



Primeline Energy Holdings Inc.

Annual Information Form
For the Year Ended March 31, 2009

21 July, 2009

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DEFINITIONS

In this Annual Information Form, the following terms have the following meanings:

“Audit Committee”	the audit committee of the Board from time to time
“Block 25/34” or “Block”	the concession area in the East China Sea offshore Zhejiang Province in China that is the subject of the Petroleum Contract, the current concession area being 7,006 Km ²
“Board”	the board of directors of Primeline or the Directors present at a duly convened meeting of Directors at which a quorum is present, including a duly constituted committee
“C\$”	Canadian Dollars
“China” or “PRC”	the People’s Republic of China
“CCLSH”	CNOOC China Limited–Shanghai, a subsidiary of CNOOC
“CNPC”	China National Petroleum Corp., a company incorporated in China
“CNOOC”	China National Offshore Oil Corporation, a company incorporated in China, and references herein to CNOOC include its subsidiaries
“CNOOC China”	CNOOC (China) Limited, a subsidiary of CNOOC
“CNOOC Research”	CNOOC Research Beijing, a subsidiary of CNOOC
“Companies Law”	the Companies Law 1994 (Revised), as amended, of the Cayman Islands
“Contractors”	the foreign contractors as defined in the Petroleum Contract, namely Primeline Energy and Primeline Petroleum acting jointly
“Directors”	the directors of Primeline
“Exchange”	the TSX Venture Exchange
“Feasibility Study”	a full feasibility study for the commercialisation of Lishui 36-1 completed by Primeline and CNOOC in December 2007

“Gas Sale Agreement”	the agreement in principle dated 27 th October 2008 entered into between Zhejiang Gas and CNOOC China in relation to the sale of gas from Lishui 36-1
“Lishui 36-1”	the gas discovery, which was delineated by 3D seismic and two successful wells, (Lishui 36-1-1 and Lishui 36-1-2) located in Block 25/34 approximately 100km from the coast of China, Zhejiang Province
“Lishui Basin”	the geological basin located in the western part of East China Sea where the Lishui 36-1 discovery is located
“Lishui Gas Play”	Lishui 36-1 and related analogous prospects and leads in the immediate surrounding area.
“McDaniel”	McDaniel & Associates Consultants Limited of Calgary
“NI 51-101”	National Instrument 51-101 – <i>Standards of Disclosure for Oil and Gas Activities</i> adopted by the Canadian Securities Administrators
“ODP”	the overall development plan relating to the development of production facilities for Lishui 36-1
“Petroleum Contract”	the Petroleum Contract dated 24 th March 2005 entered into between CNOOC, PECL and PPC in respect of Block 25/34, as amended
“Primeline” or “PEHI”	Primeline Energy Holdings Inc., a company incorporated under the Companies Law
“Primeline Energy” or “PECL”	Primeline Energy China Limited, a company incorporated under the Companies Law and a wholly owned subsidiary of Primeline
“Primeline International”	Primeline International (Holdings) Inc., a company incorporated in the British Virgin Islands which is wholly owned by Victor Yiou-Hwa Hwang
“Primeline Operations” or “PEOIL”	Primeline Energy Operations International Limited, a company incorporated under the Companies Law and a wholly owned subsidiary of Primeline
“Primeline Petroleum” or “PPC”	Primeline Petroleum Corporation, a company incorporated in the British Virgin Islands which is wholly owned by Victor Yiou-

	Hwa Hwang and accordingly an affiliate of Primeline
“RMB”	Chinese Renminbi, the lawful currency of China
“SEDAR”	the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators
“Senior Managers”	the senior managers of Primeline
“Shareholder”	a holder of Shares
“Shares”	shares of a nominal or par value of US\$0.001 each in the capital of Primeline
“Sinopec”	China Petroleum and Chemical Corp. (NYSE:SNP, www.sinopec.com.cn/)
“Stock Option Plan”	the stock option plan of Primeline
“US\$” or “\$”	US Dollars
“USA” or “US”	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“Zhejiang Gas”	Zhejiang Natural Gas Development Company Limited, a company incorporated in China

ABBREVIATIONS AND TECHNICAL TERMS

“2D”	Seismic data recorded along discrete tracks
“3D”	A set of numerous closely-spaced seismic lines that provide a high spatially sampled measure of subsurface reflectivity
“AVO”	Amplitude Variation with Offset
“bbls”	Barrels of oil
“bbls/d”	Bbls per day
“bcm”	Billion (10 ⁹) standard cubic metres

“Contingent Resources”	Quantities of natural gas estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies.
“DHIs”	Direct hydrocarbon indicators
“ft”	Feet
“Km”	Kilometre
“Km ² ”	Square kilometre
“LNG”	Liquified Natural Gas
“mm”	Metres
“Mcf”	Thousand (10 ³) standard cubic feet
“MMbbls”	Million (10 ⁶) Barrels
“MMcf”	Million (10 ⁶) standard cubic feet
“MMcf/d”	Million (10 ⁶) standard cubic feet per day
“Prospective Resources”	Quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development.
“Reserves”	Estimated remaining quantities of oil and natural gas and released substances anticipated to be recoverable from known accumulations, as of a given date, based on analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions which are generally accepted as being acceptable
“TCF”	Trillion (10 ¹²) standard cubic feet
“TD”	Total Depth

CONVERSION FACTORS

1 km	Equals	0.621 miles
1 cubic metre	Equals	35.31 standard cubic feet
1 cubic metre	Equals	6.29 barrels
1 km ²	Equals	247.1 acres
1 RMB	Equals	US\$0.15 and C\$0.16 as of July 17, 2009.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form is dated July 21, 2009. Unless otherwise stated, information is presented as at March 31, 2009. It should be read in conjunction with Primeline's audited consolidated financial statements and related notes for the year ended March 31, 2009.

Except for historical information, the following disclosures contain statements which may be considered to be forward-looking information. Such statements are made based on management's judgment and expectations, and assumptions which management believes to be reasonable. Forward-looking information is usually identified by words such as "could", "expects", "intends", "estimates", "projects", "believes", "may", "likely" and "potential", and is inherently subject to risks and uncertainties beyond management's and Primeline's control. Material factors that could cause actual results to differ from any conclusions contained in forward-looking information include the results of exploration; whether deferred exploration costs are ultimately recovered; whether Primeline's assets, including estimated resources, can be realised; possible decreases in future oil and gas prices; possible increases in estimated costs of future production; the results of negotiations with Chinese municipal, provincial and other regulatory authorities; changes in government legislation and regulations; various operational factors; and whether new financing may be procured or new exploration partners obtained to enable Primeline to continue its exploration activities. Some of the material factors and assumptions applied in drawing such conclusions are the prospectivity for discovery of the Lishui Gas Play outside the two wells which it presently contains, and the remainder of Block 25/34; that a ready and profitable market will exist for oil and gas which may be discovered in such areas, and that infrastructure for bringing such oil and gas to market may be constructed on economic terms; that if a natural gas grid is established in Zhejiang Province, gas demand in that region will continue to expand; that a final gas sale contract can be concluded with Zhejiang Gas on acceptable terms; that pipelines presently planned for will in fact be constructed; that China will continue to adopt more market-based pricing systems; and that environmental surveys and other studies necessary for production of oil and gas will be completed according to present timelines. Actual results may differ materially from those anticipated in the forward-looking statements.

THE COMPANY

Primeline was incorporated and registered with limited liability as an Exempt Company under the Companies Law of the Cayman Islands on March, 31 1995. Its registered office is located at PO Box 309, Uglund House, South Church Street, George Town, Cayman Islands. Primeline has offices in Hong Kong, London and Shanghai. Its Hong Kong office (the head office) is located at Hong Kong Parkview, 88, Tai Tam Reservoir Road, Hong Kong, PRC. Its London office is located at Parkview House, Fourteen South Audley Street, London W1K 1HN, UK. Its Shanghai office is located at 22N, Cross Region Plaza, 899 Ling Ling Road, Shanghai, PRC.

Primeline Energy is a wholly owned subsidiary of Primeline and was incorporated under the Companies Law. It is a party to the Petroleum Contract and holds a 75% share of the Contractors' interest in the Petroleum Contract.

Primeline Operations is a wholly owned subsidiary of Primeline and was incorporated under the Companies Law. It has been appointed Operator under the Petroleum Contract.

Primeline has no other subsidiaries.

Primeline International, a company controlled by Mr. Victor Hwang, the Chairman and President of Primeline, holds Shares representing 41.57% of Primeline's issued and outstanding Shares. Mr. Hwang also holds directly Shares representing 5.60% of Primeline's issued and outstanding Shares and owns and controls Primeline Petroleum, the company which holds the remaining 25% interest in the Petroleum Contract.

On September 9, 2005, Primeline's Memorandum of Association was amended to increase Primeline's authorized share capital from US\$50,0000.00 divided into 50,000,000 Shares to US\$500,000.00 divided into 500,000,000 Shares.

Business of the Company

Primeline is an independent oil and gas exploration and production company focusing exclusively on oil and gas opportunities in China. It holds rights to and operates in Block 25/34 in the East China Sea under the Petroleum Contract.

