



30 June 2014

Dear Shareholder,

Extraordinary General Meeting

This letter accompanies a Notice of Meeting (NoM) and Explanatory Statement in respect of an Extraordinary General Meeting (EGM) to be held on 6 August 2014.

Shortly, you will receive the Prospectus and application forms for the Pryme Energy Limited June 2014 Rights Issue (June Rights Issue). The June Rights Issue is a renounceable pro-rata rights issue to raise up to \$5.2 million, of which \$4.0 million is underwritten. The main purpose of the June Rights Issue is to raise funds for the Company's interest in the Capitola Oil Project in the Permian Basin, Texas.

Under the Prospectus an "Adjusting Offer" to those shareholders who participated in the March 2014 Rights Issue (March Rights Issue) is also being made. Further information about the Adjusting Offer, including eligibility criteria, is set out in the Prospectus.

I hope that, after reading the Prospectus and the other information about the Capitola Oil Project on the Company's website, you will be encouraged to participate in the June Rights Issue and, if eligible, the Adjusting Offer.

The EGM deals with a number of important matters in connection to the June Rights Issue, the Adjusting Offer and the Capitola Oil Project.

Resolution 1

Resolution 1 deals with the issue of options to the sub-underwriters of the June Rights Issue. The options constitute the primary consideration payable to the sub-underwriters in relation to the June Rights Issue and their issue requires shareholder approval. In the event that shareholders do not approve the issue of the options to the sub-underwriters the Company will be required to pay an amount of up to \$520,000 to the sub-underwriters. Your directors believe that it is in the Company's best interests that the issue of sub-underwriter options be approved by shareholders so the funds which would otherwise be payable can be directed towards the Capitola Oil Project exploration and development.

Resolutions 2 to 6

Resolutions 2 to 6 deal with the Adjusting Offer, which is designed to provide fair and equitable treatment of the shareholders who subscribed to the March Rights Issue. The March Rights Issue involved the issue of shares at 2 cents per share for the purposes of the Capitola Oil Project. Unlike the June Rights Issue, the March Rights Issue was not underwritten and raised less than 20% of the targeted amount. Approximately 160 shareholders subscribed to the March Rights Issue, including all Directors of the Company. Given the discrepancy in the share offer prices between the March Rights Issue and the June Rights Issue, your Directors have determined that it is fair and equitable that the subscribers to the March Rights Issue be issued with additional shares to provide an effective share subscription price of 1 cent per share which is the same as the subscription price for the June Rights Issue. Approximately 46



million shares are to be issued under the Adjusting Offer which is equivalent to 3% of the issued capital on a fully diluted basis after full subscription to both the June Rights Issue and the Adjusting Offer.

Resolution 2 deals with the Adjusting Offer insofar as it applies to non-Director shareholders who subscribed for shares under the March Rights Issue. The additional resolutions (resolutions 3 to 6) are required for shareholder approval of the issue of shares under the Adjusting Offer to each of the Directors who subscribed for shares under the March Rights Issue. The Board believes that the approval of these resolutions constitutes fair and equitable treatment for the subscribers to the March Rights Issue whose support for the Company has made a material contribution to securing the Capitola Oil Project. We commend them to you for your approval.

Resolutions 7 to 9

Resolutions 7 to 9 relate to the issue of Management Options to the senior management team of the Company. The options are on the same terms as the options issued to shareholders under the June Rights issue viz. a 2 year term and an exercise price of 2 cents per share.

The past couple of years have provided many challenges for Pryme's management team. The dedication with which they have tackled and overcome these challenges and plotted a new course for your company through the Capitola Oil Project has demonstrated a very high level of commitment to their quest to create value for shareholders. Vesting of the Management Options, is subject to a number of stringent hurdles which, if achieved, will transform your company and should result in a significant value increase for all shareholders.

By way of example, 25% of the options will vest if Capitola Oil Project production reaches 200 barrels of oil equivalent per day net to Pryme; on a monthly basis this is currently equivalent to revenue of approximately \$600,000 per month. A further 25% of the options will vest if Capitola Oil production reaches 700 barrels of oil equivalent per day; on a monthly basis this is currently equivalent to revenue of approximately \$2 million per month.

The Independent Non-Executive Directors of the Company strongly recommend that shareholders approve these resolutions.

The resolutions themselves are set out in the NoM and more details are provided in the Explanatory Statement accompanying the NoM.

I strongly encourage you to read these documents and approve the resolutions at the EGM.

Yours faithfully

A handwritten signature in black ink, appearing to read "George Lloyd", is written over a white background.

George Lloyd
Chairman
Pryme Energy Limited



PRYME ENERGY LIMITED
ABN 75 117 387 354
NOTICE OF GENERAL MEETING

TIME: 11.00am (Brisbane time)

DATE: Wednesday 6 August 2014

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

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting. Should you wish to discuss the matters in this Notice of Meeting please contact the Managing Director on +617 3371 1103.

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of the Shareholders of Pryme Energy Limited (***Pryme*** or ***the Company***) will be held at 11.00am (Brisbane time) on Wednesday 6 August 2014 at Link Market Services Limited, Level 15, 324 Queen Street, Brisbane, Queensland.

The Explanatory Statement to this Notice of Meeting provides additional information on the matters to be considered at the EGM. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

ITEMS FOR APPROVAL

1. APPROVAL OF ISSUE OF SUB-UNDERWRITER OPTIONS

To consider and, if thought fit, pass the following resolution as an ordinary resolution of Shareholders of the Company:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue of up to 200,000,000 listed options, each with an exercise price of 2 cents and with an expiry date of 23 July 2016, to the sub-underwriters of the Rights Issue announced on 30 June 2014, on the terms as described in the Explanatory Statement which forms part of this Notice of Meeting, is approved.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 1 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of the Sub-underwriter Options, if the resolution is passed.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

2. APPROVAL OF ADJUSTING OFFER TO THE NON-DIRECTOR PARTICIPANTS OF THE MARCH 2014 RIGHTS ISSUE (ADJUSTING OFFER)

To consider and, if thought fit, pass the following resolution as an ordinary resolution of Shareholders of the Company:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company issue up to 33,586,412 fully paid ordinary shares to the non-Director participants of the March 2014 Rights Issue on the terms described in the Explanatory Statement which forms part of this Notice of Meeting.”

