



# Primeline Energy Holdings Inc.

Annual Information Form  
For the Year Ended March 31, 2017

July 31, 2017

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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
“Blocks”	Block 25/34 and Block 33/07
“Block 25/34”	the contract area in the East China Sea offshore Zhejiang Province in China that is the subject of Petroleum Contract 25/34, with a current contract area of 84.7 sq kms
“Block 33/07”	the contract area in the East China Sea offshore Zhejiang Province in China that is the subject of Petroleum Contract 33/07, with a current contract area of 4,397 sq kms
“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
“Bonds”	the unsecured convertible bonds issued by Primeline to GRF Prime pursuant to the Subscription Agreement
“CAD\$”	Canadian Dollars
“CCL”	CNOOC (China) Limited, a subsidiary of CNOOC Ltd. which is listed on the New York and Hong Kong Stock Exchanges
“CDB”	China Development Bank
“China” or “PRC”	the People’s Republic of China
“CNPC”	China National Petroleum Corp., a company incorporated in China, which is the main state-owned oil exploration and production company in China, focused on onshore China
“CNOOC”	China National Offshore Oil Corporation, a state-owned company incorporated in China, which is the holding company for CNOOC Ltd., COSL and Offshore Oil Engineering Co. Ltd. and, through CNOOC Ltd., CCL.

References herein to CNOOC include its subsidiaries

“COSL”	China Oilfield Services Limited, a company incorporated in China and listed on the Hong Kong and Shanghai Stock Exchanges
“Companies Law”	the Companies Law (2013 Revision), as amended, of the Cayman Islands
“Contractors”	the foreign contractors as defined in the Petroleum Contracts, namely Primeline Energy and Primeline Petroleum acting jointly
“Development”	the development of LS36-1 pursuant to the ODP
“Development Agreements”	the SDA, JOA and Implementation Agreement
“Directors”	the directors of Primeline
“EXIM”	The Export-Import Bank of China
“Exchange” or “TSX-V”	the TSX Venture Exchange
“Gas Sales Contract”	the agreement dated October 29, 2014 entered into between Zhejiang Gas and CCL in relation to the sale of natural gas from the LS36-1 Gas Field
“GEMS”	GEMS Investment Management Services Limited, a Hong Kong based manager of private equity funds
“GRF Prime”	GRF Prime Limited, a private equity fund managed by GEMS
“Implementation Agreement”	the agreement dated March 17, 2010 between CNOOC, Primeline and PPC relating to the implementation of the development of the LS36-1 Gas Field
“JOA”	the Joint Operating Agreement dated March 17, 2010 between CCL, Primeline and PPC setting out the detailed terms on which LOC acts as operator for the development and production operations for the LS36-1 Gas Field
“JMC”	the Joint Management Committee for Block 25/34, in which CNOOC and Primeline have equal voting rights and decision

	making power
“LS35-3-1”	the gas discovery well located within Block 33/07, approximately 14.5 km south west of LS36-1, which was drilled in April and May 2010
“LS36-1”	the LS36-1 gas discovery, which was delineated by 3D seismic and two successful wells, (LS36-1-1 and LS36-1-2) located in Block 25/34 approximately 100km from the coast of Zhejiang Province, China
“LS36-1 Gas Field”	the accumulation of gas within the LS36-1 geological trap which was developed during 2010-2014 and has been in production since July 2014.
“Lishui Basin”	the geological basin located in the western part of East China Sea where LS36-1 and LS35-3 are located
“Lishui Gas Play”	LS36-1, LS35-3 and related analogous prospects and leads in the immediate surrounding area
“LOC”	CNOOC (China) Limited Lishui Operating Company, a non-legal entity and wholly owned subsidiary of CCL
“McDaniel”	McDaniel & Associates Consultants Ltd. of Calgary, an international petroleum consulting firm
“MOA”	the Memorandum of Agreement dated July 15, 2011 between PECL, PPC and CNOOC relating to the amendment of Petroleum Contract 25/34 and the grant of Petroleum Contract 33/07
“Mr Hwang”	Victor Yiou-Hwa Hwang, the Chairman, President and controlling shareholder of the Company
“NDRC”	the National Development and Reform Commission of China
“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 Program relating to the

	development of the LS36-1 Gas Field
“Petroleum Contract 25/34”	the Petroleum Contract dated March 24, 2005 entered into between CNOOC, PECL and PPC in respect of Block 25/34, as amended
“Petroleum Contract 33/07”	the Petroleum Contract dated June 15, 2012 entered into between CNOOC, PECL and PPC in respect of Block 33/07, as amended
“Petroleum Contracts”	Petroleum Contract 25/34 and Petroleum Contract 33/07
“Primeline”, “PEHI” or “the Company”	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” or “PIHI”	Primeline International (Holdings) Inc., a company incorporated in the British Virgin Islands which is wholly owned by Mr 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 and a wholly owned subsidiary of Primeline
“RMB”	Chinese Yuan Renminbi, the lawful currency of China
“SDA”	the Supplemental Development Agreement dated March 17, 2010 between CNOOC, Primeline and PPC relating to the development of the LS36-1 Gas Field
“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”	ordinary shares of a nominal or par value of US\$0.001 each in the capital of Primeline
“Sinopec”	China Petroleum and Chemical Corp., which is the main state-owned petrochemical company in China
“SPDB”	Shanghai Pudong Development Bank
“Stock Option Plan”	the stock option plan of Primeline
“Subscription Agreement”	means the subscription agreement between Primeline and GRF Prime dated June 5, 2015 providing for the terms of the issue and purchase of the Bonds
“Syndicate Facility”	the syndicated loan facility in the amount of US\$274 million made available to PECL and PPC by CDB, EXIM and SPDB pursuant to a facility agreement dated 17 <sup>th</sup> November 2104 in order to finance the obligations of PECL and PPC in relation to the Development
“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 which owns and operates the Zhejiang provincial natural gas grid.

#### **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
“boes”	Barrels of oil equivalent
“bbls”	Barrels of oil



“bbls/d”	Bbls per day
“bcf”	Billion (10 <sup>9</sup> ) cubic feet
“bcm”	Billion (10 <sup>9</sup> ) 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.
“DST”	Drill Stem Test
“ft”	Feet
“HSE”	Health, Safety and Environment
“Km”	Kilometre
“Sq Km”	Square kilometre
“LNG”	Liquefied Natural Gas
“MD”	Measured Depth
“m”	Metres
“Mcf”	Thousand (10 <sup>3</sup> ) standard cubic feet
“MMbbls”	Million (10 <sup>6</sup> ) Barrels
“MMcf/d”	Million cubic feet per day
“MMcf”	Million (10 <sup>6</sup> ) standard cubic feet
“MMcf/d”	Million (10 <sup>6</sup> ) 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, and are to be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

- Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves; and
- at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

“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 sq km	Equals	247.1 acres
1 RMB	Equals	US\$0.149 and CAD\$0.186 as of July 31, 2017.

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Information Form is dated July 31, 2017. Unless otherwise stated, information is presented as of March 31, 2017. It should be read in conjunction with Primeline's audited consolidated financial statements and related notes for the year ended March 31, 2017.

Some of the following disclosures contain forward-looking statements, which involve inherent risk and uncertainty affecting the business of Primeline. A number of these statements relate to Primeline's expectations with respect to the outcome of its arbitration action with CNOOC. However, they also relate to issues which might arise before the conclusion of the arbitration, such as: the financing of, and the results of, Primeline's exploration programme; and assumptions that production from LS36-1 will proceed in accordance with the Gas Sales Contract and other relevant agreements. While these statements are based on assumptions that management considers reasonable, actual results may vary from those anticipated. Sufficient cash flow and/or external finance may not be available to Primeline for exploration and it may then be in breach of its obligations under Petroleum Contract 33/07. Zhejiang Gas may not comply fully with its obligations under the Gas Sales Contract. The arbitration proceedings against CNOOC and CCL may not be successful. Any such event may materially and adversely affect Primeline's financial position. Exploration for oil and gas is subject to the inherent risk that it may not result in a commercial discovery. Forward-looking information and statements contained in this Annual Information Form are made as of the date of this document and Primeline undertakes no obligation to update or to revise any forward-looking information or statements except as required by applicable law.

## **PRIMELINE**

Primeline Energy Holdings Inc. 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, Uglan 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 and its Shanghai office is located at Suite 1209, Tower 3, Changning Raffles City, Shanghai, 200051, PRC.

Primeline Energy, or PECL, is a wholly owned subsidiary of Primeline and was also incorporated under the Companies Law.

Primeline Petroleum, or PPC, is a wholly owned subsidiary of Primeline and was incorporated in the British Virgin Islands.

Primeline Operations, or PEOIL, is a wholly owned subsidiary of Primeline and was also incorporated under the Companies Law. It is the operator under Petroleum Contract 33/07.

Primeline has no other subsidiaries.

Primeline is focused exclusively on upstream oil and gas opportunities in the PRC. Through its subsidiaries PECL and PPC, it is a party to the Petroleum Contracts and holds a 100% share of the Contractors' interest in Petroleum Contract 33/07 and a 49% share of the interest in Petroleum Contract 25/34.

CCL, a subsidiary of CNOOC, is the Operator under Petroleum Contract 25/34, in which the producing LS36-1 Gas Field, which is the Company's sole source of revenue, is located.

Primeline International, a company controlled by Mr. Hwang, holds Shares representing 47.79% of Primeline's issued and outstanding Shares. Mr. Hwang also holds directly Shares representing 17.86% of Primeline's issued and outstanding Shares.

Primeline's authorized share capital is US\$500,000 divided into 500,000,000 Shares and the current issued capital is 190,735,412 Shares. The Shares are listed on the TSX-V.

### **Business of Primeline**

The Company has one operating segment, which is the exploration of oil and gas properties located in the PRC.

The Company owns exploration and development rights in the East China Sea pursuant to the Petroleum Contracts, both entered into between CNOOC and PECL and PPC, dated March 24, 2005, and June 15, 2012, respectively. PECL and PPC act jointly as the "Contractor" under the Petroleum Contracts.

Block 25/34 covers an offshore area of 84.7 sq. km, being the development and production area for the LS36-1 Gas Field. CCL holds a 51% interest and, as referred to above, Primeline holds a 49% interest through PECL and PPC.

Block 33/07 covers an offshore area of 4,397 sq. km (1.08 million acres) enclosing Block 25/34 and Primeline owns the Contractor's interest 100%, again through PECL and PPC. The Contractor is responsible for 100% of the exploration costs and CNOOC has the right to participate in up to 51% of any commercial development.

Primeline and CNOOC agreed to implement a rolling development and exploration strategy in the Lishui Basin, with CCL operating the LS36-1 Gas Field and its production under Petroleum Contract 25/34 and Primeline leading the effort on exploration under Petroleum Contract 33/07. LS36-1's production infrastructure is the first gas facility in the southern part of the East China Sea and could become a hub for successful exploration and development work in the remainder of the petroliferous Lishui Basin.

### **History of Primeline**

The Hwang family originally established PPC in 1993 to capitalise on upstream petroleum business opportunities generated by China's dynamic economic growth. In December 1994, PPC signed a petroleum contract with CNOOC for a contract area of 4,500 sq km in the East China Sea known as Block 32/32.

In April 1995, PPC assigned 75% of its interest in the petroleum contract for Block 32/32 to PECL. At the same time, PPC and PECL jointly designated PEOIL as the operator of Block 32/32.

In July 1995, Primeline acquired all of the shares of PECL and PEOIL and the Shares were listed under the symbol PEH on the Vancouver Stock Exchange, which has since become the TSX-V.

In 1997, Primeline made the LS36-1 gas discovery and became the first international oil company to discover a commercial quantity of gas in the East China Sea, other international majors having failed in their efforts under petroleum contracts issued in the Chinese Fourth Rounding Bidding in the East China Sea. Primeline joint-ventured with CNOOC on the appraisal of the discovery in 2000 and 2001 but, due to natural gas market conditions in China at the time, did not proceed with the development of LS36-1.

In March 2005, the petroleum contract for Block 32/32 was allowed to lapse and Petroleum Contract 25/34 was entered into. Block 25/34 encompassed a larger area while including the material parts of the original Block 32/32.

As a result of an improvement in market conditions, Primeline and CNOOC began the process of developing LS36-1 in 2007 and signed the Gas Sale Agreement in Principle in 2008. In 2009, Primeline and CNOOC prepared the initial ODP for the Development and, in 2010, Primeline signed the Development Agreements with CNOOC, which defined the development area for the LS36-1 Gas Field, comprising 84.7 sq kms, and appointed CCL as operator for the Development.

