

19 April 2010

Annual General Meeting 2010 Chairman's Address

At this time last year I reported on Pryme's response to the global financial crisis which included:

- reducing expenditure on high risk projects which were unlikely to make a material contribution to company wealth in the short to medium term,
- increasing the share of expenditure on relatively low risk projects for which exploration success could rapidly be turned to production,
- progressing those high impact projects which could make a material difference to the value of the company in the short to medium term, and
- biasing our exploration activities towards oil rather than natural gas.

This strategy served us well and allowed the Company to conserve cash until market conditions improved while adding to production, generating new lower risk projects and progressing our high impact projects towards execution.

Justin Pettett will describe Pryme's projects in his presentation which follows this meeting. However, I would like to briefly mention our two key projects for 2010. They are the first deep well in Turner Bayou and the Catahoula Lake project. Considerable groundwork for these projects was laid in 2009 and we are now close to execution.

In 2009 a comprehensive geophysical review of the Turner Bayou project was carried out. This allowed us to identify and prioritise deep and shallow exploration objectives. We are in the process of completing farmout agreements which will see the first deep Turner Bayou well project fully funded, with Pryme retaining a 40% working interest, and we expect to start drilling in July. We also increased the Company's holding of prospective acreage in the Turner Bayou area and now have about 15,000 acres under lease or option. Turner Bayou will remain a core part of our exploration portfolio for a number of years and success with the first deep well has the potential to significantly increase the value of Pryme in the short term.

The Catahoula Lake project, in which we have a 25% working interest held via a 50% interest in Pryme Lake Exploration (PLX), is attractive because the lake sits in the middle of a heavily explored and very productive oil field which has been actively explored since the mid 1940's. The 30,000 acre area covered by the lake contains the same productive oil formations as the onshore areas. However, it is relatively unexplored because it requires specialised equipment. Pryme and its partners have acquired the only barge mounted rig on the lake and plan to commence drilling of its 8,000 acre lease holding this month. Refurbishment of the barge mounted rig has taken longer than anticipated and will have an impact on the commencement of drilling in the lake. We are confident that the good early momentum of the project will be re-established and that drilling will commence soon. Whilst barge mounted drilling presents a few logistical challenges, the attraction of being able to explore a relatively untested but highly prospective area is well worth the effort. We expect a similar success ratio to that experienced in our onshore exploration in the region which has been around 60%. However, we also expect the discoveries to be larger both in terms of reservoir size and steady oil production.



As we near the execution phase for these two projects we are also turning our minds to generation of new high impact projects for Pryme and have commenced identifying and screening potential opportunities throughout the US Gulf Coast states. New project generation activity will be stepped up as the year proceeds.

On other important matters, Pryme's share price performance continues to disappoint. It is particularly disappointing in view of our track record of making discoveries and our proven and probable reserves. Based on our 2009 year end reserves statement and our current market capitalisation our 1P and 2P oil reserves are valued by the market at \$3.70 per barrel and our combined 1P and 2P oil and gas reserves are valued at \$2.60 per barrel of oil equivalent - these low values take no account of our considerable potential. However, we have every expectation that success in Turner Bayou and Catahoula Lake can turn this performance around.

Matters to be covered by this AGM include the ratification of Greg Short's appointment as a director and approval of the grant of performance rights or restricted stock units to Justin Pettett and Ryan Messer.

Greg Short comes to Pryme with a distinguished record of global petroleum exploration with Exxon. His experience includes managing exploration projects in the US Gulf Coast states which is particularly relevant to Pryme. We are privileged that Greg has agreed to join Pryme and we are already benefiting from his competence and experience.

Pryme's remuneration structure is heavily biased towards incentivising key executives to add value for shareholders and a large portion of their remuneration packages is at risk. The details of the remuneration structure are set out in the Notice of Meeting. The two key variables in the at risk component of remuneration are increases in oil and gas production and total shareholder return in relation to our peers. The incentive thresholds are an annual increase in oil and gas production of 30% and outperformance of the energy index by 25%. If these thresholds are not met, the at risk proportion of remuneration is lost, if only one of them is met only part of the at risk remuneration is paid. Furthermore, the at risk portion is delivered in the form of shares which vest over a number of years. This increases the strength of the bond between executive pay and performance of the Company. I firmly believe that this remuneration plan is in the best interests of increasing the value of your shareholding and encourage you to support the relevant resolutions.

In closing my address I would like to give Justin Pettett, Ryan Messer and our Chief Financial Officer, Sandra Gaffney, special mention. They have all made tremendous contributions over the past year. With their commitment and energy I am confident that we can grow Pryme to the great benefit of its shareholders.

George Lloyd
Chairman

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