligible shareholders will be entitled to subscribe for 1 New Share for every 1 existing fully paid ordinary share held at 7.00pm AEST on the Record Date. The New Shares will be offered to Pryme shareholders who are registered at 7.00pm Australian Eastern Standard Time (**AEST**) on 24 March 2014 (**Record Date**) and whose address on the Company’s register of members is in Australia or New Zealand. The offer will close at 5.00pm (AEST) on 8 April 2014 (**Closing Date**). Valid acceptances must be received before that time.

The New Shares will rank equally with existing shares and Pryme will apply for official quotation of the New Shares on the ASX.



Top Up Facility

Eligible shareholders who have applied to take up their full entitlement to New Shares under the Rights Issue may also apply for additional New Shares under the Top Up Facility. New Shares may be issued in the event of any shortfall through the Top Up Facility at the Company's discretion.

Capitola Oil Project Shares

As recently announced to the ASX on February 11, 2014, Pryme had agreed to issue 6,000,000 fully paid ordinary shares to the vendors of the Capitola Oil Project as part consideration for acquisition of the project (**Capitola Shares**).

Pryme is pleased to announce that the placement of the Capitola Shares 6,000,000 shares has been completed on 14 March 2014.

The Capitola Shares issued are within the 10% limit available to the Company under ASX Listing Rule 7.1A, accordingly shareholder approval of the Capitola Shares is not required. The following information is provided in relation to the above Capitola Shares in accordance with ASX Listing Rule 7.1A.4(b):

- The dilution to existing shareholders who did not participate in the placement of the Capitola Shares is 2.07%;
- The Capitola Shares are issued for non-cash consideration;
- There are no underwriting arrangements in place for the placement of Capitola Shares; and
- There were no fees or costs incurred in connection with the placement of Capitola Shares.

The combined effect of the placement of Capitola Shares and a fully subscribed Rights Issue will take the issued capital of the Company to 591,417,136 fully paid up ordinary shares.

Further Details

An Offer Document will be despatched to all eligible shareholders, together with an Entitlement and Acceptance Form, on or around 25 March 2014. Details of the terms and conditions of the Rights Issue will be contained in the Offer Document. 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 Section 708AA notice lodged separately.

For further information please contact:

Justin Pettett
Managing Director
Pryme Energy Limited
Telephone: +61 7 3371 1103

Ryan Messer
Chief Operating Officer
Pryme Energy Limited
Telephone: +1 713 401 9806

Website: www.prymeenergy.com

ASX Code: PYM

OTCQX Code: POGLY



Rights Issue Timetable

Event	Date
Initial announcement of Rights Issue and lodgement of Appendix 3B	14 March 2014
Despatch of notices to shareholders informing them of Rights Issue (including ineligible holders)	17 March 2014
Shares quoted on ex-entitlement basis	18 March 2014
Record Date for determining entitlements	24 March 2014
Despatch of Offer Document and Entitlement and Acceptance Form – Offer Opens	25 March 2014
Closing Date	8 April 2014
Company notifies ASX of under subscriptions	11 April 2014
Anticipated date for allotment and issue of New Shares	16 April 2014
Mail out of transaction confirmation statements	22 April 2014

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.