Primeline Energy and Primeline Petroleum are jointly designated as the "Contractors" under the Petroleum Contract and respectively hold 75% and 25% interests in the Contractors' rights under that Petroleum Contract. Those rights entitle the Contractors to participate in the exploration, development and production of oil and gas in the Block. Primeline Operations is designated as "Operator" under the Petroleum Contract. Pursuant to the Petroleum Contract, the Contractors are required to fund all the exploration costs whilst CNOOC has the right to participate in up to 51% of any commercial development by paying its pro rata share of the development and operating costs required for production of any oil or gas. In the event that CNOOC takes up such participation right, the Contractors hold the other 49% in their respective proportions. Primeline has the right to recover exploration costs from the future production. See "Petroleum Contract".

Block 25/34 currently comprises a total area of approximately 7.006 km² (1.73 million acres) within the Lishui Basin which is situated approximately 100km from the coast of Zhejiang Province in China. Primeline has an existing gas discovery within Block 25/34, known as Lishui 36-1, with best estimate Contingent Resources of 44,996 MMcf as of March 31, 2009. See “Statement of Reserves Data and Other Oil and Gas Information”.

Lishui 36-1 has two wells (Lishui 36-1-1 and Lishui 36-1-2) with DST tested flow rates of 9.9 and 12.6 MMcf/d of natural gas. There are several related prospects in the vicinity of the discovery with reasonable geological chances of discovering further gas or oil (generally referred to as the “Lishui Gas Play”) which Primeline has evaluated and is planning to drill and which, in a success case, will expand the current resource base.

In addition to Lishui 36-1 and the Lishui Gas play, there are a total of seven previously drilled wells in the Lishui Basin that have encountered various hydrocarbon occurrences (shows or flows). The Directors believe that these wells, together with Lishui 36-1, prove the existence of very extensive oil and gas plays in the Basin. Primeline is extremely excited about the remaining potential of the Lishui Basin and has identified numerous prospect leads additional to those in the immediate vicinity of Lishui 36-1.

Primeline presently has 14 employees.

History of the Company

In March 2005, Primeline entered into the Petroleum Contract for Block 25/34. A gas discovery, Lishui 36-1-1, was made by Primeline in 1997 in this area under a predecessor to the Petroleum Contract. Two adjacent appraisal wells (Lishui 36-1-2 and Lishui 36-1-3) were drilled in 2000 and 2001. Lishui 36-1-1 and Lishui 36-1-2, together with a 3D seismic programme, delineated the Lishui 36-1 discovery which is 140km from the city of Wenzhou in Zhejiang Province.

On 30 September, 2005, Dr Ming Wang was appointed Chief Executive Officer of Primeline.

On 4 April, 2006, Primeline completed a private placement of 16,666,666 units at C\$1.50 per unit for gross proceeds of C\$25 million. Each unit consisted of one Share and one half of one common share purchase warrant. Each whole warrant entitled the holder to acquire one additional Share at a price of \$2.00 per share for the two years following the closing of the private placement. All of the warrants subsequently lapsed unexercised. In connection with the private placement, Primeline International converted C\$7.9 million of debt owed to it by Primeline into 5,266,667 units, at a conversion price of C\$1.50 per unit.

Prior to completion of the private placement, Primeline and its operations were funded entirely by shareholder loans from Primeline International. After conversion of those loans, Primeline’s operations have been funded from the net proceeds of the private placement.

In October 2008, CNOOC China and Zhejiang Gas entered into the Gas Sale Agreement and, on the basis of that agreement, Primeline and CNOOC commenced preparation of the ODP for the stand-alone development of the Lishui 36-1 discovery. The Gas Sale Agreement is an agreement in principle which

defines the general terms on which Zhejiang Gas will purchase the future production of natural gas from the Lishui 36-1 gas field. See “Gas Sale Agreement”.

PETROLEUM CONTRACT

Primeline and its affiliate company, PPC, are parties to and are jointly designated as Contractors under the Petroleum Contract.

The Petroleum Contract provides for an exploration period, a development period and a production period (15 years, extendable to 20 years) for each commercial development. The exploration period is for seven years commencing on May 1 2005 and split into three phases lasting 3, 2 and 2 years respectively. The Contractors are responsible for all costs incurred during the exploration phases with the option to terminate the Petroleum Contract at the end of each phase. The production period is for 15 years, extendable to 20 years in relation to each commercial development. The Petroleum Contract is on favourable fiscal terms with no royalties being payable on production below 194MMcf/d and no government production sharing below 340 MMcf/d for each production field within the Block.

Under the Petroleum Contract, the Contractors’ commitment to the minimum work programme in the first phase of the exploration period is to acquire a minimum of 200 sq km of 3D seismic data and to drill one well of no less than 2,500m in depth, with a minimum expenditure of US\$6 million. During the first phase the Contractors have acquired a total of 550 sq km of 3D seismic and have, to date, together spent in excess of US\$20 million but, due to the lack of availability of drilling rigs, have been unable to drill the required well, despite all reasonable best efforts. In view of the rig market conditions, in February 2008, CNOOC agreed to extend the first phase of the exploration period by twelve months. By an Amendment to the Petroleum Contract dated February 18, 2008, it was agreed that the first exploration period shall be for a period of 4 years from the date of commencement on May 1, 2005 provided that one of the two subsequent two-year exploration periods will be reduced by a corresponding period of one year unless otherwise agreed with CNOOC.

In 2007, the Company and CNOOC agreed on a rolling development strategy, which entails developing the existing gas resources in the Lishui 36-1 gas field whilst at the same time continuing exploration of nearby prospects. As a result, in April 2009, in view of the current ODP work programme referred to below, the continuing difficulties in the rig market, the rolling development strategy and the approaching end of the first exploration phase, CNOOC agreed that the Contractors may carry forward the unfulfilled one well commitment from the first phase into the second phase of the exploration period. Furthermore, CNOOC agreed that the Contractors may delay their decision to enter into the second exploration phase until 31st October 2009, provided that if they elect to proceed by that date then the second exploration phase shall be deemed to have commenced on 1st May 2009. It is Primeline’s current intention to proceed to the second phase but this flexibility will allow Primeline to decide and plan on a better basis when the ODP is completed. Thus, in the event that the Contractors elect to proceed with the second phase then the work obligation in the second phase will be to drill two exploration wells. When a development decision is made, following completion of the ODP, the agreed development area will be carved out of the exploration area and will be the subject of a Supplemental Development Agreement with CNOOC.

The minimum exploration requirement for each of phases 2 and 3 is the drilling of one well to 2,500m and a minimum expenditure of US\$5 million. At the end of exploration phases one and two, the Contractors have to relinquish 25% of the contract area. At the end of exploration phase three, the Contractors have to relinquish all of the remaining contract area except any appraisal/development/production areas which have been identified and agreed with CNOOC. If a discovery is made inside the Block, CNOOC has the right to participate in up to 51% of any commercial development of that discovery by paying its pro rata share of the development costs. In the event that CNOOC elects to participate in any discovery, the Petroleum Contract provides that Primeline would remain as the operator but all three companies (CNOOC, Primeline and PPC) would be obliged to contribute to the development and production costs on a pro rata basis in their respective proportions of 51%, 36.75% and 12.25%.

Block 25/34 is Primeline's only oil and gas property and Primeline's business is therefore entirely economically dependent on the Petroleum Contract. Because Block 25/34 is within the jurisdiction of the PRC, Primeline's business is entirely dependent on foreign operations. See "Risk Factors".

Block 25/34 Exploration History

Primeline's primary asset is its 75% share of the Contractors' interests under the Petroleum Contract in relation to Block 25/34. Block 25/34 currently covers a total area of 7,006 km² in the East China Sea in water depth between 75 and 90 metres. It is located approximately 100 km from the coast of Zhejiang Province.

The area covered by Block 25/34 was explored by different Chinese companies in the 1980s. Various sets of seismic data were shot by the Ministry of Geology (MOG) and CNOOC and two wells were drilled by MOG, Lingfeng-1 (1985) and Shimentan-1 (1987), both encountering hydrocarbon.

Primeline carried out a detailed technical evaluation of the area of the Block between 1994 and 1997 using different vintages of seismic data and reprocessed seismic data. Based on the interpretation of over 7,000 km of seismic data and regional evaluation, Primeline selected Lishui 36-1 as the target for its first exploration well in the Block.

Lishui 36-1-1 was spudded on 25th July 1997 and reached a TD of 3,300m. The well encountered 543 m of gross hydrocarbon-bearing section, of which 105.8 m was interpreted as potential pay zones. The well flowed 9.86 MMcf/d of gas and 117bbls/d of condensate through a 48/64" choke from the top reservoir section of 24m. Lishui 36-1-1 was then plugged and abandoned as a gas discovery.

In 1998, Primeline completed a 233 sq km 3D seismic survey of the area surrounding Lishui 36-1-1. The data was processed and interpreted in 1999.

Lishui 36-1-2 was spudded on 1st June 2000 and reached a TD of 2,900 m. The well encountered and confirmed similar reservoir quality and characteristics to Lishui 36-1-1. From a single test zone in the upper Paleocene reservoir, the well flowed at a stabilised rate of 12.25 MMcf/d of natural gas and 189bbls/d of condensate through a 7/8" choke. The testing was completed in August 2000 and the geological operation was completed in September 2000.

In late 2001, a second appraisal well (Lishui 36-1-3) was drilled. Lishui 36-1-3 was an aggressive step out well, 7 km away from Lishui 36-1-1, and failed to encounter any hydrocarbon.