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 2 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of the ordinary shares issued under the Adjusting Offer, if the resolution is passed. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

3. APPROVAL OF ADJUSTING OFFER TO JOJETO PTY LIMITED (A RELATED PARTY OF MR GEORGE LLOYD)

“That, subject to approval of Resolution 2, for the purposes of ASX Listing Rule 10.11 and for all other purposes, 4,417,144 fully paid ordinary shares in the capital of the Company be issued to Jojeto Pty Limited, a related party of Mr George Lloyd, a director of the Company, on the terms described in the Explanatory Statement which forms part of this Notice of Meeting.”

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 3 by Mr George Lloyd and his associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

4. APPROVAL OF ADJUSTING OFFER TO MR JUSTIN PETTETT AND RELATED PARTIES OF MR JUSTIN PETTETT

“That, subject to approval of Resolution 2, and for the purposes of ASX Listing Rule 10.11 and for all other purposes, a total of 4,051,575 fully paid ordinary shares in the capital of the Company be issued to Mr Justin Pettett, a director of the Company and two of Mr Pettett’s related parties, on the terms described in the Explanatory Statement which forms part of this Notice of Meeting.”

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 4 by Mr Justin Pettett and his associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

5. APPROVAL OF ADJUSTING OFFER TO MR RYAN MESSER AND A RELATED PARTY OF MR RYAN MESSER

“That, subject to approval of Resolution 2, for the purposes of ASX Listing Rule 10.11 and for all other purposes, 3,330,291 fully paid ordinary shares in the capital of the Company be issued to Mr Ryan Messer, a director of the Company and his related party, on the terms described in the Explanatory Statement which forms part of this Notice of Meeting.”

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 5 by Mr Ryan Messer and his associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

6. APPROVAL OF ADJUSTING OFFER TO MR GREG SHORT

“That, subject to approval of Resolution 2, for the purposes of ASX Listing Rule 10.11 and for all other purposes, 860,000 fully paid ordinary shares in the capital of the Company be issued to Mr Greg Short, a director of the Company on the terms described in the Explanatory Statement which forms part of this Notice of Meeting.”

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 6 by Mr Greg Short and his associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

7. APPROVAL OF ISSUE OF MANAGEMENT OPTIONS TO MR JUSTIN PETTETT

To consider and, if thought fit, pass the following resolution as an ordinary resolution of Shareholders of the Company:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is hereby given for the issue of up to 36,295,216 unlisted options, each with an exercise price of 2 cents and expiry date of 23 July 2016, which, subject to the achievement of Performance Conditions, may convert to ordinary shares in the capital of Pryme Energy Limited on a one-for-one basis to Mr Justin Pettett, Managing Director and Chief Executive Officer of the Company, on the terms described in the Explanatory Statement which forms part of this Notice of Meeting.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 7 by Mr Justin Pettett and his associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

8. APPROVAL OF ISSUE OF MANAGEMENT OPTIONS TO MR RYAN MESSER

To consider and, if thought fit, pass the following resolution as an ordinary resolution of Shareholders of the Company:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is hereby given for the issue of up to 36,295,216 unlisted options, each with an exercise price of 2 cents and expiry date of 23 July 2016, which, subject to the achievement of Performance Conditions, may convert to ordinary shares in the capital of Pryme Energy Limited on a one-for-one basis, to Mr Ryan Messer, Executive Director and Chief Operating Officer of the Company, on the terms described in the Explanatory Statement which forms part of this Notice of Meeting.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 8 by Mr Ryan Messer and his associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

9. APPROVAL OF ISSUE OF MANAGEMENT OPTIONS TO MS SANDRA GAFFNEY

To consider and, if thought fit, pass the following resolution as an ordinary resolution of Shareholders of the Company:

“That, for the purposes ASX Listing Rule 7.1 and for all other purposes, approval is hereby given for the issue of up to 18,147,608 unlisted options, each with an exercise price of 2 cents and expiry date of 23 July 2016, which, subject to the achievement of Performance Conditions, may convert to ordinary shares in the capital of Pryme Energy Limited on a one-for-one basis, to Ms Sandra Gaffney, Chief Financial Officer of the Company on the terms described in the Explanatory Statement which forms part of this Notice of Meeting.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 9 by Ms Sandra Gaffney and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of the Management Options, if the resolution is passed.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

By order of the Board



**Swapna Keskar
Company Secretary
30 June 2014**

ENTITLEMENT TO ATTEND AND VOTE

In accordance with Reg 7.11.37 of the Corporations Regulations 2001, the Board has determined that persons who are registered holders of shares of the Company as at 7.00pm (Brisbane time) on 4 August 2014 will be entitled to attend and vote at the Meeting as a shareholder.

If more than one joint holder of shares is present at the Meeting (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

Voting by Proxy

If you are a shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act 2001 to exercise its powers as proxy at the Meeting.

A proxy need not be a shareholder of the Company.

A shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the shareholder's votes.

To be effective, the proxy must be received at the share registry of the Company no later than 11.00am (Brisbane time) on 4 August 2014, being 48 hours before the General Meeting. Proxies must be received before that time by one of the following methods:

- | | |
|---------------|---|
| By post: | Pryme Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 |
| By facsimile: | In Australia (02) 9287 0309
From outside Australia +61 2 9287 0309 |
| By delivery: | Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138 |

Voting by Attorney

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 11.00am (Brisbane time) on 4 August 2014, being 48 hours before the General Meeting.

