Primeline Energy Holdings Inc.

Annual Information Form
For the Year Ended March 31, 2019

June 28, 2019

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DEFINITIONS

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

"ACQ"	annual contract quantity of natural gas to be delivered to Zhejiang Gas under the Gas Sales Contract
"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 current 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 current contract area of 4,397 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 issued by Primeline to GRF Prime pursuant to the Subscription Agreement
"CAD$"	Canadian Dollars
"CCL"	CNOOC (China) Limited, a subsidiary of CNOOC Ltd. which is listed on the New York and Hong Kong Stock Exchanges
"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 and production 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. and, through CNOOC Ltd., CCL. References herein to CNOOC include its subsidiaries
"CNOOC Arbitration"	means Primeline's arbitration against CNOOC and CCL. See "Disputes With Sales Agent and Operator".
"COSL"	China Oilfield Services Limited, a company incorporated in China and listed on the Hong Kong and Shanghai Stock Exchanges
"COGEH"	The Canadian Oil and Gas Evaluation Handbook
"Companies Law"	the Companies Law (2018 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 Sales Contract"	the agreement dated October 29, 2014 entered into between Zhejiang Gas and CCL in relation to the sale of natural gas from the LS36-1 Gas Field
"GEMS"	GEMS Investment Management Services 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 CCL, 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
"JMC"	the Joint Management Committee for Block 25/34, in which CNOOC and Primeline have equal voting rights and decision making power
"LS35-3-1"	the gas discovery well located in Block 33/07, approximately 14.5 km 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 Development Area"	the portion of Block 25/34 delineated as the development area under the SDA
"LS36-1 Gas Field"	the accumulation of gas within the LS36-1 geological trap which was developed during 2010-2014 and has been in production since July 2014
"Lishui Basin"	the geological basin located in the western part of East China Sea where LS36-1 and LS35-3 are located
"Lishui Gas Play"	LS36-1, LS35-3 and related analogous prospects and leads in the immediate surrounding area
"LOC"	CNOOC (China) Limited Lishui Operating Company, a non-legal entity and wholly owned subsidiary of CCL
"McDaniel"	McDaniel & Associates Consultants Ltd. of Calgary, an international petroleum consulting firm
"McDaniel Report"	means McDaniel's report dated June 14, 2019 evaluating the Reserves and Resources of LS36-1 and Block 33/07 as of March 31, 2019
"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 – *Standards of Disclosure for Oil and Gas Activities* 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, as amended
"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 and a wholly owned subsidiary of Primeline

"RMB"	Chinese Yuan Renminbi, the lawful currency of China
"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
"Shares"	ordinary 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
"SPDB"	Shanghai Pudong Development Bank
"Stock Option Plan"	the stock option plan of Primeline
"Subscription Agreement"	means the 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$274 million made available to PECL and PPC by CDB, EXIM and SPDB pursuant to a facility agreement dated 17th November 2104 in order to finance the obligations of PECL and PPC in relation to the Development
"US$" 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
"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
"mcm"	Million (10^6) cubic metres
"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, and are to be disclosed. Reserves are classified according to the degree of certainty associated with the estimates. Reported reserves should target the following levels of certainty under a specific set of economic conditions: • at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; • at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves; and • 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.
"Tcf"	Trillion (10^{12}) 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$ 0.15 and CAD$ 0.19 as of June 28, 2019.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form is dated June 28, 2019. Unless otherwise stated, information is presented as of March 31, 2019. It should be read in conjunction with Primeline's audited consolidated financial statements and related notes for the year ended March 31, 2019.

Some of the following disclosures contain forward-looking statements, which involve inherent risk and uncertainty affecting the business of Primeline. A number of these statements relate to Primeline's expectations with respect to the outcome of the CNOOC Arbitration, including: (i) Primeline's belief that it will ultimately be successful in the CNOOC Arbitration; and (ii) that the syndicate of banks providing the Syndicate Facility will not demand immediate repayment of all amounts owed under the Syndicate Facility. However, they also relate to issues which might arise before the conclusion of the CNOOC Arbitration, such as: the financing of, and the results of, the Company's exploration programme; and assumptions that production and sale from the LS36-1 Gas Field will proceed in accordance with the Gas Sales Contract and other relevant agreements. While these statements are based on assumptions that management considers reasonable, actual results may vary from those anticipated. If Primeline is not successful in the CNOOC Arbitration, or Primeline is successful but not able to enforce the award of the arbitral tribunal, Primeline's banking Syndicate may demand immediate repayment of all amounts owed under the Syndicate Facility. Any of these events would likely result in Primeline's insolvency and seizure of its assets. Zhejiang Gas may not comply fully with its obligations under the Gas Sales Contract. CNOOC may not agree to Primeline's request for the substitution of the work programme and extension of the exploration period under Petroleum Contract 33/07 and Primeline may then be in breach of its obligations under Petroleum Contract 33/07 giving CNOOC the right to terminate Petroleum Contract 33/07, in which event Primeline may commence a separate arbitration to claim damages. If CNOOC does agree, sufficient cash flow and/or external finance to carry out its exploration obligations may nevertheless be unavailable to the Company. Primeline and CCL may be unable to meet their obligations under the Gas Sales Contract and negotiations between CCL and Zhejiang Gas may not result in any amendment of the Gas Sales Contract. Production from LS36-1 may be reduced further. Any of such events may materially and adversely affect Primeline's financial position. Exploration for oil and gas is subject to the inherent risk that it may not result in a commercial discovery. Forward-looking information and statements contained in this Annual Information Form are made as of the date of this document and Primeline undertakes no obligation to update or to revise any forward-looking information or statements except as required by applicable law.