Lishui 36-1-1 and Lishui 36-1-2 have proven a hydrocarbon system in the Lishui Basin, much of which is inside Block 25/34. Near the existing discovery (within a 20km radius) there are several analogous prospects and leads that have similar geological and geophysical characteristics, including similar direct hydrocarbon indicators such as Bright Spots and Amplitude Variation with Offset (AVO). There are also several incised channel systems which related to the distribution of the sand bodies in the basin. Management believes these nearby analogous prospects and leads in the basin system near Lishui 36-1-1 have a very low exploration risk and significant multi TCF potential and they are the main focus of Primeline's current exploration and development programme.

Dual Development and Exploration Strategy

Primeline has pursued a dual strategy of continuing to work towards a stand-alone development for Lishui 36-1, based on the currently confirmed resources, whilst at the same time continuing its efforts to secure a drilling rig for step out exploration of the nearby prospects to expand the current resource base.

Following execution of the Gas Sale Agreement, Primeline commenced work on the ODP. Whilst the development of Lishui 36-1 may not by itself result in a significant return it confirms the market for gas to be produced from Block 25/34 and enables CNOOC and Primeline to establish a production facility for the Lishui Gas Play. The Directors believe the confirmation of the market and the creation of the production facility significantly enhance the potential value of any additional resources which may be discovered in Lishui 36-1 itself and, more importantly, greatly enhance the value of any additional resources which may be discovered in the Lishui Gas Play and beyond.

Commercialisation of the Lishui 36-1 Discovery

Lishui 36-1 has only a relatively small resource and was previously regarded as sub-commercial. As a result of the general escalation of world oil and gas prices in 2007, the continued economic growth of China and the recent rapid growth of gas infrastructure in China, CNOOC and Primeline now regard it as a potentially commercial discovery.

In view of such market developments, in early 2007, Primeline and CNOOC conducted a pre-feasibility business opportunity study which concluded that Lishui 36-1 may have a commercial value as a result of the improved gas market conditions in China. Accordingly, in March/April 2007, Primeline and CNOOC commenced preparation of the Feasibility Study, starting with registering the reserves with the Chinese State Reserve Committee (these are not Reserves within the meaning of NI 51-101). Based on the initial results of the formal Feasibility Study, which were received in September 2007, Primeline and CNOOC then commenced negotiations with the Zhejiang Provincial Government and Wenzhou Municipal Authority with the intention of agreeing in principle terms for a gas sale contract. The Gas Sale Agreement was concluded in October, 2008. See "Gas Sale Agreement".

Lishui 36-1 Resources Registration and Auditing

In early 2007 Primeline commissioned CNOOC to prepare a reserve report for the Lishui 36-1 discovery in accordance with the Chinese government regulations in order to obtain “Development Reserves” status. The reserve report, which is an essential component of any official development plan submission as well as the fundamental basis for any discussions relating to a gas sale contract, was completed and reviewed by CNOOC Reserve Office in June 2007. The reserve report was then submitted through CNOOC to the State Reserves Committee and approval was granted on July 5, 2007. It should be noted that the existence of a reserve report approved under Chinese government regulation does not mean Primeline has Reserves within the meaning of NI 51-101, as these are two different regulatory regimes.

At the same time, in order to comply with Canadian reporting requirements, Primeline retained McDaniel to carry out an independent resource audit. In July 2007, McDaniel submitted to Primeline its independent resource estimate for Block 25/34 for filing with the appropriate Canadian securities regulatory authorities and the Exchange in accordance with NI 51-101. See “Statement of Reserves Data and Other Oil and Gas Information”

Feasibility Study

In July 2007, Primeline commissioned CCLSH and CNOOC Research Centre in Beijing to prepare a full Feasibility Study for the development of Lishui 36-1 on a stand-alone basis. The Feasibility Study covers reservoir engineering, development drilling and completion engineering, production engineering, design of the development facilities including platform, pipeline and onshore terminal, HSE and the detailed costing of all aspects of the development and future production operations. These are standard requirements for an offshore feasibility study, and CNOOC Research is the most authoritative body for offshore development feasibility studies and development plans in China.

Numerous development options were evaluated during the study, various review meetings were held between Primeline and CNOOC and the whole process was monitored by Primeline’s technical team. The engineering elements of the Feasibility Study, including the cost and economics evaluation, were initially reviewed in September 2007 and then completed in December 2007 and Primeline received the formal Feasibility Study in early 2008.

GAS SALE AGREEMENT

On October 27, 2008, CNOOC China and Zhejiang Gas entered into the Gas Sale Agreement. In doing so, CNOOC China acted on its own behalf and on behalf of Primeline Energy and Primeline Petroleum.

The Gas Sale Agreement is an agreement in principle which defines the general terms on which Zhejiang Gas will purchase the future production of natural gas from the Lishui 36-1 gas field, including the quality of the gas, take-or-pay principles, base price, annual quantity and delivery schedule. The principles set out in the Gas Sale Agreement will govern the further negotiation of a more formal Framework Agreement and the final gas sale contract, which can only be finalised during the development of the production facility. On the basis of the costings confirmed by the detailed Feasibility Study for the development of

Lishui 36-1, it is believed that the terms set out in the Gas Sale Agreement justify the development of Lishui 36-1 on a stand-alone basis, thus allowing Primeline and CNOOC to proceed with the preparation of the ODP for the Lishui 36-1 gas field and Zhejiang Gas to undertake studies for the development of the infrastructure required for the utilisation and transportation of the gas onshore. However, the commerciality of the Lishui 36-1 gas field can only be confirmed after the completion of the ODP. Primeline, CNOOC China and Zhejiang Gas will further negotiate the detailed terms of the gas sale, including the delivery point, delivery profile, final delivery gas price, and payment terms during the period of preparation of the ODP and have agreed to sign a more formal Framework Agreement for the gas sale prior to the submission of the ODP. Following completion of the ODP it is anticipated that a final gas sale contract will be entered into within 90 days of the approval of the ODP by the relevant State Authorities. Negotiations with respect to the detailed terms of the gas sale will continue in tandem with the design process under the ODP and it is expected the Framework Agreement will be entered into around the time the ODP is finalised. Discussions with Zhejiang Gas with respect to the terms of the Framework Agreement have commenced and are continuing.

CNOOC has entered into a separate agreement with Primeline and PPC outlining their understanding that, subject to the ODP confirming the commerciality of the development, CNOOC will exercise its rights under the Petroleum Contract to take a 51% interest in the development and that Primeline's and PPC's share of the gas (being 36.75% and 12.25% respectively) from the Lishui 36-1 gas field will be sold through CNOOC on the same terms articulated in the Gas Sale Agreement. Under the terms of the Petroleum Contract, Primeline will continue to be the Operator in the proposed development and production operations and CNOOC, Primeline and PPC will each pay their pro rata costs of the development and production costs.

China Energy Market

Historically, natural gas has not been a major fuel in China, but its share in the country's energy mix is now rapidly increasing. In 2007 natural gas represented about 3% of the entire energy mix, compared to the world average of 25%, and the Chinese Government has recently announced plans to raise this percentage to 5.3% by 2010. Total consumption in 2007 was circa 74 bcm so the proposed target represents a total of circa 135 bcm in 2010. Rapid development of the natural gas industry is now one of China's strategic policies in order to help resolve its acute energy shortage and to achieve its target for pollution reduction. Part of this strategy is to encourage the transportation of gas from west China and other countries around China, including Russia and Central Asian countries, where there are significant resources, to east China where demand is highest and the energy shortage is most acute.

China's first major West to East Gas Pipeline, built by CNPC, parent company of Petrochina Ltd. (NYSE:PTR, www.petrochina.com.cn), was completed in 2004 and now carries approximately 14 bcm of gas per annum from the Tarim Basin along a 4,000 km pipeline which terminates at Shanghai. There were initial concerns that there would be insufficient demand for the gas, but now demand exceeds supply and prices have recently increased.

In order to respond to the increasing demand, there are now three new long distance gas pipelines from west China to east China planned for the near future, two of which will be able to supply gas to Zhejiang Province. One is being developed by CNPC and one by Sinopec.

In August 2007, CNPC announced proposals for a Second West to East pipeline with a capacity of 30 bcm per annum. The pipeline, which will be over 6,000 km, is planned to run from Turkmenistan through Xinjiang to Guangzhou in southern China, branching at Nanchang to run east to Shanghai and passing through western and northern Zhejiang Province. Approval from Central Government was granted in October 2007 and construction commenced in February 2008, with gas supply due to start in 2011. CNPC signed agreements in July 2007 to import 30 bcm of natural gas over the next 30 years from Turkmenistan to supply this pipeline.

In addition, Sinopec has started laying a natural gas pipeline that will run from south west Sichuan Province to Shanghai. This new pipeline, with a total pipeline capacity of 17 bcm, is expected to supply 12 bcm per annum by 2010 to cities along the pipeline, including northern Zhejiang Province.

In the past, the Chinese Government has held state-set gas prices based on local costs and thus below international LNG market levels. Strong demand for gas, coupled with pollution targets, has meant that China has been forced to obtain supplies from foreign sources at market prices. As a result, there has been significant upward pressure on prices and, in late November 2007, the Chinese Government announced increases in prices for all major gas pipelines which are now getting closer to international LNG prices. China is currently buying LNG on the spot market and CNPC and CNOOC have recently reported signing long term LNG supply contracts at prices well above the current North American gas prices.