Corporate Representatives

A body corporate which is a shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the Meeting. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act 2001. The representative should bring to the Meeting a properly executed letter or other document confirming its authority to act as the company's representative.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the General Meeting to be held at Link Market Services Limited, Level 15, 324 Queen Street, Brisbane, Queensland at 11.00am (Brisbane time) on 6 August 2014.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions at the General Meeting.

RESOLUTION 1: APPROVAL OF ISSUE OF SUB-UNDERWRITER OPTIONS

On 30 June 2014, Pryme announced a Renounceable Rights Issue (**June 2014 Rights Issue**) seeking to raise A\$5.2 million on the basis of three new shares for every two shares held in the Company at an issue price of 1 cent per share (**Rights Shares**) with one attaching option for every two Rights Shares subscribed exercisable at a price of 2 cents per option and with an expiry date of 23 July 2016 (**Attaching Options**). The Attaching Options will also be listed on the ASX.

A\$4.0 million of the June 2014 Rights Issue is underwritten and the Directors propose to issue the sub-underwriters of the June 2014 Rights Issue one free attaching option for every two Rights Shares sub-underwritten, on the same terms as the Attaching Options, subject to Shareholder approval (**Sub-underwriter Options**). This will result in the issue of up to 200,000,000 Sub-underwriter Options. The Sub-underwriter Options are also proposed to be listed on the ASX.

Should Shareholders not approve Resolution 1, then, pursuant to the terms of the Underwriting Agreement between the Company and Patersons Securities Limited, the Company will be required to pay an amount equal to 0.26 cents for each Sub-underwriter Option that would have otherwise been issued. Therefore, should Shareholder approval not be received at this Meeting, the Company has a contractual obligation to pay up to \$520,000 to sub-underwriters. Any cash payment made by the Company to the sub-underwriters will impede the Company's drilling program of the Capitola Oil Project.

Full details of the June 2014 Rights Issue are set out in the Prospectus lodged with the ASX on 30 June 2014.

Under ASX Listing Rule 7.1, a company must obtain shareholder approval to issue more than 15% of its equity securities in any 12-month period. The Company may be able to issue the Sub-underwriter Options within the 15% limit permitted by ASX Listing Rule 7.1. Nevertheless, the Company is requesting that Shareholders approve the issue of the Sub-underwriter Options, the subject of Resolution 1, for the purpose of ASX Listing Rule 7.1 so that the Company can retain all of the funds raised under the June 2014 Rights Issue for the conduct of drilling operations at the Capitola Oil Project as well as preserve its flexibility to issue further securities under ASX Listing Rule 7.1 if the need or opportunity arises.

The complete terms attaching to the Sub-underwriter Options are set out in Annexure A of this Notice.

The following information is provided for the purposes of ASX Listing Rule 7.3:

- The maximum number of Sub-underwriter Options to be issued to sub-underwriters of the June 2014 Rights Issue will be 200,000,000. All options are options over ordinary shares in the Company which may be converted on a one-for-one basis; therefore the sub-underwriters may receive up to 200,000,000 shares upon the exercise of the Sub-underwriter Options.
- The Sub-underwriter Options will be issued no later than three months after the date of the meeting i.e. no later than 6 November 2014 (or such later date as permitted by ASX waiver or modification of the Listing Rules) and it is anticipated that the Sub-underwriter Options will be issued on the day of the meeting.
- The Sub-underwriter Options will be issued at no financial cost to the sub-underwriters of the June 2014 Rights Issue (the issue is part payment in respect of the sub-underwriting of the June 2014 Rights Issue).
- The Sub-underwriter Options will be issued to the sub-underwriters of the June 2014 Rights Issue.

- The Sub-underwriter Options have an exercise price of 2 cents each, will convert on a one-for-one basis and will expire on 23 July 2016; the Sub-underwriter Options will be quoted on the ASX, and the Company will also seek quotation from the ASX of any shares issued as a result of the exercise of these Options.
- It is expected that funds raised upon exercise of the options will be used to fund the Capitola Oil Project and to provide general working capital
- The Sub-underwriter Options will be allotted on 6 August 2014.
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.
- The issue of Sub-underwriter Options is not part of a public offer.

The Directors unanimously recommend Shareholders vote in favour of this Resolution.

RESOLUTION 2: APPROVAL OF ADJUSTING OFFER TO NON-DIRECTOR PARTICIPANTS OF THE MARCH 2014 RIGHTS ISSUE (ADJUSTING OFFER)

Background to the Adjusting Offer

On 14 March 2014, the Company announced a Non-Renounceable Rights Issue (**March 2014 Rights Issue**) of one new share at an issue price of 2 cents per new share for every one share held in the share capital of the Company. The purpose of the March 2014 Rights Issue was to fund Pryme's share of costs for its Capitola Oil Project. The March 2014 Rights Issue raised less than 20% of the targeted amount and necessitated the June 2014 Rights Issue.

On 30 June 2014, the Company announced the June 2014 Rights Issue at an issue price of 1 cent per new share as described in the Explanatory Memorandum to Resolution 1 (above).

The Company is making the June 2014 Rights Issue predominantly to fund the Capitola Oil Project.

Given that the June 2014 Rights Issue is raising funds for the same purpose as the March 2014 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 2014 Rights Issue paid (2 cents per March Rights Issue Share) compared with the share price to be paid under the June 2014 Rights Issue (1 cent per June 2014 Rights Issue Share), the Directors have determined that it is fair and equitable that the effective subscription price paid by the March 2014 Rights Issue participants be adjusted to reflect the same subscription price to be paid under the June 2014 Rights Issue.

