

# **PRYME ENERGY LIMITED**

**ABN 75 117 387 354**

## **PROSPECTUS**

**Rights Issue Offer:** For the renounceable pro-rata rights issue of up to 516,680,985 Rights Issue Offer Shares, on the basis of 3 Rights Issue Offer Shares for every 2 Shares held at an issue price of 1.0 cent per Rights Issue Offer Share, to raise up to approximately A\$5.2 million, and 1 free Attaching Option for every 2 Rights Issue Offer Shares delivered under this Prospectus.

**Adjusting Offer:** For the issue of up to 46,245,422 Adjusting Offer Shares to the participants of the March Rights Issue on the basis of 1 Adjusting Offer Share for every 1 March Rights Issue Share delivered for no subscription price.

**Together, the “Offers”**

**The Offers close at 5:00pm AEST on 17 July 2014**

**A\$4.0 million of the Rights Issue Offer is underwritten  
by Patersons Securities Limited**

This document is a transaction-specific prospectus issued in accordance with section 713 of the Corporations Act. This Prospectus contains important information about the Offers. You should read the entire document including the Rights Issue Offer Entitlement and Acceptance Form and the Adjusting Offer Entitlement and Acceptance Form. If after reading this Prospectus you have any questions about the Offers or this Prospectus, you should speak with your professional adviser.

The securities offered by this Prospectus should be considered highly speculative.

## **IMPORTANT NOTICE**

This Prospectus is dated 30 June 2014 and was lodged with ASIC on that date. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Certain terms and abbreviations used in this Prospectus have defined meanings, which are explained in the Glossary. In this Prospectus, the words “we”, “our” and “us” refer to the Company. The words “you” or “your” refer to Shareholders.

No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Application for quotation of the New Securities will be made to ASX within 7 days after the date of this Prospectus.

We are an ASX listed company whose securities are granted official quotation by ASX. In preparing this Prospectus, regard has been had to the fact that we are a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult.

No person is authorised to give any information or to make any representations in connection with this Offer that is not contained in this Prospectus. Any information or representation that is not contained in this Prospectus may not be relied upon as having been authorised by the Directors or by us.

### **Restrictions on distribution**

The Offer is made in Australia and New Zealand only. This Prospectus does not constitute an offer in any overseas jurisdiction where it would be unlawful to make the Offer. You must ensure compliance with all laws of any country relevant to your Application. We will take the return of a duly completed Entitlement and Acceptance Form as a representation by you that there has been no breach of any laws and that you are an Eligible Shareholder.

The Corporations Act prohibits any person passing on to another person an application form unless it is accompanied by or included in a hard copy, or the complete and unaltered electronic version of this Prospectus. Please contact us if you wish to obtain a hard copy of this Prospectus free of charge.

### **Rights trading – Rights Issue Offer Shares**

Your Rights may have value. If you decide not to exercise all or part of your Rights you should consider whether to sell your Rights. It is important that you either accept or sell your Rights in accordance with the instructions in Section 4A of this Prospectus.

Individual applicants are responsible for determining their allocations of Rights and Shares before trading in them. Rights Issue Offer Eligible Shareholders who trade in Rights or Shares before receiving confirmation of their allocation do so at their own risk.

Rights Issue Offer Eligible Shareholders who take no action in respect of their Rights will receive no benefits. A Rights Issue Offer Entitlement and Acceptance Form is enclosed with this Prospectus.

### **Adjusting Offer Shares**

The Adjusting Offer Shares are only available to those participants of the March Rights Issue, who subscribed for shares under the March Rights Issue at 2.0 cents per share (i.e. the Adjusting Offer Eligible Shareholders). The Adjusting Offer Shares may have value and are offered for no subscription fee. If you decide not to apply for the Adjusting Offer Shares your Entitlement will lapse.

Adjusting Offer Eligible Shareholders who take no action in respect of their Entitlements will receive no benefit. An Adjusting Offer Entitlement and Acceptance Form is enclosed with this Prospectus (for the Adjusting Offer Eligible Shareholders only).

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## 1. INVESTMENT OVERVIEW

| Question   | Response  | Where to find more information      |
|--|---|-------------------------------------|
| <p><b>What are the Offers?</b></p>                             | <p><b>Rights Issue Offer:</b></p> <p>We are offering to issue Rights Issue Offer Shares and Attaching Options to Rights Issue Offer Eligible Shareholders by a pro-rata renounceable rights issue.</p> <p>Under the Rights Issue Offer, Rights Issue Offer Eligible Shareholders may subscribe for 3 Rights Issue Offer Shares for every 2 shares held on the Record Date. Each Rights Issue Offer Eligible Shareholder will also be entitled to 1 free Attaching Option for every 2 Rights Issue Offer Shares delivered under this Prospectus. Application will be made for quotation of the Attaching Options.</p> <p><b>Adjusting Offer:</b></p> <p>We are offering to issue Adjusting Offer Shares to Adjusting Offer Eligible Shareholders.</p> <p>Under the Adjusting Offer, Adjusting Offer Eligible Shareholders are entitled to 1 Adjusting Offer Share for every 1 March Rights Issue Share subscribed for under the March Rights Issue.</p>                | <p>Section 2.1</p>                  |
| <p><b>Why are there two Offers under this Prospectus?</b></p>  | <p>The Company is making the Rights Issue Offer predominantly to fund the Capitola Oil Project.</p> <p>Given that the Rights Issue is raising funds for the same purpose as the March Rights Issue (ie to fund Pryme's share of costs for its Capitola Oil Project) and given the discrepancy in the share price which the participants of the March Rights Issue paid (2.0 cents per March Rights Issue Share) compared with the share price to be paid under the Rights Issue Offer (1.0 cent per Rights Issue Offer Share), the Directors have determined that it is fair and equitable that the effective subscription price paid by the March Rights Issue participants be adjusted to reflect the same subscription price to be paid under the Rights Issue.</p>  | <p>Section 2.1</p>                  |
| <p><b>Can all Shareholders participate in both Offers?</b></p> | <p>Shareholders can participate in either or both Offers if they are eligible.</p> <p>You are eligible for participation in the Rights Issue Offer if you are on the register and have a registered address in Australia or New Zealand on the Record Date.</p> <p>You are eligible for participation in the Adjusting Offer if you participated in the March Rights Issue Offer and have a registered address in Australia or New Zealand on the Record Date.</p> <p>Therefore:</p> <ul style="list-style-type: none"> <li>• some people will be eligible for only one offer being: <ul style="list-style-type: none"> <li>○ just the Rights Issue Offer (ie if they did not participate in the March Rights Issue); or</li> <li>○ just the Adjusting Offer (ie if they participated in the March Rights Issue and are not an Eligible Rights Issue Offer Eligible Shareholder); and</li> </ul> </li> <li>• some people will be eligible for both Offers.</li> </ul> | <p>Sections 4A.1(a) and 4B.1(a)</p> |
| <p><b>What is the Issue Price payable?</b></p>                 | <p><b>Rights Issue Offer:</b></p> <p>The Issue Price is 1.0 cent per Rights Issue Offer Share.</p>  | <p>Section 2.1</p>                  |

| Question   | Response  | Where to find more information      |
|--|---|-------------------------------------|
|  | <p><b>Adjusting Offer:</b></p> <p>There is no subscription price payable for the Adjusting Offer Shares.</p>  |                                     |
| <p><b>What are the terms of the Attaching Options?</b></p>                 | <p>The Attaching Options have an exercise price of 2.0 cents and an expiry date of 2 years from the Issue Date (being 23 July 2016). Pryme will issue 1 free Attaching Option for every 2 Rights Issue Offer Shares delivered under this Prospectus.</p> <p>The full terms of the Attaching Options are set out in Section 5.2.</p>   | <p>Section 5.2</p>                  |
| <p><b>Who is eligible to participate?</b></p>                              | <p><b>Rights Issue Offer Eligible Shareholders:</b></p> <p>Rights Issue Offer Eligible Shareholders are all shareholders registered and with a registered address in Australia or New Zealand on the Record Date.</p> <p><b>Adjusting Offer Eligible Shareholders:</b></p> <p>Adjusting Offer Eligible Shareholders are all participants of the March Rights Issue, who subscribed for shares under the March Rights Issue and with a registered address in Australia or New Zealand on the Record Date.</p>  | <p>Sections 4A.1(a) and 4B.1(a)</p> |
| <p><b>Why is the Company convening an EGM?</b></p>                         | <p>The Company will seek shareholder approval for the Adjusting Offer at the EGM so that the Company can retain its maximum Placement Capacity in the future.</p> <p>The Company will also seek approval for the issue of Sub-Underwriter Options and Management Options at the EGM. Further details about the issue of these securities are set out in Section 2.4. In addition, a Notice of EGM is expected to be sent to Shareholders at around the same time as this Prospectus is dispatched.</p>  | <p>Section 2.4</p>                  |
| <p><b>What are the key highlights of an investment in the Company?</b></p> | <ul style="list-style-type: none"> <li>• The Capitola Oil Project is located along the Eastern Shelf of the Permian Basin (Texas, USA). It lies within two established oil fields having commercial carbonate and stacked sand development opportunities. It is also within an active region in the Cline Shale play.</li> <li>• Under the Farm-Out Agreement, Pryme will earn a 75% working interest (<b>WI</b>) (56.25% net revenue interest (<b>NRI</b>)) in all depths to the top of the Cline Shale formation in the 9,333 acres project area (7,000 net acres to Pryme to the top of the Cline Shale formation) and a 50% WI (37.5% NRI) in the Cline Shale and deeper formations (4,666 net acres to Pryme in the Cline Shale).</li> <li>• Under the terms of the Capitola Oil Project Farm-Out Agreement, Pryme will earn its interest in the project by drilling 9 vertical wells and 1 horizontal well on or before 1 February 2016 in a four phase drilling program.</li> <li>• Capitola is a relatively low risk “stacked pay” vertical drilling opportunity with upside attributable to the potential development of the underlying Cline Shale at a depth of about 6,000 feet. The Cline Shale is currently the subject of major exploration programs by large independent and publicly listed oil and gas exploration and production companies.</li> </ul> | <p>Section 2.2a</p>                 |

| Question   | Response   | Where to find more information |
|--|--|--------------------------------|
| <p><b>What are the key risks of a further investment in the Company?</b></p> | <p>Investment in the Company should be considered highly speculative. Before deciding to subscribe under either or both Offers (as the case may be), you should consider the risk factors set out in this Prospectus and all other public announcements and reports of the Company. Some of the specific risks relevant to an investment in the Company are:</p> <ul style="list-style-type: none"> <li>• Contractual risks associated with the Capitola Oil Project: If the Company misses a cash payment or does not drill a well by a date prescribed in the Farm-Out Agreement, then Pryme may lose its earn-in rights under the Farm-Out Agreement.</li> <li>• Risks associated with obtaining Shareholder approval at the EGM: Under the Underwriting Agreement, up to a total of 200,000,000 Sub-Underwriter Options will be issued to the sub-underwriters, subject to Shareholder approval to be sought at the EGM. Should Shareholder approval not be received, then under the terms of the Underwriting Agreement, the Company must pay 0.26 cents per option to the sub-underwriters that would have otherwise been issued to the sub-underwriters. Therefore, should Shareholder approval not be received at the EGM, the Company has a contractual obligation to pay up to a maximum of \$520,000 to sub-underwriters. The actual amount payable by the Company will be determined based on the extent of sub-underwriting of the Rights Issue Offer. Any cash payment made by the Company to the sub-underwriters will impede the Company's drilling program of the Capitola Oil Project.</li> <li>• Additional requirements for capital: Financing and operating the Capitola Oil Project will be a significant cost and may require funds in addition to those raised under the Rights Issue Offer. While the Company looks to progress future funding relationships, no assurance can be given that future funding will be available to the Company on acceptable terms to advance the development of the Capitola Oil Project. Any such future funding may take the form of equity or debt or a combination of equity and debt.</li> <li>• Exploration and development risks: The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success.</li> <li>• Liquidity risk: There can be no guarantee that there will continue to be an active market for Shares or that the price of Shares will increase. This may affect the volatility of the market price of Shares. It may also affect the prevailing market price at which shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price paid under the Offer.</li> </ul> | <p>Section 3</p>               |
| <p><b>How many New Securities will be issued?</b></p>                        | <p><b>Rights Issue Offer:</b></p> <p>Under the Rights Issue Offer, up to 516,680,985 securities will be issued as Rights Issue Offer Shares.</p> <p>Up to an additional 258,340,493 securities will be issued as Attaching Options.</p>  | <p>Section 2.1</p>             |

