



Primeline Energy Holdings Inc.

Annual Information Form
For the Year Ended March 31, 2015

July 29, 2015

Table of Contents

DEFINITIONS	3
ABBREVIATIONS AND TECHNICAL TERMS.....	6
CONVERSION FACTORS.....	8
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	8
PRIMELINE.....	9
Business of Primeline	9
History of Primeline	10
Petroleum Contracts	11
Exploration History	12
Dual Development and Exploration Strategy	13
CHINESE ENERGY MARKET	13
Natural Gas Market in Zhejiang Province	14
LS36-1 DEVELOPMENT.....	15
Gas Sale Agreement	16
CO2 Sales	16
Development Agreements	17
Development Finance	18
EXPLORATION	18
Lishui Gas Play.....	18
LS35-3-1.....	19
3D Survey Programme and Drilling Programme	19
LS36-1 RESERVE AND PROSPECTIVE EXPLORATION AUDIT	20
EQUITY AND WORKING CAPITAL FINANCING.....	23

CORPORATE TRANSACTIONS	24
STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION	25
Disclosure of Reserves Data.....	25
DIVIDENDS	39
SHARE CAPITAL	39
MARKET FOR SECURITIES	39
DIRECTORS AND OFFICERS.....	39
Corporate Cease Trade Orders	41
Bankruptcies	42
Penalties or Sanctions.....	42
SENIOR MANAGERS	43
CONFLICTS OF INTEREST.....	45
RISK FACTORS	47
Risks Related to Oil & Gas Exploration and Development.....	48
Risks Related to Doing Business in the PRC	49
LEGAL PROCEEDINGS.....	51
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	51
AUDITORS AND REGISTRAR AND TRANSFER AGENT.....	51
MATERIAL CONTRACTS.....	51
INTERESTS OF EXPERTS.....	51
ADDITIONAL INFORMATION	51

DEFINITIONS

In this Annual Information Form, the following terms have the following meanings:

“Acquisition”	the purchase of the one issued and outstanding share of PPC and the right to be repaid the Shareholder Loan from PIHI and Mr. Hwang by Primeline pursuant to the Sale and Purchase Agreement
“Audit Committee”	the audit committee of the Board from time to time
“Blocks”	Block 25/34 and Block 33/07
“Block 25/34”	the contract area in the East China Sea offshore Zhejiang Province in China that is the subject of Petroleum Contract 25/34, with a contract area of 84.7 sq kms
“Block 33/07”	the contract area in the East China Sea offshore Zhejiang Province in China that is the subject of Petroleum Contract 33/07, with a contract area of 5,877 sq kms
“Board”	the board of directors of Primeline or the Directors present at a duly convened meeting of Directors at which a quorum is present, including a duly constituted committee
“Bonds”	the unsecured convertible bonds to be issued by Primeline to GRF Prime pursuant to the Subscription Agreement
“CAD\$”	Canadian Dollars
“CDB”	China Development Bank
“China” or “PRC”	the People’s Republic of China
“CNPC”	China National Petroleum Corp., a company incorporated in China, which is the main state owned oil exploration company in China, focused on onshore China.
“CNOOC”	China National Offshore Oil Corporation, a state owned company incorporated in China, which is the holding company for CNOOC Ltd., COSL and Offshore Oil Engineering Co. Ltd. References herein to CNOOC include its subsidiaries
“CNOOC China”	CNOOC (China) Limited, a subsidiary of CNOOC Ltd. which is listed on the New York and Hong Kong Stock Exchanges
“COSL”	China Offshore Services Limited, a company incorporated in China and listed on the Hong Kong and Shanghai Stock Exchanges
“Companies Law”	the Companies Law (2013 Revision), as amended, of the Cayman Islands

“Contractors”	the foreign contractors as defined in the Petroleum Contracts, namely Primeline Energy and Primeline Petroleum acting jointly
“Development”	the development of LS36-1 pursuant to the ODP
“Development Agreements”	the SDA, JOA and Implementation Agreement
“Directors”	the directors of Primeline
“EXIM”	The Export-Import Bank of China
“Exchange” or “TSX-V”	the TSX Venture Exchange
“Gas Sale Agreement”	the final agreement dated October 29, 2014 entered into between Zhejiang Gas and CNOOC China in relation to the sale of natural gas from the LS36-1 Gas Field
“GEMS”	GEMS Investment Management Limited, a Hong Kong based manager of private equity funds
“GRF Prime”	GRF Prime Limited, a private equity fund managed by GEMS
“Implementation Agreement”	the agreement dated March 17, 2010 between CNOOC, Primeline and PPC relating to the implementation of the development of the LS36-1 Gas Field
“JOA”	the Joint Operating Agreement dated March 17, 2010 between CNOOC China, Primeline and PPC setting out the detailed terms on which LOC acts as operator for the development and production operations for the LS36-1 Gas Field
“Loyz”	Loyz Energy Limited, a company incorporated under the laws of Singapore, whose shares are listed on the Catalist Board of the SGX
“LS35-3-1”	the gas discovery well located within the Block, approximately 14.5 miles south west of LS36-1, which was drilled in April and May 2010
“LS36-1”	the LS36-1 gas discovery, which was delineated by 3D seismic and two successful wells, (LS36-1-1 and LS36-1-2) located in Block 25/34 approximately 100km from the coast of Zhejiang Province, China
“LS36-1 Gas Field”	the accumulation of gas within the LS36-1 geological trap
“Lishui Basin”	the geological basin located in the western part of East China Sea where LS36-1 and LS35-3-1 are located
“Lishui Gas Play”	LS36-1, LS35-3-1 and related analogous prospects and leads in the immediate surrounding area

“LOC”	CNOOC China Limited Lishui Operating Company, a wholly owned subsidiary of CNOOC China
“McDaniel”	McDaniel & Associates Consultants Ltd. of Calgary, an international petroleum consulting firm
“MOA”	the Memorandum of Agreement dated July 15, 2011 between PECL, PPC and CNOOC relating to the amendment of Petroleum Contract 25/34 and the grant of Petroleum Contract 33/07
“Mr Hwang”	Victor Yiou-Hwa Hwang, the Chairman, President and controlling shareholder of the Company
“NDRC”	the National Development and Reform Commission of China
“NI 51-101”	National Instrument 51-101 – <i>Standards of Disclosure for Oil and Gas Activities</i> adopted by the Canadian Securities Administrators
“ODP”	the Overall Development Program relating to the development of the LS36-1 Gas Field
“Petroleum Contract 25/34”	the Petroleum Contract dated March 24, 2005 entered into between CNOOC, PECL and PPC in respect of Block 25/34, as amended
“Petroleum Contract 33/07”	the Petroleum Contract dated June 15, 2012 entered into between CNOOC, PECL and PPC in respect of Block 33/07
“Petroleum Contracts”	Petroleum Contract 25/34 and Petroleum Contract 33/07
“Primeline”, “PEHI” or “the Company”	Primeline Energy Holdings Inc., a company incorporated under the Companies Law
“Primeline Energy” or “PECL”	Primeline Energy China Limited, a company incorporated under the Companies Law and a wholly owned subsidiary of Primeline
“Primeline International” or “PIHI”	Primeline International (Holdings) Inc., a company incorporated in the British Virgin Islands which is wholly owned by Mr Hwang
“Primeline Operations” or “PEOIL”	Primeline Energy Operations International Limited, a company incorporated under the Companies Law and a wholly owned subsidiary of Primeline
“Primeline Petroleum” or “PPC”	Primeline Petroleum Corporation, a company incorporated in the British Virgin Islands which is wholly owned by Mr Hwang and accordingly an affiliate of Primeline
“RMB”	Chinese Yuan Renminbi, the lawful currency of China
“Sale and Purchase Agreement”	the sale and purchase agreement dated as of June 26, 2015 between

Primeline, Mr. Hwang and PIHI providing for the Acquisition

“SDA”	the Supplemental Development Agreement dated March 17, 2010 between CNOOC, Primeline and PPC relating to the development of the LS36-1 Gas Field
“SEDAR”	the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators
“Senior Managers”	the senior managers of Primeline
“Shareholder”	a holder of Shares
“Shareholder Loan”	the unsecured, non-interest bearing loan repayable on demand which is owed by PPC to PIHI. The amount of the Shareholder Loan as of the date of the Sale and Purchase Agreement was RMB 204,046,326, or approximately CAD\$41,650,607 as of March 31, 2015
“Shares”	shares of a nominal or par value of US\$0.001 each in the capital of Primeline
“Sinopec”	China Petroleum and Chemical Corp., which is the main state owned petrochemical company in China
“SPD”	Shanghai Pudong Development Bank
“Stock Option Plan”	the stock option plan of Primeline
“Subscription Agreement”	means the binding subscription agreement between Primeline and GRF Prime dated June 5, 2015 providing for the terms of the issue and purchase of the Bonds
“Syndicate Facility”	the syndicated loan facility in the amount of US\$274 million made available to PECL and PPC by CDB, EXIM and SPD pursuant to a facility agreement dated 17 th November 2104 in order to finance the obligations of PECL and PPC in relation to the Development
“US\$” or “\$”	US Dollars
“USA” or “US”	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“Zhejiang Gas”	Zhejiang Natural Gas Development Company Limited, a company incorporated in China which owns and operates the Zhejiang provincial natural gas grid.

ABBREVIATIONS AND TECHNICAL TERMS

“2D”	Seismic data recorded along discrete tracks
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“3D”	A set of numerous closely-spaced seismic lines that provide a high spatially sampled measure of subsurface reflectivity
“AVO”	Amplitude Variation with Offset
“boes”	Barrels of oil equivalent
“bbls”	Barrels of oil
“bbls/d”	Bbls per day
“bcf”	Billion (10 ⁹) cubic feet
“bcm”	Billion (10 ⁹) standard cubic metres
“Contingent Resources”	Quantities of natural gas estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies.
“DST”	Drill Stem Test
“ft”	Feet
“HSE”	Health, Safety and Environment
“Km”	Kilometre
“Sq Km”	Square kilometre
“LNG”	Liquefied Natural Gas
“MD”	Measured Depth
“m”	Metres
“Mcf”	Thousand (10 ³) standard cubic feet
“MMbbls”	Million (10 ⁶) Barrels
“MMcf/d”	Million cubic feet per day
“MMcf”	Million (10 ⁶) standard cubic feet
“MMcf/d”	Million (10 ⁶) standard cubic feet per day
“Prospective Resources”	Quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development.

“Reserves” Estimated remaining quantities of oil and natural gas and released substances anticipated to be recoverable from known accumulations, as of a given date, based on analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions which are generally accepted as being acceptable.

Reserves are classified according to the degree of certainty associated with the estimates

- Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

“SCE” Standard Coal Equivalent

“Tcf” Trillion (10¹²) standard cubic feet

“TD” Total Depth

CONVERSION FACTORS

1 km	Equals	0.621 miles
1 cubic metre	Equals	35.31 standard cubic feet
1 cubic metre	Equals	6.29 barrels
1 sq km	Equals	247.1 acres
1 RMB	Equals	US\$0.161 and CAD\$0.208 as of July 28, 2015.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form is dated July 29, 2015. Unless otherwise stated, information is presented as of March 31, 2015. It should be read in conjunction with Primeline’s audited consolidated financial statements and *related notes for the year ended March 31, 2015*.

Except for historical information, the following disclosures contain statements which may be considered to be forward-looking information. Such statements are made based on management’s judgment and expectations and assumptions which management believes to be reasonable. Forward-looking information is usually identified by

words such as “could”, “expects”, “intends”, “estimates”, “projects”, “believes”, “may”, “likely” and “potential”, and is inherently subject to risks and uncertainties beyond management’s and Primeline’s control. Material factors that could cause actual results to differ from any conclusions contained in forward-looking information include the results of exploration; whether deferred exploration costs are ultimately recovered; whether Primeline’s assets, including estimated resources and reserves, can be realised; possible decreases in future oil and gas prices; possible increases in estimated costs of future production; the results of negotiations with Chinese municipal, provincial and other regulatory authorities; changes in government legislation and regulations; various operational factors; and whether new financing may be procured or new exploration partners obtained to enable Primeline to continue its exploration activities. Some of the material factors and assumptions applied in drawing such conclusions are the prospectivity for discovery of the Lishui Gas Play outside the LS36-1 Gas Field, the LS35-3-1 well, and the remainder of Block 33/07; that a ready and profitable market will exist for oil and gas which may be discovered in such areas and that infrastructure for bringing such oil and gas to market may be constructed on economic terms; that Zhejiang Gas will continue to offtake gas in accordance with the Gas Sale Agreement; that if construction of a natural gas grid in Zhejiang Province is completed, gas demand in that region will continue to expand; that pipelines presently planned for will in fact be constructed; that China will continue to adopt more market-based pricing systems; that environmental surveys and other studies necessary for production of oil and gas will be completed according to present timelines, that the Acquisition of PPC by Primeline will be completed in accordance with the Sale and Purchase Agreement; and that the Bonds will be issued to GRF Prime in accordance with the Subscription Agreement. Actual results may differ materially from those anticipated in the forward-looking statements.

PRIMELINE

Primeline was incorporated and registered with limited liability as an Exempt Company under the Companies Law of the Cayman Islands on March 31, 1995. Its registered office is located at PO Box 309, Uglan House, South Church Street, George Town, Cayman Islands. Primeline has offices in Hong Kong, London and Shanghai. Its Hong Kong office (the head office) is located at Hong Kong Parkview, 88, Tai Tam Reservoir Road, Hong Kong, PRC. Its London office is located at Parkview House, Fourteen South Audley Street, London W1K 1HN, UK and its Shanghai office is located at 22N, Cross Region Plaza, 899 Ling Ling Road, Shanghai, 200030, PRC.

Primeline Energy is a wholly owned subsidiary of Primeline and was also incorporated under the Companies Law. It is a party to the Petroleum Contracts and holds a 75% share of the Contractors’ interest in Petroleum Contract 33/07, and 36.75% share of the Contractors’ interest in Petroleum Contract 25/34.

Primeline Operations is a wholly owned subsidiary of Primeline and was also incorporated under the Companies Law. It is the operator under Petroleum Contract 33/07. Primeline has no other subsidiaries.

Primeline International, a company controlled by Mr. Hwang, holds Shares representing 34.68% of Primeline’s issued and outstanding Shares. Mr. Hwang also holds directly Shares representing 25.42% of Primeline’s issued and outstanding Shares and owns and controls PPC, the company which holds the remaining 25% Contractors’ interest in Petroleum Contract 33/07, and 12.25% Contractors’ interest in Petroleum Contract 25/34.

Primeline’s authorized share capital is US\$500,000.00 divided into 500,000,000 Shares and the current issued capital is 134,009,553 Shares. The Shares are listed on the TSX-V.

Business of Primeline

The Company is currently focused exclusively on upstream oil and gas opportunities in the PRC .The Company owns exploration and development rights in the East China Sea pursuant to the Petroleum Contracts, both entered into between CNOOC, PECL, a wholly owned subsidiary of the Company, and PPC, an affiliated company wholly owned by Mr. Hwang. PECL and PPC act jointly as the “Contractor” under the Petroleum Contracts.