During 2010-2014, CCL, as Operator, carried out work on the LS36-1 development including the production platform, subsea pipeline, development wells and onshore processing terminal. On May 16, 2014, CCL notified Primeline that final approval of the ODP for LS36-1 had been granted by the NDRC. The last part of the development work required to be completed before going into production was the last 3 km of sales gas pipeline linking to the off-taker's substation and facility, which was completed in June 2014. The final connection with the infrastructure of the buyer, Zhejiang Gas, was made on July 1, 2014. Joint commissioning of the upstream and downstream facilities commenced on July 8, 2014 and trial gas production from LS36-1 commenced on July 16, 2014.

In October 2014, CCL and Zhejiang Gas signed the Gas Sales Contract. This superseded the previous agreements relating to gas sales which had been entered into with Zhejiang Gas which provided the commercial support for the development of LS36-1. The Gas Sales Contract was entered into between CCL (acting for themselves and as agent for Primeline) and Zhejiang Gas and finalised the commercial terms which had previously been negotiated, including gas quality, take or pay principles, base price and annual quantity.

The costs of the LS36-1 Gas Field development were financed by the Syndicate Facility under a facility agreement which was entered into in November 2014 with draw down being completed in December 2014, when PECL and PPC repaid to CNOOC the funding that had been made available by CNOOC under the Development Agreements.

After a successful trial production period, commercial production of LS36-1 under Petroleum Contract 25/34 commenced on December 1, 2014, which marked the commencement of the 15 year production period under the Petroleum Contract, with the production area being confirmed as the same as the development area. The production period may be extended by agreement between the parties in the event that additional gas resources are discovered which can be conveniently tied into transported and processed using the production facility. In July 2016, Primeline increased its interest in Block 25/34 from 36.75% to 49% and its interest in Block 33/07 from 75% to 100% through the acquisition from PIHI and Mr Hwang of the entire issued share capital of and benefit of shareholder loans to PPC, pursuant to a share sale and purchase agreement dated June 26, 2015 which was approved by shareholders of Primeline in general meeting.

The LS36-1 Gas Field has now been in production and selling gas to Zhejiang Gas for approximately three years. The total development cost paid by the Company for LS36-1 up to March 31, 2017 was RMB 1,927 million (CAD\$358,422 million) including the management charge for CNOOC's carry of the development costs from 2010 to 2014. The Development has established access to the Zhejiang provincial gas grid in Eastern China, and, together with the production infrastructure, enhances the value of LS36-1's incremental reserves and Prospective Resources and any additional resources, which may be discovered in Block 33/07. In addition to the production and cash flow from the first phase, the main benefit of LS36-1 is that, on the basis of the current production from the LS36-1 Gas Field, the production infrastructure has spare capacity. Such spare capacity is anticipated to allow the Company to capitalise on its access to the Chinese gas market through exploration in the remainder of Block 33/07.

Primeline progressed the exploration work in Block 33/07 and in late 2015 Primeline completed a cost effective, smooth drilling operation of two exploration wells, LS23-1-1 and LS30-3-1, both of which encountered very good sandstone reservoirs, as predicted, and gas shows, but were not commercial. Primeline then completed its post well evaluation of the two exploration wells to fully assess the remaining prospectivity in Block 33/07, following which it agreed with CNOOC that it would enter the second exploration phase under Petroleum Contract 33/07, which is for two years from 1st May 2016. By entering into the second exploration phase, Primeline agreed to relinquish 25% of the contract area held under Petroleum Contract 33/07.

During 2015 and 2016, disputes arose which resulted in Primeline commencing arbitration proceedings against Zhejiang Gas with regard to the terms of the Gas Sales Agreement and, separately, against CCL and CNOOC with regard to the actions of CCL as agent for the gas sales and as operator in relation to the development of the LS36-1 Gas Field. The dispute with Zhejiang Gas was settled in March 2017 and the relevant arbitration proceedings were withdrawn. The arbitration with CCL and CNOOC is continuing. Further details are provided below under the heading “Disputes with Buyer and Operator”.

Primeline presently has 25 employees.

## **Petroleum Contracts**

Petroleum Contract 25/34 provided for an initial exploration period with a development period and a production period for each commercial development. The exploration period was originally for seven years commencing on May 1, 2005, split into three phases lasting three, two and two years respectively. However, as a result of subsequent amendment agreements, the first phase was extended to four years with the second and third phases remaining at two years each. The first phase ended on April 30, 2009 and Primeline elected to proceed to the second phase, which was due to end on April 30, 2011 although that was subsequently extended to July 31, 2011.

In March 2010, following the completion of the ODP and confirmation of the commerciality of the LS36-1 Gas Field, CNOOC and Primeline entered into the Development Agreements which are supplemental to Petroleum Contract 25/34 and which set out the terms on which the parties agreed to proceed with the Development.

In July 2011, CNOOC, PECL and PPC entered into the MOA which further amended Petroleum Contract 25/34 so that no further exploration operations would be carried out under that contract, except the continuing development and production operations in relation to the LS36-1 Gas Field, and the contract area was relinquished save for the development area for LS36-1 of 84.7 sq kms.

Subsequently, on June 15, 2012, pursuant to the MOA, CNOOC, PECL and PPC entered into Petroleum Contract 33/07 which covered the same area as that previously held under Petroleum Contract 25/34 but with an additional adjacent area to the east making a new area of 5,877 sq kms



Petroleum Contract 33/07 was approved by the Ministry of Commerce of China and became effective on November 1, 2012. It granted a seven year exploration period divided into three exploration phases of three, two and two years each, with a minimum work commitment in the first phase of two exploration wells to 2,500 metres plus 600 sq. kms of 3D seismic. The commitment for each of the second and third phases is one exploration well to 2,500 metres. The phase one exploration period was extended by CNOOC, to 3.5 years, in September 2015.

Under the terms of Petroleum Contract 33/07, future discoveries in Block 33/07 (and any CNOOC self-financed discoveries nearby if there is spare capacity and subject to payment of operational costs) will enjoy the right to free use of the LS36-1 Gas Field production facilities. The Contractors are responsible for all costs incurred during the exploration phases with the option to terminate Petroleum Contract 33/07 at the end of each phase. The production period is for 15 years in relation to each commercial development. Petroleum Contract 33/07 is on the same favorable fiscal terms as Petroleum Contract 25/34, with no royalties being payable on production below 194 MMcf/d and no government production sharing below 340 MMcf/d for each production field within Block 33/07.

The work commitment for the first exploration phase under Petroleum Contract 33/07 was to complete 600 sq kms of 3D seismic and drill two exploration wells. The 3D seismic was completed in early 2015 and Primeline completed two exploration wells, LS23-1-1 and LS30-3-1 in late 2015, and accordingly the work commitment for the first exploration phase was satisfied.

At the end of April 2016, Primeline elected to enter the second exploration phase, which commenced on May 1, 2016 for 2 years and carries a commitment of one exploration well. Before entering into this phase, Primeline relinquished 25% of the original contract area in accordance with the Petroleum Contract, so the contract area was reduced from 5,877 sq km to 4,397 sq km.

Accordingly, with the LS36-1 Gas Field now in gas production under Petroleum Contract 25/34, Primeline is continuing with the exploration effort under Petroleum Contract 33/07 pursuant to which Primeline continues to have a significant exploration area around LS36-1 until April 2020.

Block 25/34 and Block 33/07 are Primeline's only oil and gas properties and Primeline's business is therefore entirely economically dependent on the Petroleum Contracts. Because the Blocks are within the jurisdiction of the PRC, Primeline's business is entirely dependent on operations in the PRC. See "Risk Factors".

## **Exploration History**

Primeline's sole asset is its 100% share of the Contractors' interest in Petroleum Contract 33/07 and its 49% interest in Petroleum Contract 25/34. Block 33/07 originally covered substantially the same area as the previous Block 25/34 (before relinquishment), and Block 32/32 before that, with a water depth of between 75 and 90 metres, and is located approximately 100 km from the coast of Zhejiang Province.

Primeline and CNOOC agreed to implement a rolling development and exploration strategy in the Lishui basin, with CCL being responsible for the development and production in Block 25/34 and Primeline leading the effort on exploration under Petroleum Contract 33/07. Primeline is

focusing its efforts on step out exploration of the nearby prospects to expand the current resource base following the creation of the production facility for LS36-1 and commencement of production.

Different Chinese companies explored the area covered by the Blocks in the 1980s. Various sets of seismic data were shot and four wells drilled by the Ministry of Geology and CNOOC in the 1980s, two of which, Lingfeng-1 (1985) and Shimentan-1 (1987), encountered significant hydrocarbons. The area was opened for foreign oil company investment in 1993 in the China offshore fourth round bidding when over 20 companies participated.

After acquiring the interest in Block 32/32 in the China offshore fourth round bidding in 1994, Primeline carried out a detailed technical evaluation of the area of Block 32/32 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 LS36-1 as the target for its first exploration.

LS36-1-1 was spudded on July 25, 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. LS36-1-1 was then plugged and abandoned as a gas discovery.

In 1998, Primeline completed a 233 sq km 3D seismic survey of the area surrounding LS36-1-1. The data was processed and interpreted in 1999.

LS36-1-2 was spudded on June 1, 2000 and reached a TD of 2,900 m. The well encountered and confirmed similar reservoir quality and characteristics to LS36-1-1. 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.

In late 2001, a second appraisal well (LS36-1-3) was drilled. LS36-1-3 was an aggressive step out well, 7 km away from LS36-1-1, and failed to encounter any hydrocarbons.

Following the expiry of Block 32/32, Primeline signed Petroleum Contract 25/34 with CNOOC. Primeline then acquired an additional 550 sq km of 3D seismic in 2005 which, merged with the previous 3D seismic data, covers a total 3D seismic area of 737 sq km. Primeline carefully evaluated the prospectivity of the 3D area and mapped out several prospects. These nearby prospects and leads in the basin system near LS36-1-1 have been the main focus of Primeline's exploration and development programme.

As part of that programme, Primeline drilled an exploration well at one of the prospects, LS35-3-1, which was spudded on April 12, 2010 and reached a TD of 2,908m and which also resulted in a hydrocarbon discovery.

LS35-3 is approximately 14.5 km from the LS36-1 discovery and is one of several channel system prospects Primeline identified in the adjacent area. In the test programme for the LS35-3-1 well, gas was flowed from one of the test zones and the well was declared as a gas discovery although the levels of gas found were insufficient for the discovery to be regarded as

commercial. This discovery is significant in that it confirmed that hydrocarbons have migrated to and are trapped in the west flank of the West Lishui Basin, the majority of which is inside the current Block 33/07. The LS35-3-1 discovery is also the first surface flow of natural gas from a low permeability reservoir in the southern East China Sea. This is significant, not only for further exploration in Block 33/07, but also for upside in the LS36-1 Gas Field, which has over 200 metres of gas-bearing low-permeability reservoirs, which are directly below the gas zone being developed. Success in flowing gas at reasonable rates from these deeper, tighter reservoirs could convert some of the gas-in-place in the lower sands at LS36-1 Gas Field into producible reserves. Any gas produced from these lower zones would significantly enhance the economics of the LS36-1 Gas Field as production would be through the same infrastructure, which was financed by the production from the upper zone.

Following the signing of Petroleum Contract 33/07, in 2014, Primeline acquired an additional 600 sq. km 3D seismic data within Block 33/07. Processing of the 3D data was completed in April 2015 and then Primeline proceeded with the drilling operation for two exploration wells - LS23-1-1 and LS30-3-1.

Primeline spudded the well, LS23-1-1, on September 23, 2015 and reached a TD of 2,666m on October 21, 2015 and wireline logging data was subsequently acquired. The well encountered sandstone units of Paleocene and early Cretaceous age, drilling through the geological sequence as anticipated and finished in basement rock. It discovered several zones of gas bearing sandstone and evaluation of logging data indicated total cumulative net pay thickness of 14 metres. The second well of 2015 work programme LS30-301 spudded on November 13 which is located approximately 20km north of the LS36-1 gas field platform - targeting a large channel sand prospect. When the well reached the planned TD of 1800m, Primeline decided to deepen the well, drilling to a TD of 2000m on November 27 with electronic log data being collected during November 27-30.

Although both wells encountered very good sandstone reservoirs as predicted and gas shows, they were not commercial.

At the end of April 2016, Primeline elected to enter the second exploration phase under Petroleum Contract 33/07 and expects to drill one well prior to the date the second exploration phase ends, on April 30, 2018. By entering into this phase, Primeline agreed to relinquish 25% of the original contract area under Petroleum Contract 33/07.

## **LS36-1 DEVELOPMENT AND PRODUCTION**

On March 17, 2010, PECL, PPC, CNOOC and CCL signed the Development Agreements which comprise the SDA, the JOA and the Implementation Agreement and which set out the basis on which CNOOC, PECL and PPC agreed to proceed with the development of the LS36-1 Gas Field.