These recent developments are clearly indicative of a maturing gas market with a more market-driven pricing system which should benefit the development of Block 25/34 in the long term. Thus, it is apparent that a nation-wide gas grid is in the process of being established in China and the east China region, as the most industrialised region, will be the frontrunner for this improved gas infrastructure.

Natural Gas Market in Wenzhou and Zhejiang Province

Following the increases in gas prices in China, and based on the preliminary engineering and costing information provided by the Feasibility Study, Primeline and CNOOC formally approached the Wenzhou Municipal Authority and the Zhejiang Provincial Government in September 2007 to discuss the principles of a take-or-pay gas sales contract. The aim was to achieve terms which would justify the development of Lishui 36-1.

Zhejiang Province has a total population of approximately 50 million and a land area of 101,800 sq km. It rates as the 4th largest provincial economy within China and has enjoyed double digit annual growth during the last 25 years. The 2007 total GDP is RMB1,846 billion (US\$ 270 billion) or approximately US\$ 5,261 per capita. Its export size and growth is impressive, reaching US\$ 128 billion in 2007. Zhejiang Province has almost no primary energy supply except for its hydro-energy potential and about 91% of its energy needs have to be imported from outside, including 113 million tons of coal and 21.2 million tons (circa 150 MMbbls) of crude oil in 2006. In 2006, its energy consumption heavily relied on

coal (62%), then oil (22%), with hydro and nuclear energy at 9.1% and natural gas at only 1.1%, way below the national level of 3% and miniscule compared with the average international level of 25% in the total energy mix.

Zhejiang Province currently has a provincial natural gas grid of 330km in the northern part of the Province serving the major cities in the area, including Hangzhou, Huzhou, Jiaxin and Shaoxin, and which is fed by the first West to East Gas pipeline. This provincial gas grid is owned and operated by Zhejiang Gas. As part of the Zhejiang Province gas distribution policy, it is now intended that a provincial gas grid will be developed and expanded to connect other major cities within Zhejiang Province, including Wenzhou, to the proposed Second West to East Gas Pipeline, to the Sichuan Gas to East Pipeline and to LNG imports. The planned annual throughput of the Zhejiang provincial grid by 2015 is estimated at over 6 bcm per annum.

Wenzhou, which is in Zhejiang Province, is the closest major city to Lishui 36-1 and is situated on the coast only 140 km away from the discovery. Wenzhou is not currently connected to any gas grid and current gas usage in the city is restricted to LPG and small scale locally sourced LNG.

Previously it had not been anticipated that a provincial wide gas grid would be established in Zhejiang Province in the near future and so much of the initial discussions with the Wenzhou authorities had centred on how the gas might be utilised in Wenzhou alone, which was effectively a green field situation. However, the announcement by CNPC in August 2007 of the proposed Second West to East Gas Pipeline meant that a gas grid connected to Wenzhou would be established in the southern part of Zhejiang Province far earlier than otherwise expected. As a result, the gas distribution strategy of Zhejiang Province was changed and it became apparent that the utilisation of gas from Block 25/34 would have to be agreed at a Provincial level.

The development of this provincial grid presents an exciting opportunity for Primeline in that, rather than endeavouring to create a gas utilisation market in a greenfield situation in Wenzhou alone, it will now be possible to supply to a rapidly developing market via the grid which is to be established serving all the major cities in the Province and beyond. It is apparent from other natural gas grids in China that once supply has been established then there is rapid expansion of demand.

ODP

The Gas Sale Agreement is based on the current development proposal of producing gas from the Lishui 36-1 gas field via an offshore pipeline to an onshore processing terminal to be established adjacent to Wenzhou city. Although the gas is intended to be delivered to the new Zhejiang provincial grid, the Wenzhou economy will benefit directly from the development. The development proposal in the Feasibility Study is based on the reserve approved by the State Reserve Committee which is approximately the same as the minimum resource estimate for Lishui 36-1 as contained in the resource evaluation prepared by McDaniel in July 2007, 2008 and 2009. See “Statement of Data and Other Oil and Gas Information”.

On the basis of the terms set out in the Gas Sale Agreement, Primeline commenced work on the ODP in November 2008. The ODP is required to be approved by government before development can commence and comprises a formal development engineering plan, backed up by survey results and environmental studies, together with a full economic analysis of the development. The survey work includes the site survey for the production platform, a route survey for the pipeline, a survey for the onshore terminal and environmental surveys. Two environmental surveys are required, one in the spring and the other in the autumn. The spring survey was completed in May 2008 and the autumn survey was completed in December 2008. Primeline has also arranged for the commissioning of the other surveys. It is currently estimated the ODP work will take 6 to 8 months, subject to survey work progress, and that the ODP will be submitted to Primeline and CNOOC for approval around August 2009 before submission to the appropriate Chinese State Authorities.

The work undertaken to date on the ODP has involved:

- Setting up a project team to co-ordinate all the technical work in China. In this connection, Primeline entered into a Project Co-ordination Agreement with CCLSH on 1st December 2008. Pursuant to the Project Co-ordination Agreement, CCLSH provides project management services with regard to the ODP. A project team has been set up in Shanghai with personnel seconded by CCLSH in office space provided by CCLSH. The project team in Shanghai is headed by Primeline's China Chief Representative and supervised by Primeline's technical team in London.
- Selection and optimisation of the engineering options. Primeline and CNOOC have, since November 2008, been working closely in order to decide on which of the various development options identified by the Feasibility Study should be adopted in order to define the scope of the technical work for the ODP. On 11 February, 2009 a separate technical services agreement was entered into with CCLSH under which they undertook part of the optimisation technical study, following which Primeline and CNOOC agreed on the development option and the scope of work required for the ODP and which allowed Primeline to finalise the technical services agreement for the preparation of the ODP.

Primeline and CNOOC Research entered into a technical services agreement ("Services Agreement") on 9 February 2009. Pursuant to the Services Agreement, CNOOC Research has undertaken to take overall responsibility for the compilation and technical approval of the ODP, including management of the various surveys and third party services and the technical design and analytical work. The total cost of the ODP is estimated to be RMB36m (US\$5.27m) which includes the agreed lump sum cost for the work undertaken by CCLSH and CNOOC Research and the costs of the third party studies and surveys which will make up the majority of this budget. The contracting of third party studies and surveys is jointly managed by CNOOC Research and Primeline through normal tendering and negotiation procedures. The most important survey work is the pipeline route survey and platform site survey. Other survey works include environmental surveys for the platform, pipeline, terminal and jetty, the site survey for the terminal and the fishery resources survey. As of July 6, 2009, the important surveys and studies have all been contracted or appointed by CNOOC Research in conjunction with Primeline's team and survey results will be incorporated into the ODP work. CNOOC Research is responsible for obtaining technical approval of the ODP from all appropriate China State Authorities. Under the terms of the Petroleum

Contract, the costs of the ODP will be borne by Primeline and Primeline Petroleum in the proportions 75:25.

CNOOC Research has produced the overall development plans for over 40 previous offshore developments and is the most authoritative body for such work in China. CNOOC Research has established a team of about 40 technical personnel for this ODP project from 28 disciplines, including reservoir engineering, facilities engineering, drilling production and economics.

As part of the ODP, Primeline and CNOOC have been working with the Wenzhou Municipal Authority to secure the land for the landing point for the proposed offshore pipeline and the onshore gas processing terminal. Primeline has finalised a site selection report compiled by an independent authoritative design firm, as requested by the local government. This report, together with a formal land acquisition report from CNOOC, was submitted to the Wenzhou Government on 9th January 2009 and the site for the terminal has now been agreed. CNOOC China will be leading the land acquisition effort and Primeline will be working closely with CNOOC and Wenzhou to ensure the process is completed in line with the progress on the ODP and the proposed development. As the land needs to be reclaimed from coastal mud flats, various additional approvals are required to be obtained before any on-site survey work commences.

RECENT EXPLORATION ACTIVITIES

Lishui Gas Play and New 3D Seismic Data

During 2006/2007, Primeline completed the acquisition of 550 km² 3D seismic data. That data was then merged with the previous 3D data to make a total full fold data set of 737 km², covering Lishui 36-1 and nearby prospects. The data was then evaluated in order to define prospect leads and possible drilling locations in the area adjacent to Lishui 36-1. Primeline's evaluation confirmed the existence of very exciting channel and canyon systems and several sizeable prospects have been mapped in this new play concept area. Geophysical features associated with Lishui 36-1, including DHIs such as AVO anomalies and bright spots, are also found on these prospects. Tertiary channel sands are a proven play type in Western Africa and the Gulf of Mexico. AVO anomalies are often due to gas effects in the sands and these anomalies help differentiate bright spot gas sands from other bright reflectors.

These nearby prospects and leads could provide significant resource additions for Primeline.

Following completion of 30 seismic interpretations covering the full 737 km², Primeline has agreed with CNOOC the two best locations for the next exploration drilling in Block 25/34 and has completed the well design and both well sites have been surveyed.

Primeline plans to drill at least one exploration well in the Lishui gas play. Primeline has noticed that rig availability conditions continue to ease recently and is closely monitoring market conditions. Primeline is also in discussion with CNOOC to agree the optimal time for drilling the next exploration well in light of progress in relation to the development of Lishui 36-1 and current movements in prices which affect the overall cost of the drilling.