| Question   | Response  | Where to find more information |
|--|---|--------------------------------|
|  | <p><b>Adjusting Offer:</b><br/>Under the Adjusting Offer, up to 46,245,422 securities will be issued as Adjusting Offer Shares.</p> <p><b>Total under the Offers:</b><br/>A total of up to 821,266,900 securities are being offered under this Prospectus.<br/>While not "offered" under this Prospectus, the Company is also proposing to issue the Sub-Underwriter Options and Management Options and further details are set out in Section 2.4.</p>   |                                |
| <p><b>What is the amount that will be raised under the Offers?</b></p>             | <p><b>Rights Issue Offer:</b><br/>The maximum amount that may be raised under this Prospectus is \$5,166,810 before expenses.<br/>The Minimum Subscription under the Rights Issue is \$4,000,000 representing the Underwritten Amount.</p> <p><b>Adjusting Offer:</b><br/>No amount will be raised under the Adjusting Offer.</p>   | <p>Section 2.1</p>             |
| <p><b>What are the Underwriting arrangements?</b></p>                              | <p>Patersons is the Underwriter to the Rights Issue Offer to the Underwritten Amount of \$4,000,000.<br/>The Underwriter is not a related party and has no current relevant interest in Shares.<br/>The Underwriter must apply for the Shortfall Shares up to the Underwritten Amount in accordance with the terms of the Underwriting Agreement. The potential impact on the change of control of the underwriting arrangements is set out in Section 4A.7(d).</p>   | <p>Section 4A.7</p>            |
| <p><b>What is the purpose of the Rights Issue Offer?</b></p>                       | <p>The purpose of the Rights Issue Offer is to raise funds:</p> <ul style="list-style-type: none"> <li>• To fund the Capitola Oil Project</li> <li>• To provide general working capital</li> <li>• To pay the costs of the rights issue offer process including the underwriting fee.</li> </ul> <p>A budget of how we intend to use the funds at Full Subscription is set out in Section 2.2. As with any budget, new circumstances may change the way we apply the funds.</p>   | <p>Section 2.2</p>             |
| <p><b>What is the effect of the Offers on share capital and cash reserves?</b></p> | <p><b>Rights Issue Offer:</b><br/>The effect of the Rights Issue Offer on share capital and cash reserves will be:</p> <ol style="list-style-type: none"> <li>1. increase the number of Shares on issue</li> <li>2. increase our cash reserves by approximately \$5.2 million before the costs of the Rights Issue Offer</li> <li>3. introduce Options as a security on issue in the capital of the Company.</li> </ol> <p><b>Adjusting Offer:</b><br/>The effect of the Adjusting Offer on share capital and cash reserves will be:</p> <ol style="list-style-type: none"> <li>1. increase the number of Shares on issue</li> <li>2. no effect on cash reserves</li> </ol> | <p>Sections 2.3 to 2.5</p>     |

| Question  | Response  | Where to find more information      |
|---|---|-------------------------------------|
| <p><b>What are the alternatives for the Rights Issue Offer Eligible Shareholders and the Adjusting Offer Eligible Shareholders?</b></p>   | <p><b>Rights Issue Offer:</b></p> <p>The Rights Issue Offer is renounceable so that you are able to trade your Rights.</p> <p>As a Rights Issue Offer Eligible Shareholder, you may:</p> <ul style="list-style-type: none"> <li>• Take up all of your Rights.</li> <li>• Apply for Shortfall Shares.</li> <li>• Sell all of the Rights on ASX.</li> <li>• Take up part of your Rights and sell the balance of your Rights on ASX.</li> <li>• Take up part of the Rights and allow the balance of your Rights to lapse.</li> <li>• Deal with part or all of our Rights other than on ASX.</li> <li>• Allow all or part of your Rights to lapse.</li> </ul> <p><b>Adjusting Offer:</b></p> <p>As an Adjusting Offer Eligible Shareholder, you may:</p> <ul style="list-style-type: none"> <li>• Take up all of your Entitlements.</li> <li>• Allow your Entitlements to lapse.</li> </ul> | <p>Sections 4A.2 and 4B.2</p>       |
| <p><b>How will the Shortfall be allocated?</b></p>  | <p><b>Rights Issue Offer:</b></p> <p>Any Right not accepted will form the Shortfall.</p> <p>Rights Issue Offer Eligible Shareholders are entitled to apply for Shortfall Shares. The Shortfall Shares will be placed at the discretion of the Directors in consultation with the Underwriter.</p> <p><b>Adjusting Offer:</b></p> <p>There is no “shortfall” associated with the Adjusting Offer.</p>  | <p>Sections 4A.5, 4A.7 and 4B.5</p> |
| <p><b>What will happen to Rights Issue Offer Excluded Shareholders Rights and Adjusting Offer Excluded Shareholders Entitlements?</b></p> | <p><b>Rights Issue Offer:</b></p> <p>The Company has appointed the Underwriter as nominee to sell the Rights Issue Offer Excluded Shareholders Rights. The Underwriter will sell the Rights and distribute the proceeds of the sale net of expenses (in Australian Dollars) to each of the Rights Issue Offer Excluded Shareholders in proportion to their shareholdings.</p> <p><b>Adjusting Offer:</b></p> <p>Adjusting Offer Excluded Shareholders will not receive any Entitlements under the Adjusting Offer.</p>  | <p>Sections 4A.4 and 4B.4</p>       |
| <p><b>What is the effect of the Offers on control of the Company?</b></p>   | <p>The Rights Issue Offer is 3 Rights Issue Offer Shares for every 2 shares held by Rights Issue Offer Eligible Shareholders. Under the Adjusting Offer up to 46,245,422 Adjusting Offer Shares may be issued. The maximum dilution:</p> <ul style="list-style-type: none"> <li>• at Full Subscription that will be experienced by a Rights Issue Offer Eligible Shareholder; together with</li> <li>• at Full Entitlement that will be experienced by an Adjusting Offer Eligible Shareholder,</li> </ul> <p>who fails to subscribe for under the Offers is 76% of its existing</p>  | <p>Sections 4A.7(d) and 4B.7(b)</p> |



| Question  | Response   | Where to find more information |  |                                     |         |                             |         |                              |        |   |        |                          |        |   |        |  |        |                             |         |  |         |              |         |                                     |         |            |         |                                  |         |   |         |  |
|---|--|--------------------------------|--|-------------------------------------|---------|-----------------------------|---------|------------------------------|--------|---|--------|--------------------------|--------|---|--------|--|--------|-----------------------------|---------|--|---------|--------------|---------|-------------------------------------|---------|------------|---------|----------------------------------|---------|---|---------|--|
|   | <p>shareholding.</p> <p>In the event the Underwriter is required to subscribe for all of the Shortfall Shares equal to the Underwritten Amount, the relevant interest of the Underwriter will be 41%. This assumes that there are no subscriptions under the Rights Issue Offer and there are no sub-underwriting arrangements. The Underwriter has advised the Company that it has agreed to allocate the Shortfall to its clients, such that neither the Underwriter nor any of the Underwriters client's, individually, will have a voting power in the Company in excess of 20% after the issue of the Shortfall. Therefore, if the Underwriter is required to subscribe for the Shortfall, in practical terms, the Underwriter will not obtain control of the Company as a result of the Underwriter underwriting the Rights Issue Offer.</p> <p>No sub-underwriter will by its sub-underwriting together with receipt of the Sub-Underwriter Options, increase its relevant interest in Shares to 20% or more.</p>   |                                |  |                                     |         |                             |         |                              |        |   |        |                          |        |   |        |  |        |                             |         |  |         |              |         |                                     |         |            |         |                                  |         |   |         |  |
| <p><b>What are the key dates of each of the Offers?</b></p>   | <table border="1" data-bbox="376 763 1161 1805"> <thead> <tr> <th colspan="2" data-bbox="376 763 1161 819"><b>Rights Issue Offer:</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="376 819 991 875">Prospectus lodged with ASIC and ASX</td> <td data-bbox="991 819 1161 875">30 June</td> </tr> <tr> <td data-bbox="376 875 991 931">Appendix 3B lodged with ASX</td> <td data-bbox="991 875 1161 931">30 June</td> </tr> <tr> <td data-bbox="376 931 991 987">Notices sent to Shareholders</td> <td data-bbox="991 931 1161 987">1 July</td> </tr> <tr> <td data-bbox="376 987 991 1077">"Ex" date (date from which Shares trade on ASX without the entitlement to participate in the Offer)</td> <td data-bbox="991 987 1161 1077">2 July</td> </tr> <tr> <td data-bbox="376 1077 991 1133">Rights trading commences</td> <td data-bbox="991 1077 1161 1133">2 July</td> </tr> <tr> <td data-bbox="376 1133 991 1245">Record Date (to determine eligibility of Shareholders to participate in the Rights Issue Offer)</td> <td data-bbox="991 1133 1161 1245">4 July</td> </tr> <tr> <td data-bbox="376 1245 991 1368">Anticipated despatch of Prospectus and Entitlement and Acceptance Forms to Eligible Shareholders</td> <td data-bbox="991 1245 1161 1368">8 July</td> </tr> <tr> <td data-bbox="376 1368 991 1424">Last day for Rights trading</td> <td data-bbox="991 1368 1161 1424">10 July</td> </tr> <tr> <td data-bbox="376 1424 991 1480">Securities quoted on a deferred settlement basis</td> <td data-bbox="991 1424 1161 1480">11 July</td> </tr> <tr> <td data-bbox="376 1480 991 1536">Closing Date</td> <td data-bbox="991 1480 1161 1536">17 July</td> </tr> <tr> <td data-bbox="376 1536 991 1592">ASX notified of under-subscriptions</td> <td data-bbox="991 1536 1161 1592">22 July</td> </tr> <tr> <td data-bbox="376 1592 991 1648">Issue date</td> <td data-bbox="991 1592 1161 1648">23 July</td> </tr> <tr> <td data-bbox="376 1648 991 1704">Deferred settlement trading ends</td> <td data-bbox="991 1648 1161 1704">23 July</td> </tr> <tr> <td data-bbox="376 1704 991 1805">New Securities commence normal trading on ASX</td> <td data-bbox="991 1704 1161 1805">24 July</td> </tr> </tbody> </table> <p data-bbox="376 1816 1193 1939"><i>Please note that these dates are subject to change. We reserve the right, subject to the Corporations Act and the Listing Rules to amend the timetable at any time, and in particular, to extend the Closing Date or to withdraw the Rights Issue Offer without prior notice.</i></p> | <b>Rights Issue Offer:</b>     |  | Prospectus lodged with ASIC and ASX | 30 June | Appendix 3B lodged with ASX | 30 June | Notices sent to Shareholders | 1 July | "Ex" date (date from which Shares trade on ASX without the entitlement to participate in the Offer) | 2 July | Rights trading commences | 2 July | Record Date (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 | Closing Date | 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 |  |
| <b>Rights Issue Offer:</b>  |  |                                |  |                                     |         |                             |         |                              |        |   |        |                          |        |   |        |  |        |                             |         |  |         |              |         |                                     |         |            |         |                                  |         |   |         |  |
| Prospectus lodged with ASIC and ASX   | 30 June  |                                |  |                                     |         |                             |         |                              |        |   |        |                          |        |   |        |  |        |                             |         |  |         |              |         |                                     |         |            |         |                                  |         |   |         |  |
| Appendix 3B lodged with ASX   | 30 June  |                                |  |                                     |         |                             |         |                              |        |   |        |                          |        |   |        |  |        |                             |         |  |         |              |         |                                     |         |            |         |                                  |         |   |         |  |
| Notices sent to Shareholders  | 1 July   |                                |  |                                     |         |                             |         |                              |        |   |        |                          |        |   |        |  |        |                             |         |  |         |              |         |                                     |         |            |         |                                  |         |   |         |  |
| "Ex" date (date from which Shares trade on ASX without the entitlement to participate in the Offer) | 2 July   |                                |  |                                     |         |                             |         |                              |        |   |        |                          |        |   |        |  |        |                             |         |  |         |              |         |                                     |         |            |         |                                  |         |   |         |  |
| Rights trading commences  | 2 July   |                                |  |                                     |         |                             |         |                              |        |   |        |                          |        |   |        |  |        |                             |         |  |         |              |         |                                     |         |            |         |                                  |         |   |         |  |
| Record Date (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  |                                |  |                                     |         |                             |         |                              |        |   |        |                          |        |   |        |  |        |                             |         |  |         |              |         |                                     |         |            |         |                                  |         |   |         |  |
| Closing Date  | 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  |                                |  |                                     |         |                             |         |                              |        |   |        |                          |        |   |        |  |        |                             |         |  |         |              |         |                                     |         |            |         |                                  |         |   |         |  |

| Question  | Response   | Where to find more information |  |  |         |                                     |         |                             |         |  |        |              |         |   |         |   |         |   |         |   |               |   |               |  |
|---|--|--------------------------------|--|--|---------|-------------------------------------|---------|-----------------------------|---------|--|--------|--------------|---------|---|---------|---|---------|---|---------|---|---------------|---|---------------|--|
|   | <table border="1"> <thead> <tr> <th colspan="2" data-bbox="379 237 1161 286"><b>Adjusting Offer:</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="379 297 994 376">Record Date (to determine eligibility to participate in the Adjusting Offer)</td> <td data-bbox="1002 297 1161 376">20 June</td> </tr> <tr> <td data-bbox="379 387 994 432">Prospectus lodged with ASIC and ASX</td> <td data-bbox="1002 387 1161 432">30 June</td> </tr> <tr> <td data-bbox="379 443 994 488">Appendix 3B lodged with ASX</td> <td data-bbox="1002 443 1161 488">30 June</td> </tr> <tr> <td data-bbox="379 499 994 611">Anticipated despatch of Prospectus and Entitlement and Acceptance Forms to Eligible Shareholders</td> <td data-bbox="1002 499 1161 611">8 July</td> </tr> <tr> <td data-bbox="379 622 994 667">Closing Date</td> <td data-bbox="1002 622 1161 667">17 July</td> </tr> <tr> <td data-bbox="379 678 994 723">ASX notified of Adjusting Offer subscriptions</td> <td data-bbox="1002 678 1161 723">22 July</td> </tr> <tr> <td data-bbox="379 734 994 813">Issue date (to all participants other than Directors)</td> <td data-bbox="1002 734 1161 813">23 July</td> </tr> <tr> <td data-bbox="379 824 994 936">New Securities commence normal trading on ASX (in respect of all participants other than Directors)</td> <td data-bbox="1002 824 1161 936">24 July</td> </tr> <tr> <td data-bbox="379 947 994 1025">Issue date (to Directors – subject to Shareholder approval)</td> <td data-bbox="1002 947 1161 1025">6 August 2014</td> </tr> <tr> <td data-bbox="379 1037 994 1137">New Securities commence normal trading on ASX (in respect of Directors – subject to Shareholder approval)</td> <td data-bbox="1002 1037 1161 1137">7 August 2014</td> </tr> </tbody> </table> <p data-bbox="379 1149 1161 1267"><i>Please note that these dates are subject to change. We reserve the right, subject to the Corporations Act and the Listing Rules to amend the timetable at any time, and in particular, to extend the Closing Date or to withdraw the Adjusting Offer without prior notice.</i></p> | <b>Adjusting Offer:</b>        |  | 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 |  |
| <b>Adjusting Offer:</b>   |  |                                |  |  |         |                                     |         |                             |         |  |        |              |         |   |         |   |         |   |         |   |               |   |               |  |
| 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  |                                |  |  |         |                                     |         |                             |         |  |        |              |         |   |         |   |         |   |         |   |               |   |               |  |

## 2. REASON FOR THE OFFERS AND EFFECT ON THE COMPANY

### 2.1. Background

Pryme listed on the ASX on 21 April 2006.