- Block 25/34 covers 84.7 sq. km, being the development and production area for LS36-1. CNOOC is the operator under Petroleum Contract 25/34 holding a 51% interest with the Company and PPC holding 36.75% and 12.25% interests respectively.

- Block 33/07 covers an offshore area of 5,877 sq. km (1.45 million acres) enclosing Block 25/34. The Contractor's interest is shared 75%/25% by the Company and PPC. PEOIL, a wholly owned subsidiary of the Company, is the operator for Block 33/07. The Contractors are responsible for 100% of the exploration costs and CNOOC has the right to participate in up to 51% of any commercial development.

Primeline and CNOOC are implementing a rolling development and exploration strategy in the Lishui Basin with CNOOC operating LS36-1 and its production under Petroleum Contract 25/34 and Primeline leading the effort on exploration under Petroleum Contract 33/07. LS36-1's production infrastructure is the first gas facility in the southern part of the East China Sea and could become a hub for exploration and development work in the remainder of the petroliferous Lishui Basin.

The past year saw the Company achieve the milestone of its first production and cash flow with the completion of the Development. At the time of the discovery of LS36-1 in 1997 the Chinese gas market was at a very early stage of development but, following rapid expansion, is now becoming a more mature market with further growth potential given the relatively low penetration of natural gas in the total primary energy supply market compared to more developed countries.

The Development was completed in June 2014 and LS36-1 has now been in production and selling gas to Zhejiang Gas since July 16, 2014. Primeline started to receive revenue from production from December 2014. The Development has established access to the Zhejiang provincial gas grid in Eastern China, and together with the production infrastructure, enhances the value of LS36-1's incremental reserves and Prospective Resources and any additional resources which may be discovered in Block 33/07 or elsewhere in the Lishui Basin.

On November 17, 2014, the Company and PPC entered into the Syndicate Facility with a syndicate jointly led by CDB and EXIM with SPDB as participant and agent bank. The loan has been drawn down to repay the Company's and PPC's share of the Development costs.

During the year, Primeline also progressed the exploration work in the vicinity and completed the acquisition and processing of the additional 600 sq. km of 3D seismic data relating to Block 33/07. Primeline is now preparing for the start of a two well exploration programme, which is required to be completed on or before October 31, 2015 in order to comply with its work commitment under Petroleum Contract 33/07.

Subsequent to the year end, Primeline also announced a number of material corporate transactions, including the Subscription Agreement to issue US\$20 million Bonds to GRF Prime, a fund managed by GEMS, to provide exploration funding, the Acquisition of PPC and a memorandum of understanding in relation to a proposal to merge with Loyz. The issuance of the Bonds and the Acquisition are due to be completed in early August 2015 and the merger with Loyz is targeted to be completed in late 2015. The Acquisition and the merger with Loyz are each subject to shareholder approval. If the merger with Loyz is completed, the Company expects it will be well positioned to progress and expand in its China assets, but more importantly, to expand into other Asia-Pacific countries.

Primeline presently has 30 employees.

History of Primeline

PPC was originally established by the Hwang family in 1993 to capitalise on upstream petroleum business opportunities generated by China's dynamic economic growth. In December 1994, PPC signed a petroleum contract with CNOOC for a contract area of 4,500 sq km in the East China Sea known as Block 32/32.

In April 1995, PPC assigned 75% of its interest in the petroleum contract for Block 32/32 to PECL. At the same time, PPC and PECL jointly designated PEOIL as the operator of Block 32/32.

In July 1995, Primeline acquired all of the shares of PECL and PEOIL and the Shares were listed under the symbol PEH on the Vancouver Stock Exchange, which has since become the TSX-V.

In 1997, Primeline made the LS36-1 gas discovery and became the first international oil company to discover a commercial quantity of gas in the East China Sea, other international majors having failed in their efforts in the Chinese Fourth Rounding Bidding in the East China Sea. Primeline joint-ventured with CNOOC on the appraisal of the discovery in 2000 and 2001 but, due to natural gas market conditions in China at the time, did not proceed with the development of LS36-1.

In March 2005, the petroleum contract for Block 32/32 was allowed to lapse and Petroleum Contract 25/34 was entered into. Block 25/34 encompassed a larger area while including the material parts of the original Block 32/32.

As a result of an improvement in market conditions, Primeline and CNOOC began the process of developing LS36-1 in 2007. In 2009, Primeline and CNOOC prepared the initial ODP for the Development and in 2010 Primeline signed the Development Agreements with CNOOC, which defined the development area for the LS36-1 gas field, comprising 84.7 sq kms, and appointed CNOOC as operator for the Development. The Development was completed in June 2014 and trial gas production commenced on July 16, 2014. The Gas Sale Agreement was entered into in October 2014 and full commercial production commenced in December 2014.

The costs of the Development were financed with funding made available under the Syndicate Facility which was entered into in November 2014 and drawn down in December 2014 when the Company and PPC repaid to CNOOC the Development funding that had been made available by CNOOC under the Development Agreements.

In June 2012, Petroleum Contract 33/07 was entered into allowing Primeline to continue the exploration work in the same area under a better coordinated rolling development and exploration program. The work commitment under the first 3 year phase of Petroleum Contract 33/07 is the acquisition of 600 sq km and the drilling of two exploration wells by 31st October 2015. The acquisition of the 3D seismic was completed in 2014 and the Company is now preparing the two well exploration programme for completion by 31st October 2015. See "Petroleum Contracts".

In June 2015, the Company entered into the Sale and Purchase Agreement to acquire PPC from Mr Hwang, which acquisition is expected to be completed in early August 2015, subject to shareholder approval.

Petroleum Contracts

Primeline and its affiliate company, PPC, are parties to and are jointly designated as Contractors under the Petroleum Contracts.

Petroleum Contract 25/34 provided for an initial exploration period with a development period and a production period for each commercial development. The exploration period was originally for seven years commencing on May 1, 2005, split into three phases lasting three, two and two years respectively. However, as a result of subsequent amendment agreements, the first phase was extended to four years with the second and third phases remaining at two years each. The first phase ended on April 30, 2009 and Primeline elected to proceed to the second phase, which was due to end on April 30, 2011 although that was subsequently extended to July 31, 2011.

In March 2010, following the completion of the ODP and confirmation of the commerciality of the LS36-1 Gas Field, CNOOC and Primeline entered into the Development Agreements which are supplemental to Petroleum Contract 25/34 and which set out the terms on which the parties agreed to proceed with the Development. See "Development Agreements".

In July 2011, CNOOC, Primeline and PPC entered into the MOA which further amended Petroleum Contract 25/34 so that no further operations would be carried out under that contract, except the continuing development and production operations in relation to the LS36-1 Gas Field, and the contract area was relinquished save for the development area for LS36-1 of 84.7 sq kms.

Subsequently, on June 15, 2012, pursuant to the MOA, CNOOC, Primeline and PPC entered into Petroleum Contract 33/07 which covers the same area as that previously held under Petroleum Contract 25/34 but with an additional adjacent area to the east making a new area of 5,877 sq kms

Petroleum Contract 33/07 grants a seven-year exploration period divided into three exploration periods of three, two and two years each, with a minimum work commitment in the first phase of two wells to 2.500m plus 600 sq kms of 3D seismic. The commitment for each of the second and third phases is one well to 2.500m.

Future discoveries in Block 33/07 (and any CNOOC self-financed discoveries nearby if there is spare capacity and subject to payment 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 Petroleum Contract 25/34 and Petroleum Contract 33/07 is held by Primeline and PPC as to 75/25. Thus, the Contractors are responsible for all costs incurred during the exploration phases with the option to terminate Petroleum Contract 33/07 at the end of each phase. The production period is for 15 years, extendable to 20 years, in relation to each commercial development. Petroleum Contract 33/07 is on favorable fiscal terms with no royalties being payable on production below 194MMcf/d and no government production sharing below 340 MMcf/d for each production field within Block 33/07.

Petroleum Contract 33/07 was approved by the Ministry of Commerce of China and became effective on November 1, 2012.

Accordingly, Primeline, PPC and CNOOC have completed the Development under Petroleum Contract 25/34 and are continuing with the exploration effort under Petroleum Contract 33/07 pursuant to which they continue to have a significant exploration area around LS36-1 until October 31, 2019.

Block 25/34 and Block 33/07 are Primeline's only oil and gas properties and Primeline's business is therefore entirely economically dependent on the Petroleum Contracts. Because the Blocks are within the jurisdiction of the PRC, Primeline's business is entirely dependent on foreign operations. See "Risk Factors".

Exploration History

Primeline's primary asset is its 75% share of the Contractors' interest in Petroleum Contract 33/07, and its 36.75% interest in Petroleum Contract 25/34. Block 25/34 covers a total area of 84.7 sq kms in the Lishui Basin in the East China Sea, comprising the development area for the LS36-1 Gas Field. Block 33/07 effectively covers the same area as the previous Block 25/34 (before relinquishment under the MOA) but is slightly larger with a total area of 5,877 sq kms, with a water depth of between 75 and 90 metres. Block 33/07 is located approximately 100 km from the coast of Zhejiang Province.

The area covered by the Blocks was explored by different Chinese companies in the 1980s. Various sets of seismic data were shot by the Ministry of Geology ("MOG") and CNOOC and two wells were drilled by MOG, Lingfeng-1 (1985) and Shimentan-1 (1987), both encountering hydrocarbons.

Primeline carried out a detailed technical evaluation of the area of the Blocks between 1994 and 1997 (when they were designated Block 32/32) using different vintages of seismic data and reprocessed seismic data. Based on the interpretation of over 7,000 km of seismic data and regional evaluation, Primeline selected LS36-1 as the target for its first exploration well in the Blocks.

LS36-1-1 was spudded on July 25, 1997 and reached a TD of 3,300m. The well encountered 543 m of gross hydrocarbon-bearing section, of which 105.8 m was interpreted as potential pay zones. The well flowed 9.86 MMcf/d of gas and 117bbls/d of condensate through a 48/64" choke from the top reservoir section of 24m. LS36-1-1 was then plugged and abandoned as a gas discovery.

In 1998, Primeline completed a 233 sq km 3D seismic survey of the area surrounding LS36-1-1. The data was processed and interpreted in 1999.

LS36-1-2 was spudded on June 1, 2000 and reached a TD of 2,900 m. The well encountered and confirmed similar reservoir quality and characteristics to LS36-1-1. From a single test zone in the upper Paleocene reservoir, the well flowed at a stabilised rate of 12.25 MMcf/d of natural gas and 189bbls/d of condensate through a 7/8" choke.

In late 2001, a second appraisal well (LS36-1-3) was drilled. LS36-1-3 was an aggressive step out well, 7 km away from LS36-1-1, and failed to encounter any hydrocarbons.

LS36-1-1 and LS36-1-2 have proven a hydrocarbon system in the Lishui Basin, much of which is inside Block 33/07. Near the LS36-1 Gas Field (within a 20km radius) there are several prospects and leads that have similar geological and geophysical characteristics, including similar seismic attributes. Primeline acquired an additional 550 sq km of 3D seismic in 2005 which, merged with the previous 3D seismic data, covers a total 3D seismic area of 737 sq km. Primeline has carefully evaluated the prospectivity of the 3D area and has mapped out several prospects. These nearby prospects and leads in the basin system near LS36-1-1 have been the main focus of Primeline's exploration and development programme.

As part of that programme, Primeline drilled an exploration well at one of the prospects, LS35-3-1, which was spudded on April 12, 2010 and reached a TD of 2,908m and which also resulted in a hydrocarbon discovery. See "Exploration" and "LS35-3-1" below.

In December 2013, Primeline entered into an agreement with COSL for the acquisition of 3D seismic data over an additional 600 sq. km within Block 33/07. The survey commenced in March 2014 and was completed in May 2014. Processing of the 3D data was completed in April 2015. .

See "3D Survey Programme and Future Exploration" below.

Dual Development and Exploration Strategy

Primeline and CNOOC are implementing a rolling development and exploration strategy in the Lishui basin with CNOOC operating LS36-1 and its production under Petroleum Contract 25/34 and Primeline leading the effort on exploration under Petroleum Contract 33/07. Primeline is focusing its efforts on step out exploration of the nearby prospects to expand the current resource base.

The Directors believe the confirmation of the market for gas from Block 25/34 by the execution of the Gas Sale Agreement and the Framework Agreement and the creation of the production facility for LS36-1 will significantly enhance the potential value of any additional resources which may be discovered in LS36-1 itself and, more importantly, will greatly enhance the value of any additional resources which may be discovered in the Lishui Gas Play and beyond.

The hydrocarbon discovery at LS35-3-1 confirmed Primeline's belief that hydrocarbons have migrated to the channel systems in the west flank of the Lishui Basin and Primeline is now refining its evaluation of the remaining potential of the Lishui Basin and the numerous prospect leads which it has already identified. Primeline has recently completed the acquisition of an additional 600 sq km of 3D seismic data within Block 33/07 which have been analysed to identify additional drilling targets before implementing any future exploration drilling.

CHINESE ENERGY MARKET

Historically natural gas has not been a leading component of the total primary energy supply in China, but its share in the country's energy mix is now rapidly increasing. In the first half of 2015 total consumption of natural gas of 90.6 bcm rose 2.1% over the same period in 2014 and represented about 5.5% of the entire energy mix (up from 3% in 2007), compared with the world average of 24%. Production in the same period was up 3.8% year on year to 65.6 bcm.

Development of the natural gas industry is one of China's strategic policies in order to secure energy supplies and to achieve environmental targets. Part of this strategy is to encourage the transportation of gas from west China and other countries around China, including Russia and the Central Asian countries, where there are significant resources, to east China where demand is highest and the energy shortage is most apparent.

China's first major West to East Gas Pipeline, built by CNPC, the parent company of Petrochina Ltd. (NYSE:PTR, www.petrochina.com.cn), was completed on October 1, 2004 and now carries approximately 17 bcm of gas per annum from the Tarim Basin along a 4,000 km pipeline which terminates at Shanghai.

In order to respond to future demand expectations, there are now three new long distance gas pipelines from west China to east China, two of which are to supply gas to Zhejiang Province. One is being developed by CNPC and one by Sinopec. Additionally, the fourth and fifth West to East pipelines have been planned with their first phase expected to be completed by 2017.

In August 2007, CNPC announced proposals for a Second West to East pipeline with a capacity of 30 bcm per annum. The pipeline, with length over 8,000 km, runs from Turkmenistan through Xinjiang to Guangzhou in southern China, branching at Nanchang to run east to Shanghai and passing through western and northern Zhejiang Province. Construction was commenced in February 2008 and the main line was completed in June 2011. CNPC signed agreements in July 2007 to import 30 bcm of natural gas per annum over 30 years from Turkmenistan to supply this pipeline. Although the aggregate design capacity for First and Second West to East pipeline is 47 bcm per annum, CNPC triggered the construction of the Third West to East Pipeline in October 2012 in order to fulfil the booming natural gas requirement in East China.

In March 2010, Sinopec announced completion of a natural gas pipeline running from south west Sichuan Province to Shanghai. This pipeline, with a total pipeline capacity of 17 bcm, currently supplies 12 bcm per annum to cities along the pipeline, including northern Zhejiang Province.

