Primeline Energy Holdings Inc. (TSX VENTURE-PEH)
REVISED MANAGEMENT DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED MARCH 31, 2007 AND YEAR-END

Introduction

This revised management discussion and analysis, is dated August 22, 2007. It revises the management discussion and analysis dated July 24, 2007 (the "Original MD&A"), and takes into account information available up to that date. It should be read in conjunction with the Company's audited consolidated financial statements for year ended March 31, 2007, which have been prepared in accordance with Generally Accepted Accounting Principles in Canada. All amounts in this discussion and analysis are expressed in Canadian dollars, unless otherwise noted. The revisions to the Original MD&A are intended to:

1. Bring disclosures of resource data into compliance with National Instrument 51-101 - *Standards of Disclosure* of the Canadian Securities Administrators;
2. Correct certain typographical errors; and
3. Correct disclosures concerning hedging activities.

Cautionary Note Regarding Forward-Looking Statements

Except for historical information, the following disclosures contain forward-looking statements that are made based on management's judgment and expectations. Forward-looking statements are usually identified by words such as "expects", "intends", "estimates", "projects", "believes", "may" and "potential", and are inherently subject to risks and uncertainties beyond management's and the Company's control. These risks and uncertainties include the results of exploration, recoverability of deferred exploration costs, realisation of the Company's assets, including resources estimates; future oil and gas prices, estimated costs of future production, changes in government legislation and regulations, various operational factors and the procurement of new financing or new exploration partners to enable the Company to continue its exploration activities. Actual results may differ materially from those anticipated in the forward-looking statements. The Company assumes no obligation to update its forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such statements.

Company and Project Overview

Primeline Energy Holdings Inc. ("PEHI" or the "Company") is focussed exclusively on upstream oil and gas opportunities in China. The Company, under a Petroleum Contract with China National Offshore Oil Corp. ("CNOOC"), owns rights in and operates an exploration concession of 7,006 sq km in the East China Sea ("Block 25/34"). Primeline Energy China Ltd. ("PECL"), a wholly owned subsidiary of the Company, and Primeline Petroleum Corporation ("PPC") (collectively referred to as "Primeline"), an affiliated company, act jointly as "Contractor" under the Petroleum Contract. PECL and PPC own 75% and 25% respectively of the Contractor's interests in the 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" is required to fund all the exploration costs 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 and the operating costs required for production.

Primeline has an existing gas discovery, Lishui 36-1, within Block 25/34 through two wells with DST tested flow rates of 9.9 and 12.6 MMcfd of natural gas. There are several related prospects in the vicinity of the discovery ("Lishui Gas Play") which the Company believes have significant potential and is evaluating and planning to drill. Furthermore, the board believes that there is significant hydrocarbon potential, in addition to the Lishui Gas Play, in the remainder of Block 25/34.

Annual Progress Review

Exploration and Development Strategy

Since Primeline signed the new Petroleum Contract with CNOOC in March 2005, the Company has been focussing on the commercialisation of the Lishui 36-1 discovery and the surrounding Lishui Gas Play. To this end, during this last year, Primeline has undertaken a 3D seismic survey of an additional 550 sq km in the Lishui Gas Play and, based on the results of the interpretation of the data from that survey, is formulating an appraisal and exploration drilling programme. Primeline and CNOOC have adopted a dual strategy of continuing to explore for additional resources in the Lishui Gas Play and, at the same time, evaluating the possibility of a stand-alone fast track development for the existing Lishui 36-1 discovery.

Lishui 36-1 Gas Discovery

In late 2005, the Company contracted Hispec Research Corp. (www.hispecgeo.com), a specialist geophysical processing company, to reprocess the 233 sq km of 3D seismic data around the Lishui 36-1 gas discovery which it had originally acquired in 1998. This work was completed in April 2006 and significant improvements in the data quality were achieved. This new data enabled Primeline to undertake an in-depth evaluation of the gas discovery and produce a detailed reservoir model and a refined volumetric estimate of the resources which have resulted in a better understanding of the reservoir characteristics and which will be used for development planning.

