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NEWS RELEASE

PRIMELINE ENERGY **AGREEMENT IN PRINCIPLE FOR GAS SALE**

Primeline Energy Holdings Inc. (“Primeline” or the “Company”) (TSXV: PEH) today reported that an agreement in principle for the sale of gas from the Lishui 36-1 gas discovery (the “Agreement”) has been entered into and the Company now proposes to proceed with the preparation of the development plan for the Lishui 36-1 discovery.

Mr. Victor Hwang, the Company’s Chairman and President, commented: “This is a significant milestone for the Company as we have now confirmed a market for the gas that may be produced from our Block. The existing discovery, Lishui 36-1, is now likely to justify the costs of the initial production facility. Based on the currently confirmed minimum resources only, the initial development may not generate a significant return. However, establishing the production facility will considerably reduce the future development costs of realizing the potential value of the probable and possible resources in the discovery itself and, more importantly, any resources discovered in our nearby exploration prospects. Although we have suffered some delay during the negotiation process, we are delighted that an agreement in principle has been achieved. We will continue to work on our dual strategy of proceeding with the development plan whilst at the same time continuing our exploration efforts.”

Gas Sale Agreement in Principle

Primeline and China National Offshore Oil Corp. (“CNOOC”) have concluded initial negotiations with Zhejiang Natural Gas Development Company Ltd. (“Zhejiang Gas”) which have resulted in the Agreement being signed on 27th October 2008 between Zhejiang Gas and CNOOC. Entering into the Agreement, CNOOC acted on its own behalf and on behalf of Primeline and Primeline Petroleum Corporation (“PPC”), the foreign contractors as defined by the petroleum contract for Block 25/34 (“Petroleum Contract”).

The Agreement defines the general terms on which Zhejiang Gas will purchase the future production of natural gas from the Lishui 36-1 gas field, including the quality of the gas, take-or-pay principles, base price, annual quantity and delivery schedule. The principles set out in the Agreement will govern the further negotiation of the Gas Sale Contract, which can only be finalised during the development of the production

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facility. On the basis of the costings confirmed by the detailed feasibility study for the development of Lishui 36-1 (“Feasibility Study”) as completed by Primeline and CNOOC in December 2007, it is believed that the terms set out in the Agreement will justify the development of the Lishui 36-1 gas discovery on a stand-alone basis, thus allowing Primeline and CNOOC to proceed with the preparation of the Overall Development Plan (“ODP”) for the Lishui 36-1 gas field and Zhejiang Gas to undertake studies for the development of the infrastructure required for the utilisation and transportation of the gas onshore. However, the commerciality of the Lishui 36-1 gas field can only be confirmed after the completion of the ODP. Primeline, CNOOC and Zhejiang Gas will further negotiate the detailed terms of the gas sale, including the delivery point, delivery profile, final delivery gas price, and payment terms during the ODP stage and aim to sign a more formal Framework Agreement for the gas sale prior to the completion of the ODP.

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

Zhejiang Gas and Zhejiang Provincial Gas Grid

Zhejiang Gas is a subsidiary of Zhejiang Provincial Energy Group Ltd. (“Zhejiang Energy”) which is the largest enterprise in Zhejiang Province. The province is the fourth largest economy amongst Chinese provinces with a population of 50 million. Zhejiang Energy is a state-owned company whose main business is power generation (14,310 MW in 2007), coal distribution (32 million tons in 2007) and natural gas distribution (1.8 billion cubic metres in 2007). Zhejiang Gas owns and operates the current 330 km provincial gas pipeline grid in the northern part of Zhejiang Province. As part of China’s rapid nation-wide gas infrastructure development programme, the provincial gas grid is planned to be expanded to connect other major cities within the province, including Wenzhou, to the proposed West to East Phase Two Pipeline, and the Sichuan Gas to East Pipeline, both of which are currently under construction, and to LNG imports. The planned annual through put of the Zhejiang provincial grid in 2015 is estimated at over 6 billion cubic metres (circa 580 million cubic feet per day).