In the past, the Chinese Government has held state-set gas prices based on local costs and thus below international LNG market levels. However, strong demand for gas, coupled with pollution targets, has meant that China has been forced to obtain supplies from foreign sources at market prices and up until 2014 the market saw significant upward pressure on prices as the NDRC adjusted prices to reflect China's purchases on the LNG spot market and CNPC and CNOOC reported signing long term LNG supply contracts at prices close to oil equivalent.

In May 2014, China and Russia signed a large scale natural gas deal worth US\$400 billion with a contractual period over 30 years. The pipeline for this supply is scheduled to start providing China with 38 billion cubic meters of natural gas annually from 2018.

These developments are clearly indicative of a maturing gas market with a more market-driven pricing system which should benefit the development of Primeline's Blocks in the long term. It is also apparent that a nation-wide gas grid is in the process of being established in China and the east China region, as the most industrialised region, will be the frontrunner for this improved gas infrastructure.

The substantial development of long distance pipeline infrastructure and LNG terminals along the East Coast of China, coupled with the general slowdown of Chinese economy and the dramatic drops in oil prices seen in late 2014 to early 2015, has led to an oversupply of gas in 2015. Due to such dramatic market changes, the main suppliers of the East China gas market have lowered prices and this is putting considerable pressure on LS36-1's price regime as offtakers are demanding similar treatment.

Primeline regards this issue as a short term situation in the overall development of the Chinese gas market as gas in the total energy mix is only 5% and in Zhejiang Province at 3%, compared with international level of 25%. Management believes that with the further development of regional and local gas grids, gas consumption will continue to expand in China particularly in East China and current surplus capacity will be quickly absorbed by the growth.

Natural Gas Market in Zhejiang Province

CNOOC China and Zhejiang Gas entered into the Gas Sale Agreement in October, 2014, replacing the previous gas sale framework agreements entered into in 2010. The first gas sale agreement was signed in 2008 setting the economic foundation to the development.

Zhejiang Province has a total population of approximately 56 million and a land area of 101,800 sq km. It rates as the 4th largest provincial economy within China and has enjoyed double digit annual growth during the last 30 years. 2014 total GDP was RMB 4.015 billion (US\$ 647 billion) or approximately US\$ 11,810 per capita. Its import and export size and growth are impressive, reaching US\$ 355 billion in 2014. Zhejiang Province has almost no primary energy supply except for its hydro-energy potential and more than 90% of its energy needs have to be

imported from outside. In 2012, Zhejiang's energy production was 17.1 million tons of Standard Coal Equivalent (SCE), and its energy consumption was 180.8 million tons of SCE. Energy consumption in Zhejiang Province relies heavily on coal at approximately 61%, then oil at 22.5%, with hydro and nuclear energy at 7% and natural gas at only 2.8%, far below the national level of 4.6% and miniscule compared with an average international level of 24% of the total energy mix.

Zhejiang Province currently has a natural gas grid of circa 1000 km in the northern part of the Province (330 km in 2012) serving the major cities in the area, including Hangzhou, Huzhou, Jiaxing and Shaoxing, and which is fed by the first and second West to East Gas pipelines, together with gas from Sichuan. This gas grid is owned and operated by Zhejiang Gas. In August 2007, following the announcement of the proposed Second West to East Gas Pipeline, the Zhejiang Provincial government decided that a gas grid should be established in the southern part of Zhejiang Province in order to utilise gas from the proposed pipeline. As a result, the gas distribution strategy of Zhejiang Province was changed and Zhejiang Gas is now constructing a gas grid which will extend throughout the Province linking the existing grid to other major cities within Zhejiang Province, including Wenzhou with approximately 600 km being built over the last year. This expanded grid has been connected to the Second West to East Gas Pipeline, the Sichuan Gas to East Pipeline constructed by Sinopec in 2010 and to LNG imports which came on stream in 2013. Zhejiang Province is planning to expand its gas grid to 1,500km and 4,100km by 2015 and 2020 respectively. It is currently anticipated that the provincial grid will be connected to Wenzhou by the end of 2015. Total natural gas consumption through the Zhejiang provincial grid in 2014 was 6.6 bcm per annum, and is expected to grow further over the next 10 years with the expansion of the provincial gas grid.

Following finalisation of the plans for the construction of the provincial gas grid by Zhejiang Gas in 2007, it became possible for gas from LS36-1 to be supplied to the proposed provincial gas grid via a connection at Wenzhou, which resulted in a predecessor to the Gas Sale Agreement being entered into with Zhejiang Gas in 2008 which formally started the Development. Wenzhou is the closest major city to LS36-1 and is situated on the coast only 140 km away. LS36-1's natural gas is currently solely supplied to the Longwan Power Station which is a combined cycle gas turbine power station. Wenzhou's current gas usage apart from the Longwan Power Point is restricted to LPG and small scale locally sourced LNG.

The development of this provincial grid presents a longer term opportunity for Primeline in that, rather than endeavoring to create a gas utilisation market in a greenfield situation in Wenzhou alone, it may eventually be possible to supply to a rapidly developing market via the grid which is to be established serving all the major cities in the Province and beyond. It is apparent from other natural gas grids in China that once supply has been established then there is consequent expansion of demand.

The rate of gas consumption growth in Zhejiang has slowed in 2015 in line with the overall market conditions. See "China Gas Market". 70% of counties and cities in Zhejiang are not linked to the provincial gas grid, hence, the gas market is still immature. With the progressive development of the provincial gas grid and the drive to improve air quality, management expects growth in gas consumption to resume soon. Primeline is well positioned to capitalize the opportunities in this market. Significantly the East China gas market has one of the highest prices globally due to its distance from supply sources. CNOOC and Primeline are working hard to mitigate any requests for price adjustment and to agree a long term price adjustment mechanism as stipulated in the Gas Sale Agreement.

LS36-1 DEVELOPMENT

During 2010-2014, CNOOC, as operator, carried out and completed the LS36-1 development work, including the construction of the production platform, subsea pipeline, development wells and onshore processing terminal.

On May 16, 2014, CNOOC notified Primeline that final approval of the ODP had been granted by the NDRC and it intended to finalise plans for the commencement of gas production.

The last part of the development work was the last 3 km of sale gas pipeline linking to the off taker's substation and facility which was completed in June 2014. The final connection with Zhejiang Gas's infrastructure was made on July 1, 2014 and joint commissioning of the upstream and downstream facilities commenced on July 8, 2014 and trial gas production from LS36-1 commenced on July 16, 2014.

After a successful trial production period, commercial production of LS36-1 under Petroleum Contract 25/34 commenced on December 1, 2014. The Block 25/34 Joint Management Committee (JMC) resolved that the commercial production period for LS36-1 would be for a minimum of 15 years from December 1, 2014 with the production area being confirmed as the same as the development area. The production period may be extended by agreement between the parties in the event that additional gas resources are discovered which can be conveniently tied into transported and processed using the production facility.

During 2014, CNOOC and Zhejiang Gas negotiated the terms of the Gas Sale Agreement. The first gas sale agreement in principle was signed in 2008 and a framework agreement for gas sale was signed in 2011, which together provided the commercial support for the development of LS36-1. The terms of the Gas Sale Agreement were agreed in early July and the contract was signed on October 29, 2014 in Beijing, replacing the previous framework agreement. It confirmed the general commercial terms already negotiated, including gas quality, take or pay principles, base price and annual quantity.

The Company received its first share of production revenue on December 12, 2014, which included revenue from sales of gas and the by-products. Subsequently, the Company has received its share of gas sales revenue at weekly intervals and by-product sales revenue at monthly intervals.

The total development cost paid by the Company and PPC for LS36-1 up to March 31, 2015 was RMB1,673 million (CAD\$342 million) (Company share RMB1,257 million, or CAD\$257 million) including the management charge for CNOOC's carry of the development costs from 2010 to 2014. The total production opex paid by the Company and PPC up to March 31, 2015 was RMB 31million (CAD\$6.3 million) (Company share RMB 23million or CAD\$5 million).

CNOOC will continue to work on the construction of a small jetty next to the terminal to facilitate the transportation of CO₂ and hydrocarbon liquid products by sea. Prior to the completion of this jetty transportation of such products will be by truck only.

Gas Sale Agreement

In October 2008, CNOOC China and Zhejiang Gas entered into an agreement in principle for the sale of gas from the LS36-1 Gas Field. In doing so, CNOOC China acted on its own behalf and on behalf of Primeline Energy and Primeline Petroleum. The agreement in principle defined the general terms on which Zhejiang Gas agreed to purchase the future production of natural gas from LS36-1, including the quality of the gas, take-or-pay principles, base price, annual quantity and delivery schedule. The principles set out the agreement in principle governed the further negotiation of the more formal framework agreement which replaced it on July 7, 2010.

CNOOC and Zhejiang Gas subsequently entered into a further agreement which supplemented the framework agreement. The framework agreement specified the base gas price at a delivery point at the terminal and the supplemental agreement provided for a revised delivery point and increased delivery pressure, together with an increased gas price at the delivery point to compensate for the increase in the development costs caused by such changes.

The final terms of the Gas Sale Agreement were agreed in October 2014 and the contract was signed on October 29, 2014. The Gas Sale Agreement, which replaced the framework agreement, confirmed all detailed terms of the gas sales, including the final delivery point, delivery profile, final delivery gas price and payment terms together with the take or pay terms and payment guarantee arrangements. CNOOC China has 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 LS36-1 will be sold through CNOOC on the same terms as those in the Gas Sale Agreement.

CO₂ Sales

The raw gas in LS36-1 contains CO₂ which must be extracted as part of the treatment process before sale of the natural gas into the Zhejiang provincial gas grid. China is imposing tighter environmental controls and the current regulations require that the CO₂ extracted from natural gas must be properly dealt with. Under the ODP it is intended that the CO₂ should be extracted and then liquefied to create food grade liquid CO₂ which can be sold into

the local market. There is a market for CO₂ products in the East China region with applications including metal processing, fabrication (particularly in the ship building industry) and numerous uses in the food industry.

In December 2009, Primeline and CNOOC China concluded initial negotiations with the three largest CO₂ distribution companies in Zhejiang and Fujian Provinces which resulted in Framework Distribution Agreements being signed between CNOOC China and each of the three distribution companies. In entering into such Framework Distribution Agreements, CNOOC China acted on its own behalf and on behalf of Primeline and PPC. A separate agreement was entered into between CNOOC, Primeline and PPC outlining the terms of authorisation for CNOOC China to sell the CO₂ on behalf of Primeline and PPC.

In May 2014, final CO₂ Sales Contracts ('CO₂ Contracts'), based on the Framework Distribution Agreements, were entered into between CNOOC China and the three distribution companies.

The CO₂ Contracts define the terms on which the distribution companies will buy and distribute the liquid CO₂ to be produced from LS36-1. These three companies will sell the liquid CO₂ into the East China market, each being granted an exclusive distribution area. As part of the Development, CNOOC is currently constructing a dock facility adjacent to the gas processing terminal which is intended to be used to facilitate the transportation of the liquid CO₂ by sea and which is currently expected to be completed about the end of 2015. Prior to that CO₂ can be transported by truck.

Development Agreements

On March 17, 2010, Primeline, PPC, CNOOC and CNOOC China signed the Development Agreements which comprise the SDA, the JOA and the Implementation Agreement and which set out the basis on which CNOOC, Primeline and PPC agreed to proceed with the development of the LS36-1 Gas Field.

Under the SDA, which was entered into between CNOOC, Primeline and PPC, CNOOC formally confirmed that it would exercise its right under Petroleum Contract 25/34 to take its full participating interest of 51% in the LS36-1 Gas Field, so that the respective participating interests in the development of and production from LS36-1 are 51% CNOOC, 36.75% Primeline and 12.25% PPC. The development costs were, and operating costs will be, borne by the parties in their respective participating interests.

Pursuant to the SDA, LOC, a wholly owned subsidiary of CNOOC China, was appointed as the operator for the development and production operations for LS36-1; and a development area of 84.7 sq. kms surrounding LS36-1 was carved out of Block 25/34. The production period for LS36-1 was agreed to be for a minimum of 15 years from the commencement of commercial production and can be extended in the event that additional gas resources are discovered within Block 25/34 which can be tied into the production facilities established for LS36-1.

The production facilities are owned by the parties jointly in the proportions of their participating interests until full cost recovery and the parties shall have the continuing right, until the end of the production period, to use the production facility assets in respect of any additional resources which may be discovered within Block 25/34 and which can be tied into such assets. This provision has been extended to include additional resources discovered in Block 33/07 as confirmed by the terms of Petroleum Contract 33/07.

The SDA was ratified by the Ministry of Commerce of the PRC on June 13, 2010, when the SDA became effective.

The JOA, which was entered into between CNOOC China, Primeline and PPC, set out the basis on which CNOOC China agreed to establish a project management team in Shanghai under LOC in order to carry out the development and production operations. In particular, it provided that Primeline could appoint certain key members to the project management team who would be involved in all procurement and operational decisions and granted Primeline a significant degree of control over how those operations are carried out with all major decisions being by unanimous decisions of the parties. The JOA is supplemental to the SDA.

In the Implementation Agreement, Primeline, PPC and CNOOC agreed that the development preparation work needed to be implemented immediately in order that the Development could be completed in time to deliver first gas to Zhejiang Gas in accordance with the agreed target date and it was agreed that CNOOC would be responsible for

such initial preparation work in order to maintain the target. The Implementation Agreement set out the agreed principle that as much of the procurement of the Development as possible should be contracted using long term procurement contracts established by CNOOC in order to achieve cost savings so that the Development could be delivered as economically and efficiently as possible. CNOOC also agreed that Primeline and PPC would have no obligation to fund cash calls in relation to their share of the costs of the Development until three months after notification of the grant of ODP approval by the Chinese government. As referred to below, CNOOC gave notice to Primeline of the grant of ODP approval on May 16, 2014, See “ODP”.

Development Finance

Under the terms of the Implementation Agreement, Primeline had no obligation to fund its share of the development costs for LS36-1 until 3 months after ODP approval was obtained. In the meantime, CNOOC had responsibility for all work required to ensure that the development remained on schedule.

On May 16, 2014, CNOOC notified Primeline that approval of the ODP had been obtained. In order to allow Primeline sufficient time to finalize the financing arrangements, CNOOC subsequently agreed that the period allowed for Primeline to arrange for funding of cash calls in relation to the Development should be extended by 4 months to December 16, 2014. A memorandum of agreement was signed to that effect on October 29, 2014.

In May 2010, PECL, PPC and CDB entered into a loan memorandum to confirm the terms on which CDB agreed in principle to provide a loan facility for PECL and PPC, as joint borrowers, to fund their respective share of the costs of the development of LS36-1. PECL, PPC and CDB signed a revised loan memorandum on November 2, 2012, which took into account the various changes and progress made in relation to the Development since 2010 and replaced the previous loan memorandum.

Following the approval of the ODP, Primeline worked with CDB to finalise the loan arrangements for Primeline and PPC’s share of the Development costs. As a result of changes in the banking environment and CDB internal regulations since the date of the previous credit committee approval it was agreed that CDB would lead and arrange a syndicated project finance facility. EXIM joined the Syndicate as joint lead arranger, and SPDB as participant and agent bank. The loan contract for the Syndicate Facility was signed by PECL, PPC, and the banks on November 17, 2014.