As initially announced to the ASX on 11 February 2014, the Company has entered into the Farm-Out Agreement in respect of the Capitola Oil Project and may earn a 75% working interest (**WI**) (56.25% net revenue interest (**NRI**)) in all depths to the top of the Cline Shale formation in the 9,333 acres project area (7,000 net acres to Pryme to the top of the Chine Shale formation) and a 50% WI (37.5% NRI) in the Cline Shale and deeper formations (4,666 net acres to Pryme in the Cline Shale). The purpose of the Rights Issue Offer is to raise funds:

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

The Capitola Oil Project is summarised in Section 2.2a.

## **Rights Issue Offer:**

Pryme is making the Rights Issue Offer which consists of a pro-rata renounceable rights issue of up to 516,680,985 Rights Issue Offer Shares to Rights Issue Offer Eligible Shareholders. The Rights Issue Offer is made on the basis of 3 Rights Issue Offer Shares for every 2 Shares held by Rights Issue Offer Eligible Shareholders on the Record Date at an issue price of 1.0 cent per Rights Issue Offer Share and 1 free Attaching Option for every 2 Rights Issue Offer Shares delivered under this Prospectus ("**Rights Issue Offer**"). The Attaching Options will be exercisable at 2.0 cents with an expiry date of 23 July 2016.

On this basis, the Rights Issue Offer will seek to raise up to approximately A\$5.2million (before the expenses of the Offers of \$450,000).

The Rights Issue Offer is renounceable, so that Rights Issue Offer Eligible Shareholders who do not wish to take up some or all of their Rights may be able to sell or otherwise transfer all or part of their Rights through the financial market operated by ASX or by way of an off-market transfer. Refer to Section 4A.2 for more information.

## **Adjusting Offer:**

Pryme is making the Adjusting Offer which consists of issuing up to 46,245,422 Adjusting Offer Shares to Adjusting Offer Eligible Shareholders on the basis of 1 Adjusting Offer Share for every 1 March Rights Issue Share delivered. There is no subscription price payable for the Adjusting Offer Shares.

As at the date of this Prospectus, the Company has 344,453,990 Shares on issue.

## **2.2. Investment Summary**

### **2.2.a Capitola Oil Project**

The Capitola Oil Project contains a number of shallow, "stacked" oil and gas bearing formations to depths of 6,000 feet, with established production history from vertical wells drilled within and around the Capitola Oil Project acreage. These shallow "stacked" formations overlie the Cline Shale formation which is the subject of an emerging resource play being developed by large US oil and gas exploration and production companies. Pryme's strategy to create value is to develop the shallower, well defined targets using advanced drilling, completion and stimulation technology, and to exploit the emerging Cline Shale resource play as the exploration and production companies which surround Pryme's acreage demonstrate its value.

### **Capitola Oil Project earn-in terms**

Pryme will earn a 75% WI (56.25% NRI) in all depths to the top of the Cline Shale formation in the 9,333 acres project area (7,000 net acres to Pryme to the top of the Cline Shale formation) and a 50% WI (37.5% NRI) in the Cline Shale and deeper formations (4,666 net acres to Pryme in the Cline Shale) through the drilling of 9 vertical wells and 1 horizontal well (the "**Earn-in Wells**") on or before 1 February 2016 (the "**Earn-in Period**") through a number of phases. Pryme, as operator of the project, has discretion over well locations and project progression from phase to phase. The first 3 well locations have been chosen by Pryme in consultation with the current mineral owners of the Capitola Oil Project ("**Vendors**"). The 10 well drilling program is broken into four main phases with the first two phases combined as outlined below:

- Phase 1 and 2 (lease payments) – payment of US\$750,000 on or before 1 August 2014.
- Phase 1 and 2 (well expenditures) – drill five vertical wells (total estimated cost US\$4.5 million) before 1 February 2015.
- Phase 3 – payment of US\$750,000 in lease payments on or before 1 February 2015 and drilling of three vertical wells on or before 1 August 2015.
- Phase 4 – payment of US\$1 million in lease payments on or before 1 August 2015 and drilling of two wells, including one horizontal well into a formation chosen by Pryme. Pryme may drill a horizontal well into any productive formation not necessarily into the Cline Shale.

Pryme is the operator of the Capitola Oil Project.

Pryme will fund 100% of the costs of the first 3 wells and the Vendors are entitled to a 25% WI in those wells (“Back-in after Payout”) after Pryme has recovered 100% of its costs in all 3 wells. The Vendors are also entitled to participate in and fund their share of costs, up to a 25% WI level, in all wells from well 4 onwards.

The commitment to drill wells and make cash payments during the Earn-in Period is at the sole discretion and option of Pryme thereby aligning payments to the vendor and commitments to drill wells to the success of the project. Pryme may accelerate the drilling program to earn its acreage

## 2.2.b Use of Funds

If Fully Subscribed, the Rights Issue Offer will raise a total of up to approximately A\$5.2million from this Rights Issue Offer. Presented below is how the Company intends to use its current funds at the date of this Prospectus and the proceeds of the Rights Issue Offer at Full Subscription:

Pryme currently has approximately A\$900,000 cash at bank and has an estimated additional A\$500,000 of cash inflows from existing assets in the period to the end of Pryme's current financial year on 31 December 2014. Assuming Full Subscription under the Rights Issue, the available funds will used as follows:

| <b>Use</b>  | <b>A\$*</b>           |
|---|-----------------------|
| Capitola (Phase 1 and 2) – Lease Payments                             | \$1.10 million        |
| Capitola (Pryme’s share of first 3 wells) – Well Expenditures (up to) | \$3.10 million        |
| Costs of the Offer  | \$0.45 million        |
| Working Capital   | \$0.52 million        |
| <b>Total</b>  | <b>\$5.17 million</b> |

\*Assumes 0.92 AUD/USD exchange rate.

## 2.3. Effect on share capital and cash reserves

The principal effects of the Rights Issue Offer on the share capital and cash reserves of the Company will be to:

- (a) Increase the total number of Shares on issue (see Section 2.4);
- (b) Introduce Options as a security on issue in the capital of the Company (see Section 2.4); and
- (c) Increase our cash reserves at Full Subscription by approximately A\$5.2 million, before taking into account the expenses of the Offer (See Section 2.5).

The principal effects of the Adjustment Offer on the share capital and cash reserves of the Company will be to increase the total number of Shares on issue (see Section 2.4).

A pro forma statement of financial position, which contains further information about the effect of the Offers on the Company, is provided in Section 2.5.

## 2.4. Effect on capital structure

The effect of the Offers on the Company’s issued share capital as at the date of this Prospectus will be as shown in the table below. In addition, other securities that the Company may issue as known at the date of this Prospectus are described in the below table.

| <b>Rights Issue Offer &amp; Adjusting Offer</b>                         | <b>Shares</b>      | <b>Options</b>           |
|---|--------------------|--------------------------|
| Existing Shares   | 344,453,990        | -                        |
| New Shares issued under Rights Issue                                    | 516,680,985        | -                        |
| New Options issued under Rights Issue                                   | -                  | 258,340,493 <sup>1</sup> |
| New Shares issued under the Adjusting Offer                             | 46,245,422         |                          |
| <b>Securities on issue after the completion of the Offers</b>           | <b>907,380,397</b> | <b>258,340,493</b>       |
| <b>Other securities to be issued (subject to shareholder approval):</b> |                    |                          |
| Sub-Underwriter Options <sup>2</sup>                                    | —                  | 200,000,000 <sup>1</sup> |
| Management Options <sup>3</sup>   | —                  | 90,738,040               |
| <b>Total securities to be on issue (maximum)</b>                        | <b>907,380,397</b> | <b>549,078,533</b>       |

1. Application will be made to the ASX for quotation of these Options.
2. Under the Underwriting Agreement, up to a total of 200,000,000 Sub-Underwriter Options will be issued to the sub-underwriters, subject to Shareholder approval to be sought at the EGM. Should Shareholder approval not be received, then under the terms of the Underwriting Agreement, the Company must pay \$0.026 cents per option to the sub-underwriters that would have otherwise been issued as agreed.
3. Management will be granted up to a total of 90,738,040 Management Options, subject to Shareholder approval to be sought at the EGM.

### **Summary of terms of the Sub-Underwriter Options and Management Options**

#### Sub-Underwriter Options

- Each Sub-Underwriter Option entitles the holder to one Share in the capital of the Company.
- The Sub-Underwriter Options may be exercised at any time before 5:00pm AEST on 23 July 2016.
- The exercise price of the Sub-Underwriter Options is 2.0 cents per Option.
- The Company will apply for the Sub-Underwriter Options to be quoted on ASX.

#### Management Options

- Each Management Option entitles the holder to one Share in the capital of the Company.
- The Management Options will only vest and become exercisable at any time before 5:00pm AEST on 23 July 2016 upon the achievement of performance conditions as detailed below.
- The exercise price of the Managements Options is 2.0 cents per Option.
- Unvested Management Options will not be quoted on ASX but the Company will apply for vested Management Options to be quoted on ASX (ie when the Management Options become exercisable).
- The Management Options expire 5:00pm AEST on 23 July 2016.
- Any unvested Management Options will lapse should the option holder cease employment with the Company.

#### Performance Conditions (Management Options)

The Management Options will vest in tranches subject to the achievement of the following performance conditions:

- Tranche 1 (25% of total available Management Options vest) – 200 BOE/day in production
- Tranche 2 (25% of total available Management Options vest) – 1.0 MMBOE of 2P reserves
- Tranche 3 (25% of total available Management Options vest) – 2.0 MMBOE of 2P reserves
- Tranche 4 (25% of total available Management Options vest) – 700 BOE/day in production

Each tranche of Management Options will vest respectively, at the commencement of the “Trading Window,” as defined in the Pryme Personnel Securities Trading Policy, which immediately follows the achievement of the above described Performance Conditions.

Notes:

1. Performance conditions set out above are net to Pryme's interest in the Capitola Oil Project being a 75% WI (56.25% NRI) in all depths to the top of the Cline Shale formation in the 9,333 acres project area (7,000 net acres to Pryme) and a 50% WI (37.5% NRI) in the Cline Shale and deeper formations (4,666 net acres to Pryme in the Cline Shale).
2. Production performance condition must be a 30 day average.
3. Reserves performance condition to be reflected in an independent reserve report based on Society of Petroleum Engineers (SPE) guidelines.
4. Natural gas conversion into BOE calculated as 6.1 thousand cubic feet (Mcf) to 1 barrel of oil equivalent.
5. 2P reserves calculated as proven and probable reserves combined.