Under the SDA, which was entered into between CNOOC, PECL and PPC, CNOOC formally confirmed that it would exercise its right under Petroleum Contract 25/34 to take its full participating interest of 51% in the LS36-1 Gas Field, so that the respective participating interests in the development of and production from LS36-1 were 51% CNOOC, 36.75% PECL and 12.25% PPC. Since completion of Primeline's acquisition of PPC, Primeline now holds a

49% interest. The development costs were, and operating costs are, borne by the parties in their respective participating interests.

Pursuant to the SDA, LOC, a wholly owned subsidiary of CCL, was appointed as the operator for the development and production operations for LS36-1 and a development area of 84.7 sq. kms surrounding LS36-1 was carved out of Block 25/34. The production period for LS36-1 was agreed to be for a minimum of 15 years from the commencement of commercial production and can be extended in the event that additional gas resources are discovered within Block 25/34, which can be tied into the production facilities established for LS36-1.

The production facilities are owned by the parties jointly in the proportions of their participating interests until full cost recovery and the parties have the continuing right, until the end of the production period, to use the production facility assets in respect of any additional resources which may be discovered within Block 25/34 and which can be tied into such assets. This provision has been extended to include any additional resources discovered in Block 33/07 as confirmed by the terms of Petroleum Contract 33/07.

The Ministry of Commerce of the PRC ratified the SDA on June 13, 2010, when the SDA became effective.

The JOA, which was entered into between CCL, PECL and PPC, set out the basis on which CCL agreed to establish a project management team in Shanghai under LOC in order to carry out the development and production operations. The JOA is supplemental to the SDA.

The Implementation Agreement set out the agreed principle that as much of the procurement of the Development as possible should be contracted using long term procurement contracts established by CNOOC in order to achieve cost savings so that the Development could be delivered as economically and efficiently as possible. CNOOC also agreed that Primeline and PPC would have no obligation to fund cash calls in relation to their share of the costs of the Development until three months after notification of the grant of ODP approval by the Chinese government.

During 2010-2014, CCL, as operator, carried out work on the development of LS36-1, including the construction of the production platform, subsea pipeline, development wells and onshore processing terminal. These are significant engineering works resulting in the creation of the production facility and cost CCL and Primeline in the order of over US\$600m.

On May 16, 2014, CCL notified Primeline that final approval of the ODP had been granted by the NDRC and it intended to finalise plans for the commencement of gas production.

The last part of the development work required before the gas field could go into production was the last 3 km of sale gas pipeline, linking to the off taker's substation and facility, which was completed in June 2014. The final connection with Zhejiang Gas's infrastructure was made on July 1, 2014 and joint commissioning of the upstream and downstream facilities commenced on July 8, 2014 and once the successful trial gas production from LS36-1, which commenced on July 16, 2014, was completed, the JMC resolved that the production period for LS36-1 under Petroleum Contract 25/34 would commence on December 1, 2015 with the production area being

confirmed as the same as the development area. The LS36-1 Gas Field has now been in production for almost 3 years.

During the period under review the Company, together with CCL as operator for Block 25/34, has:

- produced gas from the LS36-1 Gas Field with no significant technical problems with approximately 184 mmcm of natural gas gross being delivered to Zhejiang Gas under the Gas Sales Contract during the year ended March 31, 2017 (2016: 134 mmcm);
- enforced the terms of the Gas Sales Contract, including the take or pay obligations, against Zhejiang Gas and received the settlement payment (see details below);
- constructed a dock to improve transportation of by-products of the gas field, including CO<sub>2</sub> and hydrocarbon liquids; and
- undertaken the drilling of the adjustment well LS36-1-A4M which was put into production in June 2016.

For the 2016 contract year, the take or pay quantity under the Gas Sales Contract was 225 mmcm and Zhejiang Gas only took 184 mmcm, which was approximately 37.6 mmcm less than its committed minimum offtake volume following allowable reductions. This was settled by the take or pay payment made under the agreement with Zhejiang Gas for settlement of the disputes under the Gas Sales Contract. Following settlement of the dispute with Zhejiang Gas, the production in the LS36-1 field has been restored to normal and a stable cash flow has to date been maintained.

As a result of the increased gas production and the settlement of the dispute with Zhejiang Gas, the Company increased its revenues from LS36-1 to a record level of RMB 514 million (C\$99.6m) notwithstanding the challenging market conditions and the dispute with Zhejiang Gas.

However, as referred to below, during 2015 and 2016, in addition to the dispute with Zhejiang Gas, disputes also arose between Primeline and CCL which resulted in Primeline commencing arbitration proceedings against CCL and CNOOC with regard the actions of CCL as agent for the gas sales and as operator in relation to the development of the LS36-1 Gas Field. Although the dispute with Zhejiang Gas has been settled, the arbitration with CCL and CNOOC is continuing. Further details of the disputes are provided below under the heading “Disputes with Buyer and Operator”.

## **GAS MARKET OVERVIEW IN PRC AND ZHEJIANG**

Historically, natural gas has not been a leading component of the total primary energy supply in China, but its share in the country's energy mix is increasing. In 2016 total consumption of natural gas represented about 6.2% of the entire primary energy mix (up from about 3% in 2007), compared with the estimated world average of 25%.

Development of the natural gas industry is one of China's strategic policies in order to secure energy supplies and to achieve environmental targets and China's central government is promoting natural gas as a preferred energy source and has set an ambitious target of increasing the share of natural gas in its overall primary energy mix to 10%) by 2020 to alleviate pollution from its heavy coal use. Part of this strategy is to encourage the transportation of gas from west China and other countries around China, including Russia and the Central Asian countries, where there are significant resources, to east China where demand is highest and the energy shortage is most apparent.

China's energy sector, including its natural gas industry, is controlled by the government via the NDRC and other regulatory and planning bodies. There are three main Chinese national energy companies, CNPC, Sinopec and CNOOC.

China's first major West to East Gas Pipeline, built by CNPC, the parent company of Petrochina Ltd., was completed on October 1, 2004 and now carries approximately 17 bcm of gas per annum from the Tarim Basin along a 4,000 km pipeline which terminates at Shanghai.

In order to respond to demand increases, China completed three new long distance gas pipelines from west China to east China since 2004, two of which are to supply gas to Zhejiang Province. CNPC and Sinopec are operating those pipelines. Additionally, the fourth and fifth West to East pipelines have been planned with their first phase expected to be completed in the next few years.

In February 2008, CNPC commenced construction of a Second West to East pipeline with a capacity of 30 bcm per annum. The main pipeline was completed in June 2011 with a length of over 8,000 km, and runs 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. CNPC signed agreements in July 2007 to import 30 bcm of natural gas per annum over 30 years from Turkmenistan to supply this pipeline. Subsequently, CNPC commenced construction of the Third West to East Pipeline in October 2012 in order to fulfil the booming natural gas requirement in East China.

In March 2010, Sinopec announced completion of a natural gas pipeline running from south west Sichuan Province to Shanghai. This pipeline, with a total pipeline capacity of 17 bcm, currently supplies 12 bcm per annum to cities along the pipeline, including northern Zhejiang Province.

In May 2014, China and Russia signed a large-scale natural gas deal worth US\$400 billion with a contractual period over 30 years. The pipeline for this supply is scheduled to start providing China with 38 billion cubic meters of natural gas annually from 2019, although it is understood that this project is experiencing delays.

In addition, China is now the world's third-largest LNG importer, after Japan and South Korea, and has 13 LNG import terminals in operation. However, these projects have come on stream over a relatively short period which has led to an oversupply situation which has resulted in a sharp reduction in spot LNG prices and offtakers have been trying to postpone shipments of contracted LNG and instead buy cheaper spot cargoes.

Although in the past, the Chinese Government controlled state-set gas prices based on local costs, due to the developments referred to above, the gas market in China is now more mature with a more market-driven pricing system which should benefit the development of the Blocks in the long term. It is also 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.

However, the pace of the development of long distance pipeline infrastructure and LNG terminals along the East Coast of China, coupled with the general slowdown of the Chinese economy and the dramatic drops in oil prices seen in late 2014 to early 2015, has led to an oversupply of gas in China in 2015 which continued in 2016 and into 2017 and there will be a period during which demand for gas will catch up with the recent developments in supply.

Due to the recent dramatic market changes, the main suppliers of the East China gas market lowered prices, thus putting considerable pressure on LS36-1's price regime, as Zhejiang Gas demanded similar treatment. See below.

Primeline regards the current imbalance of supply and demand as a relatively short-term situation in the overall development of the Chinese gas market as gas still only comprises around 6% of PRC's total primary energy supply, and around 3% in Zhejiang Province, compared with the international average of 25%. Primeline believes that with the further development of regional and local gas grids, gas consumption will continue to expand in China, particularly in East China, and the current surplus capacity will be quickly absorbed by the anticipated growth.

In Zhejiang Province, prior to the completion of the provincial grid, the rate of gas consumption growth slowed in 2015 and in 2016, in line with the overall market conditions. However, Zhejiang Province has been proceeding with the construction of the provincial grid and, although the project is behind schedule, the section of the provincial grid linking Wenzhou to the Second West to East gas pipeline has now been completed and has been in operation since June 2017. As a result, the LS36-1 Gas Field is now effectively linked into the wider provincial grid and the local gas market is becoming more mature. Thus, with the progressive development of the provincial gas grid and the drive to improve air quality, management expects growth in gas consumption to resume soon. Primeline is well positioned to capitalise on the opportunities in this market.

## **DISPUTES WITH BUYER AND OPERATOR**

As a result of the change of market dynamics referred to above, in February 2015, Zhejiang Gas requested a reduction of the contracted LS36-1 gas price. Subsequently, following reductions in the onshore pipeline gas price guidelines issued by the Chinese Government the position of Zhejiang Gas was that the gas price payable under the Gas Sales Contract should reflect the onshore gas price regime. The challenges posed by the dispute with Zhejiang Gas were compounded due to CNOOC's shareholder and business relationship with Zhejiang Gas, as a result of which CCL, which acts as operator under Petroleum Contract 25/34 and sales agent for Primeline under the Gas Sales Contract, failed to enforce the Gas Sales Contract against Zhejiang Gas. A wholly owned subsidiary of CNOOC owns 30% of Zhejiang Gas and CNOOC, together with its partners (including Primeline), supplies a substantial proportion of the natural gas market in Zhejiang Province. Thus, CCL has a significant conflict of interest in the negotiations with Zhejiang Gas which led to it failing to take any effective action against

Zhejiang Gas to enforce the Gas Sales Contract.

In view of the continuing default by Zhejiang Gas and the failure by CCL to resolve such dispute or take enforcement actions against Zhejiang Gas, by Request for Arbitration dated April 11, 2016, Primeline commenced arbitration proceedings against Zhejiang Gas, requiring Zhejiang Gas to make full payment for the gas off-taken and comply with the take-or-pay obligations set out in the Gas Sales Contract.

Following the commencement of arbitration against Zhejiang Gas, by Notice of Arbitration dated June 6, 2016, Primeline also commenced arbitration proceedings against CNOOC and CCL under the dispute resolution provisions of Petroleum Contract 25/34 and in accordance with the UNCITRAL Arbitration Rules 1976. Primeline appointed an arbitrator. CNOOC appointed its arbitrator and the Tribunal (comprised of three arbitrators) was formed on August 30, 2016 and the seat of arbitration was fixed to be in Singapore. The arbitration against CCL and CNOOC includes claims in respect of CCL's mismanagement as operator of LS36-1 (including the delay in the first gas production from 2013 to 2014), and CNOOC's position as guarantor of CCL, resulting in delay in completion of the Development and commencement of production, leading to loss of revenue, increased cost and the project falling below its design level, and CCL's breach of good faith and wrongful conduct as Primeline's agent in dealing with Zhejiang Gas. As referred to above CNOOC has a significant conflict of interest in relation to its dealings with Zhejiang Gas and, as a result, Primeline believes that CNOOC and CCL have failed to act in relation to the dispute with Zhejiang Gas in accordance with the principles of good faith. In accordance with the procedure as set by the Tribunal for the arbitration, Primeline formally filed the Statement of Claim together with all supporting documents on April 5, 2017 and Primeline is currently waiting for the defence statement from CNOOC/CCL, which is due on or before September 11, 2017. The total amount claimed in the Statement of Claim is up to RMB 2.18b.

Due to the severe effect on the Company's cash flow caused by the Zhejiang Gas dispute, the Company failed to make payment to COSL under the Turnkey Drilling Contract dated August 14, 2015 (the "Drilling Contract") between COSL and PEOIL. On September 1, 2016, COSL commenced arbitration proceedings against PEOIL before CIETAC in relation to a claim for payment under the Drilling Contract. The Drilling Contract relates to the two wells drilled by COSL for PEOIL as the operator in Block 33/07 in late 2015. The dispute between PEOIL and COSL in relation to payment under the Drilling Contract is part of the overall operational and commercial issues the Company had encountered in the last two years referred to above. CNOOC owns 64.4% of CCL, 50.5% of COSL and 30% of Zhejiang Gas.