It is proposed to issue up to 46,245,422 fully paid ordinary shares in the share capital of the Company for no subscription fee to those participants of the March 2014 Rights Issue (**Adjusting Offer Eligible Shareholders**). Under the Adjusting Offer, the Adjusting Offer Eligible Shareholders will be entitled to one new fully paid up share in the capital of the Company for every share subscribed under the March 2014 Rights Issue (**Adjusting Offer Shares**).

Full details of the Adjusting Offer are set out in the prospectus lodged with the ASX on 30 June 2014 (**Prospectus**).

Information specific to Resolution 2

All the Directors of the Company participated in the March 2014 Rights Issue. Shareholder approval sought under Resolution 2 is to approve the issue of Adjusting Offer Shares to Adjusting Offer Eligible Shareholders, other than the Directors of the Company, being 33,586,412 fully paid ordinary shares in the share capital of the Company. Approval of the issue of Adjusting Offer Shares to each of the Directors of the Company is sought separately under Resolutions 3 to 6 (inclusive).

Under ASX Listing Rule 7.1, a company must obtain shareholder approval to issue more than 15% of its equity securities in any 12-month period. The Company is requesting that Shareholders approve the issue of the Adjusting Offer Shares, the subject of Resolution 2, for the purpose of ASX Listing Rule 7.1 so that the Company will have the flexibility to issue further securities under ASX Listing Rule 7.1 if the need or opportunity arises.

If shareholder approval is not obtained, then the Company will issue the Adjusting Offer Shares within the 15% limit permitted by ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 7.3, the following information is provided:

- The maximum number of securities the Company may issue is 33,586,412 fully paid ordinary shares.
- The shares will be issued no later than 3 months after the date of the meeting i.e. no later than 6 November 2014 (or such later date as permitted by ASX waiver or modification of the Listing Rules) and it is anticipated that the Adjusting Offer Shares will be issued on the day of the meeting.
- The Adjusting Offer Shares will be issued for nil consideration – a 2 cent subscription fee was paid by Adjusting Offer Eligible Shareholders under the March 2014 Rights Issue and the purpose of the Adjusting Issue is to adjust the effective issue price of shares under the March 2014 Rights Issue to the same price at which shares will be issued under the June 2014 Rights Issue ie 1 cent per new share.
- The shares will be issued to the participants of the March 2014 Rights Issue (other than the Directors of the Company).
- The shares to be issued are ordinary fully paid shares in the capital of the Company and will be issued on the same terms and conditions as the Company's existing shares.
- No funds will be raised from the issue of Adjusting Offer Shares.
- The shares will be allotted on 6 August 2014.
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.
- The issue of Adjusting Offer Shares is not part of a public offer.

The Directors unanimously recommend Shareholders vote in favour of this Resolution.

**RESOLUTIONS 3 TO 6: APPROVAL OF ADJUSTING OFFER TO JOJETO PTY LIMITED (A RELATED PARTY OF MR GEORGE LLOYD);
APPROVAL OF ADJUSTING OFFER TO MR JUSTIN PETTETT AND RELATED PARTIES OF MR JUSTIN PETTETT;
APPROVAL OF ADJUSTING OFFER TO MR RYAN MESSER AND A RELATED PARTY OF MR RYAN MESSER; AND
APPROVAL OF ADJUSTING OFFER TO MR GREG SHORT**

Details of the Adjusting Offer are described in the Explanatory Memorandum to Resolution 2 (above).

By virtue of section 228(2)(a) of the Corporations Act, a director of a company is deemed to be a related party of the Company. Under ASX Listing Rule 10.11, a company must not issue or agree to issue equity securities to a related party without the approval of holders of ordinary securities. Similarly, Chapter 2E of the Corporations Act generally prohibits the Company from giving a financial benefit to a related party without shareholder approval.

Accordingly, Resolutions 3 to 6 are requesting Shareholders approve to issue the Adjusting Offer shares to the Directors as these are related party transactions. As these shares are proposed to be offered to the Directors on the same terms as the offer to all other Adjusting Offer Eligible Shareholders – the issue of these shares is considered to be on reasonable terms and at arm's length for the purposes of section 210 of the Corporations Act.

Further, each Director has a material personal interest (as described in section 191 of the Corporations Act) in the Adjusting Offer Shares. Approval of the issue of the Adjusting Offer Shares to each Director is also being sought in accordance with section 195(4) of the Corporations Act.

Details of shares being offered to each Director and their related parties (where applicable) are detailed below:

RESOLUTION 3: APPROVAL OF ADJUSTING OFFER TO JOJETO PTY LIMITED (A RELATED PARTY OF MR GEORGE LLOYD)

Subject to the approval of Resolution 2, approval of Shareholders is being sought to make an Adjusting Offer of 4,417,144 fully paid ordinary shares in the capital of the Capital of the Company to Jojeto Pty Limited, (a related party of Mr George Lloyd) on the terms described in the Explanatory Statement which forms a part of the Notice of Meeting.

Under the Adjusting Offer made under the Prospectus, Jojeto Pty Limited will be issued 4,417,144 fully paid ordinary shares in the capital of the Company for nil subscription fee.

For the purpose of ASX Listing Rule 10.13, the following information is provided:

- The Adjusting Offer is proposed to be made to Jojeto Pty Limited.
- The maximum number of shares to be issued to Jojeto Pty Limited will be 4,417,144.
- The shares will be issued no later than one month after the date of the meeting i.e. not later than 6 September 2014 (or such later date as permitted by ASX waiver or modification of the Listing Rules) and it is anticipated that the shares will be issued on the day of the meeting.
- Jojeto Pty Limited is a related party of Mr George Lloyd who is an Independent Non-Executive Director and the Chairman of the Company.
- The Adjusting Offer Shares will be issued for nil consideration – a 2 cent subscription fee was paid by Adjusting Offer Eligible Shareholders under the March 2014 Rights Issue and the purpose of the Adjusting Issue is to adjust the effective issue price of shares under the March 2014 Rights Issue to the same price at which shares will be issued under the June 2014 Rights Issue ie 1 cent per new share.
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.
- No funds will be raised from the issue of Adjusting Offer Shares.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the above shares the subject of the Resolution 3, as approval is being obtained under Listing Rule 10.11. Accordingly, the issue the above shares to Jojeto Pty Limited will not be included in the 15% calculation for the purposes of Listing Rule 7.1

The Directors cannot make a recommendation on Resolution 3 in accordance with section 195 of the Corporations Act. However, the Chairman of the Meeting intends to vote all undirected proxies in favour.

