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NEWS RELEASE

PRIMELINE ENERGY SIGNS CONTRACT FOR OVERALL DEVELOPMENT PLAN TO PROCEED

Primeline Energy Holdings Inc. (“Primeline” or the “Company”) (TSXV: PEH) today reported that it has entered into a technical services contract with CNOOC Research for the preparation of the Overall Development Plan (“ODP”) for the Lishui 36-1 discovery.

Overall Development Plan

The ODP is the document that is required to be approved by government before development can commence. It comprises a formal development engineering plan, backed up by survey results and environmental studies, together with a full economic analysis of the development.

Following the execution of the Agreement in Principle for Gas Sale (“Agreement in Principle”) between CNOOC and Zhejiang Natural Gas Development Co Ltd (“Zhejiang Gas”) announced on 27th October 2008, Primeline, as the Operator for Block 25/34, commenced work on the ODP. The work undertaken to date involved:

- **Setting up a project team to co-ordinate all the technical work in China:** Primeline entered into a Project Co-ordination Agreement with CNOOC China Limited–Shanghai (“CCLSH”) on 1st December 2008, pursuant to which, CCLSH will provide project management services with regard to the ODP. A project team has been set up in Shanghai with personnel seconded by CCLSH, in office space provided by CCLSH. The project team in Shanghai is headed by Primeline’s China Chief Representative and supervised by Primeline’s technical team in London.
- **Selection and optimisation of the engineering options:** Primeline and CNOOC have since November 2008, been working closely to decide on which of the various development options identified by the Feasibility Study should be adopted in order to define the scope of the technical work for the ODP. On 11th February 2009 a separate technical services agreement was entered into with CCLSH for furnishing part of the optimisation technical study since November 2008. Other optimisation work was undertaken by CNOOC Research. Primeline and CNOOC have now agreed on the development option and the scope of work required for the ODP which allowed Primeline to finalise the technical services agreement for the preparation of the ODP.

Primeline and CNOOC Research Beijing (“CNOOC Research”) entered into a technical services agreement (“Services Agreement”) on 9th February 2009. Pursuant to the Services Agreement, CNOOC Research has undertaken to take overall responsibility for the compilation and technical approval of the ODP, including



technical design and analytical work and, management of the various surveys and third party services. The total budget for the ODP is estimated to be RMB36 million (US\$5.5 million) which includes the agreed lump sum cost for the work to be undertaken by CNOOC Research and CCLSH and the costs of the third party studies and surveys which will make up the majority of this budget. The contracting of third party studies and survey will be jointly managed by CNOOC Research and Primeline through normal tendering and negotiation procedures. The two environmental surveys, the cost of which is included in the overall budget, were previously commissioned and paid for by Primeline, and the work was closely monitored by CNOOC Research. Other survey and third party work will be contracted by CNOOC Research and survey results will be incorporated into the ODP work. CNOOC Research is responsible for obtaining technical approval of the ODP from all of the appropriate China State Authorities. Under the terms of the Petroleum Contract, the costs of the ODP will be borne by Primeline and Primeline Petroleum Corporation (an associated company wholly-owned by Mr. Victor Hwang) in the proportions 75:25.

CNOOC Research has produced the overall development plans for over 40 previous offshore developments and is the most authoritative body for such work in China. CNOOC Research has established a team of about 40 technical personnel for this ODP project from 28 disciplines, including reservoir engineering, facilities engineering, drilling production and economics.

It is currently anticipated that the ODP work will take 6 to 8 months, subject to survey work progress. It is currently estimated that the ODP will be submitted to Primeline and CNOOC for approval around August 2009 before submission to the appropriate Chinese State Authorities.

Terminal Site and Gas Sale Agreement

As part of the ODP, Primeline and CNOOC have been working with the Wenzhou Municipal Authority to secure the land for the offshore pipeline landing point and gas processing terminal. Primeline has finalised a site selection report compiled by an independent authoritative design firm, as requested by the local government. This report, together with a formal land acquisition report from CNOOC, was submitted to the Wenzhou Government on 9th January 2009. CNOOC will be leading this land acquisition effort and Primeline will be working closely with CNOOC and Wenzhou to ensure that the process is completed in line with the progress on the ODP and the proposed development.

As previously announced, the Agreement in Principle for gas sales from Lishui 36-1 only covers the principal terms of the proposed gas sale. Accordingly, negotiations with regard to the detailed terms of the gas sale agreement will continue in tandem with the design process under the ODP and it is expected that a framework agreement will be entered into at around the time the ODP is finalised. Discussions with Zhejiang Gas with regard to the terms of the framework agreement have commenced and are continuing.

General Financial Outlook

The total estimated budget for the ODP, including the cost of contracts entered into, and the cost of the regional study, amounts to approximately US\$6 million. The Company currently has cash resources of C\$9.5million. The costs of running the Company's general operations are estimated at approximately C\$1.7million per annum. Accordingly, the Company has sufficient funds in hand with which to complete the ODP and continue its general operations during the coming year. However, additional financing would be required in order to fund the Company's obligations if the development proposals which are the subject of the ODP were to proceed or if the Company was to enter into any drilling contracts. There may be various



alternative financing options available to the Company in the event that the development proposals proceed but it is likely that the Company would be required to raise additional equity capital in order to finance any exploration drilling contracts. The Company is exploring all possible fund-raising possibilities for both its share of development costs and for the planned exploration drilling programme.

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 3D survey was used to define 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 time anticipated to complete the ODP, the costs of the ODP, the Company's expectation that it will 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 survey and other works will be completed in a timely fashion, funding will be sufficient to pay the costs of the ODP, 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. Survey and other work may be delayed for technical and other reasons, and if it is, completion of the ODP will also be delayed. Funding may not be sufficient, and if it is not the Company may be unable to complete some or all of the ODP. 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.

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