Subsequently, following extensive negotiations, CCL and Primeline entered into settlement agreements with Zhejiang Gas on March 1, 2017 in order to settle the disputes which were the subject of the arbitration against Zhejiang Gas. The settlement is based on a pricing arrangement that resulted in Primeline receiving:

- the original price agreed under the Gas Sales Contract for its share of gas delivered up to December 31, 2016; and
- then at a price which represents a reduction of about 7% from the Gas Sales Contract price, fixed from January 1, 2017 for the rest of the GSC delivery period.



Pursuant to the settlement of the Zhejiang Gas dispute:

- Primeline subsequently received approximately RMB 256 million (CAD\$49 million) net of VAT for its share of all outstanding unpaid or partly paid amounts due for natural gas delivered to the end of 2016 and for the 2015 and 2016 take-or-pay payments;
- RMB 12m (CAD\$2.3m) relating to the difference between the agreed price and the price previously paid from January 1 to February 28, 2017;
- Primeline withdrew the arbitration against Zhejiang Gas;
- Primeline settled its own overdue payment owed to COSL in the order of RMB 116 million (CAD\$22 million) in relation to the 2015 drilling contract and COSL withdrew the arbitration proceedings.

These payments represented the full and final amount due in settlement of the disputes with Zhejiang Gas and COSL. In addition to the significant one-off cash flow to the Company, the settlement provides ongoing financial security to meet finance obligations and to make plans necessary for further investment in the Company's assets. Primeline's commercial interest has been protected and the Company believes the deal represents the best possible outcome in the current market conditions. Since the settlement the production rate has been maintained at the design level of circa 25mmcfpd and the payment process is now normalised.

However, the settlement with Zhejiang Gas did not affect or halt the arbitration proceedings against CNOOC and CCL which are continuing in accordance with the timetable set by the Tribunal. The Company will continue to seek a negotiated resolution of the dispute with CCL and CNOOC but if the matter goes to the completion of arbitration the Management believes the terms of the Development Agreements will be upheld and the Company's rights will be protected. The Company expects that the dispute with CCL and CNOOC will be resolved to the Company's satisfaction and that together with a gradually improving economic climate the Company's financial and operation setting will be improved to provide a base for future expansion.

## **FINANCING**

### **Bank Finance**

As a result of the dispute with Zhejiang Gas and its failure to make full payment under the Gas Sales Contract, the Company suffered a severe loss of cash flow with resultant difficulties in meeting its financial obligations, particularly its bank debt service obligations. The lending banks under Syndicate Facility, however, have been extremely supportive and in November 2016, agreed to Company's application to amend the capital repayments on the then outstanding amount of US\$232 million due under the Syndicate Facility. The two repayments due in November 2016 and May 2017 were reduced to US\$1 million each, representing a deferral of capital repayments of US\$36 million to a later stage of the period of the loan. Further, the lenders agreed to reduce the interest rate margin payable in relation to the Syndicate Facility, from 470bps to 335bps over 6 month LIBOR until all disputes are resolved.

The Company has met all principal repayment and interest payment obligations under the Syndicate Facility as amended to date.

## **Corporate Finance**

On August 14, 2015, Primeline issued US\$10 million principal amount Tranche A Convertible Bonds to GRF Prime and then US\$8 million principal amount Tranche B Convertible Bonds on November 10, 2015 in order to fund the operational and exploration work relating to Block 33/07. The term of the Bonds is three years extendable for two one-year periods. Interest is payable quarterly at 7% per annum, of which 4.5% will be paid in cash and 2.5% in Shares issued at a deemed price per Share equal to the higher of (i) the closing price of the Shares on the TSX-V on the day before; and (ii) the volume-weighted average trading price of the Shares on the TSX-V for the 10 days preceding; the interest payment date. The Bonds are convertible, at the option of GRF Prime, at any time during the period commencing four months and a day following the date of issuance up to the date that is 10 days prior to the date of maturity of the Bonds, into Shares at conversion prices of CAD\$0.70 (Tranche A Bonds) and CAD\$0.85 (Tranche B Bonds) per Share.

The Company has met all the cash and share payment obligations under the Bonds to date. As of the last interest payment on June 15, 2017, GRF Prime held a total of 11,749,508 Shares issued to it in relation to interest payable under the Bonds and representing approximately 6.2% of the Company's current issued share capital.

Primeline continues to explore possible merger or acquisition transactions in order to leverage its production operations and expand and diversify its business. To this end, following the settlement of the dispute with Zhejiang Gas and restoration of normal production and cash flow, on April 11 2017 Primeline appointed CLSA Singapore Pte Ltd (together with its associates) ("CLSA") for the provision of strategic and financial advisory services.

Founded in 1986, CLSA is Asia's leading and longest running brokerage and investment group. The company provides equity broking, corporate finance and capital markets and asset management services to global corporate and institutional clients, and has exchange membership in every developed market in the region, plus Australia and the Americas. CLSA's parent company CITIC Securities is China's leading investment bank. The group's corporate finance and capital markets business, CITIC CLSA Securities, leads equity public offerings (primary and secondary), debt issuances and M&A advisory. Direct investment is offered through diversified, alternative investment vehicles led by CLSA Capital Partners.

Primeline is hopeful that CLSA appointment will assist the Company's corporate finance effort and is working closely with CLSA team on this endeavour.

## **STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION**

This Form 51-101 F1 submitted by Primeline Energy Holdings Inc. (the "Company") is dated July 21, 2017. The information provided in this statement is effective March 31, 2017. The preparation date of the information provided in this statement is July 21, 2017.

## Disclosure of Reserves Data

SUMMARY OF OIL AND GAS RESERVES AND NET PRESENT VALUES OF FUTURE NET REVENUE as of March 31, 2017  
FORECAST PRICES AND COSTS

RESERVES CATEGORY	RESERVES (1)(2)							
	LIGHT AND MEDIUM OIL		HEAVY OIL		CONVENTIONAL NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
CHINA								
PROVED								
Developed Producing	-	-	-	-	8,752	9,296	273	281
Developed Non-Producing	-	-	-	-	-	-	-	-
Undeveloped	-	-	-	-	6,400	6,385	320	322
TOTAL PROVED	-	-	-	-	15,153	15,682	593	604
PROBABLE	-	-	-	-	3,693	3,686	223	223
2P	-	-	-	-	18,846	19,368	815	827
POSSIBLE	-	-	-	-	6,928	6,920	408	408
3P	-	-	-	-	25,774	26,288	1,223	1,235

NET PRESENT VALUES OF FUTURE NET REVENUE (1)(2)(3)

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (%/YEAR)					AFTER INCOME TAXES DISCOUNTED AT (%/YEAR)					UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10%/YEAR
	0	5	10	15	20	0	5	10	15	20	(\$/boe)
	(\$M US)	(\$M US)	(\$M US)	(\$M US)	(\$M US)	(\$M US)	(\$M US)	(\$M US)	(\$M US)	(\$M US)	
CHINA PROVED											
Developed Producing	82,628	79,043	75,841	72,964	70,365	82,628	79,043	75,841	72,964	70,365	41.43
Developed Non-Producing	-	-	-	-	-	-	-	-	-	-	-
Undeveloped	<u>65,191</u>	<u>57,662</u>	<u>51,446</u>	<u>46,251</u>	<u>41,860</u>	<u>65,191</u>	<u>57,662</u>	<u>51,446</u>	<u>46,251</u>	<u>41,860</u>	37.11
TOTAL PROVED	147,818	136,705	127,287	119,215	112,225	147,818	136,705	127,287	119,215	112,225	39.56
PROBABLE	46,335	38,059	31,693	26,718	22,774	46,335	38,059	31,693	26,718	22,774	37.83
2P	194,153	174,764	158,980	145,933	134,999	194,153	174,764	158,980	145,933	134,999	39.21
POSSIBLE	85,396	68,324	55,715	46,194	38,861	73,625	59,018	48,179	39,963	33,616	35.68
3P	279,549	243,088	214,695	192,127	173,860	267,779	233,782	207,159	185,896	168,615	38.22

Notes:

- (1) Company Gross reserves are based on a 49.00 percent working interest share of the property gross reserves.
- (2) Company Net reserves are based on a Company share of total Cost and Profit oil and, due to repayment of past costs, are greater than Company Gross.
- (3) Unit values are calculated using estimated net present value of future net revenue before income taxes using a discount rate of 10% and are presented on a US\$/boe basis.

TOTAL FUTURE NET REVENUE  
(UNDISCOUNTED) as of March 31, 2017  
FORECAST PRICES AND COSTS

RESERVES CATEGORY	REVENUE (\$M US)	ROYALTIES (\$M US)	OPERATING COSTS (\$M US)	DEVELOPMENT COSTS (\$M US)	ABANDONMENT AND RECLAMATION COSTS (\$M US)	BONUS (\$M US)	FUTURE NET REVENUE BEFORE INCOME TAX (\$M US)	INCOME TAXES (\$M US)	FUTURE NET REVENUE AFTER INCOME TAX (\$M US)
Proved Reserves	225,363	-	59,799	3,505	14,241	-	147,818	-	147,818
2P	284,759	-	72,576	3,505	14,525	-	194,153	-	194,153
3P	396,703	-	98,536	3,505	15,112	-	279,549	11,771	267,779

NET PRESENT VALUE OF FUTURE NET REVENUE  
BY PRODUCTION GROUP  
as of March 31, 2017  
FORECAST PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (\$M US)	UNIT VALUE  (\$Mcf) (\$bbl)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	-	-
	Heavy Oil (including solution gas and other by-products)	-	-
	Conventional Natural Gas (including by-products but excluding solution gas from oil wells)	127,287	39.56
Total		127,287	39.56
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	-	-
	Heavy Oil (including solution gas and other by-products)	-	-
	Conventional Natural Gas (including by-products but excluding solution gas from oil wells)	158,980	39.21
Total		158,980	39.21
Proved Plus Probable Plus Possible Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	-	-
	Heavy Oil (including solution gas and other by-products)	-	-
	Conventional Natural Gas (including by-products but excluding solution gas from oil wells)	214,695	38.22
Total		214,695	38.22

**Definitions and Other Notes**

In the tables set forth above in "Disclosure of Reserves Data" and elsewhere in this Report, the following definitions and other notes are applicable:

1. Definitions used for reserve categories are as follows:

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

- (a) an analysis of drilling, geological, geophysical and engineering data;
- (b) the use of established technology; and
- (c) specified economic conditions (see the discussion of "Economic Assumptions" below).

Reserves are classified as follows, according to the degree of certainty associated with the estimates:

- (a) Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- (b) Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- (c) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

**Development and Production Status**

Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

- (a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves in production. The developed category may be subdivided into producing and non-producing, as follows:
  - (i) Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been in production, and the date of resumption of production must be known with reasonable certainty.
  - (ii) Developed non-producing reserves are those reserves that either have not been in production, or have previously been in production, but are shut-in, and the date of resumption of production is unknown.
  - (iii) Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

### Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- (a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
  - (b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.
  - (c) at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.
1. A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.
  2. "Development well" means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.
  3. "Development costs" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:
    - (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground draining, road building, and relocating public roads, gas lines and power lines, pumping equipment and wellhead assembly;
    - (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;
    - (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
    - (d) provide improved recovery systems.
  4. "Exploration well" means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.
  5. "Exploration costs" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:
    - (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;
    - (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
    - (c) dry hole contributions and bottom hole contributions;
    - (d) costs of drilling and equipping exploratory wells; and
    - (e) costs of drilling exploratory type stratigraphic test wells.
  6. "Service well" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.
  7. Numbers may not add due to rounding.
  8. The estimates of future net revenue presented in the tables above do not represent fair market value.

PRICING ASSUMPTIONS

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS  
as of March 31, 2017  
FORECAST PRICES AND COSTS

Year	Brent Crude Oil Price (1) (\$US/bbl)	Sales Natural Gas Price (2) (\$US/Mcf)	Sales Cond. Price (\$US/bbl)	Sales LPG Price (\$US/bbl)	INFLATION RATES %/Year
FORECAST					
2017 (9 mo)	54.50	12.34	51.04	44.64	2.00
2018	57.10	12.34	53.57	47.04	2.00
2019	60.80	12.34	57.20	50.54	2.00
2020	67.40	12.34	63.73	56.94	2.00
2021	74.20	12.34	70.45	63.53	2.00
2022	78.40	12.34	74.58	67.51	2.00
2023	79.90	12.34	76.00	68.80	2.00
2024	81.50	12.34	77.53	70.17	2.00
2025	83.20	12.34	79.15	71.65	2.00
2026	84.90	12.34	80.76	73.12	2.00
2027	86.50	12.34	82.28	74.48	2.00
2028	88.20	12.34	83.90	75.94	2.00
2029	90.10	12.34	85.71	77.60	2.00
2030	91.90	12.34	87.42	79.15	2.00
2031	93.70	12.34	89.13	80.69	2.00
2032	95.57	12.34	90.92	82.30	2.00
2033	97.49	12.34	92.74	83.95	2.00
2034	99.44	12.34	94.59	85.63	2.00
2035	101.42	12.34	96.48	87.34	2.00
2036	103.45	12.34	98.41	89.09	2.00
Thereafter	2.00		2.00	2.00	2.00

Notes

- (1) Based on the McDaniel & Associates Consultants Ltd. April 1, 2017 price forecast.
- (2) Natural Gas Price excludes 5 percent VAT and is dependent on the Chinese Renminbi to US Dollar exchange rate.

