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TSXV: PEH

## NEWS RELEASE

### PRIMELINE SECURES RIG FOR EXPLORATION DRILLING PROGRAMME

**Primeline Energy Holdings Inc.** ("Primeline" or the "Company") (TSXV: PEH) today announced that Primeline has signed a letter of intent ("LOI") with China Oilfield Services Limited ("COSL") to enter into a turnkey drilling contract for one well to begin its step out exploration drilling programme.

Having made good progress on the development of its LS36-1 gas discovery, Primeline has taken advantage of an opportunity which has arisen to employ a jack up rig which has recently been mobilised to the East China Sea. Pursuant to the LOI it has been agreed that, subject to board approval, Primeline will enter into a turnkey drilling contract under which COSL will drill one exploration well in Block 25/34 when the rig is released from its current contract, which is expected to be some time between mid March to late May 2010. COSL will supply all necessary equipment, services and personnel for the drilling. COSL is the leading integrated oilfield services provider in offshore China and is listed on the Hong Kong and Shanghai Stock Exchanges.

The well location which is intended to be drilled, LS35-3-1, has been agreed by CNOOC and Primeline and was site surveyed previously. Under the Petroleum Contract, there is a two-well exploration commitment for phase two of the exploration period for Block 25/34 which must be fulfilled before April 2012. The proposed well will fulfil part of this exploration commitment. A 3D survey was used to define a number of high potential prospects near the discovery for the Company's step out exploration programme and LS35-3-1 is one of these prospects. The proposed well is approximately 14.5 km from LS36-1, and if successful can be tied into the development platform for LS36-1. As part of Primeline rolling development strategy the step out drilling of LS35-3-1 and the other prospects identified will be coordinated with the development of LS36-1.

Based on the indicative cost confirmed by the LOI, the turnkey price of the well, in a success case, is expected to be approximately US\$25m depending on the level of testing required. This price is significantly less than prices which were quoted in 2008/2009. The cost of the exploration well will be borne by Primeline and Primeline Petroleum Corporation, a company 100% owned by Chairman Victor Hwang, in the proportions 75/25, representing their respective interests in the Petroleum Contract.

Before entering into the LOI, Primeline obtained confirmation from its major shareholder and Chairman, Victor Hwang, that he would underwrite the cost of the drilling contract in order to enable Primeline to secure the rig. Over the next few weeks Primeline will finalise the terms of and execute the drilling contract with COSL and will also put in place arrangements for raising the funds required for its share of the drilling cost. The drilling contract is anticipated to be signed around the end of February, at which time further details will be announced.



With regard to the development of the existing discovery, LS36-1, Primeline has been continuing with the preparation of the supporting documentation required to be submitted with the Overall Development Plan for LS36-1, which was completed in December 2009, in order to obtain Government approval. Primeline has also been continuing discussions with CNOOC to agree the Supplemental Development Agreement and the Joint Operating Agreement for the development and production of LS36-1 and these discussions are nearing conclusion. Primeline is also making good progress in their discussions with financial institutions with regard to the project finance for the development. A further announcement will be made once such development documentation has been finalised.

### **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 km<sup>2</sup> in the East China Sea, where the Lishui 36-1 discovery is located. 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.

Ming Wang  
Chief Executive Officer

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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. These statements relate to Primeline's expectation that it will enter into a final turnkey drilling contract with COSL pursuant to the LOI, that it will finalize a Supplemental Development Agreement and Joint Operating Agreement with CNOOC, that agreements for project finance for the development can be arranged with financial institutions, and that Primeline can successfully make arrangements to finance its share of drilling costs. Actual results may vary from those anticipated in such statements. Such agreements may not be entered into on the terms expected or at all, and financing may not be available on acceptable terms or at all. Exploration for oil and gas is subject to the inherent risk that it will not result in a commercial discovery.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.