RESOLUTION 4: APPROVAL OF ADJUSTING OFFER TO MR JUSTIN PETTETT AND RELATED PARTIES OF MR JUSTIN PETTETT

Subject to the approval of Resolution 2, approval of Shareholders is being sought to make an Adjusting Offer of 4,051,575 fully paid ordinary shares in the capital of the Capital of the Company as follows on the terms described in the Explanatory Statement which forms a part of the Notice of Meeting:

- (a) Mr Justin Pettett (a director of the Company) – 1,426,575;
- (b) Pettett Pty Limited (a related party of Mr Justin Pettett) – 2,000,000; and
- (c) Justin Pettett & Kathryn Pettett – Pettett Family Superfund Account – 625,000.

Under the Adjusting Offer, the above named shareholders will be issued a total of 4,051,575 fully paid ordinary shares in the capital of the Company for nil subscription fee.

For the purpose of ASX Listing Rule 10.13, the following information is provided:

- The Adjusting Offer is proposed to be made to Mr Justin Pettett, Pettett Pty Limited and Justin Pettett & Kathryn Pettett – Pettett Family Superfund Account.
- The maximum number of shares to be issued to Mr Justin Pettett will be 1,426,575; the maximum number of shares to be issued to Pettett Pty Limited will be 2,000,000 and the maximum number of shares to be issued to Justin Pettett & Kathryn Pettett – Pettett Family Superfund Account will be 625,000.

- The shares will be issued no later than one month after the date of the meeting i.e. not later than 6 September 2014 (or such later date as permitted by ASX waiver or modification of the Listing Rules) and it is anticipated that the shares will be issued on the day of the meeting.
- Mr Justin Pettett is the Managing Director and Chief Executive Officer of the Company. Pettett Pty Limited and Justin Pettett & Kathryn Pettett – Pettett Family Superfund Account are related parties of Mr Justin Pettett.
- The Adjusting Offer Shares will be issued for nil consideration – a 2 cent subscription fee was paid by Adjusting Offer Eligible Shareholders under the 2014 March Rights Issue and the purpose of the Adjusting Issue is to adjust the effective issue price of shares under the March 2014 Rights Issue to the same price at which shares will be issued under the June 2014 Rights Issue ie 1 cent per new share.
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.
- No funds will be raised from the issue of Adjusting Offer Shares.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the above shares the subject of the Resolution 4, as approval is being obtained under Listing Rule 10.11. Accordingly, the issue the above shares to Mr Justin Pettett, Pettett Pty Limited and Justin Pettett & Kathryn Pettett – Pettett Family Superfund Account will not be included in the 15% calculation for the purposes of Listing Rule 7.1

The Directors cannot make a recommendation on Resolution 4 in accordance with section 195 of the Corporations Act. However, the Chairman of the Meeting intends to vote all undirected proxies in favour.

RESOLUTION 5: APPROVAL OF ADJUSTING OFFER TO MR RYAN MESSER

Subject to the approval of Resolution 2, approval of Shareholders is being sought to make an Adjusting Offer of 3,330,291 fully paid ordinary shares in the capital of the Capital of the Company as follows on the terms described in the Explanatory Statement which forms a part of the Notice of Meeting:

- (a) Mr Ryan Messer (a director of the Company) – 510,000; and
- (b) Sourcerock Investments LLC (a related party of Mr Ryan Messer) – 2,820,291

Under the Adjusting Offer, the above named shareholders will be issued a total of 3,330,291 fully paid ordinary shares in the capital of the Company for nil subscription fee.

For the purpose of ASX Listing Rule 10.13, the following information is provided:

- The Adjusting Offer is proposed to be made to Mr Ryan Messer and Sourcerock Investments LLC.
- The maximum number of shares to be issued to Mr Ryan Messer will be 510,000 and the maximum number of shares to be issued to Sourcerock Investments LLC will be 2,820,291.
- The shares will be issued no later than one month after the date of the meeting i.e. not later than 6 September 2014 (or such later date as permitted by ASX waiver or modification of the Listing Rules) and it is anticipated that the shares will be issued on the day of the meeting.
- Mr Ryan Messer is an Executive Director and Chief Operations Officer of the Company. Sourcerock Investments LLC is a related party of Mr Ryan Messer.
- The Adjusting Offer Shares will be issued for nil consideration – a 2 cent subscription fee was paid by Adjusting Offer Eligible Shareholders under the March 2014 Rights Issue and the purpose of the Adjusting Issue is to adjust the effective issue price of shares under the March 2014 Rights Issue to the same price at which shares will be issued under the June 2014 Rights Issue ie 1 cent per new share.
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.
- No funds will be raised from the issue of Adjusting Offer Shares.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the above shares the subject of the Resolution 5, as approval is being obtained under Listing Rule 10.11. Accordingly, the issue the above shares to Mr Ryan Messer and Sourcerock Investments LLC will not be included in the 15% calculation for the purposes of Listing Rule 7.1

The Directors cannot make a recommendation on Resolution 5 in accordance with section 195 of the Corporations Act. However, the Chairman of the Meeting intends to vote all undirected proxies in favour.