The Syndicate Facility is made available to PECL and PPC on a joint borrower basis and secured on their respective interests in LS36-1. The Syndicate Facility is for a total amount of US\$ 274 million (of which the Company’s share is US\$ 205.5 million) and is repayable over 9 years at an all-in interest rate of 6 month LIBOR+4.7%. The Syndicate Facility is sufficient to cover all of the obligations of Primeline and PPC with respect to the costs of Development.

Following the signing of the loan contract, in December 2014, PECL and PPC made a drawdown on the Syndicate Facility and repaid CNOOC the agreed share of cash calls for the development of LS36-1 to the end of November, such draw down being in the order of US\$262 million (Company’s share US\$197 million). Subsequent drawdowns were made to fund the remaining minor development work and up to March 31, 2015, the total drawn facility is US\$264 million with US\$10 million remaining undrawn.

EXPLORATION

Lishui Gas Play

During 2006/2007, Primeline completed the acquisition of 550 sq kms 3D seismic data. That data was then merged with the previous 3D data to make a total full fold data set of 737 sq kms, covering LS36-1 and nearby prospects. The data was then evaluated in order to define prospects and possible drilling locations in the area adjacent to LS36-1. Primeline’s evaluation confirmed the existence of channel and canyon systems and several sizeable prospects were mapped in this area. Geophysical features associated with LS36-1, including AVO anomalies and bright spots, were also found on these prospects.

Following completion of 3D seismic interpretations, Primeline agreed with CNOOC that the two best locations for exploration drilling in what was then Block 25/34, were LS35-3 and LS30-3 and completed the well design and surveyed both well sites.

LS35-3-1

LS35-3 is approximately 14.5 km from the LS36-1 discovery and is one of several channel system prospects Primeline identified in the adjacent area. On March 5, 2010 Primeline entered into a turnkey drilling contract for exploration well LS35-3-1 within the LS35-3 prospect. The well was spudded on April 12, 2010 and reached a TD of 2,908m. At TD, Primeline implemented a programme of electric logging and conducted a formation evaluation logging programme including Vertical Seismic Profiling, Reservoir Characterisation Instrument and side wall coring. Three target zones were tested. Zone 1 comprised good quality porous sand of over 44m, somewhat better in quality than at the LS36-1 Gas Field, but had no indication of hydrocarbons. It has subsequently been concluded that the lack of hydrocarbons in Zone 1 is due to up-dip leakage from this sand level at this stratigraphic trap location. Zone 2 comprised sandstone with mudstone interbeds and had limited indications of hydrocarbons. Zone 3 also comprised sandstone with mudstone interbeds but had two zones of potential pay gas which were subject to drill stem testing (DST). There was no flow of hydrocarbons to the surface on DST 1 but on DST 2, conducted over a depth range of 2,794–2,802m MD, gas flowed naturally to the surface and was flared continuously and steadily for over 7 hours. A second flow period was attempted after an 18 hour shut-in but was unsuccessful because the test valve was blocked by formation sand. Gas samples were collected at the wellhead and fluid samples were collected from the wellbore for laboratory analysis. The test programme ended on May 29, 2010 and the LS35-3-1 well was declared as a gas discovery although the levels of gas found were insufficient for the discovery to be regarded as commercial.

This discovery is significant in that it confirmed that hydrocarbons have migrated to and are trapped in the west flank of the West Lishui Basin, the majority of which is inside Block 33/07. Three channel systems have been mapped and delineated in Primeline's 3D area, with others recognised to the north of that area which is covered by 2D seismic data. The LS35-3-1 discovery is also the first surface flow of natural gas from a low permeability reservoir in the southern East China Sea. This is significant, not only for further exploration in the Block, but also for upside in the Development. LS36-1 has over 200 metres of gas-bearing low-permeability reservoirs which are directly below the gas zone being developed.

Success in flowing gas at reasonable rates from these deeper, tighter reservoirs could convert some of the gas-in-place in the lower sands at LS36-1 Gas Field into producible reserves. Any gas produced from these lower zones would significantly enhance the economics of the Development as production would be through the same infrastructure, which will be financed by the production from the upper zone.

Trap integrity is now the biggest exploration prospect-specific risk going forward. Finding Zone 1 to be water bearing at LS35-3-1 was a setback to Primeline's concept of using high seismic amplitudes coupled with AVO seismic attributes as a direct indicator of hydrocarbons. The rock physics from LS35-3-1 have confirmed that water filled porous sands will also generate an AVO response. Primeline is continuing with traditional mapping and trap definition techniques to reduce the exploration risk.

3D Survey Programme and Drilling Programme

In addition to the production and cash flow from the first phase, the main benefit of the LS36-1 Development is that, on the basis of the current production from LS36-1, the production infrastructure has spare capacity which will enable the Company to capitalise on its access to the growing Chinese gas market through exploration in the remainder of the Lishui Basin.

Petroleum Contract 33/07 covers 5,877 sq. km surrounding LS36-1 and provides the exploration fairway for long term growth. Primeline previously had 737 sq. km of 3D seismic data in the area from which several attractive prospects have been identified and mapped. Primeline's first step in exploration under the new licence was to expand this existing 3D seismic coverage to the north with an additional 3D survey of 600 sq. kms so that more drillable targets could be mapped in the remainder of the block currently only covered by 2D seismic data. In December 13, 2013, Primeline entered into a turnkey contract with COSL for a 600sq km 3D seismic survey in

Block 33/07. The data processing commenced soon after and completed in November 2014. The interpretation of the new 3D seismic merged with the previous data, commenced in December 2014 and was completed in April 2015. The cost of the survey and processing the data was approximately US\$8 million borne by the Company and PPC in the proportions of 75%/25%, representing their respective interests in Petroleum Contract 33/07. The survey provided better definition of the prospects and leads that had previously been identified in the survey area using 2D data in order to generate more drillable prospects.

Primeline and CNOOC have agreed on three drillable prospects, which are LS23-1-1, LS23-2-N and LS30-3-1. Primeline has entered into a letter of intent with COSL dated July 22, 2015 with respect to conducting site surveys on each of these prospects, and the drilling of wells on LS 23-1-1 (the “First Well”) and either of LS 23-2-N or LS30-3-1 (the “Second Well”), to be selected following evaluation of the results of the First Well. The letter of intent is non-binding, except with respect to the site surveys, which commenced upon the signing of the letter of intent.

The total price for all of the site surveys is US\$318,874, or RMB 1,949,468, payable upon completion of each of them, and Primeline’s liability under the letter of intent is limited to that amount. The total price of drilling the First Well provided for in the letter of intent is US\$10,448,672. The total price of drilling the Second Well provided for in the letter of intent is US\$8,690,862 or US\$7,843,912, depending whether LS23-2-N or LS30-3-1 is selected as the location for the Second Well. Drilling prices are non-binding and subject to the formal contract intended to replace the letter of intent. Under the letter of intent, the First Well is to be spudded as soon as possible following completion of the site survey of LS 23-1-1, subject to execution of the formal contract.

LS36-1 RESERVE AND PROSPECTIVE EXPLORATION AUDIT

In early 2007 Primeline took steps to register the reserves for LS36-1 with the Chinese State Reserve Committee (these are not Reserves within the meaning of NI 51-101). Primeline commissioned CNOOC to prepare a reserve report for the LS36-1 discovery in accordance with the Chinese government regulations in order to obtain “Development Reserves” status. The reserve report, which is an essential component of any official development plan submission as well as the fundamental basis for any discussions relating to a gas sale contract, was approved by the State Reserve Committee on July 5, 2007. It should be noted that the existence of a reserve report approved under Chinese government regulation does not mean Primeline has Reserves within the meaning of NI 51-101, as these are two different regulatory regimes.

At the same time, in order to comply with Canadian reporting requirements, Primeline retained McDaniel to carry out an independent resource audit. McDaniel is one of the world's leading petroleum consulting firms specializing in geological studies, reserves evaluations, resource assessments, economic evaluations and petroleum engineering studies. McDaniels has been auditing Primeline’s research since 2007. In July 2007, McDaniel submitted to Primeline its independent resource estimate for Block 25/34 for filing with the appropriate Canadian securities regulatory authorities and the Exchange in accordance with NI 51-101. Such resource estimate has subsequently been updated annually having regard to the progress made in relation to the Development.

The Company has appointed McDaniel to update its independent evaluation of its assets for the financial year ending March 31, 2015. McDaniel has been the independent engineering auditor for the Company since 2007 and has witnessed the full progress of the Development from feasibility study, ODP, construction to final completion. They have reviewed the full current development status, including the engineering, development drilling and commercial progress, as well as the ODP report and the Gas Sale Agreements, as of 31st March 2015 and have updated their evaluation of the natural gas and natural gas liquid reserves located in LS36-1 in accordance with the standards set out in Canadian National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook (COGEH). A separate section covering the Statement of Reserves Data and Other Oil and Gas Information is included within this Annual Information Form.

At the effective date of March 31, 2015, the key estimates by McDaniel for LS36-1 are as follows:

- Total project recoverable Proved Reserves of 45.9 bcf of natural gas and 2.1 MMbbl of LPG⁽¹⁾ and condensate;

- Total project recoverable Proved Plus Probable Reserves of 61.3 bcf of natural gas and 3.0 MMbbl of LPG and condensate which translates to Company Net Reserves⁽²⁾ of 23.3 bcf of gas and 0.8 MMbbl of LPG and condensate;
 - Total Proved Plus Probable barrels of oil equivalent (“boe”)⁽³⁾ of 13.2 MMbbl which translates to Net Company Reserves of 5.0 MMbbl; and
 - Total Proved Plus Probable Plus Possible boe⁽⁴⁾ for the Project is 16.9 MMbbl which translates to Net Company Reserves of 6.4 MMbbl.
- (1) Barrels of LPG are based on density of Propane.
 - (2) Company Net reserves are based on Company share of total Cost and Profit Oil and due to repayment of past costs are greater than Company Gross.
 - (3) Based on gas/boe conversion of 6 to 1 and LPG/boe conversion of 1 to 1.
 - (4) With gas converted to oil in the rate of six thousand mcf of gas to one bbl of oil (6 Mcf : 1 bbl) and one bbl of LPG to one bbl of oil. Boes may be misleading, particularly if used in isolation. A boe conversion of 6 Mcf gas: 1 bbl oil and 1 bbl LPG: 1 bbl oil is based on an energy equivalency conversion method applicable at the burner tip and does not represent a value equivalency at the wellhead.

Under the reporting definitions, there is a 90% probability that the quantities actually recovered will equal or exceed the Proved Reserves, and a 50% probability that the quantities actually recovered will equal or exceed the Probable Reserves. Possible Reserves are those additional reserves that are less certain to be recovered than Probable Reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the Possible Reserves. Based on the terms of Gas Sale Agreement and McDaniel’s view of the product price, together with the development costs spent to date, McDaniel estimates.

- Net present value before tax for LS36-1 Proved Plus Probable Reserves, net to Primeline, of US\$223.4 million at a discount rate of 10%;
- Net present value before tax of US\$278.9 million, again net to Primeline, when the Possible Reserves in LS36-1 are included.

It should be noted that these estimates of the net present values are not estimates of fair market value nor do they reflect capital and corporate structure effects and optimisation.

**ESTIMATED COMPANY SHARE OF NET PRESENT VALUES OF THE RESERVES
AS OF MARCH 31, 2015 (1) (2) (3) (4)**

	Net Present Value (US \$M) Discounted At				
	0%	5%	10%	15%	20%
Before Income Taxes					
Proved Developed Producing Reserves	175,660	159,273	145,608	134,083	124,259
Proved Developed Reserves	175,660	159,273	145,608	134,083	124,259
Proved Undeveloped Reserves	38,783	29,679	22,813	17,567	13,512
Total Proved Reserves	214,443	188,952	168,422	151,650	137,771
Probable Reserves	85,980	68,094	54,968	45,147	37,668
Total Proved & Probable Reserves	300,423	257,046	223,390	196,796	175,439
Possible Reserves	96,288	72,222	55,468	43,523	34,823
Total Proved & Prob. & Possible Reserves	396,711	329,268	278,857	240,319	210,262
After Income Taxes					
Proved Developed Producing Reserves	172,666	156,590	143,192	131,896	122,273
Proved Developed Reserves	172,666	156,590	143,192	131,896	122,273
Proved Undeveloped Reserves	36,409	27,682	21,122	16,125	12,274
Total Proved Reserves	209,075	184,272	164,314	148,021	134,547
Probable Reserves	69,704	55,239	44,612	36,657	30,599
Total Proved & Probable Reserves	278,779	239,511	208,926	184,678	165,146
Possible Reserves	72,194	54,156	41,599	32,647	26,128
Total Proved & Prob. & Possible Reserves	350,973	293,667	250,525	217,326	191,274

(1) Based on forecast prices and costs at April 1, 2015 (see Price Forecasts in Table 11).

(2) Interest expenses and corporate overhead etc. were not included.

(3) The net present values may not necessarily represent the fair market value of the reserves.

(4) Company Share of Net Present Values are after the deduction of Chinese Corporation Tax.

There are substantial gas resources in the lower geological section beneath the developed reservoir zones which as yet cannot be assigned as reserves under COGEH guidelines. McDaniel has assigned 95bcf of property gross, unrisks mean Prospective Resources within the LS36-1 Gas Field to this section of reservoir with chance of success of 60- 73% for the upper ones. McDaniel states that “Primeline intend to drill the prospective resources from the production platform using some of the five unused well slots, and, if successful, the resources could be upgraded to reserves and added to the production stream”. There are also other candidate prospects for drilling from the platform to which McDaniel assign property gross, unrisks mean Prospective Resources of 11bcf. McDaniel noted that there is spare production capacity built into the LS36-1 Development which could cope with future expansion. Experience in the oil industry in general is that once infrastructure is established in a basin, additional resources will be found to tag into supply that infrastructure.

McDaniel also evaluated the 3D area surrounding LS36-1 and assessed that within the 5 closest prospects to LS36-1 there are 493bcf of property gross, unrisks mean Prospective Resources with a chance of success ranging between 22% and 71%. A full listing of the prospective resources is included in the Statement of Reserves Data and Other Oil and Gas Information section.

McDaniel commented that “The development of the LS36-1 field provides an infrastructure hub in the area which may be utilized in any development of the nearby prospects; there is spare capacity in this infrastructure to accommodate future expansion. It is envisaged that development of these prospects will either be by wells drilled from the existing platform using the 5 spare well slots on the platform, by subsea wells or using a well head platform with all processing at the infrastructure hub. Incremental development costs will therefore be low and so that the economics for any additional resources which may be discovered within LS36-1 field itself or in the nearby

identified prospects would be significantly enhanced. The initial production plateau from 1P, 2P and 3P reserves may then be extended and/or the production level can be increased subject to reserve volumes and market demand.”

The effective date of McDaniel’s evaluation is March 31, 2015. A summary of the McDaniel's report is available on Primeline’s website: <http://www.pehi.com>.

EQUITY AND WORKING CAPITAL FINANCING

Cash flow generated from LS36-1, including trial production revenue, for the financial year totalled RMB 260,016,991 (CAD\$53,075,524). However, in view of the decrease in oil prices during the latter half of 2014 and 2105, which has reduced the cash flow the Company has received from the sale of by products from LS36-1 production, the Company intends to ring-fence such cash flow for the service of the Syndicate Facility. As a result it has been necessary to obtain alternative funding for the exploration work commitment under Petroleum Contract 33/07 described above under “Exploration”.