## 2.5. Pro forma Statement of financial position

- (a) To illustrate the effect of the Offers on the Company, a pro forma statement of financial position has been prepared based on the unaudited pro-forma statement of financial position as at 30 April 2014. The pro forma statement of financial position shows the effect of the Rights Issue and Adjusting Issue as if they had been made on 30 April 2014 at Full Subscription and Full Entitlement, respectively, based on the following assumptions:
- (b) The issue of 516,680,985 Rights Issue Offer Shares under the Rights Issue Offer at an issue price of 1.0 cent each to raise A\$5.2 million less estimated expenses of the Offers of \$450,000 and the issue of 258,340,493 Attaching Options for free. Under the Underwriting Agreement, up to a total of 200,000,000 Sub-Underwriter Options will be issued to the sub-underwriters, subject to Shareholder approval to be sought at the EGM. Should Shareholder approval not be received, then under the terms of the Underwriting Agreement, the Company must pay 0.26 cents per option to the sub-underwriters that would have otherwise been issued. Therefore, should Shareholder approval not be received at the EGM, the Company has a contractual obligation to pay up to a maximum of \$520,000 to sub-underwriters. The actual amount payable by the Company will be determined based on the extent of sub-underwriting of the Rights Issue Offer. Any cash payment made by the Company to the sub-underwriters will reduce the cash on hand by the applicable amount up to a maximum of \$520,000.
- (c) The completion of the sale of Turner Bayou. Should the sale not complete for any reason whatsoever, the net asset and net equity position would not differ materially from the values as shown in the 30 April 2014 pro-forma due to the non-recourse nature of the Macquarie Term Loan Facility which is secured only against the Turner Bayou assets of Pryme Oil and Gas LLC and is non-recourse to the parent company, Pryme Energy Limited, and all other projects and subsidiaries of Pryme.

|                                       | 30 April 2014<br>Unaudited<br>\$ | Pro-forma<br>Adjustments<br>\$ |         | 30 April 2014<br>Pro-forma<br>(Full<br>Subscription)<br>\$ |
|---------------------------------------|----------------------------------|--------------------------------|---------|--|
| <b>Current Assets</b>                 |                                  |                                |         |  |
| Cash and cash equivalents             | 1,226,069                        | 4,756,802                      | 2.5 (a) | 5,982,871  |
| Trade and other receivables           | 597,040                          |                                |         | 597,040  |
| Other current assets                  | 46,733                           |                                |         | 46,733   |
| <b>Total Current Assets</b>           | <b>1,869,842</b>                 |                                |         | <b>6,626,644</b>   |
| <b>Non-Current Assets</b>             |                                  |                                |         |  |
| Working interest – Exploration assets | 12,273,527                       | (7,722,732)                    | 2.5 (b) | 4,550,795  |
| Property, plant and equipment         | 20,556                           |                                |         | 20,556   |
| <b>Total Non-Current Assets</b>       | <b>12,294,083</b>                |                                |         | <b>4,571,351</b>   |
| <b>Total Assets</b>                   | <b>14,163,925</b>                |                                |         | <b>11,197,995</b>  |
| <b>Current Liabilities</b>            |                                  |                                |         |  |
| Trade and other payables              | 2,106,515                        | (1,349,233)                    | 2.5 (b) | 757,282  |
| Borrowings                            | 7,316,215                        | (7,316,215)                    | 2.5 (b) | -  |
| <b>Total Current Liabilities</b>      | <b>9,422,730</b>                 |                                |         | <b>757,282</b>   |
| <b>Non-Current Liabilities</b>        |                                  |                                |         |  |
| Provisions                            | 147,426                          |                                |         | 147,426  |
| <b>Total Non-Current Liabilities</b>  | <b>147,426</b>                   |                                |         | <b>147,426</b>   |
| <b>Total Liabilities</b>              | <b>9,570,156</b>                 |                                |         | <b>904,708</b>   |
| <b>Net Assets</b>                     | <b>4,593,769</b>                 |                                |         | <b>10,293,287</b>  |
| <b>Equity</b>                         |                                  |                                |         |  |
| Issued capital                        | 47,133,033                       | 3,893,926,                     | 2.5 (a) | 51,026,959   |
| Reserves                              | (3,799,250)                      | 1,162,190                      | 2.5 (a) | (2,637,060)  |
| Accumulated losses                    | (38,740,014)                     | 643,402                        | 2.5 (b) | (38,096,612)   |
| <b>Total Equity</b>                   | <b>4,593,769</b>                 |                                |         | <b>10,293,287</b>  |

### **3. RISK FACTORS**

#### **3.1. Introduction**

An investment in the securities the subject of this Prospectus is highly speculative.

There are a number of factors that may have a material impact on our future operating and financial performance. The key material risks are described below.

You should carefully consider the risks described below, the information contained in other sections of this Prospectus, and all other relevant material including our public announcements and reports. You should consider the following summary of risk factors which the Directors believe represent some of the general and specific risks that the Rights Issue Offer Eligible Shareholders and the Adjusting Offer Eligible Shareholders should be aware of when evaluating the Company and deciding whether to subscribe for Rights Issue Offer Shares and/or Adjusting Offer Shares (as the case may be). The following risk factors are not intended to be an exhaustive list of risks to which the Company is exposed.

The specific risks below are some of the risks specific to the Company.

The general investment risks below are some of the risks to the Company of a general economic nature.

#### **3.2. Specific Risks**

##### **Risks associated with the Capitola Oil Project (Contractual Risks)**

If the Company misses a cash payment or does not drill a well by a date prescribed in the Farm-Out Agreement (and as summarised in Section 2.2.a), then Pryme may lose its earn-in rights under the Farm-Out Agreement.

##### **Risks associated with obtaining Shareholder approval at the EGM**

Under the Underwriting Agreement, up to a total of 200,000,000 Sub-Underwriter Options will be issued to the sub-underwriters, subject to Shareholder approval to be sought at the EGM. Should Shareholder approval not be received, then under the terms of the Underwriting Agreement, the Company must pay 0.26 cents per option to the sub-underwriters that would have otherwise been issued. Therefore, should Shareholder approval not be received at the EGM, the Company has a contractual obligation to pay up to a maximum of \$520,000 to sub-underwriters. The actual amount payable by the Company will be determined based on the extent of sub-underwriting of the Rights Issue Offer. Any cash payment made by the Company to the sub-underwriters will impede the Company's drilling program of the Capitola Oil Project.

##### **Additional Requirements for Capital**

Financing and operating the Capitola Oil Project will be a significant cost and may require funds in addition to those raised under the Rights Issue Offer. While the Company is looking to progress funding relationships, no assurance can be given that future funding will be available to the Company on acceptable terms to progress the development of the Capitola Oil Project. Any such future funding may take the form of equity or debt or a combination of equity and debt.

Any additional equity financing will be dilutive to Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may not be able to take advantage of opportunities or develop the Capitola Oil Project or any of its other projects. Further, the Company may be required to reduce the scope of its operations or anticipated expansion and it may affect the Company's ability to continue as a going concern.

##### **Exploration and Development Risks**

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (a) the discovery and/or acquisition of economically recoverable reserves;
- (b) access to adequate capital for project development;



- (c) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (d) securing and maintaining title to interests;
- (e) obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production; and
- (f) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, the existence of hydrocarbons and hydrocarbon bearing formations, flow consistency and reliability and commodity prices affect successful project development and operations.

Drilling activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment. In addition, drilling and operations include reservoir risk such as the presence of shale laminations in the otherwise homogeneous sandstone porosity.

Industry operating risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of sufficient sub-surface data from correlative well logs and/or formation core analyses). The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

### **Oil and Gas Price Volatility**

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

### **Reserves and Resource Estimates**

Reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis the estimates are likely to change. This may result in alterations to development and production plans which may in turn, adversely affect the Company's operations.

### **Foreign Exchange Risk**

The current operations of the Company are in the United States and the costs of and revenues from operations will be in United States Dollars. As the Company's financial reports will be presented in Australian Dollars, the Company will be exposed to the volatility and fluctuations of the exchange rate between the United States Dollar and the Australian Dollar.

Global currencies are affected by a number of factors that are beyond the control of the Company. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities together with the ability to fund those plans and activities.

### **Title and Title Opinions**

The system for obtaining development rights to oil and gas leases in the United States can be complex given that numerous parties may hold the undivided mineral interest to a particular tract of land. Securing the leases to those mineral interests often requires lengthy negotiation with the various parties.

In order to independently verify that the parties with whom a company is dealing are the correct and sole holders of the mineral interest and to analyse the full rights and restrictions applying to the interest held by those parties requires that a company obtain detailed title opinions from appropriately qualified and experienced lawyers in the United States. This can be a lengthy and expensive process and the final opinions are often the subject of numerous qualifications and requirements.

### **Environmental Risks**

The Company's activities will be subject to the environmental risks inherent in the oil and gas industry. The Company will be subject to environmental laws and regulations in connection with operations it may pursue in the oil and gas industry, which operations are currently in Louisiana and Texas. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

### **Competition**

The Company will compete with other companies, including major oil and gas companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce oil and gas, but also carry out downstream operations on these and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

### **Joint Venture Parties, Contractors and Contractual Disputes**

The Company by its subsidiary, Pryme Oil and Gas Inc is a party to various joint venture agreements in respect of its projects through the United States. The Company is thereby reliant upon its joint venture participants complying with their obligations. For example, the operator of a joint venture may fail to implement necessary work programs within the time required for the particular interest, which would have a direct impact on the Company.

With respect to this issue, the Directors are unable to predict the risk of:

- (a) financial failure or default by a participant in any joint venture to which the Company may become a party; or
- (b) insolvency or other managerial failure by any of the operators and contractors used by the Company in its exploration activities; or
- (c) insolvency or other managerial failure by any of the other service providers used by the Company or its operators for any activity.

## **Reliance on Key Personnel and Contractors**

The Company's success largely depends on the core competencies of its Directors and management and their familiarisation with, and ability to operate in, the oil and gas industry and the Company's ability to retain its key executives.

Additionally, the Company relies on third party contractors to provide drilling services for the Capitola Oil Project.

## **Insurance**

Insurance against all risks associated with oil and gas production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs, however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

## **Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

## **Dividend Policy**

The Company has paid no dividends on its shares since its date of incorporation and the Company does not anticipate paying dividends on its shares in the foreseeable future. The Company anticipates that it will retain all future earnings and other cash resources for the future operation and development of its business and the Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

## **3.3 General Risks**

### **Stock Market Conditions**

Some of the critical market risks which may affect the operations and financial performance of the Company (regardless of the Company's operating performance) are domestic and international competition, competitive pressures forcing market prices lower, fluctuations in commodity prices, market confidence, supply of and demand for money, supply of and demand for oil and gas, terrorism and other hostilities, changes in fiscal, monetary and regulatory policies, and currency exchange rate fluctuations.

The market price of the New Shares when quoted on the ASX will be influenced by these international and domestic factors affecting sentiment and other conditions in equity and financial markets.

### **Liquidity Risk**

There can be no guarantee that there will continue to be an active market for Shares or that the price of Shares will increase. This may affect the volatility of the market price of Shares. It may also affect the prevailing market price at which shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price paid under either Offer.

### **Investment Risk**

An investment in New Shares should be considered speculative. New Shares carry no guarantee with respect to the payment of any dividends, returns of capital or the market value of those New Shares.

Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

### **Regulatory**

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

## **General Economic and Political Risks**

Changes in the general economic and political climate in the United States, Australia and on a global basis could impact on economic growth, the oil and gas prices, interest rates, currency fluctuations, exchange rates, industrial disruption, the rate of inflation, taxation and tariff laws and domestic security which may affect the value and viability of any oil and gas activity that may be conducted by the Company.

### **4. DETAILS OF THE OFFERS**

#### **4A. Rights Issue Offer**

##### **4A.1 The Rights Issue Offer**

###### **(a) Overview**

All Rights Issue Offer Eligible Shareholders are entitled to participate in the Rights Issue Offer. You are a Rights Issue Offer Eligible Shareholder if you are a Shareholder with a registered address in Australia or New Zealand on the Record Date. The Record Date is 5:00pm AEST on 4 July 2014.

As a Rights Issue Offer Eligible Shareholder, you are entitled to subscribe for 3 Rights Issue Offer Shares for every 2 Shares held on the Record Date at the Issue Price of 1.0 cent per Rights Issue Offer Share. You will also be entitled to 1 free Attaching Option for every 2 Rights Issue Offer Shares delivered under this Prospectus.

Pryme's Share Registry must receive your Entitlement and Acceptable Form by the Closing Date (being 5:00pm AEST on 17 July 2014).

The Rights Issue Offer is renounceable. This means that you may sell your Rights.

###### **Minimum Subscription**

The Minimum Subscription under the Rights Issue Offer is \$4,000,000 representing the Underwritten Amount.

No New Securities will be allotted or issued until the Minimum Subscription has been received. If the Minimum Subscription is not achieved within 4 months after the date of the issue of this Prospectus, the Company will either repay the Application moneys to the Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Application and be repaid their Application moneys.

###### **(b) Underwriting**

The Rights Issue Offer is underwritten by the Underwriter to the Underwritten Amount. The Underwriter is not a related party or shareholder in the Company. Further information about the underwriting is set out in Section 4A.7.

###### **(c) Rights attaching to Rights Issue Offer Shares and the terms of the Attaching Options**

A summary of the rights attaching to the Rights Issue Offer Shares and the terms of the Attaching Options are set out in Sections 5.1 and 5.2.

###### **(d) Taxation**

There may be taxation implications in relation to the Rights Issue Offer and subscribing for Rights Issue Offer Shares and Attaching Options. These taxation implications vary depending on your individual circumstances. You should seek and rely on your own taxation advice regarding an investment in the Company. Neither the Company nor any of its officers, employees, agents and advisers accepts any liability or responsibility with respect to the taxation consequences connected with the Rights Issue Offer or the Rights Issue Offer Shares and Attaching Options.

## **4A.2 What Rights Issue Offer Eligible Shareholders may do**

### **(a) Alternatives**

The number of Rights Issue Offer Shares to which Rights Issue Offer Eligible Shareholders are entitled (your Rights) is shown on the accompanying Entitlement and Acceptance Form.

Rights can be bought and sold on market like other tradeable securities. Other than taking up Rights to which you are entitled as a Rights Issue Offer Eligible Shareholder, if you wish to ensure acquiring further Shares you will need to purchase Rights and take up these additional Rights. Allocation of additional Rights Issue Offer Shares from Shortfall is at the discretion of the Directors in consultation with the Underwriter.

If you do not take up your Rights, then your percentage holding in the Company will be diluted.

As a Rights Issue Offer Eligible Shareholder, you may:

- Take up all of your Rights (refer Section 4A.2(b));
- Take up all of your Rights and apply for Shortfall Shares (refer Section 4A.2(c));
- Sell all of your Rights on the ASX (refer Section 4A.2(d));
- Take up part of your Rights and sell the balance on the ASX (refer Section 4A.2(e));
- Take up part of your Rights and allow the balance to lapse (refer Section 4A.2(f));
- Deal with part or all of your Rights other than on the ASX (refer Section 4A.2(g)); and/or
- Allow all or part of your Rights to lapse (refer Section 4A.2(h)).