PRIMELINE

Primeline Energy Holdings Inc. 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, Ugland 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 Suite 1209, Tower 3, Changning Raffles City, Shanghai, 200051, PRC.

Primeline Energy, or PECL, is a wholly owned subsidiary of Primeline and was also incorporated under the Companies Law.

Primeline Petroleum, or PPC, is a wholly owned subsidiary of Primeline and was incorporated in the British Virgin Islands.

Primeline Operations, or PEOIL, 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 is focused exclusively on upstream oil and gas opportunities in the PRC. Through its subsidiaries PECL and PPC, it is a party to the Petroleum Contracts and holds a 100% share of the Contractors' interest in Petroleum Contract 33/07 and a 49% share of the interest in Petroleum Contract 25/34.

CCL, a subsidiary of CNOOC, is the Operator under Petroleum Contract 25/34, in which the producing LS36-1 Gas Field, which is the Company's sole source of revenue, is located.

Primeline International, a company controlled by Mr. Hwang, holds Shares representing 49.19% of Primeline's issued and outstanding Shares. Mr. Hwang also holds directly Shares representing 16.34% of Primeline's issued and outstanding Shares.

Primeline's authorized share capital is US$500,000 divided into 500,000,000 Shares and the current issued capital is 208,559,959 Shares. The Shares are listed on the TSX-V.

Business of Primeline

The Company has one operating segment, which is the exploration and development of oil and gas properties located 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 and PECL and PPC, dated March 24, 2005, and June 15, 2012, respectively. PECL and PPC act jointly as the "Contractor" under the Petroleum Contracts.

Block 25/34 covers an offshore area of 84.7 sq. km, being the development and production area for the LS36-1 Gas Field (referred to as the LS36-1 Development Area). CCL holds a 51% interest and, as referred to above, Primeline holds a 49% interest through PECL and PPC.

Block 33/07 covers an offshore area of 4,397 sq. km (1.09 million acres) enclosing Block 25/34 and Primeline owns the Contractor's interest 100%, again through PECL and PPC. The Contractor is responsible for 100% of the exploration costs and CNOOC has the right to participate in up to 51% of any commercial development.

In 2007, Primeline and CNOOC agreed to implement a rolling development and exploration strategy in the Lishui Basin, with CCL operating the LS36-1 Gas Field and its production under Petroleum Contract 25/34 since 2010 and Primeline leading the effort on exploration, initially under Petroleum Contract 24/34 and, since 2012, 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 successful exploration and development work in the remainder of the petroliferous Lishui Basin.

History of Primeline

The Hwang family originally established PPC 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 under petroleum contracts issued in the Chinese Fourth Round of 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 and signed the Gas Sale Agreement in Principle in 2008. 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 CCL as operator for the Development and Production for the LS36-1 Gas Field.

During 2010-2014, CCL, as Operator, carried out work on the LS36-1 development including the production platform, subsea pipeline, development wells and onshore processing terminal. On May 16, 2014, CCL notified Primeline that final approval of the ODP for LS36-1 had been granted by the NDRC. The last part of the development work required to be completed before going into production was the last 3 km of sales gas pipeline linking to the off-taker's substation and facility, which was completed in June 2014. The final connection with the infrastructure of the buyer, Zhejiang Gas, was made on July 1, 2014. 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.

In October 2014, CCL and Zhejiang Gas signed the Gas Sales Contract. This superseded the previous agreements relating to gas sales which had been entered into with Zhejiang Gas which provided the commercial support for the development of LS36-1. The Gas Sales Contract was entered into between CCL (acting for themselves and as sales agent for Primeline) and Zhejiang Gas and finalised the commercial terms which had previously been negotiated, including gas quality, take or pay principles, base price and annual quantity.

Primeline's share of the costs of the LS36-1 Gas Field development were financed by the Syndicate Facility which was entered into in November 2014 with the initial draw down being completed in December 2014, when PECL and PPC repaid to CCL the amount advanced in relation to the development cost that had been made available by CCL under the Development Agreements.

After a successful trial production period, the agreed 15-year production period of LS36-1 under Petroleum Contract 25/34 commenced on 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. In July 2016, Primeline increased its interest in Block 25/34 from 36.75% to 49% and its interest in Block 33/07 from 75% to 100% through the acquisition from PIHI and Mr. Hwang of the entire issued share capital of and benefit of shareholder loans to PPC, pursuant to a share sale and purchase agreement dated June 26, 2015 which was approved by shareholders of Primeline in general meeting.

The LS36-1 Gas Field has now been in production and selling gas to Zhejiang Gas for approximately five years. The total development cost paid by the Company for LS36-1 up to March 31, 2019 was RMB1,984 million (CAD$394 million) including the management charge for CCL's advance` of the development costs from 2010 to 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. In addition to the production and cash flow from the first phase, the main benefit of LS36-1 is that, on the basis of the current production from the LS36-1 Gas Field, the production infrastructure has spare capacity and it was anticipated that such spare capacity would allow the Company to capitalise on its access to the Chinese gas market through exploration in the remainder of the Lishui Basin.