RESOLUTION 6: APPROVAL OF ADJUSTING OFFER TO MR GREG SHORT

Subject to the approval of Resolution 2, approval of Shareholders is being sought to make an Adjusting Offer of 860,000 fully paid ordinary shares in the capital of the Capital of the Company to Mr Greg Short, a Director

of the Company, on the terms described in the Explanatory Statement which forms a part of the Notice of Meeting.

Under the Adjusting Offer, Mr Greg Short will be issued 860,000 fully paid ordinary shares in the capital of the Company for nil subscription fee.

For the purpose of ASX Listing Rule 10.13, the following information is provided:

- The Adjusting Offer is proposed to be made to Mr Greg Short.
- The maximum number of shares to be issued to Mr Greg Short will be 860,000.
- The shares will be issued no later than one month after the date of the meeting ie. not later than 6 September 2014 (or such later date as permitted by ASX waiver or modification of the Listing Rules) and it is anticipated that the shares will be issued on the day of the meeting.
- Mr Greg Short is an Independent Non-Executive Director of the Company.
- The Adjusting Offer Shares will be issued for nil consideration – a 2 cent subscription fee was paid by Adjusting Offer Eligible Shareholders under the March 2014 Rights Issue and the purpose of the Adjusting Issue is to adjust the effective issue price of shares under the March 2014 Rights Issue to the same price at which shares will be issued under the June 2014 Rights Issue ie 1 cent per new share.
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.
- No funds will be raised from the issue of Adjusting Offer Shares.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the above shares the subject of the Resolution 6, as approval is being obtained under Listing Rule 10.11. Accordingly, the issue the above shares to Mr Greg Short will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

The Directors cannot make a recommendation on Resolution 6 in accordance with section 195 of the Corporations Act. However, the Chairman of the Meeting intends to vote all undirected proxies in favour.

RESOLUTION 7: APPROVAL OF MANAGEMENT OPTIONS TO MR JUSTIN PETTETT

In order to continue to align the interests of Management with that of the Company and to create long-term value for the shareholders, it is proposed to issue up to 36,295,216 unlisted options to Mr Justin Pettett, Managing Director and Chief Executive Officer of the Company (**Management Options "A"**).

Terms of the Management Options (applicable to each series of Management Options)

The Management Options will vest in tranches subject to the achievement of the following Performance Conditions, and will convert into ordinary fully shares in the capital of the Company on a one-for-one basis at an exercise price of 2 cents with an expiry date of 23 July 2016:

Tranche 1 (25% of total available Management Options vest) – 200 barrels of oil equivalent (BOE)/day in production

Tranche 2 (25% of total available Management Options vest) – 1.0 million (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

("Performance Conditions").

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.
6. BOE/day means barrels of oil equivalent per day.
7. MMBOE means millions of barrels of oil equivalent.

Any unvested options will lapse should the optionholder cease employment with the Company.

Unvested Management Options will not be quoted on ASX however the Company will apply for vested Management Options "A" to be quoted on ASX (ie when Management Options "A" become exercisable).

Information specific to Resolution 7

Mr Justin Pettett, being a director of the Company, is deemed to be a related party of the Company by virtue of section 228(2)(a) of the Corporations Act. ASX Listing Rule 10.11 generally prohibits the Company from issuing securities to a related party without shareholder approval. Similarly, Chapter 2E of the Corporations Act generally prohibits the Company from giving a financial benefit to a related party without shareholder approval. Accordingly, Resolution 7 is seeking approval of Shareholders for the issue of Management Options "A" as this is a related party transaction.

Given the stringent terms of the Performance Conditions which if achieved, are expected to add considerable value to the Company, the Remuneration and Nomination Committee of the Company believes that the award of the Management Options "A" constitute reasonable remuneration for the purposes of section 211 of the Corporations Act.

The complete terms attaching to Management Options "A" are set out in Annexure B of this Notice.

For the purpose of ASX Listing Rule 10.13, the following information is provided to allow Shareholders to assess the proposed issue of Management Options "A":

- The Management Options "A" are proposed to be issued to Mr Justin Pettett.
- The maximum number of Management Options "A" to be issued to Mr Justin Pettett is 36,295,216. Management Options "A" are unlisted options over ordinary shares in the Company which may be converted on a one-for-one basis upon achievement of Performance Conditions described above; therefore Mr Justin Pettett may receive up to 36,295,216 shares upon the exercise of these options.
- The Management Options "A" will be issued no later than one month after the date of the meeting i.e. no later than 6 September 2014 (or such later date as permitted by ASX waiver or modification of the Listing Rules) and it is anticipated that the Management Options "A" will be issued on the day of the meeting.
- Mr Justin Pettett is the Managing Director and Chief Executive Officer of the Company.
- The Management Options "A" will be issued at no cost to Mr Justin Pettett. Unvested Management Options "A" will not be quoted on ASX and are subject to the Performance Conditions set out above which must be achieved before they are exercisable: the Company will apply for vested Management Options "A" to be quoted on the ASX (ie when the Management Options "A" become exercisable). They will have an exercise price of 2 cents each, will convert on a one-for-one basis, will expire on 23 July 2016; and the Company will seek quotation from the ASX of any shares issued as a result of the exercise of these Management Options. Such shares will be ordinary fully paid shares in the capital of the Company and will be issued on the same terms and conditions as the Company's existing shares.
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.
- It is expected that funds raised upon exercise of the options will be used to fund the Capitola Oil Project and to provide general working capital.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Management Options "A" as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of the above Management Options "A" to Mr Justin Pettett will not be included in the 15% calculation for the purposes of Listing Rule 7.1

The Remuneration and Nomination Committee, comprising of the Independent Non-Executive Directors, recommend that Shareholders vote in favour of this Resolution.