In March 2007, McDaniel & Associates Consultants Ltd. (www.mcdan.com/) ("McDaniel") of Calgary was retained by the Company to provide independent resource estimates for Block 25/34 for filing with the TSX Venture Exchange in accordance with NI 51-101. McDaniel's report is included in the annual filing of the Company and concludes that Lishui 36-1 has a best estimate Contingent Resource (recoverable pure hydrocarbon gas) of 122 Bcf (45 Bcf Company Gross Share) of gas and 2.6 MMbbls of condensate (0.9 MMbbls Company Gross Share). The Contingent Resource estimate is based on a best estimate Discovered Original Resource (Gas Initially In Place -GIIP) for the property of 292 Bcf . It should be noted that "Contingent Resources" are not "Reserves" for the purposes of National Instrument 51-101. The report stated that the term "Contingent Resources" is used because the Company has no Reserves since "commerciality of the existing discovery, LS36-1 has not been confirmed". However, as referred to below, CNOOC and the Company are working with Wenzhou authorities in order to establish the commerciality of the existing resources. The full text of the McDaniel's report is available on the Company's website (www.pehi.com).

Lishui 36 Gas Play and New 3D Seismic Data

The main work programme for 2006 - 2007 has been to acquire additional 3D seismic data over a wider area adjacent to the Lishui 36-1 gas discovery to better evaluate the analogous and related prospects near to the existing gas discovery.

The design of the 3D survey was finalised in April 2006 and, in very competitive market conditions, the Company secured a vessel for its survey from China Oilfield Services Ltd. ("COSL") (www.cosl.com.cn), a Hong Kong Stock Exchange listed company and the leading oilfield services provider in the offshore China market. The geophysical services contract for the new 3D seismic survey was signed on May 9, 2006 and the survey commenced on May 30, using vessel Binhai 512, a four-streamer seismic vessel owned by COSL.

COSL undertook the survey in two parts. Phase One was completed by early July and Phase Two was completed on October 12, 2006 providing a total of 550 sq. km of full fold coverage 3D data within the Block.

The processing of the data, which was undertaken by COSL, included merging the new data with the existing 233 sq. km of 3D seismic data within the Block, the merged data set covering a total full fold area of 737 sq km. The Company received interim stage processing results in January 2007 and final processed data in April 2007. Interpretation of the 3D data has confirmed the existence of channel and canyon systems which are believed to influence the distribution of sand in the Basin and in the Lishui 36-1 gas discovery. The Company has mapped several prospects in this new play concept area. Geophysical features seen in the Lishui 36-1 gas discovery, particularly direct hydrocarbon indicators (DHI) such as AVO (Amplitude Versus Offset) anomalies and bright spots, are observed on these prospects. Tertiary-age channel sands are a proven play type in other parts of the world, including Western Africa and the Gulf of Mexico, and some have analogous characteristics to those observed in Block 25/34.

These nearby prospects and leads could provide significant resource additions for Primeline. McDaniel arrived at a Property Gross Risked Mean Prospective Resources for the six prospects close to Lishui 36-1 discovery (within 15 kms) of 279 Bcf of gas (103 Bcf Company Gross Share) and 7.7 MMbbls of condensate (2.8 MMbbls Company Gross Share). “Prospective Resources” are defined as quantities of oil and gas which are estimated on a given date to be potentially recoverable from undiscovered accumulations and are calculated on a probabilistic basis. McDaniel’s estimate of Prospective Resources is based on the best estimate of the Undiscovered Original Resources (or Gas Initially In Place - GIIP) for each of the six prospects ranges between 14 and 971 Bcf and the sum of the Property Gross Unrisked Mean Prospective Resources (recoverable pure hydrocarbon gas) of 792 Bcf gas and 21.8 MMbbls Condensate, and estimates of the geological chances of success for each of the six prospects ranging from 26% to 46%.

The Company held technical committee meetings (TCM) with CNOOC in April and June 2007 to review the results of the interpretation of the new data. At the TCMs, Primeline and CNOOC agreed on prospect ranking and drilling locations and the design of the proposed exploration wells commenced in June 2007.

The Company plans to drill at least one exploration well in the Lishui Gas Play and is currently in discussions with drilling contractors and CNOOC to secure a rig for the drilling programme, although rig availability is scarce in current market conditions.

Remainder of Block25/34 and Regional Prospectivity

The current 3D seismic area is only 10% of the total contract area, 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. The Board also believes that channel and canyon systems, with strong DHI support, are likely to extend across the basin. As a result, the Board believes there are additional hydrocarbon resources in the West Lishui Basin waiting to be discovered.