Primeline progressed the exploration work in Block 33/07 and in late 2015 Primeline completed a cost effective, smooth drilling operation of two exploration wells, LS23-1-1 and LS30-3-1, both of which encountered very good sandstone reservoirs, as predicted, and gas shows, but were not

commercial. Primeline then completed its post well evaluation of the two exploration wells to fully assess the remaining prospectivity in Block 33/07, following which it elected to enter into the second exploration phase under Petroleum Contract 33/07, which is for two years from 1st May 2016. By entering into the second exploration phase, Primeline agreed to relinquish 25% of the contract area held under Petroleum Contract 33/07. However, as referred to below in "Petroleum Contracts", Primeline has applied to CNOOC for an extension to the second exploration phase in order to undertake a 3D seismic programme. CNOOC has not agreed to this extension and Primeline has suggested that the matter be suspended until after the result of the CNOOC Arbitration in relation to Petroleum Contract 25/34 is known.

During 2015 and 2016, disputes arose which resulted in Primeline commencing arbitration proceedings against Zhejiang Gas with regard to the terms of the Gas Sales Contract and, separately, against CCL and CNOOC with regard to the actions of CCL as agent for the gas sales and as operator in relation to the development of the LS36-1 Gas Field. The dispute with Zhejiang Gas was settled in March 2017 and the relevant arbitration proceedings were withdrawn. The CNOOC Arbitration is continuing. See "Disputes with Sales Agent and Operator".

Primeline presently has 21 employees.

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.

In July 2011, CNOOC, PECL and PPC entered into the MOA which further amended Petroleum Contract 25/34 so that no further exploration 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, PECL and PPC entered into Petroleum Contract 33/07 which covered 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 was approved by the Ministry of Commerce of China and became effective on November 1, 2012. It granted a seven-year exploration period divided into three exploration phases of three, two and two years each, with a minimum work commitment in the first phase of two exploration wells to 2,500 metres plus 600 sq. kms of 3D seismic. The

commitment for each of the second and third phases is one exploration well to 2,500 metres. The phase one exploration period was extended by CNOOC, to 3.5 years, in September 2015.

Under the terms of Petroleum Contract 33/07, 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 LS36-1 Gas Field production facilities. 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 in relation to each commercial development. Petroleum Contract 33/07 is on the same favorable fiscal terms as Petroleum Contract 25/34, with no royalties being payable on production below 194 MMcf/d and no government production sharing below 340 MMcf/d for each production field within Block 33/07.

The work commitment for the first exploration phase under Petroleum Contract 33/07 was to complete 600 sq kms of 3D seismic and drill two exploration wells. The 3D seismic was completed in early 2015 and Primeline completed two exploration wells, LS23-1-1 and LS30-3-1 in late 2015, and accordingly the work commitment for the first exploration phase was satisfied.

At the end of April 2016, Primeline elected to enter the second exploration phase, which commenced on May 1, 2016 for 2 years and carries a commitment of one exploration well. Before entering into this phase, Primeline relinquished 25% of the original contract area in accordance with the Petroleum Contract, so the contract area was reduced from 5,877 sq km to 4,397 sq km.

Primeline's strategy was to use the LS36-1 production and its infrastructure as a springboard to expand in the neighbouring area in the East China Sea. In addition to the production and cash flow from the first phase, the main benefit of LS36-1 is that, on the basis of the current production from LS36-1, the production infrastructure has spare capacity and it was anticipated that such spare capacity would allow Primeline to capitalise on its access to the Chinese gas market through exploration in the remainder of the Lishui Basin.

However, following careful evaluation, Primeline has not as yet been able to find any technically and commercially viable prospects immediately ready to be drilled in the existing 3D seismic area within the contract area for Petroleum Contract 33/07. Primeline has however identified two areas where structural and stratigraphic exploration leads have been indicated by the existing 2D seismic data but the potential in these leads requires further evaluation in order to establish any drilling targets. Accordingly, at the JMC meeting on December 1, 2017, Primeline proposed that the next step in the exploration programme should be to acquire 3D seismic over these two exploration leads after which the data would be assessed to make the decision on whether these leads are good drillable prospects. An outline programme of 400 km2 of 3D seismic was presented to the JMC.

Primeline then formally applied to CNOOC in January 2018 for an extension to Phase 2 in order to undertake a 3D seismic programme during 2018 and allow time to interpret the data and complete the studies. The second phase of exploration under Petroleum Contract 33/07 provides for a work programme to drill one exploration well to a depth of 2500 m and expired on April 30, 2018. Primeline thus requested that CNOOC agree that with respect to the second phase: (a) a 3D seismic programme of a minimum area of 400 km2 be substituted for the exploration well and (b) the expiry date for the second exploration phase of April 30, 2018 be extended to April 30, 2019

in order to provide time to complete the proposed revised work programme. However, CNOOC did not agree to such requested extension and Primeline has suggested that the matter be suspended until after the result of the CNOOC Arbitration in relation to Petroleum Contract 25/34 is known. If CNOOC does not agree to the requested extension, CNOOC may take action to terminate Petroleum Contract 33/07 and Primeline's interest in Block 33/07 with effect from April 30, 2018. However, as referred to below, Primeline has set out in the CNOOC Arbitration principles of claims against CNOOC under Petroleum Contract 33/07 and, if CNOOC were to take action to terminate that contract, then such action would be robustly defended and a counterclaim made. See "Disputes With Sales Agent and Operator".