## RECONCILIATIONS OF CHANGES IN RESERVES

RECONCILIATION OF  
COMPANY GROSS RESERVES  
BY PRINCIPAL PRODUCT TYPE  
BASED ON FORECAST PRICES AND COSTS

FACTORS	LIGHT AND MEDIUM OIL			HEAVY OIL			CONVENTIONAL NATURAL GAS			NATURAL GAS LIQUIDS		
	Gross Proved (Mbbbl)	Gross Probable (Mbbbl)	Gross Proved Plus Probable (Mbbbl)	Gross Proved (Mbbbl)	Gross Probable (Mbbbl)	Gross Proved Plus Probable (Mbbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (Mbbbl)	Gross Probable (Mbbbl)	Gross Proved Plus Probable (Mbbbl)
	March 31, 2016	-	-	-	-	-	-	20,643	7,199	27,842	883	405
Extensions	-	-	-	-	-	-	-	-	-	-	-	-
Improved	-	-	-	-	-	-	-	-	-	-	-	-
Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	(1,979)	(3,045)	(6,979)	(12)	(44)	(55)
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	6,047	-	6,047	125	-	125
March 31, 2017	-	-	-	-	-	-	15,153	3,693	18,846	593	223	815



## SUMMARY OF COMPANY UNDEVELOPED RESERVES

### Proved Undeveloped Reserves

These have been attributed based on analytical volumetric and recovery estimates and the Company's plan of development.

Year	LIGHT AND MEDIUM OIL		HEAVY OIL		CONVENTIONAL NATURAL GAS		NATURAL GAS LIQUIDS	
	First Attributed (Mbbbl)	Booked (Mbbbl)	First Attributed (Mbbbl)	Booked (Mbbbl)	First Attributed (MMcf)	Booked (MMcf)	First Attributed (Mbbbl)	Booked (Mbbbl)
Prior to 2015	-	-	-	-	-	19,164	-	959
2015	-	-	-	-	-	4,023	-	196
2016	-	-	-	-	-	5,605	-	712
2017	-	-	-	-	-	6,400	-	320

### Probable Undeveloped Reserves

These have been attributed based on analytical volumetric and recovery estimates and the Company's plan of development.

Year	LIGHT AND MEDIUM OIL		HEAVY OIL		CONVENTIONAL NATURAL GAS		NATURAL GAS LIQUIDS	
	First Attributed (Mbbbl)	Booked (Mbbbl)	First Attributed (Mbbbl)	Booked (Mbbbl)	First Attributed (MMcf)	Booked (MMcf)	First Attributed (Mbbbl)	Booked (Mbbbl)
Prior to 2015	-	-	-	-	-	5,858	-	351
2015	-	-	-	-	-	1,134	-	64
2016	-	-	-	-	-	1,440	-	81
2017	-	-	-	-	-	739	-	45

-  
**Future Development Costs (Undiscounted)**

The development of the Reserves will be funded by cash flow but may require a degree of external financing.

Year	Forecast Prices and Costs (\$M US)		
	Proved Reserves	Proved Plus Probable Reserves	Proved Plus Probable Plus Possible Reserves
2017 (9 mo)	3,505	3,505	3,505
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
Thereafter	-	-	-
<b>Total</b>	<b>3,505</b>	<b>3,505</b>	<b>3,505</b>

**OTHER OIL AND GAS INFORMATION**

**Producing and Non-Producing Wells**

	Heavy Crude Oil (wells)	Light and Medium Oil (wells)	Conventional Natural Gas (wells)	Total (wells)
<b>Gross Wells<sup>(1)</sup></b>				
Producing <sup>(3)</sup>	-	-	5	5
Non-producing <sup>(4)</sup>	-	-	-	-
<b>Total Gross Wells</b>	-	-	<b>5</b>	<b>5</b>
<b>Net Wells<sup>(2)</sup></b>				
Producing <sup>(3)</sup>	-	-	2.5	2.5
Non-producing <sup>(4)</sup>	-	-	-	-
<b>Total Net Wells</b>	-	-	<b>2.5</b>	<b>2.5</b>

Notes:

- (1) "Gross Wells" represent the number of wells in which the Company has a working-interest.
- (2) "Net Wells" represent the number of wells obtained by aggregating the Company's working-interests in each of its Gross Wells.
- (3) "Producing" includes wells presently producing and contributing revenue or wells presently producing that are expected to contribute revenue in the foreseeable future through the sale of presently produced gas.
- (4) "Non-Producing" includes wells that are presently non-producing or wells presently producing but are not expected to contribute revenue in the foreseeable future through the sale of presently produced gas.

**Significant Factors of Uncertainties**

Aside from the potential impact of material fluctuations in commodity prices and foreign exchange rates, other significant factors or uncertainties that may affect either the Company's reserves or the future net revenue associated with such reserves include:

- Certain newly drilled or undeveloped properties may be considered less predictable insofar as estimating reserves and future net revenue are concerned until historical production performance data is available; and
- Changes to existing taxation, fiscal terms, and regulations may occur in the future.

**Costs Incurred**

Summary of Costs Incurred  
Year Ended March 31, 2017

	China (\$millions)	Total (\$millions)
Acquisition of Proved properties	-	-
Acquisition of Unproved properties	-	-
Total property acquisition costs	-	-
Exploration and appraisal costs	4.1	4.1
Development costs	1.4	1.4
<b>Total Capital Expenditures</b>	<b>5.5</b>	<b>5.5</b>

### Exploration and Development Activities

The following table provides information regarding the Company's oil and gas exploration and development drilling activities in China during the year ended March 31, 2017.

#### Summary of Exploratory and Development Wells Drilled

Type of Well	China		Total	
	Gross Wells <sup>(1)</sup>	Net Wells <sup>(2)</sup>	Gross Wells <sup>(1)</sup>	Net Wells <sup>(2)</sup>
<b>Exploratory</b>				
Oil	-	-	-	-
Gas	-	-	-	-
Service	-	-	-	-
Dry	-	-	-	-
Stratigraphic Test	-	-	-	-
<b>Total Exploratory</b>	-	-	-	-
<b>Development</b>				
Oil	-	-	-	-
Gas	1	0.5	1	0.5
Service	-	-	-	-
Dry	-	-	-	-
Stratigraphic Test	-	-	-	-
<b>Total Development</b>	1	0.5	1	0.5
<b>Total Drilled</b>	1	0.5	1	0.5

Notes:

- (1) Gross Wells represent the total number of wells in which the Company has a working-interest.
- (2) Net Wells represent the number of wells obtained by aggregating the Company's working-interests in each of its Gross Wells.

#### SUMMARY OF COMPANY GROSS PRODUCTION ESTIMATES (1)(2)

	Light and Medium Oil (Mbbbl)	Heavy Oil (Mbbbl)	Conventional Natural Gas (MMcft)	Natural Gas Liquids (Mbbbl)
China (Total)	2017 (9 mo)	2017 (9 mo)	2017 (9 mo)	2017 (9 mo)
Proved				
China	-	-	3,729	78
Probable				
China	-	-	-	8

Notes

- (1) Estimates are calculated based on the McDaniel Report.
- (2) Represents estimated production from April 1, 2017 to December 31, 2017.

### Production History

The following table provides information regarding the company's share of average daily oil and gas production and the average netbacks to the company for the periods indicated:

Summary of Production and Netbacks  
Year Ended March 31, 2017

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Yearly Average
<b>Conventional Natural Gas (China)</b>					
Net Working Interest Production (MMcfd)	5.73	6.41	12.13	10.48	8.69
Average netback (\$ per Mcf)					
Revenue	13.93	13.93	13.93	12.96	13.64
VAT and Surcharge (5% plus 0.65%)	0.79	0.79	0.79	0.73	0.77
Production costs <sup>(1)</sup>	5.69	4.44	3.60	1.97	3.62
Netback <sup>(2)</sup>	7.45	8.70	9.54	10.26	9.25
Note:					
(1) Calculated using net cash production costs in accordance with NI 51-101.					
(2) Netbacks are calculated by subtracting royalties and production costs from revenue.					

Summary of Costs Incurred  
Year Ended March 31, 2017

	China	Total
	(\$millions RMB)	(\$millions RMB)
Acquisition of Proved properties	—	—
Acquisition of Unproved properties	—	—
Total property acquisition costs	—	—
Exploration and appraisal costs	20.24	20.24
Development costs	36.42	36.42
<b>Total Capital Expenditures</b>	<b>56.66</b>	<b>56.66</b>

**PROSPECTIVE RESOURCES**

The Company's prospective resources have been evaluated by McDaniel & Associates Consultants Ltd. as of March 31, 2017 and are set out below with three separate tables for Natural Gas, condensate and barrels of oil equivalent. The numbers are property gross estimates but include a total company gross estimate in the last row of each table.

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**Primeline Energy Holdings Inc.**  
**LS36-1 Development Area & Block 33/07 - People's Republic of China**  
**Summary of Natural Gas Prospective Resources Estimates**  
**Effective March 31, 2017**

**Prospective Resources - Natural Gas**

Prospect	Zone	Prospective Resources - Unrisked (1)				Chance of Disc. % (4)	Chance of Dvpmt % (5)	Risked Pro. Res. Mean MMcf (2)
		Low MMcf	Best Est. MMcf	Mean MMcf	High MMcf			
LS36-1	Paleocene - M1-0	2,740	5,436	6,301	11,055	73	100	4,593
LS36-1	Paleocene - M1-1 South	1,716	3,936	4,729	8,745	73	100	3,447
LS36-1	Paleocene - M2	4,942	14,300	18,929	38,222	60	100	11,357
LS36-1	Paleocene - M3	14,308	31,325	37,045	67,044	70	100	25,932
LS36-1	Paleocene - L1	8,347	23,808	32,791	68,497	50	100	16,395
LS36-1	Paleocene - L2	2,353	5,271	6,448	11,988	40	100	2,579
LS30-8	Paleocene - M2	9,190	27,006	35,747	72,219	17	90	5,405
<b>LS36-1 Development Area (Sub-total)</b>		<b>43,595</b>	<b>111,081</b>	<b>141,989</b>	<b>277,770</b>			<b>69,709</b>
LS23-2 North L2	Paleocene - L2 (T45 to T46.5)	5,656	17,283	25,437	53,677	12	80	2,344
LS23-2 North L3	Paleocene - L3 (T48.5 to T60)	1,893	6,161	9,397	20,514	10	80	758
<b>LS23-2 North</b>	<b>Prospect Total</b>	<b>7,549</b>	<b>23,443</b>	<b>34,834</b>	<b>74,191</b>			<b>3,102</b>
LS23-2 South L2	Paleocene - L2 (T45.9 to T46.5)	2,833	9,087	13,802	29,338	12	80	1,272
LS23-2 South L3	Paleocene - L3 (T47 to T60)	5,626	19,393	29,642	63,941	10	80	2,390
<b>LS23-2 South</b>	<b>Prospect Total</b>	<b>8,459</b>	<b>28,480</b>	<b>43,444</b>	<b>93,278</b>			<b>3,662</b>
LS29-3 M1-2	Paleocene - M1-2	7,607	24,278	35,589	75,152	14	80	4,100
<b>LS29-3</b>	<b>Prospect Total</b>	<b>7,607</b>	<b>24,278</b>	<b>35,589</b>	<b>75,152</b>			<b>4,100</b>
LS35-1 M1-2	Paleocene - M1-2	15,053	42,321	56,974	117,469	14	90	7,384
LS35-1 T50-60	Pal-Cret - T50&T60	6,172	26,727	49,468	116,358	10	90	4,274
<b>LS35-1</b>	<b>Prospect Total</b>	<b>21,225</b>	<b>69,048</b>	<b>106,442</b>	<b>233,827</b>			<b>11,658</b>
Prospect A	Paleocene - M1-2	5,332	16,571	24,127	51,333	26	90	5,559
<b>Prospect A</b>	<b>Prospect Total</b>	<b>5,332</b>	<b>16,571</b>	<b>24,127</b>	<b>51,333</b>			<b>5,559</b>
Prospect B	Paleocene - M1-2	7,798	20,492	26,584	53,363	13	90	3,101
<b>Prospect B</b>	<b>Prospect Total</b>	<b>7,798</b>	<b>20,492</b>	<b>26,584</b>	<b>53,363</b>			<b>3,101</b>
Prospect E North	Paleocene - M1-2	2,755	7,366	9,614	18,902	8	60	433
<b>Prospect E North</b>	<b>Prospect Total</b>	<b>2,755</b>	<b>7,366</b>	<b>9,614</b>	<b>18,902</b>			<b>433</b>
Prospect E South	Paleocene - M1-2	2,509	6,719	8,973	18,070	8	60	404