During the year, the Company has continued its programme of regional geological and geophysical evaluation utilising 23,000 km of 2D seismic data and information from 12 wells previously drilled in the region by other companies. This regional evaluation will identify and document the exploration potential in the Basin to provide the Company with prospect inventories that will guide future exploration work programmes in the remainder of Block 25/34 outside the Lishui 36-1 gas play area covered by 3D seismic data.

Possible Markets for Primeline's Resources

The Lishui 36-1 gas discovery is only 140 km from the major industrial coastal city of Wenzhou, which is the closest potential market for any gas production from the Block. The Company believes the development of Wenzhou's local economy and that of the entire East China Region will provide the economic demand necessary to establish a commercially sustainable local gas market price. The Company and CNOOC are continuing their negotiations with the local government and industry which, it is hoped, will lead to a gas sales contract for the existing gas resource. There are also many other nearby markets of a similar scale along the East China Coast which could provide the demand to justify an accelerated exploration programme in the remainder of Block 25/34, and both Primeline and CNOOC are investigating all possible markets.

China Energy Overview

The growth in China's economy since 1978, following the free market reforms, has resulted in a sharp increase in demand for energy. In 1996, China became a net oil importer for the first time. Ten years later, China now imports over 40% of its crude requirements, consuming over six million barrels a day. Today, China is the world's second largest oil consumer, although, on a per capita basis, China's consumption is still less than one tenth of that of the United States.

High international oil prices and environmental concerns have both served to increase world demand for natural gas. Currently, world gas consumption constitutes about 25% of the entire energy mix, whilst in China it is only about 3%. Although China's natural gas industry is still in the early stages of development, natural gas development and utilisation is a key government energy policy and construction of various major gas infrastructures has commenced in the last five years, including:

- a 4000+ km long "West to East Gas Pipeline" linking Shanghai and all the cities along the line to the gas fields in the Tarim basin. This pipeline has been operational since 2005 and there is a shortage of available gas along the line;
- LNG terminals along the coast, with the first terminal in Shenzhen having received the first shipment in May 2006, and at least six other terminals under construction and planning;

- a coastal national gas grid, intended to link major coastal cities which is currently under development; and
- new long gas pipelines are also planned to transport gas from Sichuan Basin in southwestern China to the markets on the eastern coast of China.

The gas resources located in Block 25/34 should benefit from this government initiative and improved infrastructure if commerciality can be established.

Wenzhou's New Development

Wenzhou is a city of two million people, with an administrative region covering a population of seven million, and has one of the most dynamic economies in China. The last ten years have seen continual growth in the region, with GDP tripling and export values increasing by over 12 times. Wenzhou is now one of the major manufacturing areas in China with a very high market share for products such as shoes, garments, spectacles, metal-case cigarette lighters, hardware and electrical equipment, motor car parts and pumps. Wenzhou makes 25% of all shoes sold in China and 70% of all cigarette lighters sold worldwide. Zhejiang Province, of which Wenzhou is a leading city, boasts the highest per capita incomes for both rural and urban residents of any Chinese province, excluding cities such as Beijing and Shanghai.

For many years, Wenzhou’s development has been hampered by a shortage of both land and energy resources. The local government has been working to rectify the situation by improving the infrastructure, with the construction of motorways, railways, port facilities and power stations, and by undertaking major land reclamation projects. Many of these projects have been implemented and completed in the last five years. The infrastructure project linking the mainland with large islands off the coast of Wenzhou, and the major land reclamation project will potentially shorten the distance between Block 25/34 and the potential market.

Development Feasibility

In view of the significant improvement in Chinese gas market conditions generally and the potential demand from Wenzhou, Primeline has commissioned the CNOOC research institute to carry out a feasibility study to evaluate the possibility of an early development based on the existing Lishui 36-1 discovery alone, the key parameters being the volume of gas resources, achievable gas price and development costs.

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

If the recently commissioned feasibility study is positive, the Company can then proceed with the preparation and submission of an Overall Development Plan.

Corporate Development

The Company's operations up to early 2006, were funded through the support of its major shareholder, Primeline International Holdings Inc. ("PIHI"), which is controlled by Mr. Victor Hwang. Through these operations, the Company made the Lishui 36-1 gas discovery and acquired the Petroleum Contract with its vast concession area in the East China Sea. As a result, the Company was able to obtain institutional funding to support its future exploration work when it completed a private placement of $25 million ('Private Placement'), arranged by Jennings Capital Inc., in April 2006. The net proceeds of the Private Placement amounted to $22,606,440. At the same time, PIHI converted $7.9 million of debt to shares on the same terms of the Private Placement.

