**8 April 2009**

## Annual General Meeting 2009 Chairman's Address

The past year has been one of dramatic change for investors in listed companies with the collapse of global debt and equity markets affecting businesses across the board. In the oil and gas sector we have seen commodity prices soar to their highest ever levels only to lose about 70% within a few short months. The events of the past year have seen the destruction of a lot of value and have placed companies and their investors under tremendous pressure. In these circumstances it is necessary to review business strategies and modify them to suit the times.

Pryme is fortunate to have cash in the bank, no debt, and long term oil and gas production. We also believe that the recent oil and gas price weakness reflects a temporary slowing in the demand for these commodities and expect that demand and prices will resume their upward paths in the medium term.

Pryme's portfolio of production and exploration projects includes:

- current oil and gas production,
- low cost and relatively low risk exploration prospects which have the potential to increase our oil and gas production, and hence the value of the Company, in the short term, and
- higher cost prospects for which exploration success would create substantial value.

We have modified our strategy to increase the focus on prospects which are inexpensive to explore and develop, present a reasonable likelihood of short term exploration success and are biased towards production of oil rather than natural gas. With this approach we have reduced risk and retained the potential to add value to the Company in the short term. For the time being we have also reduced the emphasis on generating additional long term prospects, while maintaining those which are in the portfolio. In addition, we are actively seeking partners to share the cost and risk of some of our larger projects because these are definitely worth exploring in the present market and, with exploration success, will add greatly to the value of the Company.

Two current examples of Pryme's strategy are the farm-in to the low-cost but very prospective Four Rivers Project in Louisiana and Mississippi and our campaign to seek co-investors in the higher cost but potentially very rewarding Atocha prospect. Our Managing Director, Justin Pettett, will discuss these and our other activities in his presentation after the formal part of the meeting.

On the operational front, in 2008 we continued to produce oil from the LaSalle Parish project, which at the high prices made a significant contribution to revenue, and we commenced sales of gas and condensate from two discoveries in the Raven project which also made useful contributions to revenue. Shallow exploration at Turner Bayou was disappointingly slow due to delays in obtaining regulatory permits, but two out of the three wells which were drilled have the potential to become producers when sufficient discoveries have been made to justify the extension of existing gas sales

ABN 75 117 387 354
Tel: +61 7 3371 1103 Fax: +61 7 3371 1105
Level 7 320 Adelaide Street GPO Box 111 Brisbane Queensland 4001
BRISBANE – HOUSTON

pipelines. Also in the Turner Bayou project, continuing seismic interpretation has identified a number of attractive deep exploration prospects within formations which are significant current and historical producers. We plan to seek partners to join us in the exploration of these at the appropriate time. The Atocha prospect, in the Up-dip Tuscaloosa play, is an important project to Pryme. In 2008, largely due to deteriorating equity capital markets, our joint venture partner was unable to raise sufficient capital to meet its commitments and the joint venture was terminated. We are now moving to secure alternative funding for Atocha.

Pryme's future is not only linked to success with the drill-bit but also to the markets for oil and gas. In the United States oil is trading in the $40 to $50 per barrel range, having been over $140 per barrel, and natural gas prices are between $3 and $4 per thousand cubic feet (Mcf), having peaked between $12 and $14 per Mcf. In the short term there is uncertainty about whether or not prices have bottomed, although many commentators, including the Department of Energy's Energy Information Agency, are suggesting that prices have stabilised and are forecasting higher prices in 2010. Short term factors include reduced demand and increased supply, particularly of natural gas due to the stimulus that the high prices provided to exploration over the past few years. However, in the medium term, declining reserves of oil, reduced security of oil supply and increased demand for gas for both domestic use and power generation will once again start to drive up prices. The recent decline in oil and gas exploration activity will also serve to accelerate price growth.

Pryme intends to operate the business in a way that is mindful of the present risks and uncertainties but positions itself well for medium term market improvement and retains the flexibility and the options for significant growth.

Today, in addition to the routine business of the General Meeting, shareholders will be asked to approve a revised executive incentive scheme. The scheme is described in the Company's notice of meeting. The revisions have come about because it was believed that the cost to the Company of the previous scheme was excessive and there seemed to be little real benefit to shareholders. The revised scheme directly incentivises management to add value to the Company in ways which are transparent and measurable. It provides for both short term and long term incentives. However, at least initially, the Company's two executive directors, Justin Pettett and Ryan Messer, will only be offered the long term incentive. The two key measures on which payment of the long term incentive is made are increases to the Company's annual production of oil and gas above a threshold level and total shareholder return which is better than the sector average. The long term incentive is in the form of a modest parcel of rights to shares which vest over several years. In this way, I believe we have clearly aligned the prevailing drivers of management performance to the creation of sustainable value for shareholders. I commend the plan to you and will be happy to answer your questions at the time the plan is put to the vote.

In concluding my address, and before moving onto the more formal part of the meeting, I would like to commend Justin and Ryan for their efforts over the past year and also to recognise the contributions of Sandra Gaffney, our Group Financial Controller who joined towards the end of 2008 and has already made a great contribution, and Janine Rolfe, our Company Secretary who has worked tirelessly to manage the secretarial and governance side of the business.

Last, but by no means least, let me thank our shareholders. Pryme boasts a loyal shareholder base and a steady share register. On behalf of your Board, I thank you for your ongoing support through difficult times. You can be assured of your Board's continued commitment to your Company.

**George Lloyd**
**Chairman**

For further information please contact:


**Justin Pettett**
**Managing Director**
**Pryme Oil and Gas Limited**
Telephone: +61 7 3371 1103
Email: justin@prymeoilandgas.com

**Ryan Messer**
**President**
**Pryme Oil and Gas Inc**
Telephone: +1 713 401 9806
Email: ryan@prymeoilandgas.com


*Pryme Oil and Gas Limited is an Australian oil and natural gas producer and explorer with interests in the U.S., the world's biggest oil market. The company has an exceptional suite of exploration projects focused on Louisiana, the fifth-largest oil-producing state in the U.S. These projects are funded in part by existing cash flow. Pryme's management team has over 75 years of energy industry experience and has uniquely focused local knowledge, underscored by the proven track records of its managers and directors. Directors of the company are George Lloyd (Non Executive Chairman), Justin Pettett (Managing Director), Ryan Messer (Executive Director) and Ananda Kathiravelu (Non Executive Director).*