### **(b) Taking up all of your Rights**

If you wish to take up all of your Rights, complete the accompanying Entitlement and Acceptance Form for Rights Issue Offer Shares and Attaching Options in accordance with the instructions set out in that form.

You should then forward your completed Entitlement and Acceptance Form together with your application moneys in accordance with Section 4A.3 to reach Pryme's Share Registry no later than 5.00pm AEST on the Closing Date, being 17 July 2014.

### **(c) Taking up all your Rights and applying for Shortfall Shares**

Rights Issue Offer Eligible Shareholders may, in addition to taking up all their Rights, apply for Shortfall Shares as described in Section 4A.5.

A single payment should be used for the application moneys for your Rights and the number of Shortfall Shares you wish to apply for as stated on the Entitlement and Acceptance Form.

### **(d) Selling all of your Rights on the ASX**

If you wish to sell all of your Rights on the ASX, you will need to provide instructions to your stockbroker regarding the number of Rights you wish to sell on the ASX. The Company accepts no responsibility for any failure by your stockbroker to carry out your instructions.

### **(e) Taking up part of your Rights and selling the balance on the ASX**

If you wish to take up only part of your Rights, complete the accompanying Entitlement and Acceptance Form for the number of Rights Issue Offer Shares and Attaching Options you wish to take up and follow the steps required in accordance with Section 4A.2(b). You may then provide instructions to your stockbroker regarding the number of Rights you wish to sell on the ASX.

**(f) Taking up part of your Rights and allowing the balance to lapse**

If you wish to take up part of your Rights and allow the balance to lapse, complete the accompanying Entitlement and Acceptance Form for the number of Rights Issue Offer Shares and Attaching Options you wish to take up and follow the steps required in accordance with Section 4A.2(b). If you take no further action, the balance of your Rights will lapse and you will have forfeited any potential benefit to be gained from selling/trading your Rights.

**(g) Dealing with part or all of your Rights other than on the ASX**

You may transfer all or part of your Rights to another person other than on the ASX provided that the purchaser is not an Excluded Shareholder or would not be an Excluded Shareholder if the purchaser was the registered holder of Shares.

If you wish to transfer all of your Rights to another person other than on the ASX, forward a completed standard renunciation and acceptance form (obtainable from the Company's Share Registry) and the applicable transferee's payment for the Rights Issue Offer Shares and Attaching Options they wish to subscribe for to the Company's Share Registry by 5.00pm AEST on the Closing Date, being 17 July 2014.

If you wish to transfer part of your Rights to another person other than on the ASX only, but also want to take up some or all of the balance of your Rights, you will need to take the steps described above in relation to the Rights you wish to transfer and complete the accompanying Entitlement and Acceptance Form in respect of the Rights you wish to take up. You will need to lodge the form in accordance with the procedure in Section 4A.2(b).

If the Share Registry receives both a completed renunciation and acceptance form and a completed Entitlement and Acceptance Form in respect of the same Rights, the renunciation will be given effect in priority to the acceptance.

**(h) Allow all or part of your Rights to lapse**

If you take no action, your Rights will lapse and you will have forfeited any potential benefit to be gained from selling/trading your Rights. Rights are renounceable, which enable Rights Issue Offer Eligible Shareholders who do not wish to accept some or all of their Rights, to sell or trade all or part of their Rights on the ASX.

**4A.3 Payment**

The price for Rights Issue Offer Shares is payable in full on application by a payment of 1.0 cent per Rights Issue Offer Share. The Rights Issue Offer Entitlement and Acceptance Form must be accompanied by payment of the Application Moneys.

Cheques or bank drafts must be drawn in Australian currency on an Australian bank and made payable to Pryme Energy Limited - Trust Account and crossed "Not Negotiable". Applicants must not forward cash. Receipts for payment will not be issued. You should ensure that sufficient funds are held in the relevant account(s) to cover the cheque(s). If the amount of your cheque(s) is not sufficient to pay for the number of Rights Issue Offer Shares you have applied for, you may be taken to have applied for such lower number of Rights Issue Offer Shares as your cleared moneys will pay for or your application may be rejected.

If you pay by BPAY, please follow the procedure set out in the Rights Issue Offer Entitlement and Acceptance Form. You do not have to send us a completed Rights Issue Offer Entitlement and Acceptance Form if you pay by BPAY. It is your responsibility to ensure that we receive your payment by the Closing Date. We do not accept any responsibility for incorrectly completed BPAY payments.

**4A.4 Rights Issue Offer Excluded Shareholders**

The Company is of the view that it is unreasonable to make an offer to Rights Issue Offer Excluded Shareholders (a Shareholder whose registered address is not in Australia or New Zealand on the Record Date) having regard to the number of Rights Issue Offer Excluded Shareholders, the number and value of Shares

these Rights Issue Offer Excluded Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Rights Issue Offer is not being extended to Rights Issue Offer Excluded Shareholders, and no shares will be issued to Rights Issue Offer Eligible Shareholders with a registered address which is outside Australia or New Zealand on the Record Date.

The Rights Issue Offer is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013. The Securities offered under this Prospectus are not being offered or sold to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand on the Record Date. This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority. This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

The Company has appointed the Underwriter as nominee ("**Nominee**") to sell the Rights to which Rights Issue Offer Excluded Shareholders are entitled. The Nominee will have the absolute and sole discretion to determine the timing and price at which the Rights will be sold and the manner of any such sale. The Company will pay the Nominee a fee of equal to 1.5% on the total gross dollar value of all Rights sold or \$1,500 plus GST, whichever is greater.

Any interest earned on the proceeds of the sale of these Rights will firstly be applied against expenses of such sale, including brokerage, and any balance will accrue to the relevant Rights Issue Offer Excluded Shareholders as described below.

The net proceeds of any sale of these Rights will then be forwarded by the Company as soon as practicable to the Rights Issue Offer Excluded Shareholders, in proportion to their share of such Rights (after deducting brokerage commission and other expenses).

In the event of a sale of the Rights, Rights Issue Offer Excluded Shareholders may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds. In this regard, the Nominee will not be required to sell Rights Issue Offer Excluded Shareholders' Rights at a particular price.

Shareholders resident in Australia or New Zealand holding shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Rights under the Rights Issue Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Rights Issue Offer Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

#### **4A.5 Shortfall**

Any Rights Issue Offer Shares and Attaching Options under the Rights Issue Offer that are not applied for will form the Shortfall Shares. The offer to issue Shortfall Shares is a separate offer under this Prospectus.

Under this Prospectus, the Company offers to issue the Shortfall Shares to a party (which may include investors other than Rights Issue Offer Eligible Shareholders) at the same price as the Rights Issue Offer Shares offered under the Rights Issue Offer.

Rights Issue Offer Eligible Shareholders may apply for any Shortfall Shares by completing the relevant section in the Entitlement and Acceptance Form and sending it to the Company's share registry together with payment by cheque or BPAY in the amount of Shortfall applied for.

Any application for Shortfall together with accompanying application monies does not guarantee allotment of any Shortfall Shares. Shortfall will be placed at the discretion of the Directors in consultation with the Underwriter. All application moneys in relation to which Shortfall Shares are not allocated will be returned without interest.

The Underwriter is obliged to take up and subscribe for Shortfall Shares up to the Underwritten Amount. The Shortfall Shares may be placed at the discretion of the Directors, in consultation with the Underwriter, within 3 months of the Closing Date.

It is your responsibility to ensure that you will not breach the takeovers provisions in the Corporations Act by applying for Shortfall Shares.

#### **4A.6 Allotment and quotation**

##### **(a) Allotment of Rights Issue Offer Shares and Attaching Options**

The Rights Issue Offer Shares and Attaching Options issued pursuant to the Rights Issue Offer will be allotted in accordance with the timetable set out in Section 1. We will allot the Rights Issue Offer Shares and Attaching Options on the basis of your Rights.

Pending the allotment and issue of Rights Issue Offer Shares and Attaching Options or the payment of refunds under this Prospectus, we will hold all Application Money on trust for you in a separate bank account. We will, however, be entitled to retain all interest that accrues on any Application Money we hold.

No securities will be allotted and issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

##### **(b) Quotation by ASX**

We intend to apply to ASX for quotation of the Rights Issue Offer Shares and Attaching Options within 7 days of the date of this Prospectus. If the ASX accepts our application, quotation of the Rights Issue Offer Shares and Attaching Options will commence after the issue of the Rights Issue Offer Shares and Attaching Options.

If any Rights Issue Offer Shares and Attaching Options are not granted quotation on ASX within 3 months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, we will not issue those Rights Issue Offer Shares and Attaching Options and the Application Money in respect of those Rights Issue Offer Shares and Attaching Options will be refunded to you without interest within the time prescribed by the Corporations Act.

##### **(c) Holding statements**

We participate in the security transfer system known as CHESS. CHESS is operated by ASX Settlement Pty Ltd (ACN 008 504 532) (a wholly owned subsidiary of ASX) in accordance with the Listing Rules and the ASX Settlement Operating Rules. Under CHESS you will not receive a share certificate. You will receive a holding statement setting out the number of New Shares issued to you under this Prospectus. If you are broker sponsored, ASX Settlement will send you a CHESS statement.

#### **4A.7 Underwriting and Sub-Underwriting arrangements**

##### **(a) The Underwriter**

The Underwriter is appointed under the Underwriting Agreement to underwrite the Rights Issue Offer up to the Underwritten Amount. The Underwriter is not a related party and has no current relevant interest in Shares.

In the event of a Shortfall, the Directors are not aware of any reason why the Underwriter would not be in a position to meet its financial obligations to subscribe for the Shortfall in accordance with the Underwriting Agreement.

##### **(b) Underwriting Agreement**

The Underwriting Agreement was negotiated on an arm's length basis. The parties to the agreement are the Company and the Underwriter.

Under the Underwriting Agreement, the Underwriter is obliged to subscribe for the Shortfall Shares within 5 business days of receiving notice from us as to the number of Shortfall Shares. The maximum number of Shortfall Shares that the Underwriter is required to subscribe for is 400,000,000 Shares representing the Underwritten Amount.



We must on the Issue Date pay the Underwriter a corporate fee of \$100,000 and an underwriting fee of 6% of the dollar amount raised, from all sources, under the Rights Issue Offer (including any non-underwritten amounts raised) and being \$310,008 if fully subscribed. We are also required to reimburse the Underwriter for all reasonable out-of-pocket expenses.

Under the Underwriting Agreement we are required to make the Rights Issue Offer in accordance with all relevant regulatory requirements and we have given various representations and warranties to the Underwriter, which are customary for an agreement of this nature.

As is normal for underwriting agreements of this nature, the Underwriter has a wide discretion to terminate its obligations under the Underwriting Agreement on the occurrence of a number of events, which may occur before the issue of the Shortfall Shares. The more significant termination events are a fall in indices event allowing the Underwriter to terminate its obligations if the All Ordinaries Index falls to a level that is 10% or more than the level at the close of business on the business day prior to the date of this Prospectus and where an adverse change occurs in respect of the Company or its assets which has a material adverse effect. The failure of the Underwriter to appoint sub-underwriters will not relieve the Underwriter of its obligations.

**(c) Sub-Underwriting**

The Underwriter has appointed sub-underwriters to subscribe for certain of the Shortfall. Each sub-underwriter will not by its sub-underwriting, together with receipt of the Sub-Underwriter Options (described below), increase its relevant interest in Shares to 20% or more.

No related parties are sub-underwriting the Offer.

While the Underwriter is responsible for fees payable to sub-underwriters, pursuant to the terms of the Underwriting Agreement, sub-underwriters to the Rights Issue Offer will receive 1 option on the same terms as the Attaching Option for every 2 shares sub-underwritten ("Sub-Underwriter Options"), subject to shareholder approval at the EGM. The maximum amount of options to be issued to the sub-underwriters is 200,000,000 (at Full Subscription). Should shareholders not approve the issue of the Sub-Underwriter Options the Company will pay an amount equal to 0.26 cents per Sub-Underwriter Option that is not issued to Sub-Underwriters. Further details about the Sub-Underwriter Options is contained in Section 2.4.

**(d) Effect on control**

The Rights Issue Offer is 3 Rights Issue Offer Shares for every 2 shares held by Rights Issue Offer Eligible Shareholders and under the Adjusting Offer up to 46,245,422 Adjusting Offer Shares may be issued. The maximum dilution at Full Subscription and Full Entitlement that will be experienced by any Rights Issue Offer Eligible Shareholder or Adjusting Offer Eligible Shareholder that fails to subscribe for any Rights or Entitlements is 76% of its existing shareholding.

The Underwriter currently has no relevant interest in Shares.

Under the Underwriting Agreement, the Underwriter is obliged to subscribe for all of the Shortfall Shares up to the Underwritten Amount (maximum of 400,000,000 Shares as at the date of this Prospectus). In the event that the Underwriter is required to subscribe for all of the Shortfall Shares equal to the Underwritten Amount, the relevant interest of the Underwriter will be 41%. This assumes that there are no subscriptions under the Rights Issue Offer and that there are no sub-underwriting arrangements. The Underwriter has however advised the Company that it has agreed to allocate the Shortfall to its clients, such that neither the Underwriter nor any of the Underwriters client's, individually, will have a voting power in the Company in excess of 20% after the issue of the Shortfall. Therefore, if the Underwriter is required to subscribe for the Shortfall, in practical terms, the Underwriter will not obtain control of the Company as a result of the Underwriter underwriting the Rights Issue Offer.

No Sub-Underwriter will by its sub-underwriting, together with receipt of the Sub-Underwriter Options increase its relevant interest in Shares to 20% or more.