Remainder of Block 25/34 and Regional Prospectivity

The current 3D seismic area is only 10% of the total contract area of Block 25/34, which covers the majority of the Lishui West Basin. In and around this basin there are a total of seven previously drilled wells (in addition to Primeline's discovery wells) that had various forms of hydrocarbon shows and flows. Primeline believes that channel and canyon systems, with DHI support, are likely to extend across the basin and could be developed as future drilling targets. As a result, Primeline believes there are likely to be significant additional hydrocarbon resources in the West Lishui Basin to be discovered.

During 2008, Primeline continued its regional geological and geophysical evaluation of Block 25/34 and the Lishui Basin with a thorough re-processing of 2D seismic data as the 23,000 km of 2D seismic data available to Primeline is of various vintages spanning over 20 years. A total of 3,517 km 2D seismic data was reprocessed based on parameters fixed by the extensive testing programme. The reprocessing was completed in November 2008 and interpretation of this data has now been substantially completed. The results will be finalised in the third quarter of 2009 when Primeline will also make a decision as to the area for relinquishment when it enters into the second exploration phase.

This regional evaluation is designed to identify and document the exploration potential in the Lishui Basin to provide Primeline with prospect and lead inventories that will guide future exploration work programmes in the remainder of Block 25/34 outside the area covered by the existing 3D seismic data.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

DATE OF STATEMENT

This Form 51-101 F1 submitted by Primeline Energy Holdings Inc. (the “Company”) is dated July 21, 2009. The information provided in this statement is effective March 31, 2009. The preparation date of the information provided in this statement is July 1, 2009.

DISCLOSURE OF RESERVES DATA

The Company currently has no oil and gas reserves.

RESOURCES

The Company’s contingent and prospective resources have been evaluated by McDaniel & Associates Consultants Ltd. and are set out below.

	<u>Contingent Resources at March 31, 2009</u> ⁽¹⁾		
	Low	Best	High
	Estimate ⁽⁴⁾	Estimate ⁽⁵⁾	Estimate ⁽⁶⁾
Total Company ⁽²⁾			
Natural Gas Resources, MMcf	24,070	44,996	86,861
Condensate Resources, Mbbl	546	950	2,004
BOE Resources, Mbbl	4,558	8,449	16,481

(1) Contingent resources were calculated deterministically.

(2) Company Gross resources are based on a 36.75 percent working interest share of the property gross resources, assuming CNOOC exercise their right to back-in and take a 51 percent interest. See “Oil and Gas Property and License Status”.

(3) Low, best and high estimates follow the COGE Handbook Section 5 resources definitions and guidelines for contingent resources.

(4) The low estimate reported is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation.

(5) The best estimate is considered to be the best estimate of the quantity that will actually be recovered from the accumulation.

(6) The high estimate is considered to be an optimistic estimate of the quantity that will actually be recovered from the accumulation.

Prospective Resources at March 31, 2009 ⁽²⁾⁽³⁾

	Low	Best	High	Unrisked	Risked
	Estimate ⁽⁶⁾	Estimate ⁽⁷⁾	Estimate ⁽⁸⁾	Mean	Mean
Total Company ⁽⁴⁾					
Natural Gas Resources, MMcf	96,323	234,636	576,769	290,940	102,579
Condensate Resources, Mbbl	2,661	6,462	15,822	7,998	2,815
BOE Resources, Mbbl	18,715	45,568	111,951	56,488	19,911

- (1) Prospective resources were calculated probabilistically, but based on an arithmetic aggregation of the individual prospects.
- (2) Each prospect has its own probability of geological success.
- (3) There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be economically viable or technically feasible to produce any portion of the resources.
- (4) Company Gross resources are based on a 36.75 percent working interest share of the property gross resources, assuming CNOOC exercise their right to back-in and take a 51 percent interest. See "Oil and Gas Property and License Status".
- (5) Low, best and high estimates follow the COGE Handbook Section 5 resources definitions and guidelines for prospective resources. The resource range presented above is "unrisked" meaning that it is valid in the event of successfully finding hydrocarbons in each and every prospect. In this case, the possible range of recoverable resources would likely lie in the range between the low estimate and the high estimate.
- (6) The low estimate reported is the arithmetic sum of the individual prospect P90 quantities derived from probabilistic analysis. This is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation.
- (7) The best estimate is based upon the expected value, based upon the outcome of the probabilistic analysis. This is considered to be the best estimate of the quantity that will actually be recovered from the accumulation.
- (8) The high estimate is the arithmetic sum of the individual P10 quantities derived from probabilistic analysis. This is considered to be an optimistic estimate of the quantity that will actually be recovered from the accumulation.
- (9) "Risked Mean" resources are calculated based on the probability of geological success applied to the unrisked mean shown above.

The prospective resource estimates are for 6 prospects in the vicinity of the existing discovery in an area covered by 3-D seismic. Further seismic acquisition and studies over the remainder of the block (approximately 90 percent by area) could lead to the identification of additional prospects. Therefore the prospective resources detailed above do not necessarily represent the full exploration potential of Block 25/34.

OIL AND GAS PROPERTY AND LICENSE STATUS

The Company, under a Petroleum Contract with China National Offshore Oil Corp. ("CNOOC"), as amended owns exclusive rights and undertakes petroleum operations in the 7,006 sq. km Block 25/34 in the East China Sea. Primeline Energy China Ltd. ("PECL"), a wholly owned subsidiary of the Company, and Primeline Petroleum Corporation ("PPC") (Jointly as "Primeline"), an affiliated company, are jointly "Contractor(s)" under the Petroleum Contract. PECL and PPC own 75% and 25% respectively of the Contractor's interest in the Petroleum Contract. Primeline Energy Operations International Ltd. ("PEOIL"), another wholly owned subsidiary of the Company, is designated as "Operator" of the Petroleum Contract.

Pursuant to the Petroleum Contract, the Contractor will fund all the exploration expenditure during the Exploration Period and CNOOC has the right to participate in up to 51% of any commercial development by paying its pro rata share of the development costs. The Exploration Period is 7 years, divided into 3

phases of 3, 2 and 2 years. The Contractor commits to a minimum work program and budget in each exploration phase. In the first phase of the Exploration Period, the Contractor is committed to acquire at least 200 sq km of 3D seismic and drill one well, with a minimum expenditure of US\$6m. At the end of each of the first and second exploration phases, the Contractor must decide whether to enter into the next exploration phase and relinquish 25% of the remaining Contract Area, or terminate the Petroleum Contract. At the end of the third exploration phase, the Contract Area, except for any discovery that may exist in the Contract Area, is relinquished. By an Amendment Agreement dated February 18th 2008 between CNOOC, PECL and PPC, the Petroleum Contract was amended to provide that the first exploration period is for four years from the date of commencement on May 1st, 2005, provided that one of the two subsequent two-year exploration periods will be reduced by a corresponding period of one year unless otherwise agreed with CNOOC. The minimum exploration requirement for each of phases 2 and 3 is the drilling of one well to 2,500m and an expenditure of US\$5m.

The Petroleum Contract for Block 25/34 is the continuation of the Company's activities in the Lishui Basin in the East China Sea under a previous Petroleum Contract for Block 32/32. On February 28, 2005, the Petroleum Contract for Block 32/32 officially expired and Primeline applied to terminate the Contract whilst negotiating a new contract with CNOOC. The Petroleum Contract for Block 25/34 was signed on March 24, 2005 in the People's Great Hall in Beijing. Subsequently, the Contract was ratified by Ministry of Commerce of China on 22nd April 2005 and became effective on 1st May 2005. The Amendment Agreement was effective as of its date. The phase one exploration period was to expire on 30th April 2009; however, Primeline has been granted an option to delay entering the second phase of exploration until October 31, 2009. The total Contract may extend up to 30 years, including development and production periods.

Block 25/34 covers a total area of 7,006 sq kms (net to Company 5,255 sq km) in the East China Sea in water depth between 75 and 90 metres. It is located approximately 100 km from the coast of China. The Block includes the Lishui 36-1 (Vicky) gas discovery and its surrounding area, particularly the majority of the deep part of the Lishui basin. Primeline made the Lishui 36-1 (Vicky) gas discovery in 1997 and two appraisal wells were drilled on the discovery during 2000 and 2001. The discovery well and the first appraisal well proved that hydrocarbon resources exist in the discovery and the Block. The discovery is located in the deepest part of the Lishui Graben in the East China Sea which is a Tertiary rift basin developed on the western margin of the Pacific tectonic plate. The main reservoirs discovered are the Paleocene Mingyuefeng and Lingfeng Formation sandstones buried at the location of the Lishui 36-1 discovery at around 2500m. The discovery is 140 km from the city of Wenzhou, a city with a population of around 2 million people on the Chinese coast. The Company has net 75% interest in the discovery and the Petroleum Contract subject to future CNOOC back-in rights as described above.

