PRIMELINE
Energy Holdings Inc.

超準能源

www.pehi.com
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加拿大上市公司

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NEWS RELEASE

OPERATIONS UPDATE AND CHINA GAS MARKET

Primeline Energy Holdings Inc. ("Primeline" or the "Company") (TSXV: PEH) today announces an update with regard to its operations.

Exploration

The Company has completed the site survey of the proposed exploration well locations in the Lishui gas play. This survey finalises all preparatory work required before drilling the prospects identified by the recent 3D seismic programme. Primeline is ready to drill immediately once a rig is available on acceptable terms. The Company is continuing its discussions with China National Offshore Oil Corporation (CNOOC, NYSE:CEO, www.CNOOC.com.cn) and drilling contractors in order to secure a rig for the selected exploration well locations.

Development Feasibility Study

Primeline and CNOOC have also now completed the detailed engineering and costings element of the feasibility study for the stand-alone development of the existing Lishui 36-1 gas discovery. No final conclusion has yet been reached with regard to the feasibility of development of the existing discovery as Primeline and CNOOC are still continuing their discussions with the Wenzhou Municipality Authority and the Zhejiang Provincial Government with regard to a take-or-pay gas sale contract. Those discussions have, however, been influenced by recent developments in the rapidly changing natural gas market in China.

Natural Gas Market Developments

Historically, natural gas has not been a major fuel in China but its share in the country's energy mix is now rapidly increasing. In 2006 natural gas represented about 3% of the entire energy mix compared to the world average of 25% and the Chinese Government has recently announced plans to raise this percentage to 5.3% by 2010. Rapid development of the natural gas industry is now one of China's strategic policies in order to resolve its acute energy shortage and to achieve its target for pollution reduction. Part of this strategy is to encourage the transportation of gas from West China

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and other countries around China, including Russia and Central Asia, where there are significant resources, to East China where demand is highest and the energy shortage is most acute.

China's first major West-East pipeline, built by China National Petroleum Corp. (CNPC), parent company of Petrochina Ltd. (NYSE:PTR, www.petrochina.com.cn), was completed in 2004 and now carries approximately 12 bcm of gas per annum from the Tarim Basin along the 4,000 kms pipeline which terminates at Shanghai. There were initial concerns that there would be insufficient demand for the gas, but now demand exceeds supply and prices have recently been increased.

In order to respond to the increasing demand, there are now three new West to East pipelines planned for the near future, two of which will be able to supply gas to Zhejiang Province:

- CNPC has recently announced proposals for a second West-East pipeline with a capacity of 30 bcm per annum. The pipeline, which will be over 6,000 kms, is planned to run from Turkmenistan through Xinjiang to Guangzhou, branching at Nanchang to run east to Shanghai, passing through western and northern Zhejiang Province. It has been announced that construction will commence in 2008 with gas supply due to start in 2010. CNPC signed agreements in July 2007 to import 30 bcm of natural gas over the next 30 years from Turkmenistan to supply this pipeline. However, Wenzhou is the furthermost point of the proposed pipeline and it is not clear when Wenzhou might be connected to that pipeline.

- China Petroleum and Chemical Corp. (Sinopec, NYSE:SNP, www.sinopec.com.cn/) has started laying a natural gas pipeline that will run from south west Sichuan Province to Shanghai. This new pipeline is expected to provide Shanghai with an additional 1.9 bcm per annum by 2010 with the total pipeline capacity of 17 bcm also supplying other cities along the pipeline, including northern Zhejiang Province.

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

Primeline believes that these recent developments are indicative of a maturing gas market with a more market-driven pricing system which will benefit the development of Block 25/34 in the long term. It is also clear that a gas grid will be established in East China. The Company and CNOOC are continuing with the negotiation of a gas sale contract with Wenzhou Authorities while allowing the effect of the recent market developments to be assessed. The Company and CNOOC are committed to securing a gas sale agreement on terms which will justify proceeding with development of the existing Lishui 36-1 discovery. Primeline believes the nearby prospects and remainder of the Block should underpin the long term success of the project.

ON BEHALF OF PRIMELINE ENERGY HOLDINGS INC.

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Please visit the Company's website at www.pehi.com. Should you wish to receive Company news via email, please email michael@chfir.com and specify "Primeline Energy" in the subject line.

Forward-Looking Statements
Some of the statements in this news release contain forward-looking information, which involves inherent risk and uncertainty affecting the business of Primeline. These statements included statements related to the results of exploration, the anticipated development of the Chinese natural gas market, and the negotiation of contracts for sale of natural gas.. It is uncertain if further exploration will result in discovery of economic resources on any of the Company's properties. Natural gas markets in China may not develop in the manner the Company anticipates. Contracts for sale of natural gas may not be negotiated on the terms anticipated, or at all. Actual results may differ materially from those currently anticipated in such statements.

The TSX Venture Exchange has neither reviewed nor approved and takes no responsibility for the contents of this release.