<b>Prospect E South</b>	<b>Prospect Total</b>	<b>2,509</b>	<b>6,719</b>	<b>8,973</b>	<b>18,070</b>			<b>404</b>
Prospect T1 Channel	Paleocene - M1-2	7,610	23,636	34,220	73,465	21	90	6,338
<b>Prospect T1 Channel</b>	<b>Prospect Total</b>	<b>7,610</b>	<b>23,636</b>	<b>34,220</b>	<b>73,465</b>			<b>6,338</b>
Prospect T3 Deep	Paleocene - L1	10,326	27,565	36,333	73,366	22	90	7,151
<b>Prospect T3 Deep</b>	<b>Prospect Total</b>	<b>10,326</b>	<b>27,565</b>	<b>36,333</b>	<b>73,366</b>			<b>7,151</b>
<b>Block 33/07 (Sub-total)</b>		<b>81,171</b>	<b>247,598</b>	<b>360,158</b>	<b>764,948</b>			<b>45,508</b>
<b>Total - Property Gross (3)</b>		<b>124,766</b>	<b>358,679</b>	<b>502,147</b>	<b>1,042,717</b>			<b>115,216</b>
<b>Total - Company Gross (6)</b>		<b>61,135</b>	<b>175,753</b>	<b>246,052</b>	<b>510,931</b>			<b>56,456</b>

- (1) There is no certainty that any portion of the prospective 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.
- (2) These are fully risked prospective resources that have been risked for chance of discovery and for chance of development.
- (3) The Unrisked Total is not representative of the Portfolio Unrisked Total and is provided to give an indication of the resources range assuming all the prospects are successful.
- (4) The LS23-2 N & S total prospect chance of discovery takes into account the inter-dependency between zones.
- (5) The chance of development is defined as the probability of a project being commercially viable.  
Quantifying the chance of development requires consideration of both economic contingencies and other contingencies such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are extremely difficult to quantify, the chance of development is uncertain and must be used with caution.
- (6) Company Gross resources are based on a 49.0 percent working interest share of the property gross resources, assuming CNOOC exercise their right to back-in and take a 51 percent interest.

**Primeline Energy Holdings Inc.**  
**LS36-1 Development Area & Block 33/07 - People's Republic of China**  
**Summary of Condensate Prospective Resources Estimates**  
**Effective March 31, 2017**

Prospective Resources - Condensate		Prospective Resources - Unrisked (1)				Chance of Disc. % (4)	Chance of Dvpmt % (5)	Risky Pro. Res. Mean MMcf (2)
		Low Mbbl	Best Est. Mbbl	Mean Mbbl	High Mbbl			
Prospect	Zone							
LS36-1	Paleocene - M1-0	26	64	79	148	73	100	57
LS36-1	Paleocene - M1-1 South	17	46	59	120	73	100	43
LS36-1	Paleocene - M2	51	172	237	499	60	100	142
LS36-1	Paleocene - M3	146	373	464	890	70	100	324
LS36-1	Paleocene - L1	74	248	364	780	50	100	182
LS36-1	Paleocene - L2	21	57	72	144	40	100	29
LS30-8	Paleocene - M2	94	319	450	956	17	90	68
<b>LS36-1 Development Area (Sub-total)</b>		<b>429</b>	<b>1,279</b>	<b>1,725</b>	<b>3,537</b>			<b>847</b>
LS23-2 North L2	Paleocene - L2 (T45 to T46.5)	52	183	286	623	12	80	26
LS23-2 North L3	Paleocene - L3 (T48.5 to T60)	18	64	104	234	10	80	8
<b>LS23-2 North</b>	<b>Prospect Total</b>	<b>70</b>	<b>247</b>	<b>389</b>	<b>857</b>			<b>35</b>
LS23-2 South L2	Paleocene - L2 (T45.9 to T46.5)	27	96	154	338	12	80	14
LS23-2 South L3	Paleocene - L3 (T47 to T60)	54	200	329	738	10	80	27
<b>LS23-2 South</b>	<b>Prospect Total</b>	<b>81</b>	<b>296</b>	<b>482</b>	<b>1,076</b>			<b>41</b>
LS29-3 M1-2	Paleocene - M1-2	71	252	401	889	14	80	46
<b>LS29-3</b>	<b>Prospect Total</b>	<b>71</b>	<b>252</b>	<b>401</b>	<b>889</b>			<b>46</b>
LS35-1 M1-2	Paleocene - M1-2	141	443	628	1,316	14	90	81
LS35-1 T50-60	Pal-Cret - T50&T60	58	282	553	1,290	10	90	48
<b>LS35-1</b>	<b>Prospect Total</b>	<b>200</b>	<b>724</b>	<b>1,181</b>	<b>2,606</b>			<b>129</b>
Prospect A	Paleocene - M1-2	36	129	201	439	26	90	46



<b>Prospect A</b>	<b>Prospect Total</b>	<b>36</b>	<b>129</b>	<b>201</b>	<b>439</b>			<b>46</b>
Prospect B	Paleocene - M1-2	52	158	222	461	13	90	26
<b>Prospect B</b>	<b>Prospect Total</b>	<b>52</b>	<b>158</b>	<b>222</b>	<b>461</b>			<b>26</b>
Prospect E North	Paleocene - M1-2	18	58	81	168	8	60	4
<b>Prospect E North</b>	<b>Prospect Total</b>	<b>18</b>	<b>58</b>	<b>81</b>	<b>168</b>			<b>4</b>
Prospect E South	Paleocene - M1-2	17	52	75	158	8	60	3
<b>Prospect E South</b>	<b>Prospect Total</b>	<b>17</b>	<b>52</b>	<b>75</b>	<b>158</b>			<b>3</b>
Prospect T1 Channel	Paleocene - M1-2	52	182	288	634	21	90	53
<b>Prospect T1 Channel</b>	<b>Prospect Total</b>	<b>52</b>	<b>182</b>	<b>288</b>	<b>634</b>			<b>53</b>
Prospect T3 Deep	Paleocene - L1	68	214	303	642	22	90	60
<b>Prospect T3 Deep</b>	<b>Prospect Total</b>	<b>68</b>	<b>214</b>	<b>303</b>	<b>642</b>			<b>60</b>
<b>Block 33/07 (Sub-total)</b>		<b>665</b>	<b>2,313</b>	<b>3,622</b>	<b>7,931</b>			<b>443</b>
<b>Total - Property Gross (3)</b>		<b>1,094</b>	<b>3,592</b>	<b>5,348</b>	<b>11,468</b>			<b>1,289</b>
<b>Total - Company Gross (6)</b>		<b>536</b>	<b>1,760</b>	<b>2,620</b>	<b>5,619</b>			<b>632</b>

- (1) There is no certainty that any portion of the prospective 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.
- (2) These are fully risked prospective resources that have been risked for chance of discovery and for chance of development.
- (3) The Unrisked Total is not representative of the Portfolio Unrisked Total and is provided to give an indication of the resources range assuming all the prospects are successful.
- (4) The LS23-2 N & S total prospect chance of discovery takes into account the inter-dependency between zones.
- (5) The chance of development is defined as the probability of a project being commercially viable.  
Quantifying the chance of development requires consideration of both economic contingencies and other contingencies such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are extremely difficult to quantify, the chance of development is uncertain and must be used with caution.
- (6) Company Gross resources are based on a 49.0 percent working interest share of the property gross resources, assuming CNOOC exercise their right to back-in and take a 51 percent interest.

Primeline Energy Holdings Inc.

LS36-1 Development Area & Block 33/07 - People's Republic of China

Summary of Barrels of Oil Equivalent Prospective Resources Estimates

Effective March 31, 2017

Prospective Resources - Barrels of Oil Equivalent (7)		Prospective Resources - Unrisked (1)				Chance	Chance	Risked
Prospect	Zone	Low	Best Est.	Mean	High	of Disc.	of Dvpmt	Pro. Res.
		Mboe	Mboe	Mboe	Mboe	% (4)	% (5)	Mean Mboe (2)
LS36-1	Paleocene - M1-0	483	970	1,129	1,990	73	100	823
LS36-1	Paleocene - M1-1 South	303	702	848	1,577	73	100	618
LS36-1	Paleocene - M2	875	2,555	3,392	6,870	60	100	2,035
LS36-1	Paleocene - M3	2,530	5,594	6,638	12,064	70	100	4,646
LS36-1	Paleocene - L1	1,465	4,216	5,829	12,196	50	100	2,915
LS36-1	Paleocene - L2	413	935	1,147	2,142	40	100	459
LS30-8	Paleocene - M2	1,626	4,820	6,408	12,992	17	90	969
<b>LS36-1 Development Area (Sub-total)</b>		<b>7,695</b>	<b>19,793</b>	<b>25,390</b>	<b>49,832</b>			<b>12,465</b>
LS23-2 North L2	Paleocene - L2 (T45 to T46.5)	995	3,063	4,525	9,569	12	80	417
LS23-2 North L3	Paleocene - L3 (T48.5 to T60)	333	1,091	1,670	3,653	10	80	135
<b>LS23-2 North</b>	<b>Prospect Total</b>	<b>1,328</b>	<b>4,154</b>	<b>6,195</b>	<b>13,222</b>			<b>552</b>

LS23-2 South L2	Paleocene - L2 (T45.9 to T46.5)	499	1,611	2,454	5,227	12	80	226
LS23-2 South L3	Paleocene - L3 (T47 to T60)	992	3,432	5,269	11,395	10	80	425
<b>LS23-2 South</b>	<b>Prospect Total</b>	<b>1,491</b>	<b>5,043</b>	<b>7,723</b>	<b>16,622</b>			<b>651</b>
LS29-3 M1-2	Paleocene - M1-2	1,339	4,298	6,332	13,414	14	80	729
<b>LS29-3</b>	<b>Prospect Total</b>	<b>1,339</b>	<b>4,298</b>	<b>6,332</b>	<b>13,414</b>			<b>729</b>
LS35-1 M1-2	Paleocene - M1-2	2,650	7,496	10,124	20,894	14	90	1,312
LS35-1 T50-60	Pal-Cret - T50&T60	1,087	4,736	8,797	20,683	10	90	760
<b>LS35-1</b>	<b>Prospect Total</b>	<b>3,737</b>	<b>12,232</b>	<b>18,921</b>	<b>41,578</b>			<b>2,072</b>
Prospect A	Paleocene - M1-2	925	2,891	4,222	8,995	26	90	973
<b>Prospect A</b>	<b>Prospect Total</b>	<b>925</b>	<b>2,891</b>	<b>4,222</b>	<b>8,995</b>			<b>973</b>
Prospect B	Paleocene - M1-2	1,352	3,573	4,653	9,355	13	90	543
<b>Prospect B</b>	<b>Prospect Total</b>	<b>1,352</b>	<b>3,573</b>	<b>4,653</b>	<b>9,355</b>			<b>543</b>
Prospect E North	Paleocene - M1-2	478	1,285	1,683	3,318	8	60	76
<b>Prospect E North</b>	<b>Prospect Total</b>	<b>478</b>	<b>1,285</b>	<b>1,683</b>	<b>3,318</b>			<b>76</b>
Prospect E South	Paleocene - M1-2	435	1,172	1,570	3,170	8	60	71
<b>Prospect E South</b>	<b>Prospect Total</b>	<b>435</b>	<b>1,172</b>	<b>1,570</b>	<b>3,170</b>			<b>71</b>
Prospect T1 Channel	Paleocene - M1-2	1,321	4,122	5,991	12,878	21	90	1,110
<b>Prospect T1 Channel</b>	<b>Prospect Total</b>	<b>1,321</b>	<b>4,122</b>	<b>5,991</b>	<b>12,878</b>			<b>1,110</b>

Prospect T3 Deep	Paleocene - L1	1,789	4,808	6,358	12,870	22	90	1,251
<b>Prospect T3 Deep</b>	<b>Prospect Total</b>	<b>1,789</b>	<b>4,808</b>	<b>6,358</b>	<b>12,870</b>			<b>1,251</b>
<b>Block 33/07 (Sub-total)</b>		<b>14,194</b>	<b>43,579</b>	<b>63,649</b>	<b>135,422</b>			<b>8,027</b>
<b>Total - Property Gross (3)</b>		<b>21,889</b>	<b>63,372</b>	<b>89,039</b>	<b>185,254</b>			<b>20,492</b>
<b>Total - Company Gross (6)</b>		<b>10,725</b>	<b>31,052</b>	<b>43,629</b>	<b>90,775</b>			<b>10,041</b>

(1) There is no certainty that any portion of the prospective 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.