Prior to the commencement of production cash flow in December 2014, the Company’s working capital had been funded by interest free shareholder loans from Mr Hwang. In June 2014, prior to revenues from LS36-1, Mr. Hwang agreed to provide the Company with an additional interest free loan of US\$ 8 million for working capital purposes and at March 31, 2015, the loans amounted to a principal amount of RMB 63,124,835 (CAD\$12,885,249). The 3D survey in 2014 was funded by a modest fund raising of CAD\$5 million in January 2014 plus Mr. Hwang’s shareholder loans.

On June 5, 2015, after receipt of TSX-V approval, Primeline issued 21,218,535 Shares to Mr. Hwang at a conversion price of CAD\$0.58 per Share, in settlement of US\$10,166,666.67 (being the equivalent of CAD\$12,306,750 at the agreed exchange rate of US\$1.00 / CAD\$1.2105) of debt owed by the Company to Mr. Hwang in relation to the shareholder loans. Following such conversion no further debt is owed to Mr Hwang.

On May 11, 2015, the Company entered into a non-binding term sheet with GEMS, a Hong Kong based manager of private equity funds, under which a resources fund managed by GEMS, GRF Prime, is to purchase a principal amount of US\$20 million of unsecured Bonds to be issued by the Company. Subsequently, the investment in the Bonds was approved by GEMS’ investment committee and the binding Subscription Agreement was signed by both parties on June 5, 2015. The Subscription Agreement provides that the Bonds are to be issued in two tranches of US\$10 million each. The first US\$10 million principal amount of Tranche A Bonds is currently expected to be drawn down in early August 2015 and the second tranche of US\$10 million principal amount Tranche B Bonds is required to be drawn down by December 31, 2015. The Bonds will be for a term of three years extendable for two one-year periods at the option of the Bondholders if the average of the volume weighted average trading price of the Shares for the 30 days prior to the maturity date of the Bonds is less than 115% of the conversion price in respect of the first extension and 125% in respect of the second extension. Interest will be payable quarterly at 7% per annum, of which 4.5% will be paid in cash and 2.5% in Shares issued at a deemed price per share equal to the volume-weighted average trading price of the Shares on the TSX-V for the 15 days preceding the interest payment date. The Tranche A Bonds will be convertible at the option of the holder at any time during the period commencing 4 months from the date of issue to maturity into Shares at a conversion price of CAD\$0.70 per Share, and the Tranche B Bonds will be convertible at the option of the holder at any time during the period commencing 4 months from the date of issue to maturity at a conversion price CAD\$0.85 per Share. The Company will have the right to require conversion of a portion of the Tranche A Bonds and the Tranche B Bonds at any time after one year following their respective dates of issue if the volume-weighted average trading price of the Shares exceeds 175% of the applicable conversion price for 30 consecutive trading days subject to a liquidity test. GEMS will have the right to call for redemption of the Bonds at maturity, on a change of control of the Company and upon occurrence of an event of default. On redemption, the Company 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 of Primeline. GEMS will be entitled to nominate one voting member and one observer to the Board of Directors.

As consideration for entry into the Subscription Agreement, the Company will pay GEMS a cash finder’s fee of US\$376,000 (equal to 1.88% of the principal amount of the Bonds), and issue GEMS Shares with a value of US\$376,000, calculated at a price per Share equal to the arithmetic mean of the volume weighted average trading

price for the Shares for the 15 trading days prior to the date of payment, with US\$ translated to CAD\$ at the Bank of Canada noon rate on the day before the date of payment.

Under the Subscription Agreement, the issue of the Bonds is subject to customary conditions including satisfactory completion of due diligence, receipt of all required regulatory approvals, absence of adverse material change, approval of the syndicate of banks under the Syndicate Facility and approval of the TSX-V.

Pursuant to the Subscription Agreement, completion of the issue of the Bonds is also subject to completion of the Acquisition referred to below.

CORPORATE TRANSACTIONS

On May 11, 2015 the Company announced that it intended to acquire the one issued and outstanding share of PPC held by PIHI, a company wholly owned by Mr. Hwang, and the right to be repaid the Shareholder Loan made by PIHI to PPC. PPC's only material assets are its 12.25% interest in Petroleum Contract 25/34 and its 25% interest in Petroleum Contract 33/07 and the same percentage interests in related contracts. The Acquisition will be effected through a Sale and Purchase Agreement dated as of June 26, 2015 between the Company, as purchaser, and PIHI and Mr. Hwang as vendors. Pursuant to the Sale and Purchase Agreement, the Company will acquire the PPC Share and the right to be repaid the Shareholder Loan. Upon completion of the Acquisition, the Company's only operating assets (being its interests in the Petroleum Contracts) will be increased from 36.75% to 49%. The consideration for acquisition of the PPC Share and the Shareholder Loan will be satisfied by the issue of 44,669,851 Shares to PIHI, representing one third of the number of issued and outstanding Shares as of the date of the Sale and Purchase Agreement. PIHI will fund any additional payments required to be made by PPC under the Petroleum Contracts and related agreements to which PPC is party after March 31, 2015 and prior to completion of the Acquisition. The Company on completion will repay all such amounts paid by PIHI in cash. The Acquisition is conditional on a number of factors, including the approval of the transaction by the Company's disinterested shareholders at an Extraordinary General Meeting which has been called for July 30, 2015. Completion of the Acquisition is expected in early August.

On June 8, 2015, the Company signed a memorandum of understanding (the "MOU") to merge with Loyz. The proposed merger of the two companies is intended to be effected by way of a scheme of arrangement under Cayman Islands law (the "Arrangement") under which Loyz would acquire all of the Shares by issuing shares of Loyz. 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 pursuant to the Arrangement has been fixed at CAD\$1.01 per Share, to be satisfied by the issue of shares of Loyz at an agreed price of SG\$0.11 (approximately CAD\$0.10) per Loyz share. The closing price on June 5, 2015, the last trading day before the announcement of the MOU, of the Shares on the TSX-V was CAD\$0.415, and of Loyz' shares on the Singapore Stock Exchange Catalist Board was SG\$0.119. Completion of the Arrangement will result in Primeline shareholders receiving approximately 10.023 Loyz shares for every 1 Share held.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

This Form 51-101 F1 submitted by Primeline Energy Holdings Inc. (the "Company") is dated July 29, 2015. The information provided in this statement is effective March 31, 2015. The preparation date of the information provided in this statement is June 29, 2015.

Disclosure of Reserves Data

SUMMARY OF OIL AND GAS RESERVES AND NET PRESENT VALUES OF FUTURE NET REVENUE as of March 31, 2015
FORECAST PRICES AND COSTS

RESERVES CATEGORY	RESERVES (1)(2)							
	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcft)	Net (MMcft)	Gross (Mbbbl)	Net (Mbbbl)
CHINA								
Proved								
Developed Producing	-	-	-	-	12,849	13,678	575	595
Developed Non-Producing	-	-	-	-	-	-	-	-
Undeveloped	-	-	-	-	4,023	4,012	196	198
Total Proved	-	-	-	-	16,872	17,690	771	793
Probable	-	-	-	-	5,669	5,655	319	321
Total Proved Plus Probable	-	-	-	-	22,542	23,346	1,090	1,114
Possible	-	-	-	-	6,189	6,180	346	347
Total Proved Plus Probable Plus Possible	-	-	-	-	28,731	29,525	1,436	1,461

NET PRESENT VALUES OF FUTURE NET REVENUE (1)(2)(3)

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					BT UNIT VALUE (10%/yr) (\$/boe)
	0	5	10	15	20	0	5	10	15	20	
	(\$M US)	(\$M US)	(\$M US)	(\$M US)	(\$M US)	(\$M US)	(\$M US)	(\$M US)	(\$M US)	(\$M US)	
CHINA											
Proved Developed Producing	175,660	159,273	145,608	134,083	124,259	172,666	156,590	143,192	131,896	122,273	50.66
Developed Non-Producing	-	-	-	-	-	-	-	-	-	-	-
Undeveloped	38,783	29,679	22,813	17,567	13,512	36,409	27,682	21,122	16,125	12,274	26.31
Total Proved	214,443	188,952	168,422	151,650	137,771	209,075	184,272	164,314	148,021	134,547	45.02
Probable	85,980	68,094	54,968	45,147	37,668	69,704	55,239	44,612	36,657	30,599	43.49
Total Proved Plus Probable	300,423	257,046	223,390	196,796	175,439	278,779	239,511	208,926	184,678	165,146	44.63
Possible	96,288	72,222	55,468	43,523	34,823	72,194	54,156	41,599	32,647	26,128	40.28
Total Proved Plus Probable Plus Possible	396,711	329,268	278,857	240,319	210,262	350,973	293,667	250,525	217,326	191,274	43.69

Notes:

- (1) Company Gross reserves are based on a 36.75 percent working interest share of the property gross reserves.
- (2) Company Net reserves are based on a Company share of total Cost and Profit oil and, due to repayment of past costs, are greater than Company Gross.
- (3) Unit values are calculated using estimated net present value of future net revenue before income taxes using a discount rate of 10% and are presented on a US\$/boe basis.

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED) as of March 31, 2015
FORECAST PRICES AND COSTS

Reserves Category	Revenue (\$M US)	Royalties (\$M US)	Operating Costs (\$M US)	Development Costs (\$M US)	Well Abandonment Costs (\$M US)	Bonus (\$M US)	Future Revenue Before Income Tax (\$M US)	Corporate Taxes (\$M US)	Future Net Revenue After Income Tax (\$M US)
CHINA									
Total Proved Reserves	312,810	-	62,237	15,867	20,263	-	214,443	5,368	209,075
Total Proved Plus Probable Reserves	420,429	-	82,932	15,993	21,081	-	300,423	21,644	278,779
Total Proved Plus Probable Plus Possible	538,871	-	104,233	15,993	21,933	-	396,711	45,738	350,973

FUTURE NET REVENUE
BY PRODUCTION GROUP
as of March 31, 2015
FORECAST PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (\$M US)	UNIT VALUE (\$/boe)
CHINA			
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	-	-
	Heavy Oil (including solution gas and other by-products)	-	-
	Natural Gas (including by-products but excluding solution gas from oil wells)	168,422	45.02
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	-	-
	Heavy Oil (including solution gas and other by-products)	-	-
	Natural Gas (including by-products but excluding solution gas from oil wells)	223,390	44.63
Proved Plus Probable Plus Possible Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	-	-
	Heavy Oil (including solution gas and other by-products)	-	-
	Natural Gas (including by-products but excluding solution gas from oil wells)	278,857	43.69

Definitions and Other Notes

In the tables set forth above in "Disclosure of Reserves Data" and elsewhere in this Report, the following definitions and other notes are applicable:

1. Definitions used for reserve categories are as follows:

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

- (a) an analysis of drilling, geological, geophysical and engineering data;
- (b) the use of established technology; and
- (c) specified economic conditions (see the discussion of "Economic Assumptions" below).

Reserves are classified as follows, according to the degree of certainty associated with the estimates:

- (a) Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- (b) Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- (c) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Development and Production Status

Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

- (a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves in production. The developed category may be subdivided into producing and non-producing, as follows:
 - (i) Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been in production, and the date of resumption of production must be known with reasonable certainty.
 - (ii) Developed non-producing reserves are those reserves that either have not been in production, or have previously been in production, but are shut-in, and the date of resumption of production is unknown.
 - (iii) Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- (a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
 - (b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.
 - (c) at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.
1. A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.
 2. "Development well" means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.
 3. "Development costs" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:
 - (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground draining, road building, and relocating public roads, gas lines and power lines, pumping equipment and wellhead assembly;
 - (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;
 - (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
 - (d) provide improved recovery systems.
 4. "Exploration well" means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.
 5. "Exploration costs" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:
 - (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;
 - (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
 - (c) dry hole contributions and bottom hole contributions;
 - (d) costs of drilling and equipping exploratory wells; and
 - (e) costs of drilling exploratory type stratigraphic test wells.
 6. "Service well" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.
 7. Numbers may not add due to rounding.
 8. The estimates of future net revenue presented in the tables above do not represent fair market value.

PRICING ASSUMPTIONS

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS as of March 31, 2015 FORECAST PRICES AND COSTS

Year	Brent Crude Oil Price (1) (\$US/bbl)	Sales Natural Gas Price (2) (\$US/Mcf)	Sales Cond. Price (\$US/bbl)	Sales LPG Price (\$US/bbl)	INFLATION RATE %/Year
Forecast					
2015 (9 mo)	60.00	14.54	59.00	43.60	2.00
2016	71.50	14.54	70.48	51.95	2.00
2017	78.00	14.54	76.96	56.68	2.00
2018	82.30	14.54	81.24	59.80	2.00
2019	86.60	14.54	85.52	62.93	2.00
2020	91.10	14.54	90.00	66.20	2.00
2021	95.70	14.54	94.57	69.54	2.00
2022	97.70	14.54	96.55	70.99	2.00
2023	99.60	14.54	98.43	72.37	2.00
2024	101.60	14.54	100.40	73.83	2.00
2025	103.60	14.54	102.38	75.28	2.00
2026	105.70	14.54	104.46	76.80	2.00
2027	107.80	14.54	106.53	78.33	2.00
2028	109.90	14.54	108.61	79.86	2.00
2029	112.20	14.54	110.88	81.53	2.00
2030	114.44	14.54	113.10	83.16	2.00
2031	116.73	14.54	115.36	84.82	2.00
2032	119.07	14.54	117.67	86.52	2.00
2033	121.45	14.54	120.02	88.25	2.00
2034	123.88	14.54	122.42	90.01	2.00
Thereafter	+2.0%/yr	+ 0%/yr	+2.0%/yr	+2.0%/yr	2.0

Notes

- (1) Based on the McDaniel & Associates Consultants Ltd. April 1, 2015 price forecast.
- (2) Natural Gas Price excludes 5 percent VAT.

RECONCILIATIONS OF CHANGES IN RESERVES

RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPAL PRODUCT TYPE BASED ON FORECAST PRICES AND COSTS

FACTORS	LIGHT AND MEDIUM OIL			HEAVY OIL			ASSOCIATED AND NON-ASSOCIATED GAS			NATURAL GAS LIQUIDS		
	Gross Proved (Mdbl)	Gross Probable (Mdbl)	Gross Proved Plus Probable (Mdbl)	Gross Proved (Mdbl)	Gross Probable (Mdbl)	Gross Proved Plus Probable (Mdbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Proved (Mdbl)	Gross Probable (Mdbl)	Gross Proved Plus Probable (Mdbl)
March 31, 2014	-	-	-	-	-	-	19,164	5,858	25,022	959	351	1,310
Extensions	-	-	-	-	-	-	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	(633)	(189)	(821)	(142)	(32)	(174)
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	1,660	-	1,660	46	-	46
March 31, 2015	-	-	-	-	-	-	16,872	5,669	22,542	771	319	1,090

ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Proved Undeveloped Reserves

These have been attributed based on analytical volumetric and recovery estimates and the Company's plan of development.