There is a potential penalty, in the amount of up to US$7m, under Petroleum Contract 33/07 in respect of Primeline's failure to complete the agreed work plan, but Primeline has a reserved claim in the CNOOC Arbitration (see "Disputes With Sales Agent and Operator") relating to Block 33/07 in the amount of approximately RMB312m as Primeline's decision to enter into Petroleum Contract 33/07 was based on certain undertakings of CCL on the performance of the Development, made at the time when CNOOC persuaded Primeline to move the remaining exploration work under Petroleum Contract 25/34 into Petroleum Contract 33/07. Failure to resolve this issue with CNOOC may lead to the acceleration of the reserved claim. It is for this reason that Primeline suggested to CNOOC that the matter be suspended until after the result of the CNOOC Arbitration in relation to Petroleum Contract 25/34 is known. The Company's management is carefully managing this issue.

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 operations in the PRC. See "Risk Factors".

Exploration History

Primeline's sole asset is its 100% share of the Contractors' interest in Petroleum Contract 33/07 and its 49% interest in Petroleum Contract 25/34. Block 33/07 originally covered substantially the same area as the previous Block 25/34 (before relinquishment), and Block 32/32 before that, with a water depth of between 75 and 90 metres, and is located approximately 100 km from the coast of Zhejiang Province.

Primeline and CNOOC agreed to implement a rolling development and exploration strategy in the Lishui basin, with CCL being responsible for the development and production in Block 25/34 and Primeline leading the effort on exploration under Petroleum Contract 33/07.

Different Chinese companies explored the area covered by the Blocks in the 1980s. Various sets of seismic data were shot and four wells drilled by the Ministry of Geology and CNOOC in the 1980s, two of which, Lingfeng-1 (1985) and Shimentan-1 (1987), encountered significant hydrocarbons. The area was opened for foreign oil company investment in 1993 in the China offshore fourth round bidding when over 20 companies participated.

After acquiring the interest in Block 32/32 in the China offshore fourth round bidding in 1994, Primeline carried out a detailed technical evaluation of the area of Block 32/32 between 1994 and 1997 using different vintages of seismic data and reprocessed seismic data. Based on the

interpretation of over 7,000 km of 2D seismic data and regional evaluation, Primeline selected LS36-1 as the target for its first exploration well.

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. 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.

Following the expiry of Block 32/32, Primeline signed Petroleum Contract 25/34 with CNOOC. Primeline then 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 carefully evaluated the prospectivity of the 3D area and 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.

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. In the test programme for the LS35-3-1 well, gas was flowed from one of the test zones and the 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 the current Block 33/07. 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 Block 33/07, but also for upside in the LS36-1 Gas Field, which 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 LS36-1 Gas Field as production would be through the same infrastructure, which was financed by the production from the upper zone.

Following the signing of Petroleum Contract 33/07, in 2014, Primeline acquired an additional 600 sq. km 3D seismic data within Block 33/07. Processing of the 3D data was completed in April

2015 and then Primeline proceeded with the drilling operation for two exploration wells - LS23-1-1 and LS30-3-1.

Primeline spudded the well, LS23-1-1, on September 23, 2015 and reached a TD of 2,666m on October 21, 2015 and wireline logging data was subsequently acquired. The well encountered sandstone units of Paleocene and early Cretaceous age, drilling through the geological sequence as anticipated and finished in basement rock. It discovered several zones of gas bearing sandstone and evaluation of logging data indicated total cumulative net pay thickness of 14 metres. The second well of 2015 work programme LS30-301 spudded on November 13 which is located approximately 20km north of the LS36-1 gas field platform - targeting a large channel sand prospect. When the well reached the planned TD of 1800m, Primeline decided to deepen the well, drilling to a TD of 2000m on November 27 with electronic log data being collected during November 27-30.

Although both wells encountered very good sandstone reservoirs, as predicted, and gas shows, they were not commercial.

At the end of April 2016, Primeline elected to enter the second exploration phase under Petroleum Contract 33/07. By entering into this phase, Primeline agreed to relinquish 25% of the original contract area under Petroleum Contract 33/07.

Apart from internal review and processing of data, further exploration during the year under review was effectively suspended whilst the CNOOC Arbitration continued through to the hearing in September and October 2018 and subsequent final submissions

LS36-1 DEVELOPMENT AND PRODUCTION

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

Under the SDA, which was entered into between CNOOC, PECL 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 were 51% CNOOC, 36.75% PECL and 12.25% PPC. Since completion of Primeline's acquisition of PPC, Primeline now holds a 49% interest. The development costs were, and operating costs are, borne by the parties in their respective participating interests.