(2) These are fully risked prospective resources that have been risked for chance of discovery and for chance of development.

(3) The Unrisked Total is not representative of the Portfolio Unrisked Total and is provided to give an indication of the resources range assuming all the prospects are successful.

(4) The LS23-2 N & S total prospect chance of discovery takes into account the inter-dependency between zones.

(5) The chance of development is defined as the probability of a project being commercially viable.

Quantifying the chance of development requires consideration of both economic contingencies and other contingencies such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are extremely difficult to quantify, the chance of development is uncertain and must be used with caution.

(6) Company Gross resources are based on a 49.0 percent working interest share of the property gross resources, assuming CNOOC exercise their right to back-in and take a 51 percent interest.

(7) 6 Mcf is equivalent to 1 boe. Note BOEs may be misleading particularly if used in isolation. The BOE conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

July 21, 2017

**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 and Prospective Resources Data**  
**by 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 and prospective resources data as at March 31, 2017. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at March 31, 2017 estimated using forecast prices and costs. The prospective resources data are risked estimates of volume of prospective resources as at March 31, 2017, estimated using forecast prices and costs.
2. The reserves and prospective resources data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves and prospective resources 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 as amended from time to time (the “COGE Handbook”) maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves and prospective resources data are free of material misstatement. An evaluation also includes assessing whether the reserves data and prospective resources are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended March 31, 2017, and identifies the respective portions thereof that we have evaluated and reported on to the Company's Board of Directors:

Independent Qualified Reserves Evaluator	Effective Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue \$M US (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
McDaniel & Associates	March 31, 2017	China	-	158,980	-	158,980

6. The following table sets forth the risked mean volume of natural gas and natural gas liquid prospective resources included in the Company's statement prepared in accordance with Form 51-101F1 and reported on to the Company's Board of Directors:

Classification	Independent Qualified Reserves Evaluator	Effective Date of Evaluation Report	Location of Resources Other than Reserves	Risked Volume
Prospective Resources	McDaniel & Associates	March 31, 2017	China	56,456 MMcf Natural Gas 632 Mbbl NGL

7. In our opinion, the reserves and prospective resources data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves and prospective resources data that we reviewed but did not audit or evaluate.
8. We have no responsibility to update our report referred to in paragraphs 5 and 6 for events and circumstances occurring after the effective date of our report.
9. Because the reserves and prospective resources 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.**

"C. T. Boulton"

C. T. Boulton, P. Eng.  
Vice President

Calgary, Alberta, Canada  
July 21, 2017

**Form 51-101F3**  
**Report of**  
**Management and Directors**  
**on Oil and Gas Disclosure**

**This is the form referred to in item 3 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").**

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form.<sup>1</sup>
2. The report referred to in item 3 of section 2.1 of *NI 51-101* must in all material respects be as follows:

**Report of Management and Directors  
on Reserves Data and Other Information**

Management of Primeline Energy Holdings Inc. (the "Company") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data and prospective resources data.

An independent qualified reserves evaluator has evaluated the Company's reserves data and prospective resources data. The report of the independent qualified reserves evaluator is presented below and 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 and prospective resources 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, prospective resources 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 prospective resources data; and
- (c) the content and filing of this report.

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

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<sup>1</sup> For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101*, *Form 51-101F1*, *Form 51-101F2* or Companion Policy 51-101CP.

*“Ming Wang”*

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Ming Wang, Chief Executive Officer and Director

*“Brian Chan”*

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Brian Chan, Director

*“Andrew Biggs”*

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Andrew Biggs, Senior Vice President

*“Peter Kelty”*

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Peter Kelty, Director

July 31, 2017



## 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 190,735,412 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

Shares are traded on the TSX-V under the symbol “PEH”. The closing price of the Shares as of July 28, 2017 was CAD\$0.13. The following sets forth the high and low market prices and the volume of Shares traded during the periods indicated for last completed financial year and the 3 full months preceding the date of this AIF:

<u>Price Range (in CAD\$)</u>			
<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
April 2016	\$0.17	\$0.10	903,680
May 2016	\$0.15	\$0.10	844,121
June 2016	\$0.13	\$0.075	500,670
July 2016	\$0.12	\$0.085	87,101
August 2016	\$0.12	\$0.095	293,205
September 2016	\$0.115	\$0.09	201,630
October 2016	\$0.10	\$0.05	546,955
November 2016	\$0.06	\$0.05	438,956
December 2016	\$0.06	\$0.05	229,334
January 2017	\$0.21	\$0.05	781,863
February 2017	\$0.165	\$0.11	1,302,757
March 2017	\$0.30	\$0.145	2,37,699

April 2017	\$0.22	\$0.15	477,790
May 2017	\$0.22	\$0.14	190,303
June 2017	\$0.20	\$0.14	137,220

## 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 <sup>(1)</sup>	Principal Occupation or Employment	Date First Appointed as Director	No. of Shares Held
<b>Victor Yiou Hwa Hwang</b> Hong Kong SAR, People's Republic of China <sup>(9)</sup> <i>Chairman, President &amp; Director</i>	Director of Financial and Strategic Development of Chyau Fwu Group <sup>(2)</sup> ; and Director and President of Primeline International <sup>(2)</sup> and Parkview International London Ltd. <sup>(2)</sup>	April 18, 1995	125,213,470 <sup>(3)</sup>
<b>Dr. Guang Ming Wang</b> People's Republic of China <i>CEO &amp; Director</i>	CEO of the Company since 2005, previously Vice-President, Exploration of the Company 1996-2005	July 12, 2000	1,638,500

Name, Place of Residence and Position with the Company <sup>(1)</sup>	Principal Occupation or Employment	Date First Appointed as Director	No. of Shares Held
<b>Brian Chi Fai Chan</b> <sup>(4)</sup> Hong Kong, SAR, People's Republic of China  <i>Director</i>	General Manager of Chyau Fwu Group <sup>(2)</sup> and Director of Primeline International <sup>(2)</sup> and a Professional Accountant <sup>(5)</sup>	April 18, 1995	Nil
<b>Alan P. Johnson</b> <sup>(4)(9)</sup> London, England  <i>Director</i>	Retired; Formerly Head of Upstream Oil Projects for Glencore UK Ltd. <sup>(6)</sup>	April 18, 1995	150,000
<b>Peter C. Kelty</b> <sup>(4)(9)</sup> Illinois, USA  <i>Director</i>	Principal of Kelyard Corporation <sup>(7)</sup> and an Attorney. He is General Counsel for the Dillon Kane Group, a privately held group of companies focused on technology and financial services.	June 13, 1995	150,000
<b>Timothy S. Baldwin</b>  <i>Director</i>	Partner, General Enterprise Management Services (HK) Limited <sup>(8)</sup>	October 29, 2015	Nil

Name, Place of Residence and Position with the Company <sup>(1)</sup>	Principal Occupation or Employment	Date First Appointed as Director	No. of Shares Held
<b>Vincent Lien</b> Singapore <i>Director</i>	Mr. Lien is currently a director of Wah Hin & Company, a Singapore incorporated private investment holding company; a director of the Maritime & Port Authority of Singapore; an independent non-executive director and a member of the audit committee and remuneration committee of Up Energy Development Group Limited, a company listed on the Hong Kong Stock Exchange; and an independent non-executive director of Focus Media Network Limited and of CT Environmental Group Limited, both companies listed on the Hong Kong Stock Exchange. Mr. Lien obtained a Bachelor degree in Business Administration from the University of New Brunswick in 1986.	April 16, 2013	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 and Parkview International London Ltd. are private corporations wholly owned by the Hwang family. Their principal business is investment holding and property development. Primeline International is a holding company wholly owned by Mr. Hwang.
- (3) 91,143,463 Shares are held through Primeline International, and 34,070,007 Shares are held by Mr. Hwang directly.
- (4) Member of the Company's Audit Committee.
- (5) 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.
- (6) Glencore UK Ltd. is based in London, United Kingdom and is a subsidiary of Glencore International AG, which is an international commodity trading company, listed on the London Stock Exchange.
- (7) Kelyard Corporation is a private financial and business advisory company based in Oak Park, Illinois, USA.
- (8) General Enterprise Management Services (HK) Ltd. is a private company licensed and regulated by the Hong Kong Securities and Futures Commission whose principal business is provision of investment advisory services. It is a subsidiary of GEMS.
- (9) Members of the Company's Compensation Committee.

**Corporate Cease Trade Orders**

None of Primeline's directors or executive officers, are, at the date of this Annual Information Form or were within 10 years prior to the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including Primeline) that:

- i. 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 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:

- i. is, at the date of this Annual Information Form, or has been within the 10 years prior to the date of this Annual Information Form, a director or executive officer of any company (including Primeline) 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. has, as at the date of this Annual Information Form or within 10 years prior to the date of this Annual Information Form, 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.

### **Shareholdings**

The number of Shares beneficially owned by all directors and executive officers of Primeline as a group is 127,151,970.

## SENIOR MANAGERS

Primeline's Senior Managers are as follows:

Name, Place of Residence and Position with the Company <sup>(1)</sup>	Principal Occupation or Employment	No. of Shares Held
<p><b>Andrew Biggs</b></p> <p>Dorset, England</p> <p><i>Senior Vice President, General Counsel and Company Secretary</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&amp;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 &amp; 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>452,500</p>
<p><b>John Li</b></p> <p>Beijing, People's Republic of China</p> <p><i>Interim Chief Financial Officer</i></p>	<p>Li has over 30 years experience working in various financial capacities for public and private companies. Mr. Li is a Certified Public Accountant qualified in Hong Kong and Australia, and graduated with a Masters in Practicing Accounting from Monash University in Australia. Mr. Li is the CFO (China) of Beijing Chyau Fwu Properties Company Limited., which is part of the Parkview Group and owned by the family of Primeline's Chairman, President, and largest shareholder, Mr Hwang.</p>	<p>Nil</p>

Name, Place of Residence and Position with the Company <sup>(1)</sup>	Principal Occupation or Employment	No. of Shares Held
<p><b>Alan Soulsby</b></p> <p>London, England</p> <p><i>Senior Consultant</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 to the LS36-1 discovery as well as ongoing evaluation work and development planning.</p>	<p>1,316,600</p>
<p><b>Mark Norman</b></p> <p>Shanghai, People's Republic of China</p> <p><i>General Manager, China Office</i></p>	<p>Mr Norman has over 25 years of experience in project management. He spent 15 years as a commercial manager for contracting organisations in the UK before moving to work on the development of a series of major international projects. He has overseen the successful delivery of a number of projects worldwide and has expertise in the delivery of complex projects. In June 2012 Mr Norman was appointed Project Director for the LS36-1 development. He was appointed General Manager of Primeline's China office in June 2014. He is based in the Shanghai office.</p>	<p>Nil</p>
<p><b>Brian Thurley</b></p> <p>London, England</p> <p><i>Technical Director</i></p>	<p>Mr. Thurley graduated from Imperial College and has over 35 years of G&amp;G experience in international oil and gas exploration and production projects. He was Exploration Manager (International) for Monumental Oil and Gas, technical director for Burren Energy, and technical advisor for Bayfield Energy. Mr. Thurley joined Primeline in April 2014 to work</p>	<p>Nil</p>

Name, Place of Residence and Position with the Company <sup>(1)</sup>	Principal Occupation or Employment	No. of Shares Held
	with Alan Soulsby to manage the exploration programme and development and production of LS36-1 gas field.	
<p><b>Grace Deng</b> Shanghai, People's Republic of China <i>Finance Controller, China Office</i></p>	<p>Ms. Deng has over 20 years' experience in the finance and accounting field of listed companies in Hong Kong and U.S market, including 9 years with major oil &amp; gas joint venture companies within China. She has extensive experience in joint operation oil fields in the exploration, development and production phases. She holds a MBA degree from the University of Leicester. Ms. Deng joined Primeline in 2012.</p>	<p>Nil</p>
<p><b>Judy Li</b> Hong Kong SAR, People's Republic of China <i>Financial Controller, Hong Kong Office</i></p>	<p>Ms. Li graduated from Manchester University with a Bachelor degree in Accounting and Finance and qualified as an ICAEW Chartered Accountant (ACA) in 2007 in the UK. Ms. Li joined Primeline as the financial controller in Hong Kong in 2011.</p>	<p>Nil</p>
<p><b>Chengzhang Wang</b> Shanghai, People's Republic of China <i>Financial Manager, China Office</i></p>	<p>Mr. Wang has been with Primeline China since 1994 and is responsible for accounting operations, particularly the management of the Joint Account maintained under Petroleum Contract 25/34.</p>	<p>Nil</p>
<p><b>Mr. Nelson Jin</b> Shanghai, People's Republic of China <i>Procurement Manager, China Office</i></p>	<p>Mr. Jin has over 20 years of experience in the development of petrochemical projects. He has worked with a number of major national and international oil and gas companies and has experience in engineering, commercial and project management and procurement. In May 2011, Mr. Jin was appointed Procurement Manager for the LS36-1 development. He is based in the Shanghai office.</p>	<p>Nil</p>