Year	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	First		First		First		First	
	Attributed (Mbbbl)	Booked (Mbbbl)	Attributed (Mbbbl)	Booked (Mbbbl)	Attributed (MMcf)	Booked (MMcf)	Attributed (Mbbbl)	Booked (Mbbbl)
Prior thereto	-	-	-	-	-	-	-	-
2013	241	241	-	-	18,515	18,515	694	694
2014	-	-	-	-	-	19,164	-	959
2015	-	-	-	-	-	4,023	-	196

Probable Undeveloped Reserves

These have been attributed based on analytical volumetric and recovery estimates and the Company's plan of development.

Year	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS		NATURAL GAS LIQUIDS	
	First		First		First		First	
	Attributed (Mbbbl)	Booked (Mbbbl)	Attributed (Mbbbl)	Booked (Mbbbl)	Attributed (MMcf)	Booked (MMcf)	Attributed (Mbbbl)	Booked (Mbbbl)
Prior thereto	671	671	-	-	43,871	43,871	1,133	1,133
2013	-	132	-	-	-	6,087	-	228
2014	-	-	-	-	-	5,858	-	351
2015	-	-	-	-	-	1,134	-	64

Significant Factors of Uncertainties

Aside from the potential impact of material fluctuations in commodity prices and foreign exchange rates, other significant factors or uncertainties that may affect either the Company's reserves or the future net revenue associated with such reserves include:

- Certain newly drilled or undeveloped properties may be considered less predictable insofar as estimating reserves and future net revenue are concerned until historical production performance data is available; and
- Changes to existing taxation, fiscal terms, and regulations may occur in the future.

Future Development Costs

The development of the Reserves will be funded by cash flow but may require a degree of external financing.

Year	Forecast Prices and Costs (\$M US)		
	Proved Reserves	Proved Plus Probable Reserves	Proved Plus Probable Plus Possible Reserves
CHINA			
2015 (9 mo)	1,684	1,684	1,684
2016	10,201	3,904	3,904
2017	3,982	10,405	10,405
2018	-	-	-
2019	-	-	-
Remaining Years	-	-	-
Total	15,867	15,993	15,993

PROSPECTIVE RESOURCES

The Company's prospective resources have been evaluated by McDaniel & Associates Consultants Ltd. as of March 31, 2015 and are set out below with three separate tables for natural gas, condensate and barrels of oil equivalent. The numbers are property gross estimates but include a total company gross estimate in the last row of each table. The footnotes are presented after the last table.

PROSPECTIVE RESOURCES – NATURAL GAS

Prospect	Zone	Prospective Resources - Unrisked (1)(2)				Risked (3)	Chance of Success (4) (%)
		Low (MMcf)	Best Est. (MMcf)	Mean (MMcf)	High (MMcf)	Resources Mean (MMcf)	
LS36-1	Paleocene - M1-0	2,745	5,568	6,370	11,101	4,644	73
LS36-1	Paleocene - M1-1 South	1,738	3,963	4,779	8,923	3,484	73
LS36-1	Paleocene - M2	4,858	14,463	19,028	38,761	11,417	60
LS36-1	Paleocene - M3	14,647	31,255	37,104	67,329	25,973	70
LS36-1	Paleocene - L1	8,340	24,177	32,739	67,556	16,369	50
LS36-1	Paleocene - L2	2,354	5,321	6,452	11,928	2,581	40
LS30-8	Paleocene - M2	9,375	27,118	35,859	73,134	7,530	21
LS36-1 Development Area (Sub-total)		44,055	111,865	142,330	278,733	71,997	
LS23-1	Paleocene - L1 (T42.5)	11,124	33,129	46,522	97,478	13,026	28
LS23-1	Paleocene - L2 (T45 to T46.5)	9,877	25,663	33,929	67,793	13,029	38
LS23-1	Paleocene - L3 (T49)	4,398	11,283	14,443	28,470	5,546	38
LS23-1	Paleocene - T50	1,771	7,177	13,014	30,960	2,082	16
LS23-1	Cretaceous - T60	2,354	9,883	17,448	39,645	2,792	16
LS23-1	Total	29,524	87,135	125,356	264,346	36,475	71
LS23-2 North	Paleocene - L2 (T45 to T46.5)	5,384	16,729	24,163	51,148	5,567	23
LS23-2 North	Paleocene - L3 (T48.5 to T60)	1,931	6,220	9,141	19,353	1,843	20
LS23-2 North	Total	7,315	22,949	33,304	70,501	7,410	27
LS23-2 South	Paleocene - L2 (T45.9 to T46.5)	2,727	8,813	13,069	27,999	3,011	23
LS23-2 South	Paleocene - L3 (T47 to T60)	5,515	18,754	28,427	62,042	5,731	20
LS23-2 South	Total	8,242	27,567	41,496	90,041	8,742	27
LS30-3	Paleocene - M1-1 (S4)	7,482	19,791	26,340	52,372	5,531	21
LS30-3	Paleocene - M1-1 (S3-S2)	11,999	31,646	41,655	82,314	8,748	21
LS30-3	Paleocene - M1-2	9,627	38,876	68,151	158,229	19,082	28
LS30-3	Paleocene - L1 (T42)	8,550	27,115	40,638	88,928	11,379	28
LS30-3	Total	37,658	117,429	176,784	381,842	44,740	59
LS29-2	Paleocene - M1-2	18,922	47,291	60,768	118,341	14,584	24
LS29-3	Paleocene - M1-2	7,200	22,516	32,884	71,453	7,103	22
LS35-1	Paleocene - M1-2	14,670	38,357	51,228	102,478	7,377	14
LS35-1	Pal-Cret - T50&T60	5,670	24,687	46,151	108,179	5,907	13
LS35-1	Total	20,340	63,044	97,379	210,657	13,284	25
Block 33/07 (Sub-total)		129,200	387,931	567,970	1,207,181	132,338	
Total - Property Gross (5)		173,255	499,796	710,300	1,485,914	204,335	
Total - Company Gross (5)(6)		63,671	183,675	261,035	546,074	75,093	

PROSPECTIVE RESOURCES – CONDENSATE

Prospect	Zone	Prospective Resources - Unrisked (1)(2)				Risked (3)	Chance of Success (4) (%)
		Low (Mbbbl)	Best Est. (Mbbbl)	Mean (Mbbbl)	High (Mbbbl)	Resources Mean (Mbbbl)	
LS36-1	Paleocene - M1-0	27	66	80	150	58	73
LS36-1	Paleocene - M1-1 South	18	47	60	118	44	73
LS36-1	Paleocene - M2	51	170	238	509	143	60
LS36-1	Paleocene - M3	146	372	463	888	324	70
LS36-1	Paleocene - L1	75	251	364	788	182	50
LS36-1	Paleocene - L2	21	56	72	141	29	40
LS30-8	Paleocene - M2	95	321	447	935	94	21
LS36-1 Development Area (Sub-total)		434	1,282	1,724	3,529	873	
LS23-1	Paleocene - L1 (T42.5)	115	387	576	1,255	161	28
LS23-1	Paleocene - L2 (T45 to T46.5)	101	301	426	881	164	38
LS23-1	Paleocene - L3 (T49)	44	131	180	376	69	38
LS23-1	Paleocene - T50	18	84	164	388	26	16
LS23-1	Cretaceous - T60	25	114	216	498	35	16
LS23-1	Total	303	1,018	1,562	3,398	455	71
LS23-2 North	Paleocene - L2 (T45 to T46.5)	56	197	302	668	70	23
LS23-2 North	Paleocene - L3 (T48.5 to T60)	20	72	114	247	23	20
LS23-2 North	Total	76	269	416	915	93	27
LS23-2 South	Paleocene - L2 (T45.9 to T46.5)	28	103	164	362	38	23
LS23-2 South	Paleocene - L3 (T47 to T60)	58	218	354	813	71	20
LS23-2 South	Total	87	320	518	1,174	109	27
LS30-3	Paleocene - M1-1 (S4)	92	278	395	838	83	21
LS30-3	Paleocene - M1-1 (S3-S2)	146	447	625	1,317	131	21
LS30-3	Paleocene - M1-2	123	542	1,013	2,329	284	28
LS30-3	Paleocene - L1 (T42)	108	383	610	1,379	171	28
LS30-3	Total	469	1,650	2,643	5,864	669	59
LS29-2	Paleocene - M1-2	231	668	910	1,868	218	24
LS29-3	Paleocene - M1-2	75	262	410	912	88	22
LS35-1	Paleocene - M1-2	147	452	643	1,369	93	14
LS35-1	Pal-Cret - T50&T60	61	288	570	1,345	73	13
LS35-1	Total	208	740	1,213	2,713	165	25
Block 33/07 (Sub-total)		1,449	4,928	7,671	16,845	1,798	
Total - Property Gross (5)		1,883	6,210	9,394	20,374	2,671	
Total - Company Gross (5)(6)		692	2,282	3,452	7,487	982	

PROSPECTIVE RESOURCES – BARRELS OF OIL EQUIVALENT (7)

Prospect	Zone	Prospective Resources - Unrisked (1)(2)				Risked (3)	Chance of Success (4) (%)
		Low (Mboe)	Best Est. (Mboe)	Mean (Mboe)	High (Mboe)	Resources Mean (Mboe)	
LS36-1	Paleocene - M1-0	484	994	1,141	2,000	832	73
LS36-1	Paleocene - M1-1 South	307	707	856	1,605	624	73
LS36-1	Paleocene - M2	861	2,581	3,409	6,969	2,046	60
LS36-1	Paleocene - M3	2,587	5,581	6,647	12,110	4,653	70
LS36-1	Paleocene - L1	1,465	4,281	5,821	12,048	2,910	50
LS36-1	Paleocene - L2	413	943	1,147	2,129	459	40
LS30-8	Paleocene - M2	1,658	4,840	6,423	13,124	1,349	21
LS36-1 Development Area (Sub-total)		7,776	19,927	25,445	49,984	12,873	
LS23-1	Paleocene - L1 (T42.5)	1,969	5,908	8,330	17,501	2,332	28
LS23-1	Paleocene - L2 (T45 to T46.5)	1,747	4,578	6,081	12,180	2,335	38
LS23-1	Paleocene - L3 (T49)	777	2,012	2,587	5,121	994	38
LS23-1	Paleocene - T50	313	1,281	2,333	5,548	373	16
LS23-1	Cretaceous - T60	418	1,761	3,124	7,105	500	16
LS23-1	Total	5,223	15,540	22,455	47,455	6,534	71
LS23-2 North	Paleocene - L2 (T45 to T46.5)	953	2,985	4,329	9,193	997	23
LS23-2 North	Paleocene - L3 (T48.5 to T60)	342	1,109	1,637	3,473	330	20
LS23-2 North	Total	1,295	4,094	5,966	12,665	1,328	27
LS23-2 South	Paleocene - L2 (T45.9 to T46.5)	483	1,572	2,342	5,028	540	23
LS23-2 South	Paleocene - L3 (T47 to T60)	978	3,343	5,092	11,153	1,026	20
LS23-2 South	Total	1,460	4,915	7,434	16,181	1,566	27
LS30-3	Paleocene - M1-1 (S4)	1,339	3,576	4,785	9,567	1,005	21
LS30-3	Paleocene - M1-1 (S3-S2)	2,146	5,721	7,567	15,036	1,589	21
LS30-3	Paleocene - M1-2	1,727	7,022	12,372	28,701	3,464	28
LS30-3	Paleocene - L1 (T42)	1,533	4,902	7,383	16,200	2,067	28
LS30-3	Total	6,745	21,222	32,107	69,505	8,125	59
LS29-2	Paleocene - M1-2	3,385	8,550	11,038	21,592	2,649	24
LS29-3	Paleocene - M1-2	1,275	4,015	5,890	12,821	1,272	22
LS35-1	Paleocene - M1-2	2,592	6,845	9,181	18,448	1,322	14
LS35-1	Pal-Cret - T50&T60	1,006	4,403	8,261	19,375	1,057	13
LS35-1	Total	3,598	11,247	17,442	37,823	2,380	25
Block 33/07 (Sub-total)		22,983	69,583	102,333	218,042	23,854	
Total - Property Gross (5)		30,759	89,510	127,778	268,026	36,727	
Total - Company Gross (5)(6)		11,304	32,895	46,958	98,500	13,497	

- (1) Prospective resources were calculated probabilistically, but based on an arithmetic aggregation of the individual prospects.
- (2) There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be economically viable or technically feasible to produce any portion of the resources.
- (3) These are partially risked prospective resources that have been risked for chance of discovery (success), but have not been risked for chance of development. "Risked Mean" resources are calculated based on the probability of geological success applied to the unrisked mean shown above.
- (4) The L23-1, LS23-2 N & S and LS30-3 total prospect chance of success takes into account the inter-dependency between zones.
- (5) The unrisked total assumes every prospect is successful and as such is not representative of the exploration portfolio unrisked total as defined in COGE Handbook Volume 2 Section 2.8.2.
- (6) Company Gross resources are based on a 36.75 percent working interest share of the property gross resources, assuming CNOOC exercise their right to back-in and take a 51 percent interest. See "Oil and Gas Property and License Status".
- (7) 6 Mcf is equivalent to 1 boe. Note BOEs may be misleading particularly if used in isolation. The BOE conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

The prospective resource estimates are for the prospects covered by 3-D seismic. Further seismic acquisition and studies over the remainder of the block could lead to the identification of additional prospects. Therefore the prospective resources detailed above do not necessarily represent the full exploration potential of Block 33/07.

June 29, 2015

Primeline Energy Holdings Inc.
c/o Maples and Calder, Attorneys-At-Law
Ugland House
South Church Street
Grand Cayman
Cayman Islands
British West Indies

Attention: The Board of Directors of Primeline Energy Holdings Inc.

Re: **Form 51-101F2**
Report on Reserves and Prospective Resources Data
by Independent Qualified Reserves Evaluator
of Primeline Energy Holdings Inc. (the "Company")

To the Board of Directors of Primeline Energy Holdings Inc. (the "Company"):

1. We have evaluated the Company's reserves and prospective resources data as at March 31, 2015. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at March 31, 2015 estimated using forecast prices and costs. The prospective resources data are risked estimates of volume of prospective resources as at March 31, 2015, estimated using forecast prices and costs.
2. The reserves and prospective resources data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves and prospective resources data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves and prospective resources data are free of material misstatement. An evaluation also includes assessing whether the reserves data and prospective resources are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended March 31, 2015, and identifies the respective portions thereof that we have evaluated and reported on to the Company's Board of Directors:

Independent Qualified Reserves Evaluator	Effective Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue \$M US (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
McDaniel & Associates	March 31, 2015	China	-	223,390	-	223,390

6. The following table sets forth the risked mean volume of natural gas and natural gas liquid prospective resources included in the Company's statement prepared in accordance with Form 51-101F1 and reported on to the Company's Board of Directors:

Classification	Independent Qualified Reserves Evaluator	Effective Date of Evaluation Report	Location of Resources Other than Reserves	Risked Volume
Prospective Resources	McDaniel & Associates	March 31, 2015	China	75,093 MMcf Natural Gas 982 Mbbbl NGL

7. In our opinion, the reserves and prospective resources data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves and prospective resources data that we reviewed but did not audit or evaluate.
8. We have no responsibility to update our report referred to in paragraphs 5 and 6 for events and circumstances occurring after the effective date of our report.
9. Because the reserves and prospective resources data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

MCDANIEL & ASSOCIATES CONSULTANTS LTD.