As a result of the Private Placement, the Company now has a significant number of new shareholders, many from major global financial institutions. The Company is now debt free and fully funded for the work programme committed to in the current contract phase of the Petroleum Contract. The Private Placement has also served to increase the awareness of the Company in the global market place, thus strengthening the Company's ability to obtain future funding.

In July 2006, the Company announced its intention to apply for a listing on the Alternative Investment Market ("AIM") of the London Stock Exchange. If such listing proceeds, the Company intends to retain its existing TSX Venture Exchange listing. The Company is continuing its evaluation of the AIM listing option in light of its corporate and project development as well as market conditions.

On September 21, 2006 at the Company's Annual General Meeting in Vancouver, Mr. Yunshi Cao was elected as an additional non-executive director to the board of directors of the Company, and the shareholders approved the amendments to its stock option plan.

Financial Information

Results of Operations

The Company's audited results for the financial year ended March 31, 2007 were a loss of $6,068,551, compared to a loss of $588,037 for the previous year. The increase in loss of $5,480,514, or 932%, was mainly due to the recognition of stock-based compensation which increased by $6,332,240 as a result of the issue of options. During the year, the Company issued 4,500,000 and 1,200,000 options, which were granted on April 4, 2006 and December 1, 2006 respectively to directors, officers, employees and consultants. Loss per share was $0.130 (2006 - $0.024).

Liquidity and Capital Resources

As at March 31, 2007, net current assets of the Company amounted to $14,175,756, whereas net current liabilities of $171,400 were recorded in the previous year. The current ratio for the year was 15.42:1 (2006 – 0.60:1). The increase in net current assets of $14,347,156 was mainly due to the increase in cash of $14,902,393, largely resulting from the Private Placement.

During the year, exploration expenditure of $9,721,469, including a foreign exchange loss of $63,360 (2006 - $638,715, which included a foreign exchange gain of $950,579), was incurred and was financed mainly from the net proceeds of the Private Placement. As at March 31, 2007, the total amount of deferred petroleum exploration expenses incurred and capitalized amounted to $29,047,261 (2006 - $19,325,792) and may be broken down as follows:

	2007	2006
	$	$
Exploration drilling services	5,953,160	5,953,160
G & G survey and services	12,536,943	4,992,327
Interest	3,553,393	3,561,432
Deferred costs acquired	1,394,307	1,394,307
Project administration	2,103,881	1,877,368
Salaries and benefits	2,667,348	946,727
Travel and accommodation	1,094,135	919,737
Contract signing fee	539,917	539,917
Foreign exchange gain	(795,823)	(859,183)
	29,047,261	19,325,792

The increase of $6,381,984 in Geological and geophysical survey acquisition and processing from 2006 to 2007 reflected the costs of the seismic survey of the Lishui Gas Play undertaken in 2006, and of interpreting the data gathered. The increase of $1,720,621 in salaries and benefits largely reflected capitalisation of $1,385,843 of stock based compensation in 2007 (Nil in 2006).

Project administration costs may be further broken down as follows:

	2007	2006
	$	$
Bank charges	10,649	9,807
Consulting fees	168,816	168,816
Office rental	1,225,716	1,103,703
Sundry expenses	473,350	397,273
Postage	24,354	22,965
Printing and stationery	21,141	20,594
Professional fees	124,379	103,270
Telephone	55,476	50,940
	2,103,881	1,877,368

The Company had total assets of $44,206,048 (2006 - $19,587,949) which were financed by net shareholders' equity of $42,765,689 (2006 - $10,831,886), and current liabilities of $983,031 (2006 - $433,557). Advances from the Company's controlling shareholder, PIHI, was nil (2006 – $8,322,506)

In previous years, the Company had been financially supported by PIHI in order to enable it to carry out its exploration programme and day-to-day operations. This support was provided by way of shareholder's loans. The Private Placement and debt conversion on April 4, 2006 provided the Company with sufficient funds to complete its minimum commitments under Phase 1 of its exploration program and support its general and administration activities for the year. During the year, expenditure on deferred petroleum exploration costs of $7,548,790 was financed from the proceeds of the Private Placement.