Name, Place of Residence and Position with the Company <sup>(1)</sup>	Principal Occupation or Employment	No. of Shares Held
<p><b>Dr. William Li</b></p> <p>Shanghai, People's Republic of China</p> <p><i>Project Manager, China Office</i></p>	<p>Dr. Li was appointed as project coordinator for the LS36-1 Development in 2008. Based in the London office he was responsible for the project management of the design and development phases of LS 36-1. Since 2010 he has been based in the Shanghai Office as project manager for the construction phase. He has considerable experience coordinating with local government and other regulatory authorities. Dr. Li has PhD degree in Electrical Engineering from Nottingham University.</p>	<p>Nil</p>
<p><b>Dr. Ben Hu</b></p> <p>Shanghai, People's Republic of China</p> <p><i>Assistant E&amp;P Co-ordinator</i></p>	<p>Dr. Hu started to work for Primeline in 2013 on exploration pertaining to the Lishui Basin. Ben moved to the Shanghai Office in 2015 as the technical liaison between Primeline and CNOOC. He assists coordination of the company's E&amp;P activities, as well as maintenance of E&amp;P and sales database. He holds a PhD degree from University of Aberdeen</p>	

**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.

Mr. Hwang controls Primeline. In some cases, the interests of Mr. Hwang 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

### Operational, Environmental and Safety Incidents

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Primeline's operations are subject to inherent operational risks with respect to safety and the environment that require continuous vigilance. First, the production operations in respect to the LS36-1 Gas Field are carried out by CCL which accordingly has primary responsibility for such operations. In relation to exploration operations under Petroleum Contract 33/07, the Company seeks to minimise these operational risks by carefully designing and building its facilities and conducting its operations in a safe and reliable manner. Failure to manage the risks effectively could result in potential fatalities, serious injury, interruptions to activities or use of assets, damage to assets, environmental impact, or loss of license to operate. Enterprise risk management, emergency preparedness, business continuity and security policies and programmes are in place for all operating areas and are adhered to on an ongoing basis. The Company, in accordance with industry practice, maintains insurance coverage against losses from certain of these risks. Nonetheless, insurance proceeds may not be sufficient to cover all losses, and insurance coverage may not be available for all types of operational risks.

### Commodity Price Volatility

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Primeline's results of operations and financial condition are dependent on the prices received for its natural gas, crude oil and by-products including, LPG and condensate production. Lower prices will adversely affect the value and quantity of Primeline's oil and gas reserves. All of Primeline's natural gas production is currently sold to Zhejiang Gas. Therefore, the majority of Primeline's revenues are currently dependent on the one contract, being the Gas Sales Contract. The Gas Sales Contract is between CCL (the operator of LS36-1 and sales agent for Primeline) and Zhejiang Gas and as such Primeline has limited influence over its performance and terms. If Zhejiang Gas was to attempt to alter or terminate the Gas Sales Contract, or the cost of production from LS36-1 were to rise above the price provided for in the Gas Sales Contract, that would have a material adverse effect on Primeline's business. If the CNOOC Arbitration is concluded adversely to the Company's expectations that could have a material adverse effect on the Company's business, financial condition and cash flow. See "Disputes With Buyer and Operator".

### History of Losses

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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

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Primeline may 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 of its operations.

#### Risks Relating to Arbitration

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Primeline is engaged in arbitration proceedings against CCL and CNOOC. While Primeline believes its legal position is good and that it will be successful in the arbitration, the outcome of such proceedings is inherently uncertain and no assurance can be given of Primeline's success. If Primeline is successful in the arbitration, it may nonetheless be unable to enforce the award of the arbitrator. If either of these events were to occur, that could have a material, adverse effect on Primeline's business and financial position.

#### Volatility of the Market Price of the Shares

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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

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Primeline's success is highly dependent upon the continued services of key managerial employees, including the Chairman and President of the Corporation, Mr. Hwang, and the Chief Executive Officer of Primeline, Dr. Ming Wang. Primeline 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

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Primeline is exposed to currency risk to the extent that it holds cash deposits primarily denominated in US\$ whereas accounts payable by reference to various currencies are denominated primarily in US\$, CAD\$, £Sterling and RMB. For instance, the Syndicate Facility is denominated in US\$, and serviced from cash from operations in RMB. Therefore, fluctuation between exchange rates for US\$ and RMB, in which Primeline holds the majority of its cash deposits and Primeline has income could adversely affect Primeline and, accordingly, the market price of the Shares. Primeline believes the foreign exchange risk is currently significant and is in discussions with the Syndicate to mitigate this risk.

#### Exploration Risk

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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 with respect to Block 33/07 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. 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.

### Reservoir Performance Risk

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Lower than projected reservoir performance at LS36-1 could have a material impact on the Company's financial position, medium to long-term business strategy and cash flow. Inaccurate appraisal of large project reservoirs could result in missed production, revenue and earnings targets and negatively affect the Company's reputation, investor confidence and the Company's ability to deliver on its growth strategy. In order to maintain the Company's future production of crude oil, natural gas and NGL and maintain the value of the reserves portfolio, additional reserves must be added through discoveries, extensions, improved recovery, performance related revisions and acquisitions. The production rate of oil and gas properties tends to decline as reserves are depleted while the associated unit operating costs increase. In order to mitigate the effects of this, the Company must undertake successful exploration and development programs, increase the recovery factor from existing properties through applied technology and identify and execute strategic acquisitions of proved developed and undeveloped properties and unproved prospects. Maintaining an inventory of developable projects depends on, among other things, obtaining and renewing rights to explore, develop and produce oil and natural gas, drilling success, completing long-lead time capital intensive projects on budget and on schedule and the application of successful exploitation techniques on mature properties.

### Reserves Data and Future Net Revenue Estimates

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The reserves data contained or referenced in this AIF are estimates only. The accurate assessment of oil and gas reserves is critical to the continuous and effective management of the Company's assets. Reserves estimates support various investment decisions about the development and management of oil and gas properties. In general, estimates of economically recoverable crude oil and natural gas reserves and the future net cash flow therefrom are based upon a number of variable factors and assumptions, such as product prices, future operating and capital costs, historical production from the properties and the assumed effects of regulation by government agencies, including with respect to royalty payments, all of which may vary considerably from actual results. All such estimates are to some degree uncertain, and classifications of reserves are only attempts to define the degree of uncertainty involved. For those reasons, estimates of the economically recoverable oil and gas reserves attributable to any particular group of properties, classification of such reserves and resources based on risk of recovery and estimates of future net revenues expected therefrom may differ substantially from actual results. The data may be prepared by different engineers or by the same engineers at different times. These factors may cause the estimates to vary substantially over time. All reserves estimates involve a degree of ambiguity and, at times, rely on indirect measurement techniques to estimate the size and recoverability of the resource. While new technologies have increased the accuracy of these techniques, there remains the potential for human or systemic error in recording and reporting the magnitude of the Company's oil and gas reserves. Inaccurate appraisal of large project reservoirs could result in missed production, revenue and earnings targets and could negatively affect the Company's reputation, investor confidence and the Company's ability to deliver on its growth strategy.

### Unplanned Shutdowns and Pipeline Interruptions

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Unplanned shutdowns and closures of facilities or platforms may limit may potentially have a material impact on the Company's financial condition, short-term to long-term business strategy, cash flow and earnings. The Company's corporate reputation is particularly vulnerable to these events. Prolonged problems may threaten the commercial viability of operations.

#### Security and Terrorist Threats

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Security threats and terrorist or activist activities may impact the Company's personnel, which could result in injury, death, extortion, hostage situations and/or kidnapping, including unlawful confinement. A security threat, terrorist attack or activist incident targeted at a facility, office or offshore vessel/installation owned or operated by the Company could result in the interruption or cessation of key elements of the Company's operations. Outcomes of such incidents could have a material impact on the Company's financial condition, business strategy and cash flow. A cyber incident may impact the operational state and/or cause physical damage to the Company's assets, along with potential health and safety risks or loss of intellectual property.

#### Lack of Diversification

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Primeline's business focuses exclusively on the oil and gas industry in China, and therein exclusively on exploration and development of two properties, Block 25/34 and Block 33/07. 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 in general or Blocks 25/34 and 33/07 in particular are likely to impact Primeline more acutely than if its business were more diversified.

#### Insurance

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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

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The oil and gas industry is highly competitive. 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

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Primeline is controlled by Mr Hwang, its Chairman and President, who directly and indirectly through PIHI owns Shares representing approximately 65.65% of the votes attaching to all of the Shares and management share options in respect of a further 500,000 Shares. Mr Hwang has the ability to control election to the board of directors and 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 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.

#### [PRC Political and Economic Considerations](#)

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The location of its operations wholly in the PRC may expose the Company to uncertain political, economic and other risks. The Company's operations may be adversely affected by events that may include, but are not limited to, onerous fiscal policy, renegotiation, nullification or failure to perform agreements, imposition of onerous regulation, changes in laws governing existing operations, financial constraints, including currency and exchange rate fluctuations, unreasonable taxation and corrupt behaviour of public officials, joint venture partners or third-party representatives that could result in lost business opportunities for Primeline. This could adversely affect the Company's interest in its PRC operations and future profitability. Changes in PRC government policy, legislation or regulation could impact the Company's existing and planned projects as well as impose costs of compliance and increase capital expenditures and operating expenses. Examples of the Company's regulatory risks include, but are not limited to, uncertain or negative interactions with government, uncertain energy policies, uncertain climate policies, uncertain environmental and safety policies, penalties, taxes, royalties, government fees, reserves access, limitations or increases in costs relating to the exportation of commodities, restrictions on the acquisition of exploration and production rights and land tenure, expropriation or cancellation of contract rights, limitations on control over the development and abandonment of fields and loss of licences to operate.

#### [Partner Misalignment](#)

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CCL, as joint venture partner operates all of Primeline's producing assets. Primeline is at times dependent upon CCL for the successful execution of various projects. If a dispute with partners were to occur over the development and operation of a project or if partners were unable to fund their contractual share of the capital expenditures, a project may be delayed and the Company may be partially or totally liable for its partner's share of the project. Primeline is currently involved in a dispute with its partners CNOOC and CCL, see "Disputes With Buyer and Operator".

#### [Environmental Considerations](#)

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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](#)

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While the information contained herein regarding the 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**

Primeline is not involved in any legal proceedings other than the arbitration proceedings against CNOOC and CCL referred to in "Disputes with Buyer and Operator".

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed below, 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.

In June 2015, the Company improved its capital structure by the conversion of shareholder loans of US\$10.1667 million from Mr. Hwang. The loans were converted into Shares at a conversion price of CAD\$0.58 per Share. As a result, the Company issued 21,218,535 Shares to Mr. Hwang.

On August 13, 2015 the Company acquired PPC, which held a 25% interest in Petroleum Contract 33/07 and a 12.25% interest in Petroleum Contract 25/34, from PIHI and Mr. Hwang, such that the Company now holds a 100% interest in Petroleum Contract 33/07 and a

49% interest in Petroleum Contract 25/34. The consideration for the acquisition was satisfied by the issue of one-third (or 44,669,851) of the number of the then issued and outstanding shares. The closing price of the Shares on the TSX-V on August 12, 2015, the last trading day prior to completion of the acquisition and the issuance of the Shares to PIHI, was CAD\$0.42.

## **AUDITORS AND REGISTRAR AND TRANSFER AGENT**

Primeline's auditors are Crowe Clark Whitehill LLP, Chartered Professional Accountants, of St Bride's House, 10 Salisbury Square, London EC4Y 8EH, UK. Crowe Clark Whitehill LLP has advised that they are independent with respect to Primeline within the meaning of the Code of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

Computershare Investor Services Inc., at its office at 3<sup>rd</sup> floor, 510 Burrard Street, Vancouver, BC V6C 3B9, is the transfer agent and registrar of the Shares.

## **MATERIAL CONTRACTS**

There are no contracts which are currently in effect and 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 Crowe Clark Whitehill LLP, Primeline's auditors. None of McDaniel, or any of its designated professionals 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 under Primeline's profile at [www.sedar.com](http://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 November 11, 2016.

Further information on financial matters is contained in Primeline's audited financial statements and management discussion and analysis for the year ended March 31, 2017