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TSXV: PEH

## NEWS RELEASE

### **Primeline signs to merge with Loyz Energy to create pan-Asia/Pacific oil and gas company**

**Primeline Energy Holdings Inc.** ("Primeline"(TSXV: PEH) today announces that it has signed a memorandum of understanding ("MOU") to merge with Loyz Energy Limited ("Loyz").

The merger will result in the creation of an ambitious pan-Asia/Pacific oil and gas company, listed on the Catalist board of the Singapore Stock Exchange (the "SGX") with significant production, cash flow and exploration upside in which existing Primeline shareholders will have the controlling position.

The merger of the two companies is proposed to be effected by way of a scheme of arrangement under Cayman Islands law (the "Arrangement") under which Loyz would acquire all of the ordinary shares of Primeline by issuing Loyz shares. Completion of the Arrangement will be subject to entry into definitive, binding agreements on or before August 31, 2015 and approvals of the shareholders of Primeline and Loyz.

The consideration to be received by Primeline shareholders for their shares of Primeline ("Primeline Shares") pursuant to the Arrangement has been fixed at Cdn \$1.01 per ordinary share to be satisfied by the issue of shares of Loyz at an agreed price of SG\$0.11 (approximately Cdn\$0.10) per Loyz share. The closing price of the Primeline Shares on the TSX Venture Exchange (the "TSX-V") on June 5, 2015, the last trading day before this announcement, was Cdn\$0.415, and the closing price of Loyz' shares on the SGX-ST on June 5, 2015 was SG\$0.119. Completion of the Arrangement will result in Primeline shareholders receiving approximately 10.023 Loyz Shares for every 1 Primeline Share held.

On May 11, 2015, Primeline announced the acquisition (the "PPC Acquisition") of its affiliate company Primeline Petroleum Corporation ("PPC") and the conversion of all shareholder loans from Mr. Victor Hwang, Primeline's Chairman, President and majority shareholder. The loan

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conversion was completed on June 5, 2015 and the PPC Acquisition is expected to be completed by July 30, 2015. Assuming the completion of the PPC Acquisition, PPC will be a wholly-owned subsidiary of Primeline with the issue of approximately 44.67 million Primeline Shares to Mr. Hwang as consideration. After the completion of the PPC Acquisition, Mr. Hwang is expected to hold, directly or indirectly, approximately 125.21 million Primeline Shares out of the 178.68 million Primeline Shares expected to be issued and outstanding..

Loyz presently has 571.30 million shares issued and outstanding, and assuming completion of the Arrangement and conversion of its existing shareholders loans, is expected to have approximately 2,708.91 million shares issued and outstanding. Primeline's shareholders will own 66.1% of the enlarged share capital, and Mr. Hwang will hold approximately 1,255.05 million Loyz Shares representing approximately 46.3% and will be the largest and controlling shareholder of Loyz.

The Arrangement is expected to constitute, in respect of Loyz, a "Reverse Takeover" under Chapter 10 of the Listing Manual of the SGX.

### **Business of Primeline and Loyz**

Upon the completion of the PPC Acquisition, Primeline will be the owner of a 49% interest in the LS36-1 gas field production and the remainder of Block 25/34, and a 100% interest in Block 33/07 surrounding the production license in the East China Sea, pursuant to Petroleum Contracts with CNOOC as counterparty. Primeline has production and cash flow, but more importantly, the production infrastructure to allow any future discoveries in Block 33/07 to be developed quickly and cost effectively to supply the dynamic East China energy market.

Loyz is a South East Asian focused E&P company listed on the Catalist board of the SGX with oil production in Thailand, and exploration licenses in the Australia and New Zealand. Loyz owns a 20% working interest in the joint-venture concessions L33/43, L44/43 and SW1 in North-Central Thailand. Eco Orient Energy (Thailand) Ltd are the operators with a 60% interest whilst the remaining 20% belongs to Berlanga-Group. Production licences currently amount to 106 km<sup>2</sup> with approximately a further 1078 km<sup>2</sup> of exploration acreage. Current production is ca. 6,000 barrels of oil per day (bopd)..

Loyz' largest shareholder is Jit Sun Investments Pte. ("**Jit Sun**"), which is owned by Lee Chye Tek Lionel, the brother of Lee Chye Cheng Adrian, the managing director of Loyz. Jit Sun is owed shareholders loans with a principal amount of SG\$23.12 million. Loyz is proposing to repay the shareholders loans by the issuance of 210.18 million shares of Loyz (the "**Jit Sun Conversion**"). It has also entered into an agreement with Sky Park Investments Limited, a subsidiary of Jit Sun, for the sale of certain rigs for cash consideration of US\$16 million (the "**Rig Disposal**"). The rigs are presently leased, and Loyz will pay US\$4.5 million and issue 136.50 million shares (or pay US\$ 11.3 million in cash if certain conditions to issuance of the shares cannot be fulfilled) to the lessee in order to terminate the lease.

Further information with regard to Loyz can be obtained from its website [www.loyzenergy.com](http://www.loyzenergy.com)



The combined company will have oil production in Thailand and gas production in China, plus the significant exploration upside in both countries and the Philippines, Australia and New Zealand. If the Arrangement is completed, Primeline will become a wholly-owned subsidiary of Loyz, and apply to delist from the TSX-V.

### **The Process to Complete the Proposed Merger**

Completion of the Arrangement will be subject to entry into definitive, binding agreements on or before August 31, 2015 or such later date as Loyz and Primeline may agree. Until such date, Loyz and Primeline have agreed to negotiate exclusively with each other. Completion of the Arrangement is presently expected to occur by December 31, 2015.

Conditions to completion of the Arrangement provided for in the MOU include satisfactory conclusion of due diligence by both parties, approvals from shareholders of Primeline and Loyz, approvals from the TSX -V and the SGX, approval of the courts of the Cayman Islands, approval of Primeline and PPC's lending syndicate banks, any approvals required from CNOOC, completion by Primeline of the PPC Merger and the issuance of US\$20 million principal amount of Bonds (the "**Bonds**") announced by Primeline on May 11, 2015, and completion by Loyz of the Rig Disposal and the Loyz Conversion.

The Primeline Directors believe based on current information that the Arrangement is in the best interests of Primeline and Primeline Shareholders and, if definitive binding documentation is entered into, intend to unanimously recommend that Primeline Shareholders approve the resolutions to be proposed at the shareholders' meeting which will be called to consider the Scheme.

Dr. Ming Wang, Chief Executive of Primeline, commented: "This is a positive move for Primeline, both in terms of diversification and scale. The enlarged group will have a strong balance sheet with assets across the Asia Pacific region, a healthy production base in China and Thailand.

ON BEHALF OF PRIMELINE ENERGY HOLDINGS INC.

Ming Wang  
Chief Executive Officer

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***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 has entered into binding documentation with Loyz with respect to the Arrangement, and that conditions to completion of the Arrangement and issuance of the Bonds will be fulfilled. Although these statements are based on assumptions management believes to be reasonable, actual results may vary from those anticipated in such statements. It may not be possible to conclude binding documentation relating to the Arrangement, and if it is conditions to completion may nonetheless not be fulfilled. Exploration for oil and gas is subject to the inherent risk that it will not result in a commercial discovery.*

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