EXPLORATION AND DEVELOPMENT ACTIVITY

During fiscal year 2008/2009, the Company undertook geological, geophysical and commercialization works as follows:

- Reprocessed and evaluated a total of 3,673 miles of 2D seismic data in the remainder of Block 25-34 for which 3D data is not currently available in order to identify further exploration prospects
- Continued negotiations with Zhejiang Natural Gas Development Company Limited ("Zhejiang Gas") with regard to the detailed terms of the gas sale agreement to be based on Agreement in Principle for the sale of gas from LS 36-1 which was signed in October 2007

- Commissioned and is currently working on the overall development plan (ODP) relating to the development of the LS 36-1 gas discovery

The Company did not participate in any drilling activity during fiscal year 2008/2009. The total exploration expenditure during the fiscal year of 2008/2009 was C \$2,676,906 (excluding interest

and exchange gain). In the next fiscal year, the Company plans to

- Continue negotiations with Zhejiang Gas for a detailed gas sale agreement to replace the Agreement in Principle referred to above.
- Finalize and submit the Overall Development Plan for LS 36-1 to the Chinese government
- Complete the evaluation of the reprocessed 2D seismic data
- Continue the discussions with Drilling Contractors and try to secure a rig for exploration drilling in the selected prospects
- Drill one or two exploration wells

TAX HORIZON

The Company was not required to pay income taxes during the year ended March 31, 2009. The Company estimates that it will not be required to pay income taxes to Chinese Authorities until there is a commercial development.

**McDaniel
& Associates Consultants Ltd.**

July 10, 2009

Primeline Energy Holdings Inc.
c/o Maples and Calder, Attorneys-At-Law
Ugland House
South Church Street
Grand Cayman
Cayman Islands
British West Indies

Attention: The Board of Directors of Primeline Energy Holdings Inc.

**Re: Form 51-101F2
Report on Reserves Data by an Independent Qualified Reserves Evaluator
of Primeline Energy Holdings Inc. (the “Company”)**

To the Board of Directors of Primeline Energy Holdings Inc. (the “Company”):

1. We have evaluated the Company’s reserves data as at March 31, 2009. The reserves data consists of contingent and prospective oil and gas resources estimated as at March 31, 2009.
2. The reserves data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the “COGE Handbook”) prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update our report for events and circumstances occurring after the preparation date.

Primeline Energy Holdings Inc.
July 10, 2009
Page 2

7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material

Executed as to our report referred to above:

MCDANIEL & ASSOCIATES CONSULTANTS LTD.

"B.H. Emslie, P.Eng."

Calgary, Alberta
Date: July 10, 2009

FORM 51-101F3

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Primeline Energy Holdings Inc. (the “Company”) is responsible for the preparation and disclosure of information with respect to the Company’s oil and gas activities in accordance with securities regulatory requirements. The Company has no reserves as at March 31, 2009. At this time, management considers that the Company has no reserves that fall into the categories required for reporting purposes. This has been confirmed by an independent qualified reserves evaluator who has evaluated and reviewed the Company’s reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The board of directors of the Company has:

- (a) reviewed the Company’s procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The board of directors has reviewed the Company’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Dated this 21st day of July, 2009.

“Ming Wang”
Ming Wang,
Chief Executive Officer and Director

“Andrew Biggs”
Andrew Biggs,
Senior Vice-President, Corporate Affairs

“Brian Chan”
Brian Chan,
Chief Financial Officer and Director

“Peter Kelty”
Peter Kelty,
Director

DIVIDENDS

Primeline is authorized by its Articles of Association and the Companies Law to pay dividends but has not declared or paid any cash dividends or distributions to Shareholders in the past three years. Any future payment of dividends or distributions will be dependent upon the financial condition of Primeline and other factors which the board of directors of Primeline may consider appropriate in the circumstances.

SHARE CAPITAL

The authorized share capital of Primeline is US\$500,000 divided into 500,000,000 Shares. The issued share capital of Primeline at the date hereof is 47,020,623 Shares. All of the issued Shares are credited as fully paid up in full as to their par value and any premium. Each Share is entitled to one vote at meetings of Shareholders and each Share is entitled to participate equally with respect to dividends and distributions on dissolution.

MARKET FOR SECURITIES

The Shares are listed for trading on the Exchange under the symbol PEH.

The following table set out the price range for, and trading volume of the Shares as reported by the Exchange for the periods indicated.

<u>Price Range (in Canadian Dollars)</u>			
<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
April 2008	\$0.880	\$0.650	234,500
May 2008	\$1.040	\$0.820	99,400
June 2008	\$1.000	\$0.870	223,300
July 2008	\$0.950	\$0.750	186,300
August 2008	\$0.940	\$0.510	83,200
September 2008	\$0.800	\$0.400	411,800
October 2008	\$0.450	\$0.145	1,574,900
November 2008	\$0.300	\$0.180	581,100
December 2008	\$0.345	\$0.245	145,900

January 2009	\$0.300	\$0.250	22,000
February 2009	\$0.250	\$0.200	71,000
March 2009	\$0.350	\$0.200	78,900
April 2009	\$0.700	\$0.350	267,100
May 2009	\$0.750	\$0.520	90,700
June 2009	\$0.900	\$0.600	454,500

DIRECTORS AND OFFICERS

Directors of the Company are elected at each annual general meeting of the Company and hold office until the next annual general meeting of the Company, unless the office is earlier vacated in accordance with the Articles of the Company or the Companies Law or he or she becomes disqualified to act as a director.

The only committees of the Board are the Audit Committee and the Compensation Committee.

As of the date of this Annual Information Form, the name and country of residence of each director and executive officer of Primeline, the number of the Shares beneficially owned, or controlled or directed, directly or indirectly by him, the offices held by him, his period of service as a director or officer and principal occupation during the last five years, is as follows.

Name, Place of Residence and Position with the Company ⁽¹⁾	Principal Occupation or Employment	Date First Appointed as Director	No. of Common Shares Held
Victor Yiou Hwa Hwang Hong Kong SAR, People's Republic of China <i>Chairman, President & Director</i>	Director of Financial and Strategic Development of Chyau Fwu Group ⁽²⁾ ; Director of The Hong Kong Parkview Group Ltd. ⁽³⁾ and Director and President of Primeline International, Primeline Petroleum ⁽²⁾ and Parkview International London Plc. ⁽²⁾	April 18, 1995	22,174,011 ⁽⁴⁾
Dr. Guang Ming Wang London, England <i>CEO & Director</i>	CEO of the Company, previously Vice-President, Exploration of the Company	July 12, 2000	579,250

Name, Place of Residence and Position with the Company ⁽¹⁾	Principal Occupation or Employment	Date First Appointed as Director	No. of Common Shares Held
Brian Chi Fai Chan ⁽⁵⁾ Hong Kong, SAR, People's Republic of China <i>CFO, Secretary & Director</i>	General Manager of The Hong Kong Parkview Group Ltd. ⁽³⁾ and Director of PIHI and a Professional Accountant ⁽⁶⁾	April 18, 1995	Nil
Alan P. Johnson ^{(5) (11)} London, England <i>Director</i>	Manager of Oil Projects for Glencore UK Ltd. ⁽⁷⁾	April 18, 1995	75,000
Peter C. Kelty ^{(5) (11)} Illinois, USA <i>Director</i>	Principal of Kelyard Corporation ⁽⁸⁾ and Attorney	June 13, 1995	150,000
Graeme G. Phipps ⁽¹¹⁾ Eton, England <i>Director</i>	CEO, President and a director, CEP International Petroleum Ltd. ⁽⁹⁾ ; professional geologist and geophysicist	March 27, 2006	6,700
Yunshi Cao Beijing, People's Republic of China <i>Director</i>	Retired lawyer since June 2006; formerly General Counsel of China National Offshore Oil Corp. ⁽¹⁰⁾ and General Counsel, Company Secretary and Senior Vice President of CNOOC Limited ⁽¹⁰⁾	September 21, 2006	Nil

Notes:

- (1) Information as to the place of residence, principal occupation and shares beneficially owned, directly or indirectly, or controlled or directed, has been furnished by the respective directors.
- (2) Chyau Fwu Group, Parkview International London Plc., and Primeline Petroleum are private corporations wholly owned by the Hwang family. The principal business of the first two corporations is investment holding and property development, and the principal business of Primeline Petroleum is investment in the Petroleum Contract. See "Petroleum Contract".
- (3) The Hong Kong Parkview Group Ltd. is a publicly listed company on the Hong Kong Stock Exchange controlled by the Hwang family. The principal business of The Hong Kong Parkview Group Ltd. and its subsidiaries are investment holding and property development.
- (4) 19,546,911 of these Shares are held through Primeline International, and 2,627,100 Shares are held by Mr. Hwang directly.
- (5) Member of the Company's Audit Committee.
- (6) Mr. Chan is qualified as a Professional Accountant under the Association of Chartered Certified Accountants of the United Kingdom and Hong Kong Institute of Certified Public Accountants.
- (7) Glencore UK Ltd. is based in London, United Kingdom and is a subsidiary of Glencore International AG which is a privately owned international commodity trading company.
- (8) Kelyard Corporation is a private financial and business advisory company based in Oak Park, Illinois, USA.

- (9) CEP International Petroleum Ltd. is a private international oil and gas exploration company based in Calgary, Alberta with operations offices in Petropavlovsk and Moscow.
- (10) China National Offshore Oil Corp. is the parent company of CNOOC Limited, a publicly listed company on the New York Stock Exchange and Hong Kong Stock Exchange.
- (11) Members of the Company's Compensation Committee.