Pursuant to the SDA, LOC, a wholly owned subsidiary of CCL, was appointed as the operator for the development and production operations for LS36-1 and a development area of 84.7 sq. kms surrounding LS36-1was carved out of Block 25/34. The production period for LS36-1was 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 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 any additional resources discovered in Block 33/07 as confirmed by the terms of Petroleum Contract 33/07.

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

The JOA, which was entered into between CCL, PECL and PPC, set out the basis on which CCL agreed to establish a project management team in Shanghai under LOC in order to carry out the development and production operations. The JOA is supplemental to the SDA.

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.

During 2010-2014, CCL, as operator, carried out work on the development of LS36-1, including the construction of the production platform, subsea pipeline, development wells and onshore processing terminal. These are significant engineering works resulting in the creation of the production facility and cost CCL and Primeline in the order of over US$600m.

On May 16, 2014, CCL 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 required before the gas field could go into production was the last 3 km of sale gas pipeline, linking to the off taker's substation and facility, which was completed in June 2014. Following final connection with Zhejiang Gas's infrastructure on July 1, 2014 and successful trial gas production, the JMC resolved that the production period for LS36-1 under Petroleum Contract 25/34 would commence on December 1, 2014 with the production area being confirmed as the same as the development area. The LS36-1 Gas Field has now been in production for almost 4 years.

Drop in Production from September 2018

The A10M infill well was drilled in April 2018 to support the existing producing wells in the M1-2 reservoir. However, following completion of the well, it became clear that the A10M well is in communication with A4M well and thus failed to achieve its goals to maintain the production plateau. Primeline had provided a warning of such risk and made suggestions to CCL, the Operator of LS36-1, as to alternative drilling targets at the time but these suggestions were rejected by CCL.

Following the drilling of the A10M well, CCL revised the mapping of the field and significantly lowered its estimate of the gas in place volume accessible by the existing production wells and declared that they did not plan to drill any further development wells in the LS36-1 Gas Field. Primeline disagreed with the revised mapping and requested a detailed re-evaluation of technical

data. Also, Primeline completely disagrees with CCL's refusal to drill additional wells and has continued to try to persuade CCL of the technical and commercial merits of an additional drilling programme. In the absence of any additional drilling, LS36-1 production has been out of plateau since July 2018, although, until August 2018, it had been maintaining a level of circa 750mcm/day of sale gas.

However, on September 10, 2018, CCL reported that well A5 had stopped producing as a result of water ingress. Well A5 represented approximately 13% of the total production from LS36-1. CCL also proposed, as a precaution, reducing the production rate from well A1M, which drains the same reservoir as A5, until it completed its investigation of the cause of the loss of A5. This resulted in reduced production of LS36-1 to a level of approximately 450mcm/day of sale gas, or about 60% of the previous production level of about 750mcm/day, the rate required to deliver the minimum ACQ required under the GSC. The effect of this on production is discussed below.

The development of LS36-1 was intended to supply gas for 15 years under the Gas Sales Contract at an ACQ of 300mmcmpa for an initial plateau period of seven years. The facilities have a design life of 25 years. However, after only four years of intermittent production at a rate lower than the designed plateau rate, CCL proposed a revised annual plan for 2019 of only 119mmcmpa, approximately 44% of the minimum ACQ currently required by the Gas Sales Contract and has entered into negotiations with Zhejiang Gas to vary the terms of the Gas Sales Contract to conform to its current production forecasts (see below).

To put matters into context, one of the key issues related to the current production shortfall is CCL's failure as Operator to implement a previously agreed plan to drill for additional gas resources discovered and identified within LS 36-1 which can be drilled from the platform. The rolling development of the reserves and resources in the field was always envisioned and therefore additional well slots were built on the platform to allow such additional work. In 2013, following the drilling of the initial four production wells, CCL presented to the JMC detailed reports confirming the proven developed reserves and identifying additional gas reserves and resources. Four wells were designed for such "phase 2" drilling and their technical justification was approved by the JMC in October 2013. However, CCL failed to implement such work for additional gas during the 5 years from 2013. This failure, among others, forms part of the main claims in the CNOOC Arbitration. The timing of the above events in relation to the reduced production levels was significant, as CCL submitted its rejoinder in the CNOOC Arbitration in June 2018 and the hearing was held in September 2018 (see "Disputes With Sales Agent and Operator")

Following receipt of the information regarding the A5 well, on September 11, 2018 Primeline approved a budget for CCL to proceed with work to investigate and resolve the problems with A5 immediately. However, CCL did not commence the work until November 5, 2018 when it conducted coiled tubing operations to lift water in the A5 well bore. On November 8, CCL reported that whilst such operations had successfully removed the water from the well, gas flow had not been restored and CCL confirmed its view that production from the A5 well should be discontinued and immediately demobilized the coiled tubing equipment. However, the well head pressure of A5 recovered on November 11 and Primeline requested that the coiled tubing equipment be returned to the platform immediately, but CCL refused to do so at that time.

In any event, subsequent investigations showed that the liquid in the A5 well was not formation water (as suggested by CCL) but leaked completion fluids and, on that basis, Primeline took the view that further attempts to restore the A5 well should be made and that there was no reason to reduce production from the A1M well, which had been reduced as a precautionary measure in view of the perceived threat of formation water. Notwithstanding this finding, CCL proposed that the production level of the LS 36-1 Gas Field for the year 2019 should be further reduced.

