



15 June 2011

Non Renounceable Rights Issue

Pryme Energy Limited (***Pryme*** or ***the Company***) is pleased to announce a Non Renounceable Rights Issue (***Rights Issue***) providing the opportunity for eligible shareholders to acquire additional shares in the Company.

Under the Rights Issue eligible shareholders will be able to subscribe for 1 new share in Pryme for every 7 fully paid ordinary shares held at the Record Date, at a price of \$0.125 per share. If fully subscribed, 32,230,168 new shares will be issued to raise approximately \$4 million.

The new shares will be offered to Pryme shareholders who are registered at 7.00pm (AEST) on 23 June 2011 (***Record Date***) and whose address on the Company's register of members is in Australia or New Zealand. The new shares will rank equally with existing shares and Pryme will apply for official quotation of the new shares on the Australian Securities Exchange (***ASX***).

An Offer Document will be despatched to all eligible shareholders, together with an Entitlement and Acceptance Form, on or around 29 June 2011. Details of the terms and conditions of the Rights Issue will be contained in the Offer Document.

The offer will close at 5.00pm (AEST) on 13 July (***Closing Date***). Valid acceptances must be received before that time.

Application of Funds

The Rights Issue, which is not underwritten, may raise up to approximately \$4 million of new cash funds for the Company. The Company has engaged Shaw Corporate Finance to place any Shortfall under the Rights Issue on a reasonable endeavours basis.

The additional funds, after the expenses of the Rights Issue and normal working capital requirements, will be used primarily to ensure that in the event of cost overruns on the Company's second well in the Turner Bayou Chalk project, Deshotels 13H No.1 well, the Company can continue to fund its proportionate share.

Further Details

The timetable for the Rights Issue is attached. Further details of the potential capital structure of Pryme following completion of the Rights Issue and the effect on the control of Pryme are set out in the Section 708AA notice lodged separately.

For further information please contact:

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ASX Code: PYM **OTCQX Code: POGLY**



PROPOSED TIMETABLE

| Event | Date |
|---|--------------|
| Initial announcement of Rights Issue and lodgement of Appendix 3B | 15 June 2011 |
| Despatch of notices to shareholders informing them of Rights Issue (including ineligible holders) | 16 June 2011 |
| Shares quoted on ex-entitlement basis | 17 June 2011 |
| Record Date for determining entitlements | 23 June 2011 |
| Despatch of Offer Document and Entitlement and Acceptance Form – Offer Opens | 29 June 2011 |
| Closing Date | 13 July 2011 |
| Company notifies ASX of under subscriptions | 18 July 2011 |
| Anticipated date for allotment and issue of New Shares | 21 July 2011 |
| Mail out of transaction confirmation statements | 22 July 2011 |

This Timetable is indicative only and subject to change. The Directors of the Company reserve the right to vary these dates, including the Closing Date without prior notice, in accordance with the ASX Listing Rules. Any extension of the Closing Date will have a consequential effect on the anticipated date for allotment and issue of the new shares.

The Directors of the Company also reserve the right not to proceed with the whole or part of the offer under the Rights Issue any time prior to allotment and issue of the new shares. In that event, the relevant application monies (without interest) will be returned in full to Applicants.

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

Pryme Energy Limited

ABN

75 117 387 354

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | Ordinary Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | Maximum of 32,230,168 securities to be issued under a non-renounceable rights issue (Rights Issue) including any share issues under the shortfall |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Ordinary fully paid shares |

+ See chapter 19 for defined terms.

| <p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | <p>The shares issued will rank equally with the existing class of ordinary shares</p> | | | | |
|--|---|--------|--------|-------------|-----------------|
| <p>5 Issue price or consideration</p> | <p>12.5 cents per share</p> | | | | |
| <p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p> | <p>The additional funds, after the expenses of the Rights Issue and normal working capital requirements, will be used primarily to ensure that in the event of cost overruns on the Company's second well in the Turner Bayou Chalk project, Deshotels 13H No.1 well, the Company can continue to fund its proportionate share.</p> | | | | |
| <p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p> | <p>21 July 2011 (other than shares issued under the shortfall which will be entered into uncertificated holdings by 12 October 2011).</p> | | | | |
| <p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p> | <table border="1"> <thead> <tr> <th data-bbox="695 1424 995 1458">Number</th> <th data-bbox="995 1424 1291 1458">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="695 1458 995 1491">257,841,351</td> <td data-bbox="995 1458 1291 1491">Ordinary shares</td> </tr> </tbody> </table> | Number | +Class | 257,841,351 | Ordinary shares |
| Number | +Class | | | | |
| 257,841,351 | Ordinary shares | | | | |

+ See chapter 19 for defined terms.

| | Number | +Class |
|----|--|---|
| 9 | 500,000 | \$0.15 Options expiring 20 January 2012 |
| | 553,427 | Performance Rights/Restricted Stock Units under 2009 Long Term Incentive Plan Award |
| | 1,931,002 | Performance Rights/Restricted Stock Units under 2010 Long Term Incentive Plan Award |
| | 2 | Convertible Notes (2 of possible 2 Convertible Notes under Convertible Note facility) |
| 10 | Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) | |
| | None | |

Part 2 - Bonus issue or pro rata issue

| | | |
|----|--|---|
| 11 | Is security holder approval required? | No |
| 12 | Is the issue renounceable or non-renounceable? | Non-renounceable |
| 13 | Ratio in which the +securities will be offered | 1 security for every 7 securities held at the Record Date |
| 14 | +Class of +securities to which the offer relates | Ordinary Shares |
| 15 | +Record date to determine entitlements | 23 June 2011 |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | No |

+ See chapter 19 for defined terms.

| | | |
|----|---|---|
| 17 | Policy for deciding entitlements in relation to fractions | Rounded up to the nearest whole number |
| 18 | Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7. | Security holders in any country other than Australia or New Zealand will not be sent the offer documents. At the date of this notice the countries are Cook Islands, Panama, Singapore, South Africa, Sweden, Thailand and the United States. |
| 19 | Closing date for receipt of acceptances or renunciations | 13 July 2011 |
| 20 | Names of any underwriters | Not Applicable |
| 21 | Amount of any underwriting fee or commission | Not Applicable |
| 22 | Names of any brokers to the issue | Not Applicable |
| 23 | Fee or commission payable to the broker to the issue | Not Applicable |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders | Not Applicable |
| 25 | If the issue is contingent on ⁺ security holders' approval, the date of the meeting | Not Applicable |
| 26 | Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled | 29 June 2011 |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | 15 June 2011 |

+ See chapter 19 for defined terms.

| | | |
|----|--|----------------|
| 28 | Date rights trading will begin (if applicable) | Not Applicable |
| 29 | Date rights trading will end (if applicable) | Not Applicable |
| 30 | How do +security holders sell their entitlements <i>in full</i> through a broker? | Not Applicable |
| 31 | How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | Not Applicable |
| 32 | How do +security holders dispose of their entitlements (except by sale through a broker)? | Not Applicable |
| 33 | +Despatch date | 21 July 2011 |

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Items 35 to 42 are not applicable

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



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(Managing Director)

Date: 15 June 2011

Print name: Justin Pettett

+ See chapter 19 for defined terms.