P. M. Taylor, CEng, MEI, P. Eng.
Vice President

Calgary, Alberta, Canada
June 29, 2015



Form 51-101F3
Report of
Management and Directors
on Oil and Gas Disclosure

This is the form referred to in item 3 of section 2.1 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101").

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form.¹
2. The report referred to in item 3 of section 2.1 of *NI 51-101* must in all material respects be as follows:

**Report of Management and Directors
on Reserves Data and Other Information**

Management of Primeline Energy Holdings Inc. (the "Company") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at March 31, 2015 estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Company's reserves data. The report of the independent qualified reserves evaluator is presented below and will be filed with securities regulatory authorities concurrently with this report.

The board of directors of the Company has

- (a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

¹ For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101*, *Form 51-101F1*, *Form 51-101F2* or Companion Policy 51-101CP.

“Ming Wang”

Ming Wang, Chief Executive Officer and Director

“Brian Chan”

Brian Chan, Director

“Andrew Biggs”

Andrew Biggs, Senior Vice President

“Peter Kelty”

Peter Kelty, Director

July 27, 2015

DIVIDENDS

Primeline is authorized by its Articles of Association and the Companies Law to pay dividends but has not declared or paid any cash dividends or distributions to Shareholders in the past three years. Any future payment of dividends or distributions will be dependent upon the financial condition of Primeline and other factors which the board of directors of Primeline may consider appropriate in the circumstances.

SHARE CAPITAL

The authorized share capital of Primeline is US\$500,000 divided into 500,000,000 Shares. The issued share capital of Primeline at the date hereof is 134,009,553 Shares. All of the issued Shares are credited as fully paid up in full as to their par value and any premium. Each Share is entitled to one vote at meetings of Shareholders and each Share is entitled to participate equally with respect to dividends and distributions on dissolution.

MARKET FOR SECURITIES

Shares are traded on the TSX-V under the symbol "PEH". The closing price of the Shares as of July 28, 2015 was CAD\$0.43. The following sets forth the high and low market prices and the volume of Shares traded during the periods indicated for the full twelve month period preceding the date of this AIF:

<u>Price Range (in CAD\$)</u>			
<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
July 2014	\$0.72	\$0.58	222,308
August 2014	\$0.70	\$0.60	154,758
September 2014	\$0.61	\$0.45	359,259
October 2014	\$0.47	\$0.41	156,509
November 2014	\$0.60	\$0.43	700,322
December 2014	\$0.62	\$0.465	506,249
January 2015	\$0.50	\$0.315	661,728
February 2015	\$0.61	\$0.40	2,072,829
March 2015	\$0.59	\$0.45	1,370,665
April 2015	\$0.48	\$0.42	637,019
May 2015	\$0.66	\$0.435	1,439,521
June 2015	\$0.68	\$0.40	3,219,637

DIRECTORS AND OFFICERS

Directors of the Company are elected at each annual general meeting of the Company and hold office until the next annual general meeting of the Company, unless the office is earlier vacated in accordance with the Articles of the Company or the Companies Law or he or she becomes disqualified to act as a director.

The only committees of the Board are the Audit Committee and the Compensation Committee.

As of the date of this Annual Information Form, the name and country of residence of each director and executive officer of Primeline, the number of the Shares beneficially owned, or controlled or directed, directly or indirectly by him, the offices held by him, his period of service as a director or officer and principal occupation during the last five years, is as follows:

Name, Place of Residence and Position with the Company ⁽¹⁾	Principal Occupation or Employment	Date First Appointed as Director	No. of Shares Held
Victor Yiou Hwa Hwang Hong Kong SAR, People's Republic of China ⁽⁹⁾ <i>Chairman, President & Director</i>	Director of Financial and Strategic Development of Chyau Fwu Group ⁽²⁾ ; and Director and President of Primeline International, Primeline Petroleum ⁽²⁾ and Parkview International London Ltd. ⁽²⁾	April 18, 1995	80,543,619 ⁽³⁾
Dr. Guang Ming Wang People's Republic of China <i>CEO & Director</i>	CEO of the Company since 2005, previously Vice-President, Exploration of the Company 1996-2005	July 12, 2000	1,638,500
Brian Chi Fai Chan ⁽⁴⁾ Hong Kong, SAR, People's Republic of China <i>Director</i>	General Manager of Chyau Fwu Group ⁽²⁾ and Director of Primeline International and a Professional Accountant ⁽⁵⁾	April 18, 1995	Nil
Alan P. Johnson ⁽⁴⁾⁽⁹⁾ London, England <i>Director</i>	Head of Upstream Oil Projects for Glencore UK Ltd. ⁽⁶⁾	April 18, 1995	150,000
Peter C. Kelty ⁽⁴⁾⁽⁹⁾ Illinois, USA <i>Director</i>	Principal of Kelyard Corporation ⁽⁷⁾ and an Attorney. He is General Counsel for the Dillon Kane Group, a privately held group of companies focused on technology and financial services.	June 13, 1995	150,000
Yunshi Cao Beijing, People's Republic of China <i>Director</i>	Retired lawyer since June 2006; formerly General Counsel of China National Offshore Oil Corp. ⁽⁸⁾ and General Counsel, Company Secretary and Senior Vice President of CNOOC Limited ⁽⁸⁾	September 21, 2006	Nil

Name, Place of Residence and Position with the Company ⁽¹⁾	Principal Occupation or Employment	Date First Appointed as Director	No. of Shares Held
Vincent Lien Singapore <i>Director</i>	Mr. Lien is currently a director of Wah Hin & Company; a Singapore incorporated private investment holding company, a director of the Maritime & Port Authority of Singapore, an independent non-executive director and a member of the audit committee and remuneration committee of Up Energy Development Group Limited; a company listed on the Hong Kong Stock Exchange, and an independent non-executive director of Focus Media Network Limited and of CT Environmental Group Limited, both companies listed on the Hong Kong Stock Exchange. Mr. Lien obtained a Bachelor degree in Business Administration from the University of New Brunswick in 1986.	April 16, 2013	Nil

Notes:

- (1) Information as to the place of residence, principal occupation and shares beneficially owned, directly or indirectly, or controlled or directed, has been furnished by the respective directors.
- (2) Chyau Fwu Group, Parkview International London Ltd., and Primeline Petroleum are private corporations wholly owned by the Hwang family. The principal business of the first two corporations is investment holding and property development, and the principal business of Primeline Petroleum is investment in the Petroleum Contracts. See "Petroleum Contracts".
- (3) 46,473,612 of these Shares are held through Primeline International, and 34,070,007 Shares are held by Mr. Hwang directly.
- (4) Member of the Company's Audit Committee.
- (5) Mr. Chan is qualified as a Professional Accountant under the Association of Chartered Certified Accountants of the United Kingdom and Hong Kong Institute of Certified Public Accountants.
- (6) Glencore UK Ltd. is based in London, United Kingdom and is a subsidiary of Glencore International AG which is an international commodity trading company listed on the London Stock Exchange.
- (7) Kelyard Corporation is a private financial and business advisory company based in Oak Park, Illinois, USA.
- (8) China National Offshore Oil Corp. is the parent company of CNOOC Limited, a publicly listed company on the New York Stock Exchange and Hong Kong Stock Exchange.
- (9) Members of the Company's Compensation Committee.

Corporate Cease Trade Orders

None of Primeline's directors or executive officers, are, at the date of this Annual Information Form or were within 10 years prior to the date of this Annual Information Form, been a director, chief executive officer or chief financial officer of any company that:

- i. was subject to an cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of the relevant company; or
- ii. was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

None of Primeline's directors and executive officers, or a shareholder holding a sufficient number of securities of Primeline to affect materially the control of Primeline:

- i. is, at the date of this Annual Information Form, or has been within the 10 years prior to the date of this Annual Information Form, a director or executive officer of any company that, while that person was acting that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold its assets; or
- ii. has, as at the date of this Annual Information Form or within 10 years prior to the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

None of Primeline's directors or executive officers, nor any shareholder holding a sufficient number of securities of Primeline to affect materially the control of Primeline have been subject to:

- i. any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- ii. any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

SENIOR MANAGERS

Primeline's senior managers are as follows:

Name, Place of Residence and Position with the Company ⁽¹⁾	Principal Occupation or Employment	No. of Shares Held
<p>Andrew Biggs</p> <p>Dorset, England</p> <p><i>Senior Vice President, General Counsel and Company Secretary</i></p>	<p>Mr. Biggs is qualified as a solicitor in England and in Hong Kong. Between 1981 and 1998, he was a partner of international law firm Richards Butler, both in Hong Kong and London. Mr. Biggs worked primarily on Hong Kong/Asian M&A and corporate finance transactions. He was involved in many of the early H-share listings of mainland Chinese Companies on the Hong Kong Stock Exchange and dealt with numerous M & A and financing transactions in China. In 1998, Mr. Biggs joined Hong Kong Parkview Group Ltd. as the Corporate Affairs Director and in-house counsel. Mr. Biggs has worked for Primeline full time since 2007.</p>	<p>452,500</p>
<p>Stuart Joyner</p> <p>Kent, England</p> <p><i>Chief Financial Officer</i></p>	<p>Mr. Joyner has over 22 years' oil and gas sector experience and joined from Sound Oil in 2014. Prior to that he worked in oil and gas investment banking for Credit Suisse, Morgan Stanley, Investec, Kleinwort Benson and NatWest Markets. He holds the ACCA Diploma in Accounting and Finance and an MA (Hons) in German and French from the University of Edinburgh.</p>	<p>Nil</p>
<p>Alan Soulsby</p> <p>Oxfordshire, England</p> <p><i>Technical Director</i></p>	<p>Mr. Soulsby graduated from Oxford University with a degree in Physics in 1970, which he followed with a Masters in Geophysics. Since then he has had a wide and varied career in the petroleum industry. Mr. Soulsby has over 35 years of international petroleum upstream experience including managing Exploration Consultants Limited for a number of years which he was instrumental in selling to RPS Group plc in 2005. Mr. Soulsby has managed many large integrated exploration and evaluation projects including technical, cost and personnel control, all over the world. He has acted as Technical Director for Primeline since 1994. With Primeline, Mr. Soulsby has been responsible for the initial block selection and for organising the exploration programme which led to the LS36-1 discovery as well as ongoing evaluation work and development planning.</p>	<p>1,316,600</p>

Name, Place of Residence and Position with the Company ⁽¹⁾	Principal Occupation or Employment	No. of Shares Held
<p>Mark Norman</p> <p>People's Republic of China</p> <p><i>General Manager, China Office</i></p>	<p>Mr Norman has over 25 years of experience in project management. He spent 15 years as a commercial manager for contracting organisations in the UK before moving to work on the development of a series of major international projects. He has overseen the successful delivery of a number of projects worldwide and has expertise in the delivery of complex projects. In June 2012 Mr Norman was appointed Project Director for the LS36-1 development. He was appointed General Manager of Primeline's China office in June 2014. He is based in the Shanghai office.</p>	<p>Nil</p>
<p>Yujin Shen</p> <p>People's Republic of China</p> <p><i>Senior Advisor, China Office</i></p>	<p>Mr. Shen graduated from Beijing Geological University in 1958 majoring in oil/gas exploration and development. He has accumulated nearly 50 years of experience working in the Chinese petroleum industry. From 1959 to 1981 he worked for Shan Gan Ning Oil Fields (Ordos Basin) in northwest China, during which time he engaged in field geology, geophysical surveys, drilling operations and geological administration. In 1982 he joined China Offshore Oil Nanhai West Corporation (CONHWC), a subsidiary of CNOOC, working in the Foreign Co-operation Department. In 1993 he was appointed Deputy Manager and later Manager of the Exploration Department of CONHWC, responsible for exploration in the offshore area of western South China Sea. He retired from CONHWC in December 1997 and joined Primeline as Technical Director in Primeline's China Office. In 2002 he was appointed Chief Representative and then senior advisor from 2011.</p>	<p>Nil</p>
<p>Brian Thurley</p> <p>London, England</p> <p><i>Exploration & Production Coordinator</i></p>	<p>Mr. Thurley graduated from Imperial College and has over 35 years of G&G experience in international oil and gas exploration and production projects. He was Exploration Manager (International) for Monumental Oil and Gas, technical director for Burren Energy, and technical advisor for Bayfield Energy. Mr. Thurley joined Primeline in April 2014 to work with Alan Soulsby to manage the exploration programme and development and production of LS36-1 gas field.</p>	<p>Nil</p>
<p>Chongxin Zhang</p> <p>People's Republic of China</p> <p><i>Senior Advisor, China Office</i></p>	<p>Mr. Zhang graduated from Beijing Petroleum Institute in 1970 majoring in Geophysics. He has over 35 years of experience working in the Chinese petroleum industry. He is a geophysicist and has had a long career with CNOOC, including 13 years as CNOOC Shanghai Vice President and 4 years as CNOOC's Chief Representative in USA, and has considerable experience in offshore oil and gas exploration and developments, particularly in the East China Sea. Mr. Zhang joined Primeline in June 2011 as General Manager of Primeline China Office, then senior advisor from June 2014.</p>	<p>Nil</p>

Name, Place of Residence and Position with the Company ⁽¹⁾	Principal Occupation or Employment	No. of Shares Held
<p>Grace Deng People's Republic of China <i>Finance Controller, China Office</i></p>	<p>Ms. Deng has over 20 years' experience in the finance and accounting field of listed companies in Hong Kong and U.S market, including 9 years with major oil & gas joint venture companies within China. She has extensive experience in joint operation oil fields in the exploration, development and production phases. She hold a MBA degree from the University of Leicester. Ms. Deng joined Primeline in 2012.</p>	<p>Nil</p>
<p>Judy Li Hong Kong SAR, People's Republic of China <i>Financial Controller, Hong Kong Office</i></p>	<p>Ms Li graduated from Manchester University with a Bachelor degree in Accounting and Finance and qualified as an ICAEW Chartered Accountant (ACA) in 2007 in the UK. Ms Li joined Primeline as the financial controller in Hong Kong in 2011.</p>	<p>Nil</p>
<p>Chengzhang Wang People's Republic of China <i>Financial Manager, China Office</i></p>	<p>Mr. Wang has been with Primeline China since 1994 and is responsible for accounting operations, particularly the management of the Joint Account maintained under the Petroleum Contract.</p>	<p>Nil</p>
<p>Mr. Nelson Jin People's Republic of China <i>Procurement Manager, China Office</i></p>	<p>Mr. Jin has over 20 years of experience in the development of petrochemical projects. He has worked with a number of major national and international oil and gas companies and has experience in engineering, commercial and project management and procurement. In May 2011, Mr. Jin was appointed Procurement Manager for the LS36-1 development. He is based in the Shanghai office.</p>	<p>Nil</p>
<p>Dr. William Li People's Republic of China <i>Project Manager, China Office</i></p>	<p>Dr. Li was appointed as Project coordinator for the LS36-1 Development Project in 2008. Based in the London office he was responsible for the project management of the design and development phases of the Project. Since 2010 he has been based in the Shanghai Office as Project Manager for the construction phase. He has considerable experience coordinating with local government and other regulatory authorities. Dr. Li has PhD degree in Electrical Engineering from Nottingham University.</p>	<p>Nil</p>

Notes:

(1) Information as to the place of residence, principal occupation and Shares beneficially owned, directly or indirectly, or controlled or directed, has been furnished by the respective senior managers.