“The proposals to expand the provincial grid in the next few years are extremely important to Primeline as they provide supply routes for our gas.” explained Mr. Hwang. “We are very excited by the prospect of working with the developer of this rapidly expanding gas market and supplying gas to Wenzhou and beyond.”



Overall Development Plan

The Agreement is based on the current development proposal of producing gas from the Lishui 36-1 gas field via an offshore pipeline to an onshore processing terminal to be established adjacent to Wenzhou city. Although such gas is intended to supplement the supply to the new provincial grid, as discussed above, Wenzhou will benefit directly. The development proposal in the Feasibility Study is based on the reserve approved by the State Reserve Committee which is approximately the same as the minimum resource estimate for Lishui 36-1 as contained in the resource evaluation prepared by McDaniel in July 2007 and 2008. The full text of the McDaniel evaluation appears on the Company's website (www.pehi.com) and on SEDAR.

On the basis of the terms set out in the Agreement, Primeline proposes to proceed with the ODP without delay. The ODP work will involve further engineering design and survey work to allow the detailed design to be finalised. Such survey work includes the site survey for the production platform, a route survey for the pipeline, a survey for the onshore terminal and environmental surveys. Two environmental surveys are required. The spring survey was completed in May 2008 and the autumn survey will be commissioned within weeks. Primeline will also arrange for the commissioning of the other surveys in the coming months. It is currently estimated that the ODP will take approximately six months to complete before applying to the appropriate State Authorities for approval.

As part of the gas market development, Primeline and CNOOC have been working with the Wenzhou Municipal Authority to select the site for the landing point for the proposed offshore pipeline and the onshore gas processing terminal. Preliminary locations have been agreed on and close cooperation with the government on planning, land acquisition and other preparatory work is now required to ensure that the site chosen for this onshore facility can be secured and ready on time for the proposed development.

Conclusion

The Agreement confirms the market for future gas production from Block 25/34 and means that the existing Lishui 36-1 gas discovery is likely to be commercial on a stand-alone basis. The Agreement also enhances the value of all the Company's exploration prospects in Block 25/34 in the East China Sea.

Exploration Update

As part of the rolling development plan, Primeline will continue to explore for additional resources in the nearby prospects whilst proceeding with the development plan for the Lishui discovery.

Primeline is ready to drill one of its identified prospects near to the Lishui 36-1 gas discovery in the Lishui gas play as soon as a rig becomes available on acceptable terms. Primeline has been actively seeking rigs and is currently in negotiation for a drilling contract with a potential contractor.



About Primeline Energy Holdings Inc.

Primeline is an exploration and development company focusing exclusively on China resources to become a major supplier of gas and oil to the East China market. Primeline has a 75% interest in the Petroleum Contract with CNOOC for Block 25/34, an offshore exploration area of 7,006 km² in the East China Sea, where the Lishui 36-1 discovery is located. A recently completed 3D survey has defined a number of high potential prospects near its discovery for the Company's step out exploration programme. Previously drilled wells in and around Block 25/34 encountered oil and gas shows and flows indicating that there is significant hydrocarbon potential in the remainder of the Block. Shares of the Company are listed for trading on the TSX Venture Exchange under the symbol PEH.

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 catarina@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 relate to the Company's intention to proceed with the work required to complete an Overall Development Plan, the sufficiency of funding to pay for the costs of the Overall Development Plan, the Company's intention to enter into a Framework Agreement for the sale of gas from Lishui 36-1 and the results of exploration of the Company's other resources and exploration prospects. They are based on assumptions that funding will be sufficient to pay the costs of the Overall Development Plan, that a Framework Agreement can be concluded on acceptable terms and that the results of further exploration will be favourable. Actual results may vary from those anticipated in such statements. Funding may not be sufficient, and if it is not the Company may be unable to complete some or all of such work. The Company may not be able to conclude a Framework Agreement for gas sale on acceptable terms. Exploration for oil and gas is subject to the inherent risk that it will not result in a commercial discovery.

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