21 December 2015

Corporate Update

In view of the weak oil market with limited prospect of a significant recovery in the short term, the Board of Pryme Energy Limited (Pryme) has resolved to make a number of Board and management changes and to take other actions considered necessary to place the business in the best position for shareholder value creation.

The Board has resolved the following initiatives:

1. Management Changes

a. reflecting the US base of Pryme's operations:

   i. the position of an Australia based CEO has been made redundant. Mr Justin Pettett shall leave the employ of the Company but will remain as a Non-Executive Director; and

   ii. the US based COO position has also been made redundant. Mr Ryan Messer will also leave the employ of the Company but will remain as a Non-Executive Director.

b. in the interest of further reducing costs, the position of CFO has been made redundant effective 15 March 2016, and the Company will outsource the reduced accounting functions thereafter.

Under their Executive Service Agreements and as disclosed previously in the Company's Annual Report, upon redundancy, Messrs Pettett and Messer are entitled to receive a payment equal to 12 months' salary plus 1 month's salary for each completed year of service. Messrs Pettett and Messer have voluntarily foregone this second part of their redundancy repayments, each being an amount equal to 10 months' salary.

2. Board Changes

a. Mr George Lloyd will resign as Chairman and Non-Executive Director effective 31 December 2015;

b. Mr Daniel Lanskey will be appointed Chairman effective 31 December 2015;

c. as noted above, Messrs Pettett and Messer will cease their roles as Executive Directors and will become Non-Executive Directors of the Company;

d. Board fees will be reduced to A$30,000 per annum for each Non-Executive Director (Director Fee); and

ABN: 75 117 387 354
Tel: +61 7 3371 1103 | Fax: +61 7 3371 1105
Level 7 320 Adelaide Street Brisbane Qld 4000 Australia | GPO Box 111 Brisbane Qld 4001
www.prymeenergy.com
BRISBANE – HOUSTON

e. Mr Messer will be required to continue to manage the existing operations of the Company; depending on the work to be performed, in addition to his Director Fee, Mr Messer may be paid a special exertion fee from time-to-time as permitted by the Company's Constitution.

3. Other Actions

a. Capitola Oil Project

Shareholders have previously been advised that the Company was considering the sale of an interest in the Capitola Oil Project to release cash and accelerate development of the Project. Whilst there is significant third party interest in the Project, it is unlikely that any incoming partner would fund the drilling of additional wells in the current oil price environment; furthermore, the Company considers that to raise additional cash for drilling wells through the equity capital markets is not currently feasible and in any case would be unacceptably dilutive of shareholders' interests. Accordingly, the Board is now considering the outright sale of the Project to build cash reserves.

In view of their future positions as Non-Executive Directors, the Board has determined that Messrs Pettett and Messer should be incentivised to procure the sale of the Capitola Oil Project on the best possible terms. Accordingly, an entity associated with Messrs Pettett and Messer will be paid a fee of 5.0% of the net proceeds of any sale of the Project upon completion of the sale. The non-interested Directors have satisfied themselves that this fee reflects appropriate arm's length terms for such a transaction.

b. Other Assets and Business Activities

The Board will conduct a review of Pryme's business and its other oil and gas assets to consider and determine how best to build shareholder value for the future. It is anticipated that this review will be completed by 31 March 2016 and the market will be kept apprised accordingly.

For further information please contact:

Mr George Lloyd
Chairman
Pryme Energy Limited
Telephone: +61 7 3371 1103

Website: www.prymeenergy.com
ASX Code: PYM
OTCQX Code: POGLY