Nevertheless, in view of the failure of the A5 well and CCL's projections of remaining reserves, at a meeting of the JMC in November 2018, Primeline had to agree to CCL's proposal that production for 2019 should be reduced to around 119mmcmpa, about 44% of the minimum ACQ. At that level of production, the gas sales revenue would be sufficient to cover the budget for operating costs which CCL has proposed for 2019, but would provide only minimal operational cash flow to Primeline. This agreement was on the basis that CCL agreed that they would continue to find ways to enhance and prolong the commercial production and carry out more diligent work to monitor, prevent and rectify any water ingress issues for the current wells. CCL also agreed to a reduction in operating costs.

Subsequently, in December 2018 and January 2019, as suggested by Primeline, CCL increased the well head production rate of the A1M well marginally, firstly, from 260 mcm/day to 280mcm/day and then to 300mcm/day (both gross raw gas production) and continued to closely monitor the chloride content of produced water.

In the meantime, Primeline continued to press CCL to carry out remedial work on the A5 well and, in January 2019, the JMC instructed CCL to carry out further work on the A5 well to restore production. CCL continued to delay such work but finally commenced coiled tubing operations on May 11, 2019 and following further delays due to equipment problems, restored gas flow from the A5 well on June 5, 2019. The well is now contributing to field production.

Primeline has also continued to press for production from well A1M to be increased and following further representations from Primeline, CCL has recently agreed to increase production from the A1M well. As a result, the current sales gas production rate is about 435mcm/day, equivalent to approximately 58% of the minimum ACQ under the Gas Sales Contract. While encouraging, this increased level of production does not generate sufficient revenue to enable Primeline to service its debt under the Syndicate Facility.

In late 2018, CCL proposed to start liquified CO2 production and, following discussions, a CO2 sales contract was entered into with an affiliate company of CCL (which arranges onward sale to the market). Production commenced in March 2019. Sales of the CO2 are at a fixed price at the terminal in order to avoid financial risk to the project. However, on the basis of the anticipated sales price, the CO2 will only achieve break even so that there will be no financial benefit to the project or Primeline. Production is continuing at a rate of circa 300-350t/day of liquified CO2, albeit on an intermittent basis due to the limitations of the transportation method although CCL is currently taking measures to allow the production to be maintained on a continuous basis.

GAS MARKET OVERVIEW IN PRC AND ZHEJIANG

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 increasing. In 2017 total consumption of natural gas represented about 6.6% of the entire primary energy mix (up from about 3% in 2007), compared with the estimated world average of 23.36%.

Development of the natural gas industry is one of China's strategic policies in order to secure energy supplies and to achieve environmental targets and China's central government is promoting natural gas as a preferred energy source and has set an ambitious target of increasing the share of natural gas in its overall primary energy mix to 10% by 2020 to alleviate pollution from its heavy coal use. 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 energy sector, including its natural gas industry, is controlled by the government via the NDRC and other regulatory and planning bodies. There are three main Chinese national energy companies, CNPC, Sinopec and CNOOC.

China's first major West to East Gas Pipeline, built by CNPC, the parent company of Petrochina Ltd., 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 demand increases, China completed three new long distance gas pipelines from west China to east China since 2014, two of which are to supply gas to Zhejiang Province. CNPC and Sinopec are operating those pipelines. Additionally, the fourth and fifth West to East pipelines have been planned with their first phase expected to be completed in the next few years.

In February 2008, CNPC commenced construction of a Second West to East pipeline with a capacity of 30 bcm per annum. The main pipeline was completed in June 2011 with a length of over 8,000 km, and 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. CNPC signed agreements in July 2007 to import 30 bcm of natural gas per annum over 30 years from Turkmenistan to supply this pipeline. Subsequently, CNPC commenced 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 13.5 bcm per annum to cities along the pipeline, including northern Zhejiang Province.

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 2019 (around 1/6 of the total annual gas consumption in China). It is understood that the northern section of the pipeline in Heilongjiang Province and Jilin Province will be put in use by 2019 and the whole pipeline is expected to be completed by 2020.

In addition, China is now the world's third-largest LNG importer, after Japan and has 13 LNG import terminals in operation. However, these projects came on stream over a relatively short period which led to an oversupply situation which resulted in a sharp reduction in spot LNG prices during 2014 to 2016. However, the oversupply situation appears to be easing with 2017 seeing an expansion of demand and increasing LNG prices. In 2017 the total quantity of LNG supplied in China reached 20,250,000 tons, a 49% increase compared to the supply figure of 13,600,000 tons in 2016.

Although in the past, the Chinese Government controlled state-set gas prices based on local costs, due to the developments referred to above, the gas market in China is now more mature with a more market-driven pricing system which should benefit the development of the 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.

However, the pace of the development of long distance pipeline infrastructure and LNG terminals along the East Coast of China, coupled with a general slowdown of the Chinese economy and the dramatic drops in oil prices seen in late 2014 to early 2015, led to an oversupply of gas in China in 2015 which continued in 2016 and into 2017. The current position is that demand for gas continues to grow and is steadily catching up with the developments in supply so that the previous oversupply is now diminishing with gradually increasing gas consumption and a consequent recovery in prices. According to the statistics, from 2007 to 2017, the compound growth rate of China's natural gas production is 7.89%, and the compound growth rate of China's natural gas consumption is 12.96%.