RESOLUTION 8: APPROVAL OF MANAGEMENT OPTIONS TO MR RYAN MESSER

In order to continue to align the long-term interests of Management with that of the Company and to create value for the shareholders, it is proposed to issue up to 36,295,216 unlisted options to Mr Ryan Messer, Executive Director and Chief Operations Officer of the Company (**Management Options "B"**).

The terms of the Management Options (including the Performance Conditions) are described in the Explanatory Memorandum to Resolution 7 (above).

Mr Ryan Messer, being a director of the Company, is deemed to be a related party of the Company by virtue of section 228(2)(a) of the Corporations Act. ASX Listing Rule 10.11 generally prohibits the Company from issuing shares to a related party without shareholder approval. Similarly, Chapter 2E of the Corporations Act generally prohibits the Company from giving a financial benefit to a related party without shareholder approval. Accordingly, Resolution 8 is seeking approval of Shareholders for the issue of Management Options "A" as this is a related party transaction.

Given the stringent terms of the Performance Conditions which if achieved, are expected to add considerable value to the Company, the Remuneration and Nomination Committee of the Company believes that the award of the Management Options "B" constitute reasonable remuneration for the purposes of section 211 of the Corporations Act.

The complete terms attaching to Management Options "B" are set out in Annexure B of this Notice.

For the purpose of ASX Listing Rule 10.13, the following information is provided to allow Shareholders to assess the proposed issue of Management Options "B":

- The Management Options "B" are proposed to be issued to Mr Ryan Messer.
- The maximum number of Management Options "B" to be issued to Mr Ryan Messer is 36,295,216. Management Options "B" are unlisted options over ordinary shares in the Company which may be converted on a one-for-one basis upon achievement of Performance Conditions described above; therefore Mr Ryan Messer may receive up to 36,295,216 shares upon the exercise of these options.
- The Management Options "B" will be issued no later than one month after the date of the meeting i.e. no later than 6 September 2014 (or such later date as permitted by ASX waiver or modification of the Listing Rules) and it is anticipated that the Management Options "B" will be issued on the day of the meeting.
- Mr Ryan Messer is an Executive Director and the Chief Operations Officer of the Company.
- The Management Options "B" will be issued at no cost to Mr Ryan Messer. Unvested Management Options "B" will not be quoted on ASX and are subject to the Performance Conditions (set out in the Explanatory Statement to Resolution 7) which must be achieved before they are exercisable: the Company will apply for vested Management Options "B" to be quoted on the ASX (ie when the Management Options "B" become exercisable). They will have an exercise price of 2 cents each, will convert on a one-for-one basis, will expire on 23 July 2016; and the Company will seek quotation from the ASX of any shares issued as a result of the exercise of these Management Options. Such shares will be ordinary fully paid shares in the capital of the Company and will be issued on the same terms and conditions as the Company's existing shares.
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.
- It is expected that funds raised upon exercise of the options will be used to fund the Capitola Oil Project and to provide general working capital.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Management Options "B" as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of the above Management Options "B" to Mr Ryan Messer will not be included in the 15% calculation for the purposes of Listing Rule 7.1

The Remuneration and Nomination Committee, comprising of the Independent Non-Executive Directors, recommend that Shareholders vote in favour of this resolution.

RESOLUTION 9: APPROVAL OF MANAGEMENT OPTIONS TO MS SANDRA GAFFNEY

In order to align the interests of Management with that of the Company and to create value for the shareholders, it is proposed to issue up to 18,147,608 unlisted options to Ms Sandra Gaffney, Chief Financial Officer of the Company (**Management Options "C"**).

The terms of the Management Options (including the Performance Conditions) are described in the Explanatory Memorandum to Resolution 7 (above).

The complete terms of the Management Options "C" are set out in Annexure B of this Notice.

Under ASX Listing Rule 7.1, a company must obtain shareholder approval to issue more than 15% of its equity securities in any 12-month period. The Company may be able to issue the Management Options "C" to Sandra Gaffney under its post June 2014 Rights Issue capacity under ASX Listing Rule 7.1. Nevertheless, the Company is requesting that Shareholders approve the issue of Management Options "C" on the terms described in the Explanatory Statement which forms a part of the Notice of Meeting for the purpose of ASX Listing Rule 7.1 so that the Company will have the flexibility to issue further securities under ASX Listing Rule 7.1 if the need or opportunity arises.

For the purposes of ASX Listing Rule 7.3, the following information is provided:

- The maximum number of Management Options "C" that may be issued is 18,147,608. All options are options over ordinary shares in the Company which vest on achievement of Performance Conditions and will convert on a one-for-one basis; therefore the exercise of options may result in 18,147,608 fully paid ordinary shares.
- The Management Options "C" will be issued not later than three months after the date of the meeting i.e. not later than 6 November 2014 and it is anticipated that the Management Options "C" will be issued on the day of the meeting.
- The Management Options "C" will be issued at no cost to Ms Sandra Gaffney. Each option will vest on the achievement of Performance Conditions described above, will have an exercise price of 2 cents, will convert on a one-for-one basis and will expire 2 years after the date of issue.
- The Management Options "C" will be issued to Ms Sandra Gaffney, Chief Financial Officer of the Company.
- Unvested Management Options "C" will not be quoted on ASX and are subject to the Performance Conditions (set out in the Explanatory Statement to Resolution 7) which must be achieved before they are exercisable: the Company will apply for vested Management Options "C" to be quoted on the ASX (ie when the Management Options "C" become exercisable). They will have an exercise price of 2 cents each, will convert on a one-for-one basis, will expire on 23 July 2016; and the Company will seek quotation from the ASX of any shares issued as a result of the exercise of these Management Options. Such shares will be ordinary fully paid shares in the capital of the Company and will be issued on the same terms and conditions as the Company's existing shares.
- It is expected that funds raised on the exercise of options will be used to fund the Capitola Oil Project and to provide general working capital.
- The Management Options "C" will be allotted on 6 August 2014
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.
- The allotment of these shares is not part of a public offer.

