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TSXV: PEH

NEWS RELEASE

Primeline Agrees To Issue US\$21,700,000 of Convertible Bonds

Primeline Energy Holdings Inc. ("Primeline" or the "Company") (TSXV: PEH) today announced that it has entered into a term sheet with GEMS, a Hong Kong based manager of private equity funds, under which GEMS is to purchase up to US\$15 million of unsecured Convertible Bonds to be issued by Primeline (the "Bonds"). The term sheet is non-binding and subject to the conclusion of formal documentation. In addition, Primeline has agreed to issue US\$6.7 million of unsecured Convertible Bonds to its Chairman and President, Mr Victor Hwang on the same terms in settlement of the existing interest free working capital loan previously made available by Mr Hwang to the Company.

The Bonds to be issued to GEMS will be issued in three tranches, the first US\$5 million to be drawn down within one month of entering into binding documentation and the remaining two tranches of US\$5 million each within the following nine months. The Bonds will be for a term of three years extendable for one year in certain circumstances to be agreed. Interest will be payable semi-annually at 7% per annum, of which 4.5% will be paid in cash and 2.5% in Common Shares of Primeline issued at a deemed price per share equal to the volume-weighted average trading price of the Common Shares on the TSX Venture Exchange (the "TSX-V") for the 15 days preceding the interest payment date. The Bonds will be convertible at the option of the holder at any time from 12 months from the date of issue to maturity into Common Shares at a conversion price of Cdn. \$0.57 per share for the first tranche, Cdn. \$0.785 per share for the second tranche, and Cdn. \$1.00 per share for the third tranche. Primeline will have the right to require conversion of the Bonds in circumstances to be agreed. GEMS will have the right to call for redemption of the Bonds at maturity, on a change of control of Primeline and upon occurrence of an event of default. On redemption, Primeline will be required to pay such amount as results in an aggregate return to GEMS of 10% per annum as of the date of redemption, with an additional premium in the event of a change of control.

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GEMS will be entitled to nominate one voting member and an alternate or observer to Primeline's board of directors. Primeline will pay GEMS a fee of 3.76% of the principal amount of the Bonds, 1.88% of which will be paid in cash at the time of drawdown of the first tranche and 1.88% in Common Shares three or six months after closing the transaction. Common Shares issued as payment of the fee will be issued at a deemed price per share equal to the weighted average trading price of the Common Shares on the TSX-V for the 15 days immediately preceding the date of payment. Primeline will be responsible for payment of GEMS' reasonable expenses in connection with the issue.

Completion of binding documentation is to take place within four weeks, during which the parties will negotiate with each other on an exclusive basis. The issue of the Bonds will be subject to customary conditions including satisfactory completion of due diligence, receipt of all required regulatory approvals, absence of adverse material change and approval of GEMS' Investment Committee. The net proceeds of the issue of Bonds will be used to fund Primeline's 3D seismic acquisition, general working capital and other activities to be agreed.

In addition, Primeline will issue US\$6.7 million unsecured Convertible Bonds to Mr Victor Hwang in settlement of the existing interest free working capital loan previously made available to the Company by Mr Hwang. The Bonds will be issued in three separate tranches of US\$2.25 million, US\$2.25 million and US\$2.2 million, each convertible into common shares at Cdn \$0.57, Cdn \$0.785 and Cdn \$1.00 and otherwise on substantially the same terms as the Bonds to be issued to GEMS, including a fee at the same rate and terms, save that there will be no right to require redemption on change of control. The issuance of the Bonds to Mr Hwang will be conditional on independent shareholder 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 75% Contractor's interest in and is the operator of the petroleum contract with CNOOC for Block 33/07 (5,877 sq km) in the East China Sea and a 36.75% interest in the LS36-1 gas field in Block 25/34 which is being developed by CNOOC Limited (acting as Operator for the development) together with Primeline and Primeline Petroleum Corp. ("PPC"). Shares of the Company are listed for trading on the TSX Venture Exchange under the symbol PEH.

About GEMS

GEMS was founded in 1998 as an independent investment company whose sole business is the management of private equity funds. Asia has always been the core focus for GEMS with a strong



and experienced team having spent the majority of their working lives in the region. As a result, GEMS has extensive networks and relationships across the region. The team is made up of a diverse mix of individuals with relevant experience in both direct investment and industry. It's Founder and Chairman is the well-known businessman Simon Murray. Oil and gas investment is central to GEMS pure resources focused strategy. GEMS endeavours to work closely with partners with the objective of creating long term, sustainable value through its investments.

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. Should you wish to receive Company news via email, please email bren@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 binding documentation with GEMS, and complete the offering of Bonds. Although these statements are based on assumptions management believes to be reasonable, actual results may vary from those anticipated in such statements. Primeline may be unable to agree binding terms of the issue of Bonds with GEMS, or if terms are agreed, to complete the offering of Bonds due to inability to satisfy conditions or other factors. If Primeline is unable to complete the offering, it may have to curtail or cease its operations. 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.