CONFLICTS OF INTEREST

There are potential conflicts of interest to which the directors and officers of Primeline will be subject in connection with the operations of Primeline and officers of Primeline are involved in managerial, or director

positions with other oil and gas companies whose operations may, from time to time, be in indirect competition with those of Primeline or with entities which may, from time to time, provide financing to, or make equity investments in, competitors or Primeline. See “Directors and Officers”. Primeline expects that any such conflicts will be resolved in accordance with the fiduciary duties of the directors and officers in question.

Primeline is controlled by Mr. Hwang. Mr. Hwang is also the President and sole shareholder of PPC, the owner of 25% of the Contractors’ interest under the Petroleum Contracts. In some cases, the interests of Mr. Hwang or PPC may not be the same as those of Primeline’s other shareholders, and conflicts of interest may arise from time to time that may be resolved in a manner detrimental to Primeline or its minority shareholders. See “Risk Factors”

RISK FACTORS

Commodity Price Volatility

Primeline's results of operations and financial condition are dependent on the prices received for its liquids and natural gas production. Fluctuations in crude oil and natural gas prices are beyond Primeline's control and could have a material adverse effect on Primeline's business, financial condition and cash flow, and could adversely affect the value and quantity of Primeline's oil and gas reserves. Prices for crude oil are based on world supply and demand. Supply and demand can be affected by a number of factors including, but not limited to, actions taken by OPEC, non-OPEC crude oil supply, social conditions in oil producing countries, the occurrence of natural disasters, general and specific economic conditions, prevailing weather patterns and the availability of alternate sources of energy. In China, the crude oil price is substantially based on the globally traded world price. Primeline's natural gas production is exclusively from LS36-1 in Block 25/34 offshore China, and such natural gas is sold exclusively to Zhejiang Gas under the Gas Sale Agreement. Therefore, the large majority of Primeline's revenues are currently dependent on the one contract, being the Gas Sale Agreement. The Gas Sale Agreement is between CNOOC China (CNOOC is the operator of LS36-1) and Zhejiang Gas, and as such Primeline has limited influence over its performance and terms. The Gas Sale Agreement is a fixed price, take-or-pay contract. However, there is scope in the Gas Sale Agreement for renegotiation of price and other key terms, and offtake volume is variable down to agreed take-or-pay levels. If Zhejiang Gas was to attempt to terminate the Gas Sale Agreement, or the cost of production from LS36-1 were to rise above the price provided for in the Gas Sale Agreement that would have a material, adverse effect on Primeline's business. Primeline would be exposed to significant risk with respect to its trade receivables position if issues with respect to settlement under the Gas Sale Agreement were to arise with Zhejiang Gas.

History of Losses

Primeline has incurred net losses in each of the years since the date of its incorporation. If Primeline is unable to achieve profitable operations in the future, there may be a material adverse effect on its ability to continue operations. A lack of cash flow could impede the ability of Primeline to raise capital through debt or equity financing to the extent required for continued operations or planned expansion. Accordingly, future losses may have a material adverse effect on the business, financial condition, results of operations and cash flows of Primeline.

Requirement for New Capital

Primeline will require additional financing to fund its operations. If additional financing is required, there can be no assurance that it will be available on acceptable terms, or at all. If Primeline raises additional funds by issuing equity securities, dilution to the holders of Primeline Shares may result. If adequate funds are not available, Primeline may be required to delay, scale back or eliminate portions of its operations.

Volatility of the Market Price of the Shares

The market price of the Shares may exhibit significant fluctuations in response to the following or other factors, many of which are beyond the control of Primeline. The factors include variations in the operating results of Primeline, results of its oil and gas exploration activities, material announcements by Primeline or its competitors of exploration developments, strategic partnerships, joint ventures or capital commitments, general economic and political conditions in China and in the oil and gas industry, and regulatory developments. The price at which an investor purchases or acquires Shares may not be indicative of the price of the Shares that will prevail in the trading market.

Dependence on Key Management Personnel

Primeline's success is highly dependent upon the continued services of key managerial employees both in England and in China, including the Chairman and President of the Corporation, Mr. Hwang, and the Chief Executive Officer of Primeline, Dr. Ming Wang. Primeline does not currently maintain key-man life insurance policies on any member of management. Accordingly, the loss of these key executives or one or more other key members of management could have a material adverse effect on Primeline.

Exchange Rate Risk

Primeline is exposed to currency risk to the extent that it holds cash deposits primarily denominated in US\$ and CAD\$, whereas accounts payable by reference to various currencies are denominated primarily in US\$, CAD\$, £Sterling and RMB. For instance, the Syndicate Facility is denominated in US\$, and serviced from cash from operations in RMB. Therefore, fluctuation between exchange rates for CAD\$ and US\$, in which Primeline holds the majority of its cash deposits as against RMB and £Sterling could adversely affect Primeline and, accordingly, the market price of the Shares. Primeline believes the foreign exchange risk is currently not significant.

Risks Related to Oil & Gas Exploration and Development

Exploration Risk

Oil and natural gas exploration involves a high degree of risk. These risks are more acute in the early stages of exploration. Primeline's exploration expenditures with respect to Block 33/07 may not result in new discoveries of oil or natural gas in commercially viable quantities. If exploration costs exceed estimates, or if exploration efforts do not produce results which meet expectations, exploration efforts may not be commercially successful, which could adversely impact the ability to generate revenues from operations.

Development Risk

Primeline's present reserves may not be capable of production levels projected or in sufficient quantities to be commercially viable. On a long-term basis, Primeline's viability depends on its ability to find or acquire, develop and commercially produce further oil and gas reserves. Future reserves will depend not only on the ability to develop then-existing properties, but also on the ability to identify and acquire additional suitable producing properties or prospects, to find markets for the oil and natural gas developed and to effectively distribute production into markets. Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-downs of connected wells resulting from extreme weather conditions, problems in storage and distribution and adverse geological and mechanical conditions. While Primeline will endeavour to effectively manage these conditions, it may not be able to do so optimally, and will not be able to eliminate them completely in any case. Therefore, these conditions could diminish revenue and cash flow levels and result in the impairment of oil and natural gas interests.

Offshore Exploration

Primeline faces additional risk due to the offshore nature of its exploration and development operations. In particular, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions or other geological and mechanical conditions.

Operational Risk

If Primeline's operations offshore China are disrupted, business may experience a setback. These unexpected events may be due to technical difficulties, operational difficulties which impact the production, transport or sale of products, geographic and weather conditions, business reasons, political events or otherwise. Because Primeline is at the early stages of development, it is particularly vulnerable to these events. Prolonged problems may threaten the commercial viability of operations.

Lack of Diversification

Primeline's business focuses exclusively on the oil and gas industry in China, and therein exclusively on exploration and development of two properties, Block 25/34 and Block 33/07. Completion of the Acquisition will increase Primeline's exposure to the exploration and development risks of these properties. Larger companies have the ability to manage their risk by diversification. However, Primeline currently lacks diversification, in terms of both the nature and geographic scope of business. As a result, factors affecting the oil

and gas industry or China in general or Blocks 25/34 and 33/07 in particular are likely to impact Primeline more acutely than if its business were more diversified.

Insurance

Involvement in the exploration for and development of oil and natural gas properties may result in Primeline becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although Primeline will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, Primeline may choose not to obtain insurance to protect against specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce funds available. If Primeline suffers a significant event or occurrence that is not fully insured, or if the insurer of such event is not solvent, then Primeline would be required to fund any shortfall.

Competition for Exploration and Development Rights

The oil and gas industry is highly competitive. Other oil and gas companies will compete with Primeline by bidding for services needed to operate Primeline's business in China. This competition is increasingly intense as prices of oil and natural gas on the commodities markets have arisen in recent years. Additionally, other companies engaged in the same line of business may compete with Primeline from time to time in obtaining capital from investors. Competitors include much larger, foreign owned companies, which, in particular, may have access to greater resources than Primeline, may be more successful in the recruitment and retention of qualified employees and may conduct their own marketing operations, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests.

Risks Related to Primeline's Controlling Shareholder

Primeline is controlled by Mr. Hwang, its Chairman and President, who directly and indirectly through PIHI owns Shares representing approximately 60.10% of the votes attaching to all of the Shares and management share options in respect of a further 700,000 Shares. If the Acquisition is completed, Mr. Hwang's percentage ownership of Primeline will increase to approximately 70.10%. Mr. Hwang has the ability to control election to the board of directors and may be able to cause Primeline to effect corporate transactions without the consent of its other shareholders, subject to applicable law and the fiduciary duty of Primeline's directors and officers. Transactions effected between Primeline and Mr. Hwang or PPC may not be on the same terms as could be obtained from independent parties. Mr. Hwang is also able to cause or prevent a change of control of Primeline. This may have an adverse effect on the market price or value of the Shares.

Risks Related to Doing Business in the PRC

PRC Political and Economic Considerations

Primeline's business operations are located in, and its revenues will be derived from, activities in the PRC. Accordingly, the business, financial condition and results of operations of Primeline could be significantly and adversely affected by economic, political and social changes in PRC. The economy of PRC has traditionally been a planned economy, subject to five-year and annual plans adopted by the state, which set down national economic development goals. Since 1978, the PRC has been moving the economy from a planned economy to a more open, market-oriented system. The economic development of the PRC is following a model of market economy under socialism. Under this direction, it is expected that PRC will continue to strengthen its economic and trading relationships with foreign countries and business development in the PRC will follow market forces and the rules of market economics. However, there is no guarantee that a major turnover of senior political decision-makers will not occur, or that the existing economic policy of PRC will not be changed. A change in policies by the PRC could adversely affect Primeline's business by changes in laws, regulations, or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, imports and sources of supplies, or the expropriation of private enterprises.

PRC Legal System and Enforcement

The Petroleum Contracts are, and most of the material agreements which Primeline will enter into in the future with respect to oil and gas assets in China are expected to be, governed by Chinese law and many of those agreements will be with Chinese governmental entities or State-owned or controlled companies. The PRC legal system embodies uncertainties that could limit the legal protections available to Primeline and its shareholders. The outcome of any litigation may be more uncertain than usual because: (i) the experience of PRC judiciary is relatively limited, and (ii) the interpretation of PRC laws may be subject to policy changes reflecting domestic political changes. The laws that do exist are relatively recent and their interpretation and enforcement involve uncertainties, which could limit the available legal protections. Even where adequate law exists in China, it may be impossible to obtain swift and equitable enforcement of such law or to obtain enforcement of judgments by a court of another jurisdiction. The inability to enforce or obtain a remedy under such agreements would have a material adverse impact on Primeline.

Further, many tax rules are not published, and those that are published can be ambiguous and contradictory, leaving a considerable amount of discretion to local tax authorities. PRC currently offers tax and other preferential incentives to encourage foreign investment. However, there is no assurance that such tax and other incentives will continue to be available. There is also no guarantee that the pursuit of economic reforms by PRC will be consistent or effective and as a result, changes in the rate or method of taxation may have a negative effect on Primeline's operating results and financial condition.

Environmental Considerations

As Primeline is involved in oil and gas exploration, it is subject to extensive environmental and safety legislation (for example, in relation to plugging and abandonment of wells, discharge of materials into the environment and otherwise relating to environmental protection) and this legislation may change in a manner that may require additional or stricter standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. There may be unforeseen environmental liabilities resulting from oil and gas activities that may be costly to remedy. In particular, the acceptable level of pollution and the potential clean-up costs and obligations and liability for toxic or hazardous substances for which Primeline may become liable as a result of its activities may be impossible to assess against the current legal framework and current enforcement practices of PRC. The extent of potential liability, if any, for the costs of abatement of environmental hazards cannot be accurately determined and consequently no assurances can be given that the costs of implementing environmental measures or meeting any liabilities in the future will not be material to Primeline or affect its business or operations. Primeline will be committed to meeting its responsibilities to protect the environment and anticipates making increased expenditures of both a capital and an expense nature as a result of the increasingly stringent laws relating to the protection of the environment in China, and will be taking such steps as required to ensure compliance with such legislation.

Under the Environmental Protection Law of PRC, the division of the State Council responsible for environmental protection has the power to set national environmental quality standards and supplement the national standards in areas where the national standards are silent. Due to the very short history of the Environmental Protection Law of PRC, national and local environmental protection standards are still in the process of being formulated and implemented. Primeline believes there are no outstanding notices, orders or directives from central or local environmental protection agencies or local government authorities alleging any breach of national or local environmental quality standards by Primeline and that Primeline has complied with all existing environmental protection laws, regulations, administrative orders and standards. Given the nature of Primeline's business, there is a possibility that Primeline will have to meet higher environmental quality standards as the economy of the PRC expands and its level of environmental consciousness increases in the future.

Reliability of Information

While the information contained herein regarding the PRC and its economy has been obtained from a variety of government and private publications, independent verification of this information is not available and there can be no assurance that the sources from which it is taken or on which it is based are wholly reliable.

LEGAL PROCEEDINGS

There are no legal proceeding to which Primeline or its subsidiaries is or was a party to, or that any of Primeline's property is or was the subject of, during the most recently completed financial year, that were or are material to Primeline, and there are no such material legal proceedings contemplated that Primeline is currently aware of.

There were no: (i) penalties or sanctions imposed against Primeline or its subsidiaries by a court relating to securities legislation or by a security regulatory authority during the most recently completed financial year; (ii) other penalties or sanctions imposed by a court or regulatory body against Primeline that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements which were entered into before a court relating to securities legislation or with a securities regulatory authority during Primeline's most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, Primeline is not aware of any material transaction within the last three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Primeline involving any director, executive officer or any shareholder that beneficially owns or controls or directs, directly or indirectly more than ten (10%) percent of the voting rights attached to the Shares, or any associate or affiliates of any of the foregoing.

AUDITORS AND REGISTRAR AND TRANSFER AGENT

Primeline's auditors are PricewaterhouseCoopers LLP, chartered accountants, at 250 Howe Street, Suite 700, Vancouver, British Columbia, V6C 3S7. PricewaterhouseCoopers LLP has advised that they are independent with respect to Primeline within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

Computershare Investor Services Inc., at its office at 3rd floor, 510 Burrard Street, Vancouver, BC V6C 3B9, is the transfer agent and registrar of the Shares.

MATERIAL CONTRACTS

There are no contracts which are currently in effect and which can reasonably be regarded as presently material to Primeline in the most recently completed financial year, except for contracts entered into in the ordinary course of business, other than those previously disclosed and filed on SEDAR.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by Primeline during, or related to, Primeline's most recently completed financial year other than McDaniel, Primeline's independent engineering evaluator and PricewaterhouseCoopers LLP, Primeline's auditors. None of the designated professionals of McDaniel had any registered or beneficial interests, direct or indirect, in any securities or other property of Primeline.

ADDITIONAL INFORMATION

Additional information relating to Primeline is available on SEDAR under Primeline's profile at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Primeline's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in Primeline's information circular dated October 13, 2014.

Further information on financial matters is contained in Primeline's audited financial statements and management discussion and analysis for the year ended March 31, 2015.