The Remuneration and Nomination Committee, comprising of the Independent Non-Executive Directors, recommend that Shareholders vote in favour of this resolution.

ANNEXURE A

Complete Terms of the Sub-underwriter Options

- (a) Each Sub-underwriter Option entitles the holder to one share in the capital of the Company.
- (b) The Sub-underwriter Options may be exercised at any time prior to 5.00pm (AEST) on 23 July 2016
- (c) The exercise price of the Sub-underwriter Options is 2 cents each.
- (d) Application will be made for the Sub-underwriter Options to be quoted and the Sub-underwriter Options will be freely tradeable.
- (e) The Company will provide to each Sub-underwriter Option holder a notice that is to be completed when exercising the Options ("Notice of Exercise"). Sub-underwriter Options may be exercised by the Sub-underwriter Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Sub-underwriter Options exercised, the consequent number of shares to be allotted and the identity of their proposed allottee. The Notice of Exercise by a Sub-underwriter Option holder must be accompanied by payment in full for the relevant number of shares being subscribed, being an amount of the exercise price per share. The Company will process all relevant documents received at the end of every calendar month.
- (f) All shares issued upon the exercise of the Sub-underwriter 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 Sub-underwriter 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 Sub-underwriter Options. Thereby, the Sub-underwriter Option holder has no rights to a change in the exercise price of the Sub-underwriter Option or a change to the number of underlying securities over which the Sub-underwriter Option can be exercised. The Company will ensure, for the purposes of determining entitlements to any issue, that Sub-underwriter Option holder will be notified of a proposed issue after the issue is announced. This will give Sub-underwriter Option holders the opportunity to exercise their Sub-underwriter 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 a Sub-underwriter Option is exercisable will be increased by the number of shares which the holder would have received if the Sub-underwriter 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 Option holder shall be reconstructed (as appropriate) in accordance with the Listing Rules.

ANNEXURE B

Complete Terms of Management Options

- (a) Each Management Option entitles the holder to one share in the capital of the Company.
- (b) The Management Options may be exercised at any time prior to 5.00pm (AEST) on 23 July 2016
- (c) The exercise price of the Management Options is 2 cents each.
- (d) The Management Options will vest in tranches subject to the achievement of the following Performance Conditions, and will convert into ordinary fully shares in the capital of the Company on a one-for-one basis at an exercise price of 2 cents with an expiry date of 23 July 2016:
 - Tranche 1 (25% of total available Management Options vest) – 200 barrels of oil equivalent (BOE)/day in production
 - Tranche 2 (25% of total available Management Options vest) – 1.0 million (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

(“Performance Conditions”).

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.

- (e) Unvested Management Options will not be quoted on the ASX. The Company will apply for vested Management Options to be quoted on the ASX (ie when the Management Options become exercisable).
- (f) The Company will provide to each Option holder a notice that is to be completed when exercising the Options (“Notice of Exercise”). Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of their proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share. The Company will process all relevant documents received at the end of every calendar month.
- (g) All shares issued upon the exercise of the Options will rank equally in all respects with the Company’s then issued shares.
- (h) There are no participating rights or entitlements inherent in the 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 Options. Thereby, the Option holder has no rights to a change in the exercise price of the Option or a change to the number of underlying securities over which the Option can be exercised. The Company will ensure, for the purposes of determining entitlements to any issue, that Option holder will be notified of a proposed issue after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in such issues.
- (i) If there is a bonus issue (“Bonus Issue”) to Shareholders, the number of shares over which an Option is exercisable will be increased by the number of shares which the holder would have received if the 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.
- (j) 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 Option holder shall be reconstructed (as appropriate) in accordance with the Listing Rules.

 **By mail:**
Pryme Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **By fax:** +61 2 9287 0309

 **By hand:**
Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138, or
Level 12, 680 George Street Sydney NSW 2000

 **All enquiries to: Telephone:** +61 1300 554 474



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HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **11:00am (Brisbane time) on Monday, 4 August 2014**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope.

If you would like to attend and vote at the General Meeting, please bring this form with you.
This will assist in registering your attendance.



NAME SURNAME
 ADDRESS LINE 1
 ADDRESS LINE 2
 ADDRESS LINE 3
 ADDRESS LINE 4



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SHAREHOLDER PROXY FORM

I/We being a member(s) of Pryme Energy Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman
of the Meeting
(mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the General Meeting of the Company to be held at 11:00am (Brisbane time) on Wednesday, 6 August 2014, at Link Market Services Limited, Level 15, 324 Queen Street, Brisbane Queensland 4000 and at any adjournment or postponement of the meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an

STEP 2

VOTING DIRECTIONS

	For	Against	Abstain*
Resolution 1 Approval of issue of Sub-underwriter Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Approval of Adjusting Offer to the non-Director participants of the March 2014 Rights Issue (Adjusting Offer)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Approval of Adjusting Offer to Jojeto Pty Limited (a related party of Mr George Lloyd)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Approval of Adjusting Offer to Mr Justin Pettett and related parties of Mr Justin Pettett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Approval of Adjusting Offer to Mr Ryan Messer and a related party of Mr Ryan Messer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Approval of Adjusting Offer to Mr Greg Short	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Approval of Issue of Management Options to Mr Justin Pettett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 Approval of Issue of Management Options to Mr Ryan Messer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 Approval of Issue of Management Options to Ms Sandra Gaffney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

IMPORTANT - VOTING EXCLUSIONS

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Item 3 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he has an interest in the outcome of that Item and that votes cast by him for that Item, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 3 and your votes will not be counted in calculating the required majority if a poll is called on this Item.

The Chairman of the Meeting intends to vote undirected proxies in favour of Item 3.

STEP 4

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

PYM PRX409