As at March 31, 2007, the Company had net current assets of $14,175,756 (2006 – net current liabilities of $171,400) and had a deficit of $8,418,630 (2006 - $2,350,079). The Company has sufficient funds to meet its minimum commitments under Phase 1 of its exploration programme and support its general and administration activities for the next year, see "Company and Project Overview".

Financial Instruments

Interest rate exposure
The Company maintains cash which is not presently required for operations on deposit which earns interest at a floating rate. The Company also maintains a bank overdraft, which funds day to day working capital, which bears interest at a floating rate.

Fair value of financial assets and liabilities
The fair values of cash and cash equivalents, accounts payable and accrued liabilities approximate to their carrying values due to the short term to maturity of those instruments.

The Company is exposed to currency risk to the extent that certain cash deposits are denominated in Canadian Dollars whereas accounts payable are denominated in US Dollars and RMB. The Company adopted C$/US$ hedging instruments during the year to mitigate the impact of such currency risk.

Transactions with Related Parties and Directors

During the year ended March 31, 2007, the Company paid or received the following from related parties:

a) London office rent of $82,575 (2006 - $86,412) to a company under common control. The shareholder of that company is also the shareholder of the Company's ultimate holding company, PIHI, a private British Virgin Islands corporation, all of the issued and outstanding shares of which are beneficially owned by Mr. Victor Hwang, President and a director of the Company, and members of the Hwang family. The offices in London were occupied by the Company pursuant to a licence agreement dated October 1, 1993, pursuant to which space, office facilities and staff are made available to it.
b) fees and expenses of $27,175 (2006 - $28,272) to a company controlled by Mr. Peter Kelty, a director for investor relations, securities and exchange matters and other administrative services.
c) advances of $132,207 (2006 - $nil) from a company under common control. The shareholder of that company is also the shareholder of the Company's ultimate holding company PIHI.

These transactions, which occur in the normal course of operations, are measured at the exchange amount, which is the amount of the consideration established and agreed to between the Company and the related parties.

Other related party balances are disclosed elsewhere in these consolidated financial statements.

Recent Canadian Accounting Pronouncements

Effective April 1, 2007, the Company is required to adopt CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" ("CICA 3855"). CICA 3855 establishes standards for recognizing and measuring financial assets and liabilities, and non-financial derivatives. All financial assets, except those classified as held to maturity, and derivative financial instruments must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. Investments available for sale will be recorded at fair value with the unrealized gains or losses recorded through comprehensive income. The Company does not expect its financial position or results to be impacted by this standard.

Effective April 1, 2007, the Company is required to adopt CICA Handbook Section 3865, "Hedges" ("CICA 3865"). Management believes that CICA 3865 will have no impact on the Company.

Effective April 1, 2007, the Company is required to adopt CICA Handbook Section 1530, "Comprehensive Income" ("CICA 1530") and CICA Handbook Section 3251, "Equity" ("CICA 3251"). CICA 1530 establishes standards for reporting and presenting certain gains and losses normally not included in net earnings or looses, such as unrealized gains and losses relating to available for sale securities, in a statement of comprehensive income. CICA 3251 establishes standards for the presentation of equity and changes in equity as a result of the new requirements of CICA 1530. The Company is evaluating the impact of this standard on its consolidated financial statements.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings, that the Company's disclosure controls and procedures as of the end of such period are effective to provide reasonable assurance that material information related to the Company, is made known to them by others within those entities. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure and controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

In reaching their conclusion, the Chief Executive Officer and Chief Financial Officer recognized that two key factors must be and are present:

a) the Company is very dependant upon its advisors and consultants (principally its legal counsel) to assist in recognising, interpreting, understanding and complying with the various securities regulations disclosure requirements; and
b) an active Board and management with open lines of communication.

The Company has a small staff with varying degrees of knowledge concerning the various regulatory disclosure requirements. The Company is not of a sufficient size to justify a separate department or one or more staff member specialists in this area. Therefore the Company must rely upon its advisors and consultants to assist it and as such regular consultations and open communication between such consultants and advisors and management forms part of the Company's disclosure controls and procedures.

Proper disclosure necessitates that management not only be aware of the pertinent disclosure requirements, but also is sufficiently involved in the affairs of the Company and receives communication of information on a timely basis to assess any necessary disclosure requirements. Accordingly, it is essential that there be proper communication among those people who manage and govern the affairs of the Company, this being the Board of Directors and senior management. The Company believes this communication exists.

