

Hong Kong
16th July 2010
TSXV: PEH

NEWS RELEASE

**PRIMELINE / CNOOC ENTER INTO GAS SALE FRAMEWORK AGREEMENT
WITH ZHEJIANG GAS**

Primeline Energy Holdings Inc. ("Primeline" or the "Company") (TSXV: PEH) is pleased to announce that China National Offshore Oil Corporation ("CNOOC") has signed a Framework Agreement ("Framework Agreement") for the sale and purchase of natural gas from the LS 36-1 gas field with Zhejiang Natural Gas Development Co. Ltd. ("Zhejiang Gas").

Previously, CNOOC and Zhejiang Gas signed a Gas Sale Agreement In Principle ("Agreement In Principle") which defined the general terms on which Zhejiang Gas agreed to purchase the future production of natural gas from the LS 36-1 gas field, including the quality of the gas, take-or-pay principles, base price, annual quantity and delivery schedule. During the past year, whilst Primeline and CNOOC were preparing the LS 36-1 Overall Development Program ("ODP"), Primeline, CNOOC and Zhejiang Gas continued their negotiations of the detailed terms of the gas sale for incorporation in a more formal Framework Agreement. Primeline has received notification today that the Framework Agreement signed by Zhejiang Gas dated as of 7th July 2010 was received by CNOOC on July 15, 2010. The commercial terms are substantially the same as the Agreement in Principle but the Framework Agreement contains various detailed terms, including the delivery point, delivery planning and schedule, determination of final delivery gas price and payment terms, which had not previously been confirmed in the Agreement in Principle. The Framework Agreement is sufficient for the purposes of obtaining government approval and project financing for the development.

During the development of the production facility, when further supply and production details are confirmed, CNOOC and Primeline will negotiate further details of the gas sale and it is anticipated that the Framework Agreement will in due course be replaced by a final gas sale contract.

In signing the Framework Agreement, CNOOC acted on its own behalf and on behalf of Primeline and Primeline Petroleum ("PPC"). CNOOC has previously entered into a separate agreement with Primeline and PPC confirming that Primeline's and PPC's share of the gas (being 36.75% and 12.25% respectively) from the LS 36-1 gas field will be sold through CNOOC on the same terms as the Framework Agreement. As announced on 6th July, with the ratification of the Supplemental Development Agreement between Primeline and CNOOC by the Chinese central government,



CNOOC has a 51% interest in and is the operator for the development and production of the LS 36-1 gas field. CNOOC, Primeline and PPC will pay their share of the development costs pro-rata to their participating interests in the LS 36-1 gas field development.

In the meantime, Primeline is continuing its post-well evaluation work following the completion of the LS 35-3-1 discovery well.

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 and is the operator for exploration in the Petroleum Contract with CNOOC for Block 25/34, an offshore exploration area of 5,221 km² in the East China Sea. Primeline also has a 36.75% interest in the LS 36-1 gas field in Block 25/34 which is being developed by Primeline together with CNOOC (acting as Operator for the development) and PPC. CNOOC is proceeding with the preparation of the development and Primeline is leading the exploration effort currently focused on the prospects in the 3D seismic data area where a number of high potential prospects near the LS 36-1 development have been mapped and where the new LS 35-3-1 discovery is located. The new LS 35-3-1 discovery and previously drilled wells in and around Block 25/34 indicate 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 robin@chfir.com and specify "Primeline Energy" in the subject line.

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 results of exploration, and Primeline's expectation that it will be able to conclude a final gas sale agreement with Zhejiang Gas. They are based on an assumption that negotiations for such an agreement can be successfully concluded with Zhejiang Gas. It is possible such negotiations may not be successfully concluded. If they are not, Primeline will be unable to sell production from the LS 36-1 gas field to Zhejiang Gas, and be unable to proceed with the development. If funding is not sufficient or governmental approvals are not obtained, the Company may be unable to develop the gas field. Exploration for oil and gas is subject to the inherent risk that it will not result in a commercial discovery.

Neither the 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.