## **4B Adjusting Offer**

### **4B.1 The Adjusting Offer**

#### **(a) Overview**

All Adjusting Offer Eligible Shareholders are entitled to participate in the Adjusting Offer. You are an Adjusting Offer Eligible Shareholder if you participated in the March Rights Issue and have a registered address in Australia or New Zealand on the Record Date. The Record Date being 5:00pm AEST on 20 June 2014.

As an Adjusting Offer Eligible Shareholder, you are entitled to 1 Adjusting Offer Share for every 1 March Rights Issue Share delivered. There is no subscription price for the Adjusting Offer Shares.

Pryme's Share Registry must receive your Entitlement and Acceptance Form by the Closing Date (being 5:00pm AEST on 17 July 2014).

You may take up your Entitlement or allow your Entitlement to lapse.

#### **Minimum Subscription**

There is no minimum subscription under the Adjusting Offer.

#### **(b) Underwriting**

The Adjusting Offer is not underwritten.

#### **(c) Rights attaching to Adjusting Offer Shares**

A summary of the rights attaching to the Adjusting Offer Shares is set out in Sections 5.1 and 5.2.

#### **(d) Taxation**

There may be taxation implications in relation to the Adjusting Offer and subscribing for Adjusting Offer Shares. These taxation implications vary depending on your individual circumstances. You should seek and rely on your own taxation advice regarding an investment in the Company. Neither the Company nor any of its officers, employees, agents and advisers accepts any liability or responsibility with respect to the taxation consequences connected with the Adjusting Offer or the Adjusting Offer Shares.

### **4B.2 What Adjusting Offer Eligible Shareholders may do**

#### **(a) Alternatives**

The number of Adjusting Offer Shares to which Adjusting Offer Eligible Shareholders are entitled (your Entitlement) is shown on the accompanying Entitlement and Acceptance Form.

If you do not take up your Entitlement, then your percentage holding in the Company will be diluted.

As an Adjusting Offer Eligible Shareholder, you may:

- Take up all of your Entitlement (refer Section 4B.2(b)); or
- Allow all of your Entitlements to lapse (refer Section 4B.2(h)).

#### **(b) Taking up all of your Entitlement**

If you wish to take up all of your Entitlement, complete the accompanying Entitlement and Acceptance Form for Adjusting Offer Shares in accordance with the instructions set out in that form.

You should then forward your completed Entitlement and Acceptance Form in accordance with Section 4B.3 to reach Pryme's Share Registry no later than 5.00pm AEST on the Closing Date, being 17 July 2014.

**(c) Allow all of your Entitlement to lapse**

If you take no action, your Entitlement will lapse and you will have forfeited your chance to take up your Entitlement.

**4B.3 Payment**

As there is no subscription fee for the Adjusting Offer Shares, the Adjusting Offer Entitlement and Acceptance Form does not need to be accompanied by any Application Moneys on application.

**4B.4 Adjusting Offer Excluded Shareholders**

The Company is of the view that it is unreasonable to make an offer to Adjusting Offer Excluded Shareholders (a participant of the March Rights Issue whose registered address is not in Australia or New Zealand on the Record Date) having regard to the number of Adjusting Offer Excluded Shareholders, the number and value of Shares these Adjusting Offer Excluded Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Adjusting Offer is not being extended to Adjusting Offer Excluded Shareholders, and no shares will be issued to Adjusting Offer Eligible Shareholders with a registered address which is outside Australia or New Zealand on the Record Date.

The Adjusting Offer is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013. The Securities offered under this Prospectus are not being offered or sold to the public within New Zealand other than to participants of the March Rights Issue with registered addresses in New Zealand on the Record Date. This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority. This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Shareholders resident in Australia or New Zealand holding shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Adjusting Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Adjusting Offer Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

**4B.5 Shortfall**

There is no "shortfall" associated with the Adjusting Offer.

**4B.6 Allotment and quotation**

**(a) Allotment of Adjusting Offer Shares**

The Adjusting Offer Shares issued pursuant to the Adjusting Offer will be allotted in accordance with the timetable set out in Section 1. We will allot the Adjusting Offer Shares on the basis of your Entitlements.

No securities will be allotted and issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

**(b) Quotation by ASX**

We intend to apply to ASX for quotation of the Adjusting Offer Shares within 7 days of the date of this Prospectus. If the ASX accepts our application, quotation of the Adjusting Offer Shares will commence after the issue of the Adjusting Offer Shares.

If any Adjusting Offer Shares are not granted quotation on ASX within 3 months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, we will not issue those Adjusting Offer Shares and your Entitlement will be deemed to have lapsed.

**(c) Holding statements**

We participate in the security transfer system known as CHESS. CHESS is operated by ASX Settlement Pty Ltd (ACN 008 504 532) (a wholly owned subsidiary of ASX) in accordance with the Listing Rules and the ASX Settlement Operating Rules. Under CHESS you will not receive a share certificate. You will receive a holding statement setting out the number of New Shares issued to you under this Prospectus. If you are broker sponsored, ASX Settlement will send you a CHESS statement.

**4B.7 No Underwriting**

**(a) Underwriting**

The Adjusting Offer is not being underwritten.

**(b) Effect on control**

The Rights Issue Offer is 3 Rights Issue Offer Shares for every 2 shares held by Rights Issue Offer Eligible Shareholders and under the Adjusting Offer up to 46,245,422 Adjusting Offer Shares may be issued. The maximum dilution at Full Subscription and Full Entitlement that will be experienced by any Rights Issue Offer Eligible Shareholder or Adjusting Offer Eligible Shareholder that fails to subscribe for any Rights or Entitlements is 76% of its existing shareholding.

**5. ADDITIONAL INFORMATION**

**5.1 Rights attaching to Rights Issue Offer Shares and the Adjusting Offer Shares**

The rights attaching to ownership of shares in the Company (including the Rights Issue Offer Shares and the Adjusting Offer Shares) are:

- (a) Set out in the Company's Constitution; and
- (b) In certain circumstances, regulated by the Corporations Act, the Listing Rules and the general law.

A summary of the more significant rights attaching to shares in the Company is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of our shareholders.

**Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of members every member has one vote on a show of hands and one vote per share on a poll. The person who holds a share which is not fully paid shall be entitled to a fraction of a vote equal to that proportion of a vote that the amount paid or credited (excluding amounts paid in advance) on the relevant share bears to the total amounts paid and payable (including amounts credited) on that share. Voting may be in person or by proxy, attorney or representative.

**Dividends**

Subject to the rights of holders of shares issued with any special rights (at present there are none), the profits of the Company which the Board may from time to time determine to distribute by way of dividend are divisible to each share of a class on which the Board resolves to pay a dividend in proportion to the amount or the time being paid on a share (including amounts credited) bears to the total amount paid or payable (including amounts credited) on that share. All shares currently on issue and the shares to be issued under this Prospectus are fully paid shares.

## **Future Issues of Securities**

Subject to the Corporations Act and the Listing Rules, the Directors may issue, grant options over, or otherwise dispose of unissued shares in the Company at the times and on the terms that the Directors think proper and a share may be issued with preferential or special rights.

## **Transfer of Shares**

A shareholder may transfer shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX for the purpose of facilitating transfers in shares or by an instrument in writing in a form approved by the Board.

## **Meetings and Notices**

Each shareholder is entitled to receive notice of, and to attend, general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the Listing Rules. Shareholders may requisition meetings in accordance with the Corporations Act.

## **Election of Directors**

There must be a minimum of three Directors. At every annual general meeting, one-third of the Directors (rounded down to the nearest whole number) must retire from office together with any Director who would have held office for more than three years since that Director's election or last election. These retirement rules do not apply to certain appointments including the managing director.

## **Amendment of Constitution**

The Constitution of the Company can only be amended by a special resolution, passed by at least three quarters of the votes cast by holders of shares entitled to vote on the resolution, at general meeting. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

## **Predominance of Listing Rules**

While the Company is admitted to trading on the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

## **5.2 Terms of the Attaching Options**

The terms of the issue of the Attaching Options are:

- (a) Each Attaching Option entitles the holder to one share in the capital of the Company.
- (b) The Attaching Options may be exercised at any time prior to 5.00pm AEST on date 2 years after the Issue Date - ie 23 July 2016.
- (c) The exercise price of the Attaching Options is 2.0 cents per option.
- (d) The Company will apply to the ASX for the Attaching Options to be quoted and the Attaching Options will be freely tradeable.
- (e) The Company will provide to each Attaching Option holder a notice that is to be completed when exercising the Attaching Options ("Notice of Exercise"). Attaching Options may be exercised by the Attaching Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Company to be received prior to the expiry date. The Notice of Exercise must state the

number of Attaching Options exercised the consequent number of shares to be allotted and the identity of their proposed allottee. The Notice of Exercise by an Attaching Option holder must be accompanied by payment in full for the relevant number of shares being subscribed, being an amount of the exercise price times the number of shares being subscribed. The Company will process all relevant documents received at the end of every calendar month.

- (f) All shares issued upon the exercise of the Attaching Options will rank equally in all respects with the Company's then issued shares.
- (g) There are no participating rights or entitlements inherent in the Attaching Options and the holders will not be entitled to participate in new issues or pro-rata issues of capital to shareholders during the term of the Attaching Options. Thereby, the Attaching Option holder has no rights to a change in the exercise price of the Attaching Option or a change to the number of underlying securities over which the Attaching Option can be exercised. The Company will ensure, for the purposes of determining entitlements to any issue, that Attaching Option holders will be notified of a proposed issue after the issue is announced. This will give Attaching Option holders the opportunity to exercise their Attaching Options prior to the date for determining entitlements to participate in such issues.
- (h) If there is a bonus issue ("Bonus Issue") to shareholders, the number of shares over which an Attaching Option is exercisable will be increased by the number of shares which the Attaching Option holder would have received if the Attaching Option had been exercised before the record date for the Bonus Issue ("Bonus Shares"). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue, and upon issue will rank equally in all respects with the other shares on issue as at the date of issue of the Bonus Shares.
- (i) In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Company, all rights of the Attaching Option holder shall be reconstructed (as appropriate) in accordance with the Listing Rules.

### **5.3 Transaction specific prospectus and continuous disclosure obligations**

Pryme is a disclosing entity under the Corporations Act and therefore is subject to regular reporting and disclosure obligations. Under those obligations, we are required to comply with all applicable continuous disclosure and reporting requirements in the Corporations Act and the Listing Rules. In particular, we must comply with the requirement to disclose to ASX any information held by us which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

As this Prospectus is a transaction specific prospectus issued under section 713 of the Corporations Act, it is required to contain information in relation to the effect of the Offers on the Company and the rights and liabilities attaching to the securities offered. This Prospectus is not required to provide information regarding our assets and liabilities, financial position and performance, profits and losses or prospects on the basis that, as at the date of this Prospectus, the Company has not withheld from its continuous disclosure reporting any information about such matters that investors and their professional advisers would reasonably require to make an informed assessment of such matters and expect to find in this Prospectus.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) It is subject to regular reporting and disclosure obligations;
- (b) Copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) It will provide a copy of each of the following documents, free of charge, to any person on request:
  - i. The annual financial report most recently lodged by the Company with ASIC;
  - ii. Any half-year financial report lodged with ASIC after lodgement of the annual financial report and before lodgement of this Prospectus with ASIC; and

- iii. Any continuous disclosure notices given by the Company after the lodgement of the annual financial report and before the lodgement of this Prospectus with ASIC.

We lodged our latest annual report with ASX on 14 March 2014. Since then, we have made the following announcements to ASX, shown in the table below.

| <b>Date</b>   | <b>Description of Announcement</b>                          |
|---------------|---|
| 14 March 2014 | Cleansing Notice - 708A(5)(e) Corporations Act              |
| 17 March 2014 | Rights Issue Letters to Shareholders                        |
| 19 March 2014 | Amended Appendix 3B   |
| 24 March 2014 | Notice of Annual General Meeting/Proxy Form                 |
| 25 March 2014 | Non Renounceable Rights Issue Offer Document                |
| 4 April 2014  | Cline Shale Update and Rights Issue Closing Soon            |
| 8 April 2014  | Change of Director's Interest Notice                        |
| 11 April 2014 | Rights Issue results and Lead Manager appointed             |
| 15 April 2014 | Investor Presentation and Capitola Oil Project Update       |
| 15 April 2014 | Change of Director's Interest Notice                        |
| 16 April 2014 | Completion of Non Renounceable Rights Issue and Appendix 3B |
| 16 April 2014 | Cleansing Notice - 708(5)(e) Corporations Act               |
| 22 April 2014 | Change of Director's Interest Notices                       |
| 23 April 2014 | Chairman's Address to Shareholders                          |
| 23 April 2014 | Presentation by Managing Director at 2014 AGM               |
| 23 April 2014 | Results of Annual General Meeting                           |
| 24 April 2014 | Substantial shareholding notices                            |
| 30 April 2014 | March 2014 Quarterly Cash flow and Activities Report        |
| 14 May 2014   | Helmsec Initiates Research Coverage                         |
| 26 May 2014   | Sale of Turner Bayou Project                                |
| 27 May 2014   | Investor Presentation and Capitola Oil Project Update       |
| 4 June 2014   | Appendix 3B   |
| 20 June 2014  | Request for Trading Halt                                    |
| 25 June 2014  | Suspension from Official Quotation                          |
| 26 June 2014  | Change of Directors' Interest Notice                        |

#### **5.4 Market price of Shares**

The Company is a disclosing entity for the purposes of the Corporations Act and its shares are enhanced disclosure securities quoted on ASX.

