



ASX / Media Release

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2013 Chairman's Address

The past year has been a challenging one for Pryme and its shareholders. Our main focus for the year was the Turner Bayou project in Avoyelles Parish, Louisiana where we have been targeting the Austin Chalk formation.

The selection of the Austin Chalk formation as an exploration target was based on the interpretation of 3D seismic survey results and supported by the results of well completions and production in proximity to our project area over the past 40 years. This information provided confidence that the Austin Chalk within the company's Turner Bayou leases was highly prospective for oil. In addition, the results from wells drilled by Pryme in previous years supported the strong oil prospectivity of the area while highlighting the technical risks in drilling deep horizontal wells into this formation.

Due to the high cost and the risks involved, funding of Turner Bayou wells has been a constant challenge for Pryme and, in August, the company announced that it had arranged with Macquarie Bank Limited a loan facility, which is recourse only to the company's interest in the project, to fund Pryme's interest in the next Austin Chalk well to be drilled at Turner Bayou. In the circumstances, the negotiation of this facility was an outstanding achievement by Pryme's management.

Drilling of the Rosewood Plantation 21H well commenced towards the end of 2012 and was completed in February 2013. A number of oil and gas bearing fractures were intersected in the horizontal leg of the well including a significant fracture system, which appears to be associated with a major fault in the Austin Chalk, at a measured depth of just over 19,000 feet. To manage the well pressures and the flows of oil and natural gas from the well during the completion process, a large quantity of heavy drilling mud was injected into the well bore. Initial flow testing of the well has returned disappointing results, from which we infer the possibility of formation damage, due to the mud injection, and a limited ability to lift all of the heavy mud from the well bore. As a result we are now evaluating well data to determine possible remediation options.

The Turner Bayou project continues to provide interesting exploration opportunities. In addition to the Austin Chalk formation, the project contains the Wilcox formation above the Chalk and the Tuscaloosa marine shale beneath it. Both of these formations have attracted considerable attention from oil and gas exploration companies in recent times and are worthy exploration targets. However, the disappointing commercial performance to date of the Turner Bayou project has led to a strategic review of the company's business plan with a view to determining the best future value-building strategies for the company.

Other activities during the year also included the sale of the company's 25% interest in the Catahoula Lake project, because it no longer met our strategic goals, and the review of new exploration projects which would allow greater risk diversification within our project portfolio. In the light of the Turner Bayou project performance, the new project identification and evaluation activities will have a higher priority through 2013.

We are very grateful to our shareholders for their support over the past year and reinforce the Company's commitment to using its best efforts to create value for them.



Notwithstanding the challenges of the year, the company has been, and continues to be, well served by the determination and hard work of its management team. The management of our exploration and drilling programmes, the arrangement of project finance, the tight cost control, the overall management of the Company's business and the management of the company's finances are all evidence of the management team's dedication to the company and its commitment to work in the best interests of shareholders.

George Lloyd
Chairman

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Competent Person Statement and Disclaimer

The information contained in this announcement has been reviewed by Mr Greg Short, BSc. Geology (Hons), a Director of Pryme who has more than 33 years' experience in the practise of petroleum geology. Mr Short reviewed this announcement and consents to the inclusion of the geological and engineering descriptions and any estimated hydrocarbons in place in the form and context in which they appear. Any resource estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, further information on which is available at www.spe.org.