While the Company believes it has adequate disclosure controls and procedures in place, lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should such occur, the Company will take whatever steps necessary to minimize the consequences thereof.

Outstanding Share Data

On April 4, 2006, the Company completed the Private Placement and a debt conversion which resulted in the issue of 21,933,333 additional voting common shares and 11,799,999 warrants, each exercisable to acquire one common share at a price of $2.00 per share. Each warrant is exercisable on or before April 4, 2008. The warrants will, after October 4, 2006, be subject to a forced conversion, at the option of the Company, if the common shares trade at or above $3.00 per share for a period of 20 consecutive trading days, in which case the warrants will expire on the 20th calendar day following the date that notice of the forced conversion is sent to the warrant holders. On April 4, 2006, the Company granted 4,500,000 options at an exercise price of $1.50 per share to directors, officers, employees and consultants, of which 4,300,000 options are outstanding and will expire on April 4, 2011. In addition, on December 1, 2006, the Company awarded options to its non-executive directors, management and consultants to purchase up to 1,200,000 common shares at an exercise price of $1.60 per share of which 650,000 options will expire on May 31, 2008 and the balance of 550,000 options will expire on November 30, 2011.

As at July 24, 2007, there are 47,020,623 common shares, 11,799,999 warrants and 5,500,000 stock options outstanding.

Quarter ended March 31, 2007

The Company incurred a loss for the quarter ended March 31, 2007 of $5,288,504 compared to $174,462 for the prior year quarter. The increase in loss was mainly due to the recognition of a $5,072,613 stock-based compensation charge during the quarter, arising from the issue of options and a $109,950 increase in professional fees.

During the quarter, exploration expenditure of $2,458,030 was incurred, comprising mainly salaries and benefits of $1,483,811, of which $1,385,843 was stock based compensation, technical evaluations and management costs of $412,104 and geological and geophysical survey acquisition and processing costs of $287,178. Such amounts were capitalized as deferred petroleum exploration expense.

Selected Annual Information

The following information has been extracted from the Company's audited financial statements:

Years Ended March 31,	2007 $	2006 $	2005 $
Net loss:	(6,068,551)	(588,037)	(215,693)
Per basic share	(0.130)	(0.024)	(0.009)
Per diluted share	(0.130)	(0.024)	(0.009)
Total assets	44,206,048	19,587,949	18,774,889
Total long-term financial liabilities	457,328	8,322,506	7,868,298

The increase in loss of $372,344 between 2006 and 2005 was mainly due to an increase of $113,305 in professional fees and an increase of $210,151 in stock-based compensation. The loss of $5,480,514 between 2007 and 2006 was mainly due to the recognition of $6,567,399 of stock-based compensation.

Summary of Quarterly Results (Unaudited)

Quarter Ended	2007 Mar 31 $	2006 Dec 31 $	2006 Sep 30 $	2006 Jun 30 $
Net (loss)profit:	(5,288,504)	276,262	(560,212)	(496,097)
Per basic share	(0.113)	0.006	(0.012)	(0.011)
Per diluted share	(0.113)	0.006	(0.012)	(0.011)

Quarter Ended	2006 Mar 31 $	2005 Dec 31 $	2005 Sep 30 $	2005 Jun 30 $
Net loss:	(174,462)	(101,306)	(213,424)	(98,845)
Per basic share	(0.007)	(0.004)	(0.009)	(0.004)
Per diluted share	(0.007)	(0.004)	(0.009)	(0.004)

The loss of $213,424 for the quarter ended September 30, 2005 was mainly due to professional fees of $79,847 paid and stock-based compensation of $107,789 recognised in the quarter. The profit for the quarter ended December 31, 2006 of $276,262 was mainly due to a foreign exchange gain of $685,618 offset by an increase in stock-based compensation of $528,600.

The loss for the quarter ended March 31, 2007 of $5,288,504 was mainly due to professional fees of $109,950 paid and stock-based compensation of $5,072,613 which was recognised.

PEHI has a Vancouver investor relations representative, Irene Yu, 1-877-818-0688. PEHI has a website at www.primelineenergy.com or www.pehi.com. The site features information on PEHI, new releases, background information, technical summary, location maps and photographs.