Corporate Cease Trade Orders

None of Primeline's directors or executive officers, have, within 10 years prior to the date of this Annual Information Form, been a director, chief executive officer or chief financial officer of any company that:

- i. was subject to an cease trade order similar to a cease trade or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of the relevant company; or
- ii. was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

None of Primeline's directors and executive officers, or a shareholder holding a sufficient number of securities of Primeline to affect materially the control of Primeline, has within 10 years prior to the date of this Annual Information Form:

- i. been a director or executive officer of any company that, while that person was acting that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold its assets; or
- ii. become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

None of Primeline's directors or executive officers, nor any shareholder holding a sufficient number of securities of Primeline to affect materially the control of Primeline have been subject to:

- i. any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- ii. any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

SENIOR MANAGERS

Primeline's senior managers are as follows:

Name, Place of Residence and Position with the Company ⁽¹⁾	Principal Occupation or Employment	No. of Common Shares Held
<p>Andrew Biggs England <i>Senior Vice President and General Counsel</i></p>	<p>Mr. Biggs is qualified as a solicitor in England and in Hong Kong. Between 1981 and 1998, he was a partner of international law firm Richards Butler, both in Hong Kong and London. Mr. Biggs worked primarily on Hong Kong/Asian M&A and corporate finance transactions. He was involved in many of the early H-share listings of mainland Chinese Companies on the Hong Kong Stock Exchange and dealt with numerous M & A and financing transactions in China. In 1998, Mr. Biggs joined Hong Kong Parkview Group Ltd. as the Corporate Affairs Director and in-house counsel. Mr. Biggs has worked for Primeline full time since 2007.</p>	<p>226,250</p>
<p>Alan Soulsby England <i>Technical Director</i></p>	<p>Mr. Soulsby graduated from Oxford University with a degree in Physics in 1970, which he followed with a Masters in Geophysics. Since then he has had a wide and varied career in the petroleum industry. Mr. Soulsby has over 35 years of international petroleum upstream experience including managing Exploration Consultants Limited for a number of years which he was instrumental in selling to RPS Group plc in 2005. Mr. Soulsby has managed many large integrated exploration and evaluation projects including technical, cost and personnel control, all over the world. He has acted as Technical Director for Primeline since 1994. With Primeline, Mr. Soulsby has been responsible for the initial block selection and for organising the exploration programme which led</p>	<p>Nil</p>

Name, Place of Residence and Position with the Company ⁽¹⁾	Principal Occupation or Employment	No. of Common Shares Held
	to the Lishui 36-1discovery as well as ongoing evaluation work and development planning.	
<p>Steve Lawrence England</p> <p><i>Chief Geological Consultant</i></p>	<p>Mr. Lawrence graduated from Bedford College, University of London in 1971 with a B.Sc. in Geology. He worked for ECL (and subsequently RPS) for the last 30 years and has published extensively on a variety of subjects. He has wide-ranging experience as manager of integrated exploration projects all over the world and is a specialist in basin analysis and the modeling of basin development in the context of regional structure and plate tectonics. Mr. Lawrence has been involved in operations in China since the 1980s.</p>	Nil
<p>Yu Jin Shen People's Republic of China</p> <p><i>Chief Representative, China Office</i></p>	<p>Mr. Shen graduated from Beijing Geological University in 1958 majoring in oil/gas exploration and development. He has accumulated nearly 50 years of experience working in the Chinese petroleum industry. From 1959 to 1981 he worked for Shan Gan Ning Oil Fields (Ordos Basin) in northwest China, during which time he engaged in field geology, geophysical surveys, drilling operations and geological administration. In 1982 he joined China Offshore Oil Nanhai West Corporation (CONHWC), a subsidiary of CNOOC, working in the Foreign Co-operation Department. In 1993 he was appointed Deputy Manager and later Manager of the Exploration Department of CONHWC, responsible for exploration in the offshore area of western South China Sea. He retired from CONHWC in December 1997 and joined Primeline as Technical Director in Primeline's China Office. In 2002 he was appointed Chief Representative.</p>	Nil

Notes:

- (1) Information as to the place of residence, principal occupation and shares beneficially owned, directly or indirectly, or controlled or directed, has been furnished by the respective senior managers.

CONFLICTS OF INTEREST

There are potential conflicts of interest to which the directors and officers of Primeline will be subject in connection with the operations of Primeline and officers of Primeline are involved in managerial, or director positions with other oil and gas companies whose operations may, from time to time, be in indirect competition with those of Primeline or with entities which may, from time to time, provide financing to, or make equity investments in, competitors or Primeline. See “Directors and Officers”. Primeline expects that any such conflicts will be resolved in accordance with the fiduciary duties of the directors and officers in question.

Primeline is effectively controlled by Victor Hwang, its Chairman and President. Mr. Hwang is also the President and sole shareholder of PPC, the owner of 25% of the Contractors’ interest under the Petroleum Contract. In some cases, the interests of Mr. Hwang or PPC may not be the same as those of Primeline’s other shareholders, and conflicts of interest may arise from time to time that may be resolved in a manner detrimental to Primeline or its minority shareholders. See “Risk Factors”

RISK FACTORS

History of Losses of the Corporation

Primeline has incurred net losses in each of the years since the date of its incorporation. If Primeline is unable to achieve profitable operations in the future, there may be a material adverse effect on its ability to continue operations. A lack of cash flow could impede the ability of Primeline to raise capital through debt or equity financing to the extent required for continued operations or planned expansion. Accordingly, future losses may have a material adverse effect on the business, financial condition, results of operations and cash flows of Primeline.

Requirement for New Capital

Primeline will require additional financing to fund its operations. If additional financing is required, there can be no assurance that it will be available on acceptable terms, or at all. If Primeline raises additional funds by issuing equity securities, dilution to the holders of Shares may result. If adequate funds are not available, Primeline may be required to delay, scale back or eliminate portions its operations.

Volatility of the Market Price of the Shares

The market price of the Shares may exhibit significant fluctuations in response to the following or other factors, many of which are beyond the control of Primeline. The factors include variations in the operating results of Primeline, results of its oil and gas exploration activities, material announcements by Primeline or its competitors of exploration developments, strategic partnerships, joint ventures or capital commitments, general economic and political conditions in China and in the oil and gas industry, and regulatory developments. The price at which an investor purchases or acquires Shares may not be indicative of the price of the Shares that will prevail in the trading market.

Dependence on Key Management Personnel

Primeline's success is highly dependent upon the continued services of key managerial employees both in England and in China, including the Chairman and President of the Corporation, Mr. Victor Hwang, and the Chief Executive Officer of the Corporation, Mr. Ming Wang. The Corporation does not currently maintain key-man life insurance policies on any member of management. Accordingly, the loss of these key executives or one or more other key members of management could have a material adverse effect on Primeline.

Exchange Rate Risk

Primeline is exposed to currency risk to the extent that it holds cash deposits primarily denominated in US\$ and C\$, whereas accounts payable by reference to various currencies are denominated primarily in US\$, C\$, £Sterling and RMB. For the year to 31st March 2009 the approximate percentages of the accounts payable are US\$ 23%, RMB 33%, £Sterling 25%, and C\$ 18%. Therefore, fluctuation between exchange rates for C\$ and US\$, in which Primeline holds the majority of its cash deposits as against RMB and £Sterling could adversely affect Primeline and, accordingly, the market price of the Shares. Primeline believes the foreign exchange risk is currently not significant

Risks Related to Oil & Gas Exploration and Development

Exploration Risk

Oil and natural gas exploration involves a high degree of risk. These risks are more acute in the early stages of exploration. Primeline's exploration expenditures may not result in new discoveries of oil or natural gas in commercially viable quantities. If exploration costs exceed estimates, or if exploration efforts do not produce results which meet expectations, exploration efforts may not be commercially successful, which could adversely impact the ability to generate revenues from operations.

Development Risk

To the extent that Primeline succeeds in discovering oil and/or natural gas, reserves may not be capable of production levels projected or in sufficient quantities to be commercially viable. On a long-term basis, Primeline's viability depends on its ability to find or acquire, develop and commercially produce oil and gas reserves. Future reserves will depend not only on the ability to develop then-existing properties, but also on the ability to identify and acquire additional suitable producing properties or prospects, to find markets for the oil and natural gas developed and to effectively distribute production into markets. Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-downs of connected wells resulting from extreme weather conditions, problems in storage and distribution and adverse geological and mechanical conditions. While Primeline will endeavour to effectively manage

these conditions, it may not be able to do so optimally, and will not be able to eliminate them completely in any case. Therefore, these conditions could diminish revenue and cash flow levels and result in the impairment of oil and natural gas interests.

Offshore Exploration

Primeline faces additional risk due to the offshore nature of its exploration and development operations. In particular, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions or other geological and mechanical conditions.

Financing Risk

The total estimated budget for the ODP, including the cost of contracts entered into, and the cost of the regional study, amounts to approximately US\$6m of which approximately 11% has been paid. Primeline is required to fund 75% of the total ODP cost, the other 25% being borne by Primeline Petroleum. As of July 16, 2009, Primeline had cash deposits of approximately RMB2.1m, US\$3.0m and C\$4.3m. The costs of running Primeline's general operations are estimated at approximately C\$1.7m per annum. Accordingly, Primeline has sufficient funds in hand with which to complete the ODP and continue its general operations during the coming year. However, additional finance would be required in order to fund Primeline's obligations if the development proposals which are the subject of the ODP were to proceed or if Primeline was to enter into any drilling contracts. There may be various alternative financing options available to Primeline in the event that the development proposals proceed but it is likely that Primeline would be required to raise additional equity capital in order to finance any exploration drilling contracts. There can be no assurance that equity or other financing will be available, on acceptable terms or at all. Primeline is exploring all possible fund-raising possibilities for its share of development costs and for the planned exploration drilling programme.

