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TSXV: PEH

## NEWS RELEASE

### MCDANIEL UPGRADES PRIMELINE'S RESOURCES TO PROBABLE RESERVES

**Primeline Energy Holdings Inc.** ("Primeline" or the "Company") (TSXV: PEH) today announced that an independent evaluation report regarding the Lishui 36-1 development project from McDaniel & Associates Consultants Ltd. ("McDaniel") following its review of the Overall Development Plan ("ODP") for the Lishui 36-1 Gas Field has upgraded the resources to Probable Reserves.

Following the finalisation of the ODP by Primeline and CNOOC, Primeline appointed McDaniel of Calgary to conduct a full independent evaluation of the Lishui 36-1 project. McDaniel is one of the world's leading petroleum consulting firms specializing in geological studies, reserves evaluations, resource assessments, economic evaluations and petroleum engineering studies. They have reviewed the full ODP report and the gas sale agreement relating to Lishui 36-1 and have upgraded certain of the natural gas and natural gas liquid located on Lishui 36-1 from Contingent and Prospective Resources to Probable and Possible Reserves in accordance with the standards set out in Canadian National Instrument NI 51-101 and the Canadian Oil and Gas Evaluation Handbook (COGEH). McDaniel's evaluation estimates that the Lishui 36-1 gas field has a total project recoverable Probable Reserves of 119 bcf of natural gas and 4.91 mmbbl of natural gas liquid, which translates to Company net Probable Reserves of 43 bcf of gas and 1.8 mmbbl of natural gas liquid; and project Possible Reserves of 93 bcf of gas and 3.8 mmbbl of natural gas liquid, which translates to Company net Possible Reserves of 34 bcf of gas and 1.38 mmbbl of natural gas liquid. There is a 50% probability that the quantities actually recovered will equal or exceed the Probable Reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the Possible Reserves. McDaniel stated that "proved reserves have not been assigned as the ODP has not yet been approved by CNOOC and the government, and the Framework Agreement relating to the gas sale has not yet been executed." The effective date of McDaniel's estimates is September 30, 2009.

Based on the gas sale agreement and their view of the full product price, McDaniel estimates a net present value for the Lishui 36-1 project's Probable Reserves, net to Primeline, of US\$89 million at a discount rate of 5% and US\$248 million, again net to Primeline, when the Possible Reserves in Lishui 36-1 are included. It should be noted that these estimated values are not an estimate of fair market value.

In the report McDaniel also commented that "the development of the LS36-1 field will provide an infrastructure hub in the area which may be utilized in any development of the nearby prospects. It is



envisaged that development of these prospects will be by subsea wells or a well head platform with all processing at the infrastructure hub. Incremental development costs will therefore be low and so that the economics for any additional resources which may be discovered within LS36-1 field itself or in the nearby identified prospects would be significantly enhanced.” As McDaniel has previously evaluated and reported, in the area covered by 737 sq km of 3D seismic around the Lishui 36-1 gas field, Primeline has mapped out six additional prospects with similar characteristics to Lishui 36-1. In their previous report dated July, 2007 (a copy of which appears on the Primeline website), McDaniel estimated that one of these prospects individually could have property unrisks Prospective resources of up to 340 bcf of natural gas (56 bcf risked Company gross) and have low exploration risk. The effective date of this estimate is March 31, 2007. Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. There is no certainty any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. Two of the top prospects in this 3D area have been surveyed and ready to drill.

A summary form of the McDaniel’s report is available on Primeline’s website: <http://www.pehi.com>.

#### **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% Contractor’s interest in the Petroleum Contract with CNOOC for Block 25/34, an offshore exploration area of 5,221 sq km in the East China Sea, where the Lishui 36-1 discovery is located. Primeline has completed the ODP for the Lishui 36-1 gas field on a stand-alone basis and is in the process of preparing for government approval of the development. A 3D survey was used to define a number of high potential prospects near the 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](http://www.pehi.com). Should you wish to receive Company news via email, please email [catarina@chfir.com](mailto: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. Exploration for oil and gas is subject to the inherent risk that it will not result in a commercial discovery.*

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