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TSXV: PEH

NEWS RELEASE

PRIMELINE SECURES NEW PETROLEUM CONTRACT

Primeline Energy Holdings Inc. ("Primeline" or the "Company") (TSXV: PEH) today announced that Primeline has signed a Memorandum of Agreement ("MOA") with China National Offshore Oil Corporation ("CNOOC") to amend the existing petroleum contract for Block 25/34 ("Existing Contract") and to enter into a new petroleum contract.

The exploration period under the Existing Contract was due to expire on 30th April 2013, with a two-well exploration commitment remaining, assuming Primeline elected to proceed to phase three of the exploration period. However, as a result of recent discussions, CNOOC, Primeline and Primeline Petroleum Corporation (PPC), which is wholly owned by Mr. Victor Hwang, the Chairman and largest shareholder of the Company, have now agreed alternative arrangements which are set out in a Memorandum of Agreement dated 15th July 2011 ("MOA"). The MOA amends the Existing Contract so that no further exploration activity will be carried out under that contract and Primeline and PPC will relinquish all of the current area of 5,221 sq kms held under the Existing Contract, save for the development area for the LS36-1 gas field, comprising 84.7 sq kms. The Existing Contract will remain in effect in relation to the continuing development and production operations for the LS36-1 gas field. In order to provide Primeline with continuing exploration rights in the area, the MOA also provides that a new petroleum contract ("New Contract") will be granted on the following basis:

- Area: The exploration area under the New Contract will cover the same area as that currently held under the Existing Contract but with an additional adjacent area to the east making a new contract area of 5,877 sq kms. The new area has been designated as Block 33/07.
- Term: The New Contract will have a 7 year exploration period divided into 3 exploration periods of 3, 2 and 2 years each with a minimum work commitment in the first phase of two



wells plus 600 sq kms of 3D seismic. The commitment for each of the second and third phases is one well.

- Future discoveries in the new contract area (and any CNOOC self financed discoveries nearby, if there is spare capacity and subject to payment of a proportion of operational costs) will enjoy the right to free use of the production facilities to be built for the LS36-1 gas field.
- All other terms are the same as the Existing Contract and the New Contract will be held by Primeline and PPC in the same proportions in which they held the Existing Contract of 75%/25%.

Accordingly, Primeline and PPC will continue to have a significant exploration area around the LS36-1 gas field for a further seven years whilst CNOOC, Primeline and PPC will continue to develop the LS 36-1 gas field over the next 2 years.

It is intended that Primeline and CNOOC will finalise and enter into the New Contact shortly, which will then be subject to the approval of the Ministry of Commerce in China.

With regard to the development of the LS 36-1 gas field, CNOOC and Primeline have continued with the finalisation of documentation required for the submission of the Overall Development Program (ODP) for Government approval, whilst CNOOC has been carrying out the engineering design for the development. The environmental impact assessment (EIA) was reviewed on 26th April 2011 by the State Oceanography Administration (SOA) without major challenge and CNOOC is now working with the SOA to finalise the EIA which is required to be submitted with the ODP. CNOOC has confirmed that it will use reasonable endeavours to submit the ODP as soon as reasonably practicable subject only to final approval of the EIA. A further announcement will be made once the ODP has been submitted for approval.

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 Contractor's interest and is the operator for exploration in the Existing Contract with CNOOC for Block 25/34, an offshore exploration area of 5,221 sq kms in the East China Sea and which is now to be replaced by Block 33/07, comprising 5,877 sq kms. Primeline also has a interest in the LS36-1 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 LS36-1 development have been mapped and where the LS35-3-1 discovery (drilled in 2010) is located. The new LS35-3-1 discovery and previously drilled wells in and around Block 25/34 (and Block 33/07) encountered oil and gas



shows and flows indicating that there is significant 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

CONTACT:

PRIMELINE ENERGY HOLDINGS INC.

Dr. Ming Wang
CEO
Phone: +44 207.499.8888
Fax: +44 207.499.2288
Toll Free: 1.877.818.0688
Email: IR@pehi.com

CHF INVESTOR RELATIONS

Robin Cook
Senior Account Manager
Phone: +1 416.868.1079 ext. 228
Fax: +1 416.868.6198
Email: robin@chfir.com

Please visit the Company's website at www.pehi.com. Should you wish to receive Company news via email, please email lauren@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 new petroleum contract pursuant to the MOA and that such contract will be approved by the PRC Ministry of Commerce, that the Overall Development Plan will be finalised and submitted and that Primeline can successfully make arrangements to finance its share of development and exploration 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.

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