The highest and lowest closing market price of the Company's quoted shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales and the last closing market price on the day on which shares traded prior to lodgement of this Prospectus with ASIC were:

|                | Price | Date            |
|----------------|-------|-----------------|
| <b>Highest</b> | 0.025 | 28 April 2014*  |
| <b>Lowest</b>  | 0.016 | 14 May 2014**   |
| <b>Latest</b>  | 0.017 | 20 June 2014*** |

\* This price occurred multiple times within the specified period, 28 April 2014 is the first occurrence of this price.

\*\* This price occurred multiple times within the specified period, 14 May 2014 is the first occurrence of this price.

\*\*\* The Company's Shares last traded on this date (before the Company requested, and ASX granted, a trading halt).

## 5.5 Board and Management

The Board consists of:

- Mr George Lloyd (Independent Non-Executive Chairman)
- Mr Justin Pettett (Managing Director)
- Mr Ryan Messer (Executive Director)
- Mr Greg Short (Independent Non-Executive Director)

Ms Sandra Gaffney is the Chief Financial Officer of the Company.

## 5.6 Directors' Interests

### (a) Interests of Directors

Other than as disclosed in this Prospectus, no Director or proposed Director holds, or has held at any time during the last two years, any interest in:

- The formation or promotion of the Company; or
- Any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offers; or
- The Offers;

And no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person to a Director or proposed Director to induce him or her to become, or to qualify as, a Director or for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offers.

### (b) Interests in securities as at the date of this Prospectus

As at the date of this Prospectus, the Directors (and their respective associates) have relevant interests in the shares of the Company as set out in the table below. Interests include those held directly and indirectly.

Each Director who is a Rights Issue Offer Eligible Shareholder and/or an Adjusting Offer Eligible Shareholder will be entitled to participate in the Offers (as the case may be). The table below does not include the Rights Issue Offer Shares, Attaching Options or Adjusting Offer Shares that the Directors may subscribe for under the Offers (as the case may be).

| Director       | Number of Shares currently directly and indirectly held | Number of Options currently held | Performance Rights |
|----------------|---|----------------------------------|--------------------|
| George Lloyd   | 8,834,288   | Nil                              | Nil                |
| Justin Pettett | 8,875,150   | Nil                              | Nil                |
| Ryan Messer    | 7,799,804*  | Nil                              | Nil                |
| Greg Short     | 1,720,000   | Nil                              | Nil                |

\* Mr Ryan Messer also holds 37 American Depositary Shares (equivalent to 11,100 Ordinary Shares) – Sourcerock Investments LLC.



### **(c) Remuneration of Directors**

An entity of which Mr George Lloyd is a beneficiary is paid \$105,000 per annum as a fee for services as independent non-executive chairman. In the two years prior to the date of this Prospectus, the entity of which Mr Lloyd is a beneficiary has received total gross remuneration of \$278,400.

Mr Greg Short is paid \$52,500 per annum as a director's fee as independent non-executive director. In the two years prior to the date of this Prospectus, Mr Short has received total gross remuneration of \$131,226.

For the 2014 calendar year Mr Justin Pettett's gross salary is \$379,500 of which \$128,037 less for taxation was invested into the March Rights Issue. From 1 January 2015 Mr Justin Pettett will be paid \$280,115 per annum as Managing Director of the Company. In the two years prior to the date of this Prospectus, Mr Pettett has received total gross remuneration of \$804,435.

For the 2014 calendar year Mr Ryan Messer's gross salary is \$305,556 of which \$92,780 less allowance for taxation was invested into the March Rights Issue. From 1 January 2015 Mr Ryan Messer will be paid \$225,534 per annum as an Executive Director and Chief Operating Officer of the Company. In the two years prior to the date of this Prospectus, Mr Messer has received total gross remuneration of \$582,785.

Directors are also entitled to be reimbursed for reasonable expenses incurred by them in providing their services to the Company.

### **5.7 Interests of experts and advisers**

Other than as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- (a) The formation or promotion of the Company; or
- (b) Property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- (c) The Offers.

Other than as disclosed in this Prospectus, no amounts of any kind (whether in cash, securities or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Offers.

Company Matters have acted as lawyers to the Company in relation to the Offers. We estimate that we will pay approximately \$25,000 (excluding GST) for these services. In the past two years, Company Matters has or will be paid fees (excluding GST) of approximately \$90,000 by the Company for legal and company secretarial services.

Patersons is the Underwriter in relation to the Rights Issue Offer and will receive a corporate fee of \$100,000 and an underwriting fee of 6% of the dollar amount raised from all sources under the Rights Issue Offer (including any non-underwritten amounts raised) being \$310,008 if fully subscribed. Patersons will also act as nominee to sell the Rights of Rights Issue Offer Excluded Shareholders on the terms set out in Section 4A.4. In the past two years, Patersons has not been paid any fees by the Company.

## **5.8 Expenses of the Offers**

The expenses connected to the Offers payable by the Company are estimated at approximately \$450,000. These estimated expenses include fees to be paid to the Underwriter, legal fees, ASX and ASIC fees and other miscellaneous expenses directly attributable to the Offers.

## **5.9 Consents**

The following parties have given their written consent to be named in this Prospectus and for the inclusion of statements made by that party (as described below in the form and context in which they are included), and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Company Matters has consented to being named as the Solicitors to the Offers.

Patersons has consented to being named as the Underwriter to the Offer and the inclusion in this Prospectus of all statements referring to it.

The parties referred to above in this Section:

- Do not make, or purport to make any statement in this Prospectus, or on which a statement made in this Prospectus is based other than as specified in this Section;
- To the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section; and
- Has not caused or authorised the issue of this Prospectus.

## **5.10 Privacy Disclosure**

The Company collects information about each Applicant on the Rights Issue Offer Entitlement and Acceptance Form and the Adjusting Offer Entitlement and Acceptance Form for the purposes of processing the Application and administering the Applicant's security holding in the Company. The Company must maintain a public register. Information contained in the Company's register is also used for corporate communications and compliance by the Company with legal and regulatory requirements.

## 6. DIRECTORS' AUTHORISATION AND CONSENT

This Prospectus is authorised by the Company and lodged with ASIC pursuant to section 718 of the Corporations Act.

Each Director has consented to lodgement of this Prospectus with ASIC in accordance with the terms of section 720 of the Corporations Act and has not withdrawn that consent.

Dated: 30 June 2014

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end, positioned above the printed name.

Signed for and on behalf of Pryme Energy Limited  
By George Lloyd  
Chairman

## 7. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

|  |   |
|--|---|
| <b>Adjusting Offer</b>                                 | The offer under this Prospectus to issue Adjusting Offer Shares to Adjusting Offer Eligible Shareholders. Under the Adjusting Offer, Adjusting Offer Eligible Shareholders are entitled to 1 Adjusting Offer Share for every 1 March Rights Issue Share delivered.  |
| <b>Adjusting Offer Share</b>                           | A share being offered under the Adjusting Offer.  |
| <b>Adjusting Offer Eligible Shareholder</b>            | All participants of the March Rights Issue with a registered address in Australia or New Zealand on the Record Date.  |
| <b>Adjusting Offer Entitlement and Acceptance Form</b> | The Entitlement and Acceptance Form which will be mailed to all Adjusting Offer Eligible Shareholders and which must be completed and returned in order for an Adjusting Offer Eligible Shareholder to take up their Entitlement.   |
| <b>Adjusting Offer Excluded Shareholder</b>            | Any participant in the March Rights Issue that does not have a registered address in Australia or New Zealand on the Record Date.   |
| <b>AEST</b>  | Australian Eastern Standard Time.   |
| <b>Applicant</b>                                       | A person who submits a Rights Issue Offer Entitlement and Acceptance Form or an Adjusting Offer Entitlement and Acceptance Form.  |
| <b>Application</b>                                     | An application for either Rights Issue Offer Shares and Attaching Options under the Rights Issue Offer or for Adjusting Offer Shares under the Adjusting Offer.   |
| <b>Application Money</b>                               | The Issue Price multiplied by the total number of Rights Issue Offer Shares applied for by a Rights Issue Offer Eligible Shareholder under a Rights Issue Offer Entitlement and Acceptance Form.  |
| <b>ASIC</b>  | Australian Securities and Investments Commission.   |
| <b>ASX</b>   | ASX Limited (ABN 98 008 624 691) and the market it operates.  |
| <b>ASX Listing Rules</b>                               | The official listing rules of the ASX.  |
| <b>Attaching Option</b>                                | Under the Rights Issue Offer, Rights Issue Offer Eligible Shareholders are entitled to 1 free Attaching Option for every 2 Rights Issue Offer Shares delivered under this Prospectus.   |
| <b>Australian Dollars</b>                              | Means Australian Dollars, the lawful currency in Australia.   |
| <b>Board</b>   | The Board of Directors of Pryme.  |
| <b>BOE</b>   | Barrels of Oil Equivalent.  |
| <b>Capitola Oil Project</b>                            | The project described in Section 2.2a of this Prospectus and details of which has been released to ASX by the Company.  |
| <b>Closing Date</b>                                    | The time and date at which the Offer expires, being 5:00pm AEST on 17 July 2014 subject to the Company varying this date in accordance with the Listing Rules.  |
| <b>Cline Shale</b>                                     | The Cline Shale is one of several geological formations rich in hydrocarbon deposits that make up the greater Permian Basin in West Texas. The Cline is one of the deepest targeted formations in that region at a depth of roughly 9,000 feet and covering well over 1 million acres across more than a dozen counties east of Midland including Scurry, Fisher, Howard, Mitchell, Nolan, Borden, Glasscock, Sterling, Coke, Reagan, Irion and Tom Green counties. |
| <b>Company or Pryme</b>                                | Pryme Energy Limited (ABN 75 117 387 354).  |

|                                     |   |
|-------------------------------------|---|
| <b>Company Matters</b>              | Company Matters Pty Limited (ABN 15 128 178 736).   |
| <b>Constitution</b>                 | The constitution of the Company.  |
| <b>Corporations Act</b>             | The Corporations Act 2001 (Cth).  |
| <b>Director</b>                     | A current director of the Company.  |
| <b>EGM</b>                          | Means the Extraordinary General Meeting of the Company's Shareholders expected to be held on or about 6 August 2014.  |
| <b>Entitlement</b>                  | The Adjusting Offer Shares to which Adjusting Offer Eligible Shareholders are entitled.   |
| <b>Farm-Out Agreement</b>           | The farm-out agreement between the Company and the current mineral owners (ie the vendors) of the Capitola Oil Project.   |
| <b>Full Entitlement</b>             | The issue of all 46,245,422 Adjusting Offer Shares being offered under the Adjusting Offer.   |
| <b>Full Subscription</b>            | The maximum amount to be raised under the Rights Issue Offer being the sum of \$5,166,810.  |
| <b>Issue Date</b>                   | 23 July 2014.   |
| <b>Issue Price</b>                  | 1.0 cent per Rights Issue Offer Share, being the price payable to subscribe for each Rights Issue Offer Share.  |
| <b>Listing Rules</b>                | The official listing rules of the ASX.  |
| <b>Macquarie Term Loan Facility</b> | Means the \$100,000,000 Amended and Restated Senior Secured Term Agreement dated 11 December 2012 (as amended) between Pryme Oil and Gas LLC (borrower) and Macquarie Bank Limited (lender).  |
| <b>Management Options</b>           | Are summarised in Section 2.4 of this Prospectus.   |
| <b>March Rights Issue</b>           | The non-renounceable rights issue made pursuant to the offer document dated 25 March 2014 and lodged with ASX.  |
| <b>March Rights Issue Share</b>     | A share issued under the non-renounceable rights issue made pursuant to the offer document dated 25 March 2014.   |
| <b>Minimum Subscription</b>         | The minimum amount to be raised under the Rights Issue Offer being the sum of \$4,000,000.  |
| <b>MMBOE</b>                        | Means Millions of Barrels of Oil Equivalent.  |
| <b>New Securities</b>               | Either any or each of the Rights Issue Shares, Attaching Options and Adjusting Shares, as the case may be.  |
| <b>NRI</b>                          | Net revenue interest.   |
| <b>Official List</b>                | The official list of the ASX.   |
| <b>Patersons</b>                    | Patersons Securities Limited (ABN 69 008 896 311) (Australian Financial Services Licences 239 052).   |
| <b>Placement Capacity</b>           | The Company's ability to issue Securities or agree to issue Securities without shareholder approval pursuant to Listing Rule 7.1.   |
| <b>Prospectus</b>                   | This prospectus dated 30 June 2014.   |
| <b>Pryme Oil and Gas LLC</b>        | Pryme Oil and Gas LLC (EIN 272940133).  |
| <b>Record Date</b>                  | The time and date for determining eligibility to receive either or both Offers (as the case may be) from the Company, being 5:00pm AEST, 4 July 2014 in respect of the Rights Issue Offer and being 5.00pm AEST, 20 June 2014 in respect of the Adjusting |

|   |  |
|---|--|
|   | Offer.   |
| <b>Rights</b>   | The rights of the Rights Issue Offer Eligible Shareholders.  |
| <b>Rights Issue Offer</b>                                 | The pro-rata renounceable offer to Rights Issue Offer Eligible Shareholders of 3 Rights Issue Offer Shares for every 2 shares held on the Record Date. Each Rights Issue Offer Eligible Shareholder will also be entitled to 1 free Attaching Option for every 2 Rights Issue Offer Shares delivered under this Prospectus, exercisable at 2.0 cents with a 2 year expiry from the Issue Date. |
| <b>Rights Issue Offer Shares</b>                          | A share being offered under the Rights Issue Offer.  |
| <b>Rights Issue Offer Eligible Shareholder</b>            | All shareholders on the register at the Record Date, with a registered address in Australia or New Zealand.  |
| <b>Rights Issue Offer Entitlement and Acceptance Form</b> | The Entitlement and Acceptance Form which will be mailed to all Rights Issue Offer Eligible Shareholders and which must be completed and returned with the correct Application Monies in order for a Rights Issue Offer Eligible Shareholder to take up their Rights.  |
| <b>Rights Issue Offer Excluded Shareholder</b>            | Any shareholder on the register that does not have a registered address in Australia or New Zealand on the Record Date.  |
| <b>Securities</b>   | Includes reference to both shares and options, as the case may be.   |
| <b>Share</b>  | A fully paid ordinary share in the issued capital of the Company.  |
| <b>Shareholder</b>  | Registered holder of Shares.   |
| <b>Shortfall</b>  | Shares not applied for under the Rights Issue Offer before the Closing Date.   |
| <b>Shortfall Shares</b>                                   | Rights Issue Offer Shares constituting the Shortfall.  |
| <b>Sub-Underwriter Options</b>                            | Are summarised in Section 2.4 of this Prospectus.  |
| <b>Turner Bayou</b>                                       | The project located in Avoyelles Parish, Louisiana and comprising approximately 80 square miles, with Austin Chalk potential.  |
| <b>Underwriter</b>  | Patersons.   |
| <b>Underwriting Agreement</b>                             | The underwriting agreement between the Company and the Underwriter dated 27 June 2014.   |
| <b>Underwritten Amount</b>                                | \$4,000,000  |
| <b>United States Dollars</b>                              | Means United States Dollars, the lawful currency of the United States of America.  |
| <b>WI</b>   | Means working interest.  |
| <b>\$</b>   | Australian Dollars unless otherwise expressly stated.  |

