



# PRIMELINE ENERGY HOLDINGS INC.

*FOR IMMEDIATE RELEASE*

*August 24, 1998*

## **PRIMELINE REACHES PRELIMINARY AGREEMENT ON GAS UTILIZATION**

Primeline Energy Holdings Inc. ("Primeline", the "Company") announces that the Company has reached preliminary agreement with the authorities in Wenzhou, Zhejiang Province, on the future utilization of any economically recoverable gas discovered in Block 32/32, East China Sea, operated by the Company.

In parallel with the 3D seismic and other appraisal work being conducted, Primeline is in discussions with a number of potential purchasers of the gas and local municipal and provincial authorities. On August 12, 1998, Primeline signed a Declaration of Intent with Wenzhou Municipal Government and Zhejiang Provincial Electric Power Company to form joint task teams to explore and evaluate the options of gas utilization, including a 600 MW Combined Cycle Gas Turbine (CCGT) Power Plant, a fertilizer plant or a take-or-pay contract with the Wenzhou Government. The Wenzhou Government and Zhejiang Provincial Electric Power Company are in full support of Primeline's exploration efforts in the East China and desire that the gas field be developed at the earliest possible date. To encourage such rapid development, Wenzhou and Zhejiang undertook to provide every assistance possible to Primeline.

Block 32/32 is offshore of Zhejiang Province. Wenzhou city, with a population of 1.1 million, is the closest city to the Block. Economic growth in Zhejiang, and in particular in the Wenzhou region, which has a population of over 7 million, is one of the fastest in China with over 13% p.a. growth for Zhejiang and over 16% p.a. for Wenzhou over the past 15 years. Almost all the energy requirements of the province are met by coal, and the shortfall in electricity generating capacity is met by importation from other provinces. There are, however, acute shortfalls in Wenzhou itself. Zhejiang and Wenzhou welcome a clean alternative fuel to coal to ease their energy shortages and improve the deteriorating environment.

Primeline is confident that the market conditions are extremely favorable in the Wenzhou region for development of its gas resource.

Primeline owns a 75% interest in Block 32/32, a 6,000 sq. km (1.5 million acres) concession in the East China Sea. Primeline is exclusively focused on oil and gas exploration and upstream business opportunities in China. The Company's shares are listed on the Vancouver Stock Exchange under the symbol "PEH"

On behalf of the Board of Directors:

"Peter Kelty"

Mr. Peter C. Kelty  
Director, Primeline Energy Holdings Inc.

***FOR MORE INFORMATION, PLEASE CONTACT:***

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