Due to the dramatic market changes in 2014/2015, the main suppliers of the East China gas market lowered prices, thus putting considerable pressure on LS36-1's price regime, as Zhejiang Gas demanded similar treatment. See below.

The severe imbalance of supply and demand experienced in 2015 to 2017 has proved to be a relatively short-term situation in the overall development of the Chinese gas market as gas still only comprises a small portion of PRC's total primary energy supply and, as noted above, the situation now appears to be improving. Primeline 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 the surplus capacity will be quickly absorbed by the anticipated growth.

In Zhejiang Province, prior to the completion of the provincial grid, the rate of gas consumption growth slowed in 2015 and in 2016, in line with the overall market conditions. However, Zhejiang Province has been proceeding with the construction of the provincial grid and, although the project remains behind schedule, the section of the provincial grid linking Wenzhou to the Second West to East gas pipeline has been completed and has been in operation since June 2017. As a result, the LS36-1 Gas Field is now effectively linked into the wider provincial grid and the local gas market is continuing to mature. Thus, with the progressive development of the provincial gas grid and the drive to improve air quality, management expects growth in gas consumption to continue.

DISPUTES WITH SALES AGENT AND OPERATOR

Zhejiang Gas

As a result of the change of market dynamics referred to above, in February 2015, Zhejiang Gas formally requested a reduction of the contracted LS36-1 gas price. Subsequently, following reductions in the onshore pipeline gas price guidelines issued by the Chinese Government, the position of Zhejiang Gas was that the gas price payable under the Gas Sales Contract should reflect the onshore gas price regime. The challenges posed by the dispute with Zhejiang Gas were compounded due to CNOOC's shareholding in and business relationship with Zhejiang Gas, as a result of which CCL, which acts as operator under Petroleum Contract 25/34 and sales agent for Primeline under the Gas Sales Contract, failed to enforce the Gas Sales Contract against Zhejiang Gas. Primeline believes CNOOC and CCL have a significant conflict of interest in relation to their dealings with Zhejiang Gas in that CNOOC has a 30% ownership interest in Zhejiang Gas, in addition to its wider commercial relationship with Zhejiang Gas, which is believed by Primeline to be the underlying reason for it failing to take any effective action against Zhejiang Gas to enforce the Gas Sales Contract.

In view of the continuing default by Zhejiang Gas and the failure by CCL to resolve such dispute or take enforcement action against Zhejiang Gas, in April 2016, Primeline commenced arbitration proceedings against Zhejiang Gas with regard to claims under the Gas Sales Contract.

Due to the severe effect on the Company's cash flow caused by the Zhejiang Gas dispute, the Company failed to make payment to COSL under the Turnkey Drilling Contract dated August 14, 2015 (the "Drilling Contract") between COSL and PEOIL. On September 1, 2016, COSL commenced arbitration proceedings against PEOIL before CIETAC in relation to a claim for payment under the Drilling Contract. The Drilling Contract relates to the two wells drilled by COSL for PEOIL as the operator in Block 33/07 in late 2015. The dispute between PEOIL and COSL in relation to payment under the Drilling Contract is part of the overall operational and commercial issues the Company had encountered in 2015 - 2017 referred to above. In addition to its 30% shareholding in Zhejiang Gas, CNOOC also owns 64.4% of CCL and 50.5% of COSL.

Subsequently, following extensive negotiations, CCL and Primeline entered into settlement agreements with Zhejiang Gas on March 1, 2017 in order to settle the disputes which were the subject of the arbitration against Zhejiang Gas. The settlement is based on a pricing arrangement that resulted in Primeline receiving:

- the original price agreed under the Gas Sales Contract for its share of gas delivered up to December 31, 2016; and
- then at a price which represents a reduction of about 7% from the Gas Sales Contract price, fixed from January 1, 2017 for the rest of the GSC delivery period.

Pursuant to the settlement of the Zhejiang Gas dispute:

- Primeline subsequently received approximately RMB 256 million (CAD$50.8 million) net of VAT for its share of all outstanding unpaid or partly paid amounts due for natural gas delivered to the end of 2016 and for the 2015 and 2016 take-or-pay payments;
- RMB 12m (CAD$2.4m) relating to the difference between the agreed price and the price previously paid from January 1 to February 28, 2017;
- Primeline withdrew the arbitration against Zhejiang Gas; and

- Primeline settled its own overdue payment owed to COSL in the order of RMB 116 million (CAD$22 million) in relation to the 2015 drilling contract and COSL withdrew the arbitration proceedings.

These payments represented the full and final amount due in settlement of the disputes with Zhejiang Gas and COSL.