Marketing and Distribution

To sell any oil or natural gas which it may produce from Block 25/34, Primeline and CNOOC will have to establish a production facility and an offshore pipeline for the Lishui Gas Play, and make arrangements for storage and distribution to the market. Establishment of a production facility will be costly and arrangements for storage and distribution to market will ultimately depend on the establishment of a province-wide gas grid in Zhejiang Province, connected to Wenzhou. The latter requirement is beyond Primeline's control. Infrastructure development and storage and transportation facilities may be insufficient for Primeline's needs at commercially acceptable terms. This could be particularly problematic given that operations will be conducted offshore. Primeline anticipates there will be only one gathering system and pipeline and thus Primeline's ability to market production from the Lishui Gas Play will be subject to their reliability and operations. These factors may affect Primeline's ability to explore and develop Block 25/34 and to store and transport any oil and gas production, and may increase expenses.

Operational Risk

If Primeline's operations offshore China are disrupted, business may experience a setback. These unexpected events may be due to technical difficulties, operational difficulties which impact the production, transport or sale of products, geographic and weather conditions, business reasons, political events or otherwise. Because Primeline is at the early stages of development, it is particularly vulnerable to these events. Prolonged problems may threaten the commercial viability of operations.

Lack of Diversification

Primeline's business focuses exclusively on the oil and gas industry in China. Larger companies have the ability to manage their risk by diversification. However, Primeline currently lacks diversification, in terms of both the nature and geographic scope of business. As a result, factors affecting the oil and gas industry or China are likely to impact Primeline more acutely than if its business were more diversified.

Insurance

Involvement in the exploration for and development of oil and natural gas properties may result in Primeline becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although Primeline will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, Primeline may choose not to obtain insurance to protect against specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce funds available. If Primeline suffers a significant event or occurrence that is not fully insured, or if the insurer of such event is not solvent, then Primeline would be required to fund any shortfall.

Competition for Exploration and Development Rights

The oil and gas industry is highly competitive. Other oil and gas companies will compete with Primeline by bidding for services needed to operate Primeline's business in China. This competition is increasingly intense as prices of oil and natural gas on the commodities markets have risen in recent years. Additionally, other companies engaged in the same line of business may compete with Primeline from time to time in obtaining capital from investors. Competitors include much larger, foreign owned companies, which, in particular, may have access to greater resources than Primeline, may be more successful in the recruitment and retention of qualified employees and may conduct their own marketing operations, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests.

Risks Related to Primeline's Controlling Shareholder

Primeline is effectively controlled by Victor Hwang, its Chairman and President, who directly and indirectly owns Shares representing approximately 47% of the votes attaching to all of the Shares and management share options in respect of a further 2,100,000 Shares. Mr. Hwang is also the President and sole shareholder of PPC, the owner of 25% of the Contractors' interest under the Petroleum Contract. Mr.

Hwang may be able to cause Primeline to effect corporate transactions without the consent of its other shareholders, subject to applicable law and the fiduciary duty of Primeline's directors and officers. Transactions effected between Primeline and Mr. Hwang or PPC may not be on the same terms as could be obtained from independent parties. Mr. Hwang is also able to cause or prevent a change of control of Primeline. This may have an adverse effect on the market price or value of the Shares.

Risks Related to Doing Business in PRC

PRC Political and Economic Considerations

Primeline's business operations are located in, and its revenues will be derived from, activities in PRC. Accordingly, the business, financial condition and results of operations of Primeline could be significantly and adversely affected by economic, political and social changes in PRC. The economy of PRC has traditionally been a planned economy, subject to five-year and annual plans adopted by the state, which set down national economic development goals. Since 1978, PRC has been moving the economy from a planned economy to a more open, market-oriented system. The economic development of PRC is following a model of market economy under socialism. Under this direction, it is expected that PRC will continue to strengthen its economic and trading relationships with foreign countries and business development in PRC will follow market forces and the rules of market economics. However, there is no guarantee that a major turnover of senior political decision-makers will not occur, or that the existing economic policy of PRC will not be changed. A change in policies by the PRC could adversely affect Primeline's business by changes in laws, regulations, or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, imports and sources of supplies, or the expropriation of private enterprises.

PRC Legal System and Enforcement

The Petroleum Contract is, and most of the material agreements which Primeline will enter into in the future with respect to oil and gas assets in China are expected to be, governed by Chinese law and many of those agreements will be with Chinese governmental entities or State-owned or controlled companies. The PRC legal system embodies uncertainties that could limit the legal protections available to Primeline and its shareholders. The outcome of any litigation may be more uncertain than usual because: (i) the experience of PRC judiciary is relatively limited, and (ii) the interpretation of PRC laws may be subject to policy changes reflecting domestic political changes. The laws that do exist are relatively recent and their interpretation and enforcement involve uncertainties, which could limit the available legal protections. Even where adequate law exists in China, it may be impossible to obtain swift and equitable enforcement of such law or to obtain enforcement of judgments by a court of another jurisdiction. The inability to enforce or obtain a remedy under such agreements would have a material adverse impact on Primeline.

Further, many tax rules are not published, and those that are published can be ambiguous and contradictory, leaving a considerable amount of discretion to local tax authorities. PRC currently offers tax and other preferential incentives to encourage foreign investment. However, there is no assurance that such tax and other incentives will continue to be available. There is also no guarantee that the pursuit of

economic reforms by PRC will be consistent or effective and as a result, changes in the rate or method of taxation may have a negative effect on Primeline's operating results and financial condition.

Environmental Considerations

As Primeline is involved in oil and gas exploration, it is subject to extensive environmental and safety legislation (for example, in relation to plugging and abandonment of wells, discharge of materials into the environment and otherwise relating to environmental protection) and this legislation may change in a manner that may require additional or stricter standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. There may be unforeseen environmental liabilities resulting from oil and gas activities that may be costly to remedy. In particular, the acceptable level of pollution and the potential clean-up costs and obligations and liability for toxic or hazardous substances for which Primeline may become liable as a result of its activities may be impossible to assess against the current legal framework and current enforcement practices of PRC. The extent of potential liability, if any, for the costs of abatement of environmental hazards cannot be accurately determined and consequently no assurances can be given that the costs of implementing environmental measures or meeting any liabilities in the future will not be material to Primeline or affect its business or operations. Primeline will be committed to meeting its responsibilities to protect the environment and anticipates making increased expenditures of both a capital and an expense nature as a result of the increasingly stringent laws relating to the protection of the environment in China, and will be taking such steps as required to ensure compliance with such legislation.

Under the Environmental Protection Law of PRC, the division of the State Council responsible for environmental protection has the power to set national environmental quality standards and supplement the national standards in areas where the national standards are silent. Due to the very short history of the Environmental Protection Law of PRC, national and local environmental protection standards are still in the process of being formulated and implemented. Primeline believes there are no outstanding notices, orders or directives from central or local environmental protection agencies or local government authorities alleging any breach of national or local environmental quality standards by Primeline and that Primeline has complied with all existing environmental protection laws, regulations, administrative orders and standards. Given the nature of Primeline's business, there is a possibility that Primeline will have to meet higher environmental quality standards as the economy of the PRC expands and its level of environmental consciousness increases in the future.

Reliability of Information

While the information contained herein regarding PRC and its economy has been obtained from a variety of government and private publications, independent verification of this information is not available and there can be no assurance that the sources from which it is taken or on which it is based are wholly reliable.

LEGAL PROCEEDINGS

There are no legal proceeding to which Primeline or its subsidiaries is or was a party to, or that any of Primeline's property is or was the subject of, during the most recently completed financial year, that were or are material to Primeline, and there are no such material legal proceedings contemplated that Primeline is currently aware of.

There were no: (i) penalties or sanctions imposed against Primeline or its subsidiaries by a court relating to securities legislation or by a security regulatory authority during the most recently completed financial year; (ii) other penalties or sanctions imposed by a court or regulatory body against Primeline that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements which were entered into before a court relating to securities legislation or with a securities regulatory authority during Primeline's most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, Primeline is not aware of any material transaction within the last three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Primeline involving any director, executive officer or any shareholder that beneficially owns or controls or directs, directly or indirectly more than ten (10%) percent of the voting rights attached to the Shares, or any associate or affiliates of any of the foregoing.

AUDITORS AND REGISTRAR AND TRANSFER AGENT

Primeline's auditors are PricewaterhouseCoopers LLP, chartered accountants, at 250 Howe Street, Suite 700, Vancouver, British Columbia, V6C 3S7. PricewaterhouseCoopers LLP has advised that they are independent with respect to Primeline within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

Computershare Trust Company of Canada is the transfer agent and registrar of the Shares.

MATERIAL CONTRACTS

There are no material contracts which can reasonably be regarded as presently material to Primeline in the most recently completed financial year, except for contracts entered into in the ordinary course of business, other than those previously disclosed and filed on SEDAR.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by Primeline during, or related to, Primeline's most recently completed financial year other than

McDaniel, Primeline's independent engineering evaluator and PricewaterhouseCoopers LLP, Primeline's auditors. None of the designated professionals of McDaniel had any registered or beneficial interests, direct or indirect, in any securities or other property of Primeline.

ADDITIONAL INFORMATION

Additional information relating to Primeline is available on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Primeline's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in Primeline's information circular dated October 10, 2008.

Further information on financial matters is contained in Primeline's audited financial statements and management discussion and analysis for the year ended March 31, 2009.

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