

Underwritten Renounceable Rights Issue to Fund Capitola Oil Project

HIGHLIGHTS

- 3 for 2 renounceable rights issue to raise up to A\$5.2 million at an offer price of A\$0.01 per share (Rights Issue)
- Rights Issue is A\$4.0 million underwritten by Patersons Securities allowing Pryme to begin drilling its Capitola Oil Project
- 1 free listed option for every 2 shares subscribed under the Rights Issue (exercise price A\$0.02, 23 July 2016 expiry)
- Funds raised will be used predominantly for drilling and development of the Capitola Oil Project
- Rights issue structure means that existing shareholders can participate on pro-rata basis
- Existing shareholders are invited to apply for more than their pro-rata entitlement

Pryme Energy Limited (**Pryme** or **the Company**) is pleased to announce a renounceable rights issue (**Rights Issue**) to raise up to A\$5.2 million of which \$4.0 million is underwritten. The Rights Issue will provide funding for Pryme's Capitola Oil Project along the Eastern Shelf of the Permian Basin, Texas USA.

The Rights Issue will be accompanied by an offer to those shareholders who participated in the Company's non-renounceable rights issue in March 2014 to enable them to adjust the effective issue price of the shares acquired at that time to 1 cent per share, that same price at which shares are now being offered to shareholders under the Rights Issue (**Adjusting Offer**).

Under the Rights Issue, eligible shareholders will be able to subscribe for 3 new fully paid ordinary shares (**New Shares**) in Pryme for every 2 fully paid ordinary shares held at the Record Date, at a price of A\$0.01 per share. Shareholders will also receive 1 attaching option (**New Option**), exercisable at A\$0.02 with a term of 2 years (expiry 23 July 2016), for every 2 New Shares purchased. The Company will apply for the New Shares and the New Options to be listed on the ASX. If fully subscribed, 516,680,985 New Shares and 258,340,493 New Options will be issued raising approximately A\$5.2 million (before expenses). The Rights Issue offer price provides the opportunity for shareholders to purchase shares in the Company at a 41.2% discount to the closing price of A\$0.017 per share as at 20 June 2014.

Chairman George Lloyd said "the Rights Issue is largely underwritten, providing the Company certainty of funding for the first phases of the Capitola Oil Project. We can now schedule a drill rig and commence drilling our first Capitola Oil Project wells. 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 in Texas 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 Rights Issue”.

The Capitola Oil Project is described in detail in the Company’s presentation lodged with the Australian Securities Exchange (**ASX**) at the time of this announcement and further details are also accessible on the Company’s website, www.prymeenergy.com.

Subscription

Eligible shareholders will be entitled to subscribe for 3 New Shares for every 2 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 4 July 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 17 July 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 and the New Options on the ASX. Patersons Securities Limited is the Underwriter of the Rights Issue. By way of compensation for the sub-underwriting risk, the Company has made available 200 million options, which will be issued on the same terms as the New Options, to the sub-underwriters of the Rights Issue.

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, however any shortfall allocations are not guaranteed. The Rights Issue is renounceable and shareholders will be able to increase their entitlement to shares under the Rights Issue by the purchase of additional rights.

The Adjusting Offer

Under the Adjusting Offer eligible shareholders who subscribed for shares under the Company’s non-renounceable rights issue in March 2014 will be able to apply for additional shares to recalibrate their investment for the discrepancy between the price of shares under that rights issue, at 2 cents per share, and the 1 cent per share price of shares under the current Rights Issue. The Directors believe that, given that the March 2014 rights issue was also for the purposes of the Capitola Oil Project and that it was undersubscribed, it is fair and equitable to compensate in this manner the shareholders who participated in it. The maximum number of shares that may be issued under the Adjusting Offer is 46,245,422 which, on the basis of the Rights Issue and the Adjusting Offer being fully subscribed, is equivalent to approximately 3% of the then issued capital of the Company on a fully diluted basis.

Further Details

A prospectus dated today (**Prospectus**) will be despatched to all eligible shareholders, together with Entitlement and Acceptance Forms, on 8 July 2014. The Prospectus contains important information,



including the terms and conditions of both the Rights Issue and the Adjusting Offer. Timetables for both offers are set out on pages 9 and 10 of the Prospectus.

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