



**CHAIRMAN'S ADDRESS AT THE  
PRYME OIL & GAS LIMITED  
ANNUAL GENERAL MEETING  
TO BE HELD AT BRISBANE  
ON 23 APRIL 2008 AT 10.30 AM**

I was appointed Chairman of Pryme earlier this year. The things that attracted me to the Company were the commitment of the key people to doing their best to create value for all shareholders, their obvious experience and competence, their strategies for growing the Company and the fact that the Company is well-positioned to do things differently and much better than the run-of-the-mill oil and gas explorer in the United States.

Pryme is able to do things differently as a result of the experience, the contacts and the capability of the directors and the Company's key technical advisers. In this I would like to signal out John Dickinson who stood down as Chairman earlier this year to focus on building value on the ground. John continues to make a very valuable contribution to your Company and provides me with great support.

All of our technical advisers have had many years of successful operation in the oil and gas sector in Louisiana and Texas. They have a high degree of commitment to the Company and are all share or option holders in it.

Pryme's strategy is to generate exploration projects across a wide spectrum of risk and to allocate its capital across those projects to diversify the overall risk to which the Company is exposed. Where the project risk is at an acceptable level for a company of Pryme's size and resources, we will take a relatively large stake. Where the risk is substantial, such as drilling wells with a dry hole cost of US\$3 million or more, we will take a smaller interest. Examples of these are the Atocha and Condor projects in which we have farmed out, or will farm out, our interest for recovery of our exploration costs and the retention of a carried interest or an over-riding royalty. As our income from the lower risk projects increases and our riskier projects meet expectations, we are able to step up the risk that we can responsibly take. In this way the Company will ratchet up its value and the returns to shareholders.

Some of the things we are doing differently in coming months are farming out the Atocha project and establishing our Texas exploration initiative. Justin will describe these in greater detail following the close of the formal part of the meeting, however, either of them have the potential to be a company maker.



The markets for oil and gas have been particularly strong in the past couple of years and both commodities have traded at prices which those in the game only dreamed about a few years ago. Forecasting the future oil price is difficult. With the US and European economies slowing and, perhaps, a slowing of the rates of growth for the major developing countries, it is possible to see oil and gas prices stabilising or even retreating in the short term. However, by the same token, the trend towards higher prices for oil and gas over the medium to long term appears certain to continue.

The drivers of the high oil and gas prices are political, technical and economic. All of these drivers are leading us to higher prices. From a political perspective the world's oil and gas supplies are increasingly under the control of non-Western economies and the Western World has become a price taker. Technically, oil and gas are finite resources, availability is declining and the cost of exploring and producing is increasing. Economically, the large global increase in demand for oil and gas over the past few years has propelled prices to their present levels.

These factors are nowhere better illustrated than in the United States of America. Based on figures to the end of 2006, the US accounts for about 24% and 22% respectively of world oil and gas demand and it provides about 8% and 19% respectively of world oil and gas supply, yet it holds about 3% of the world's oil and gas reserves. This amounts to about 11 years of supply at present rates of production. In other words, the US is fast running out of oil and gas and is becoming increasingly dependent on foreign countries for its supply. In the meantime, demand continues to grow.

The present high prices of oil and gas have stimulated additional exploration in the US. This should lead to increases in reserves but is not expected to significantly reduce the impact of the serious energy situation in which the country finds itself.

For a junior company such as Pryme there can be no better country to explore for oil and gas than the United States where the need is extreme; and, while we don't see ourselves as being constrained by geography, there can be no better states in which to explore than Louisiana and Texas. The prospectivity is high, there are still plenty of significant discoveries to be made, the necessary infrastructure and markets are nearby, and there is a strong oil and gas culture meaning that landowners and governments understand the oil and gas business which assists us in getting the job done.

In recent months we have seen our share price weaken considerably. The overall share market decline and the chaos in credit markets have both contributed to this. However, I think that delays in our Turner Bayou drilling program have also been a very significant



factor. These delays have been a result of the longer than expected time taken by the Louisiana State and the Federal regulators in issuing environmental permits. The issues for the authorities have been an extremely high workload, due to the increased oil and gas exploration activity in the region, as well as particular issues related to the conduct of exploration in environmentally sensitive areas. Justin will talk in greater detail about Turner Bayou and our other projects, but I am pleased to say that we are now confident that we have got the major delays behind us. We have also revised our permitting strategies in an attempt to minimise the effect of such delays in the future.

The challenges now facing the Company include getting through our planned drilling programs as effectively as possible, bringing a number of the opportunities presently before us to a stage where we can commence active exploration, and continuing to generate more opportunities which will add value to your Company. Obviously these will demand capital. We will do our best to ensure that the share price reflects the value of the Company in order to raise such capital as efficiently as possible.

I would like to thank all of our shareholders for their interest in the Company and their support, and I want to assure you that we are working hard to repay your confidence through converting our exploration prospects into producing projects and generating wealth through improved share price performance.

**GEORGE LLOYD**