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## **CORPORATE DIRECTORY**

### **Directors**

George Lloyd (Non-Executive Chairman)  
Justin Pettett (Managing Director)  
Ryan Messer (Executive Director)  
Greg Short (Non-Executive Director)

### **Principal Place of Business**

Level 7, 320 Adelaide Street  
Brisbane QLD 4001

### **Legal Advisers**

Company Matters  
Level 12, 680 George Street  
Sydney NSW 2000

### **Auditors**

PricewaterhouseCoopers  
123 Eagle Street  
Brisbane QLD 4000

### **Share Registry**

Link Market Services Limited  
Level 15, 324 Queen Street  
Brisbane QLD 4000



**SRN/HIN:**

**Entitlement Number:**

**Subregister:**

**Number of Eligible Shares held as at the Record Date, 5:00pm (AEST) on 4 July 2014:**

**Entitlement to Rights Issue Offer Shares (on a 3 Rights Issue Offer Shares for 2 basis):**

**Amount payable on full acceptance at A\$0.01 per Share:**

|                                    |                     |
|------------------------------------|---------------------|
| <b>Offer Closes 5:00pm (AEST):</b> | <b>17 July 2014</b> |
|------------------------------------|---------------------|

## RIGHTS ISSUE OFFER ENTITLEMENT AND ACCEPTANCE FORM

As a Rights Issue Offer Eligible Shareholder you are entitled to acquire 3 Rights Issue Offer Shares for every 2 Existing Shares that you hold on the Record Date and 1 free Attaching Option for every 2 Rights Issue Offer Shares subscribed for under the Prospectus, at an Offer Price of A\$0.01 per Rights Issue Offer Share. You may also apply for Shortfall Shares in excess of your Entitlement, at the Offer Price. This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as to how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser.

**IMPORTANT:** The Offer is being made under the Prospectus dated 30 June 2014. The Prospectus contains information about investing in the Rights Issue Offer Shares. Before applying for Rights Issue Offer Shares, you should carefully read the Prospectus. This Entitlement and Acceptance Form should be read in conjunction with the Prospectus.

If you do not have a paper copy of the Prospectus, you can obtain a paper copy at no charge, by calling the Company on +61 7 3371 1103.

### PAYMENT OPTIONS

If you wish to take up all or part of your Entitlement (as shown above), or take up all of your Entitlement and apply for additional Shortfall Shares, you have two payment options detailed below.

#### OPTION 1: PAYING BY BPAY®

If paying by BPAY®, refer to the instructions overleaf. **You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®.** Payment must be received via BPAY® before 5:00pm (AEST) on 17 July 2014. You should check the processing cut-off time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. By paying by BPAY® you will be deemed to have completed an Application Form for the number of Shares the subject of your application payment.

#### OPTION 2: PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

If paying by cheque, bank draft or money order, complete and return the acceptance slip below with your Application Monies. No signature is required on the acceptance slip. The acceptance slip with your Application Monies must be received by the Registry before 5:00pm (AEST) on 17 July 2014.



Billers Code: [XXXXXXX]  
 Ref:

#### Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: [www.bpay.com.au](http://www.bpay.com.au)

© Registered to BPAY Pty Ltd ABN 69 079 137 518

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form. If you do not take up or sell your rights, you may not receive any value for them. It is important that you decide whether to accept or sell your rights in accordance with the Prospectus.

**THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.**

*Please detach and enclose with payment*



**SRN/HIN:**

**Entitlement Number:**

**A** Number of Rights Issue Offer Shares accepted (being not more than your Entitlement shown above)

**B** Number of additional Shortfall Shares

**C** Total number of new Shares accepted (add Boxes A and B)

**D PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS** – Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to “Pryme Energy Limited – Trust Account” and crossed “Not Negotiable”.

|                      |                      |                      |                      |                          |
|----------------------|----------------------|----------------------|----------------------|--------------------------|
| Drawer               | Cheque Number        | BSB Number           | Account Number       | Amount of Cheque         |
| <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | A\$ <input type="text"/> |

**E CONTACT DETAILS** – Telephone Number

Telephone Number – After Hours

Contact Name

# PRYME ENERGY LIMITED

The Rights Issue Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia and New Zealand. In particular the Rights Issue Offer is not being made to any person in the U.S. or to a U.S. person. The Prospectus and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

## ACCEPTANCE OF RIGHTS ISSUE OFFER

By either returning the Entitlement and Acceptance Form with payment to the Registry, or making payment received by BPAY®:

- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations;
- you provide authorisation to be registered as the holder of Rights Issue Offer Shares acquired by you and agree to be bound by the Constitution of Pryme Energy Limited.

## HOW TO APPLY FOR RIGHTS ISSUE OFFER SHARES

### 1. IF PAYING BY BPAY® (AVAILABLE TO SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: [www.bpay.com.au](http://www.bpay.com.au)

Work out the total amount payable by you. To calculate the total amount, multiply the number of Rights Issue Offer Shares you wish to apply for by A\$0.01.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any Rights Issue Offer Shares that you wish to apply for in respect of that holding.

### 2. IF PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

Complete all relevant sections of the Entitlement and Acceptance Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Entitlement and Acceptance Form.

#### A. Acceptance of Rights Issue Offer Shares

Enter into section A the number of Rights Issue Offer Shares you wish to apply for. The number of Rights Issue Offer Shares must be equal to or less than your Entitlement, which is set out overleaf.

#### B. Application for Shortfall Shares

You can apply for more Shortfall Shares than your Entitlement. Please enter the number of Shortfall Shares above your Entitlement for which you wish to apply into Box B. Your Application for additional Shortfall Shares may not be successful (wholly or partially). The decision of Pryme Energy Limited on the number of Shortfall Shares to be allocated to you will be final. No interest will be paid on any Application Monies received or returned.

### C. Total Number of new Shares Subscribed for

To calculate total number of new Shares subscribed for, add Box A and Box B and enter this in Box C.

### D. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section D. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Pryme Energy Limited – Trust Account" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque or money order for the incorrect amount, Pryme Energy Limited may treat you as applying for as many Rights Issue Offer Shares and Additional Shortfall Shares as your cheque, bank draft or money order will pay for.

### E. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of new Shares, if necessary.

## 3. SALE OF YOUR ENTITLEMENT IN FULL OR IN PART BY YOUR STOCKBROKER AND ACCEPTANCE OF THE BALANCE

If you wish to sell all of your Rights through your stockbroker or if you wish to sell part of your Rights through your stockbroker and accept the balance you should contact your stockbroker and provide details as requested which appear overleaf.

You should complete the "Instructions to your Stockbroker" panel below and forward this Entitlement and Acceptance Form to your stockbroker.

### Instructions to your Stockbroker

I/We have accepted

New Shares as per reverse side

And attach a cheque/bank draft for

being acceptance monies at A\$0.01 per Rights Issue Offer Share

I/We wish to sell

Rights to Ordinary Shares

## 4. DISPOSAL OF YOUR ENTITLEMENT OTHER THAN THROUGH A STOCKBROKER

A renunciation form must be used for all other transactions. These forms may be obtained from the Pryme Energy Limited Registry or your stockbroker.

## 5. OVERSEAS SHAREHOLDERS

The Prospectus and Entitlement and Acceptance Form do not constitute an offer of securities in any jurisdiction outside of Australia and New Zealand or to any person to whom it would not be lawful to issue the Prospectus. By applying for new Shares under this Entitlement and Acceptance Form or by accepting this offer, you represent and warrant that applying for new Shares does not breach any law in any relevant overseas jurisdiction.

## 6. HOW TO LODGE YOUR ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Prospectus electronically, your completed Entitlement and Acceptance Form with the payment for new Shares may be mailed to the postal address, or delivered by hand to the delivery address, set out below. **If paying by BPAY® you do not need to complete or return the Entitlement and Acceptance Form.** You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

### Mailing Address

Pryme Energy Limited  
C/- Link Market Services Limited  
Locked Bag 3415  
Brisbane QLD 4001

### Hand Delivery

Pryme Energy Limited  
C/- Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138 **(Please do not use this address for mailing purposes)**

Make sure you send your Acceptance Slip and application payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than 5:00pm (AEST) on 17 July 2014. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Pryme Energy Limited reserves the right not to process any Acceptance Slips and cheques received after the Closing Date.

**If you require further information on how to complete this Entitlement and Acceptance Form, please contact the Company on +61 7 3371 1103, between 8:30am and 5:30pm (AEST) Monday to Friday.**

**SRN/HIN:**

**Entitlement Number:**

**Number of Eligible Shares held as  
at the Record Date, 5:00pm (AEST)  
on 20 June 2014:**

**Entitlement to Adjusting Offer Shares  
(on a 1 Adjusting Offer Share for 1 basis):**

|  |                     |
|--|---------------------|
| <b>Offer Closes<br/>5:00pm (AEST):</b> | <b>17 July 2014</b> |
|--|---------------------|

## ADJUSTING OFFER ENTITLEMENT AND ACCEPTANCE FORM

As an Adjusting Offer Eligible Shareholder you are entitled to 1 Adjusting Offer Share for every 1 March Rights Issue Share you subscribed for. There is no subscription price for the Adjusting Offer Shares. This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser.

**IMPORTANT:** The Offer is being made under the Prospectus dated 30 June 2014. The Prospectus contains information about investing in the Adjusting Offer Shares. Before applying for Adjusting Offer Shares, you should carefully read the Prospectus. This Adjusting Offer Entitlement and Acceptance Form should be read in conjunction with the Prospectus.

If you do not have a paper copy of the Prospectus, you can obtain a paper copy at no charge, by calling the company on +61 7 3371 1103.

### HOW TO COMPLETE YOUR ADJUSTING OFFER ENTITLEMENT AND ACCEPTANCE FORM

The Adjusting Offer to which this Adjusting Offer Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia and New Zealand. In particular the Adjusting Offer is not being made to any person in the U.S. or to a U.S. person. The Prospectus and Adjusting Offer Entitlement and Acceptance Form do not constitute an offer or invitation to acquire Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

#### ACCEPTANCE OF ADJUSTING OFFER

By returning the Adjusting Offer Entitlement and Acceptance Form:

- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations;
- you provide authorisation to be registered as the holder of Adjusting Offer Shares acquired by you and agree to be bound by the Constitution of Pryme Energy Limited.

#### HOW TO LODGE YOUR ADJUSTING OFFER ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Prospectus electronically, your completed Adjusting Offer Entitlement and Acceptance Form may be mailed to the postal address, or delivered by hand to the delivery address, set out below.

**Mailing Address:** Pryme Energy Limited, C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235

**Hand Delivery:** Pryme Energy Limited, C/- Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 *(Please do not use this address for mailing purposes)*

Make sure you send your Acceptance Slip allowing enough time for mail delivery, so Link Market Services Limited receives it no later than 5:00pm (AEST) on 17 July 2014 or your offer will expire. **IF YOU DO NOT RETURN THE ACCEPTANCE SLIP BY 5:00PM (AEST) ON 17 JULY 2014 YOU WILL NOT BE ISSUED SHARES UNDER THE ADJUSTING OFFER.**

**If you require further information on how to complete this Adjusting Offer Entitlement and Acceptance Form, please contact the company on +61 7 3371 1103 between 8:30am and 5:30pm (AEST) Monday to Friday.**

### ACCEPTANCE SLIP



**SRN/HIN:**

If you wish to accept the Adjusting Offer you **MUST** detach this Acceptance Slip and return it to Pryme Energy Limited's Registry, so that it is received no later than 5:00pm (AEST), on 17 July 2014. No payment is required to be made for the Adjusting Offer Shares.

The slip can be returned using any of the methods set out on this Form.



**I WISH TO ACCEPT THE ADJUSTING OFFER**