For the 2017 contract year, the take or pay quantity under the Gas Sales Contract was 270 mmcm but Zhejiang Gas only off-took 241.8 mmcm and accordingly there was an offtake shortfall of approximately 21.9 mmcm for the year, following allowable reductions, against its committed minimum offtake volume. Under the terms of the take or pay arrangements of the Gas Sale Contract, CCL issued an invoice for such shortfall (RMB50.7m) on January 10, 2018, but Zhejiang Gas refused to make payment of such invoice. As confirmed by CCL's email to Zhejiang Gas regarding the invoice, the Gas Sales Contract provides that, in the event of dispute, Zhejiang Gas should pay the amount due under the invoice first and then follow the dispute resolution procedures set out in the contract. Primeline therefore urged CCL to insist on payment of the invoice or, otherwise, enforce the terms of the Gas Sale Contract. In accordance with the settlement agreement between CCL and Primeline signed on March 1, 2017 with regard to Zhejiang Gas dispute settlement, CCL guaranteed the performance of Zhejiang Gas under the Gas Sale Contract, so if Zhejiang Gas continues to refuse to pay such invoice, Primeline believes it would be entitled to claim Primeline's share of such payment (circa RMB31.3m) from CCL in which event the claim may become part of the issues to be determined in the CNOOC Arbitration.

However, due to the drop in production since September 2018, there was a supply shortfall in 2018 of 30mcm, and, under the terms of the Gas Sales Contract, CCL and Primeline as sellers would be liable to pay a penalty of 10% which would be circa RMB6.81m. As a result, Primeline consented to CCL's request to enter into discussions with Zhejiang Gas on the revision of Gas Sales Contract to reflect the current forecast production rate, such consent being on the basis that Primeline reserved all rights, as the loss of production and, hence, the need to renegotiate the Gas Sales Contract was due to CNOOC's failures as claimed in the CNOOC Arbitration. Zhejiang Gas responded to CCL in January 2019 to the effect that Zhejiang Gas would consider a reduction in the ACQ of gas deliverable under the Gas Sales Contract if the Sellers waive payment of the 2017 take or pay invoice. Such negotiations are currently continuing but, in the meantime, CCL and Zhejiang Gas are operating on the basis of an agreed production plan which matches CCL's current production forecast.

CNOOC

Primeline commenced the CNOOC Arbitration proceedings against CNOOC and CCL under the dispute resolution provisions of Petroleum Contract 25/34 by Notice of Arbitration dated June 6, 2016. In accordance with the UNCITRAL Arbitration Rules 1976, Primeline and CNOOC each appointed its arbitrator and the tribunal (comprised of three arbitrators) was formed on August 30, 2016 with the seat of arbitration agreed to be in Singapore. The CNOOC Arbitration includes claims: in respect of CCL's breach of fiduciary duty and good faith and wrongful conduct as Primeline's sales agent under the Gas Sales Contract; in relation to CCL's mismanagement and failure to comply with its responsibilities as operator, which mismanagement resulted in delay in completion of the Development and commencement of production and cash flow, leading to loss

of revenue, increased cost and the project falling below its design level; and in relation to CNOOC's position as guarantor of CCL.

In accordance with the procedure as set by the tribunal for the CNOOC Arbitration, Primeline filed the Statement of Claim together with all supporting documents on April 25, 2017. Primeline's primary claim is that CNOOC and CCL have committed multiple material breaches of Petroleum Contract 25/34 which entitle Primeline to relief, including termination of the contract and other related arrangements, which claim is to be determined by the tribunal in its final award. The amount of damages claimed is RMB 3.48b (CAD$691m). If such claim for termination is not upheld, Primeline's alternative claim was for damages arising from each of CNOOC and CCL's breaches of Petroleum Contract 25/34 and related agreements on the basis that Petroleum Contract 25/34, and Primeline's 49% interest in the LS36-1 Gas Field, continue in effect. The alternative cumulative claim for damages for various individual breaches is circa RMB2.9b (CAD$576m). As referred to above, Primeline believes CNOOC and CCL have a significant conflict of interest in relation to their dealings with Zhejiang Gas which is believed by Primeline to be the underlying reason for CNOOC and CCL's committing the above breaches of Petroleum Contract 25/34 and PRC law (including the principles of good faith).

CNOOC and CCL filed their Statement of Defence and Counterclaim on October 17, 2017 and the parties exchanged details of documents requested for disclosure on November 6, 2017.

As part of their defence and counterclaim, CNOOC and CCL put in a counterclaim against Primeline in the order of RMB400 million and served a notice purporting to terminate Petroleum Contract 25/34 with effect from January 15, 2018, based on claims that Primeline should not have served a termination notice in the CNOOC Arbitration, was not entitled to pursue certain other claims in the arbitration and should pay disputed amounts of approximately RMB117 million.

Primeline does not believe that CNOOC and CCL have any valid grounds on which they can terminate Petroleum Contract 25/34 and believes the disputed amounts of RMB117 million claimed to support their counter termination notice is far from material considering the size of the project (in the order of several billions RMB). In any event, Primeline contends that, under Petroleum Contract 25/34, any claimed termination of the contract by either party on grounds of alleged unremedied material breach of contract must be determined by final award of the arbitral tribunal, after a merits hearing. Primeline pointed this contractual requirement out to CNOOC and CCL and requested the arbitral tribunal to grant an interim injunction to restrain CNOOC and CCL from giving effect to their purported termination by ceasing to comply further with the Petroleum Contract.

The arbitral tribunal heard the application for the interim injunction on January 5, 2018 in Singapore and issued its written decision on January 11, 2018 granting Primeline's application for interim relief and ordering CNOOC and CCL not to take any steps to give effect to their purported termination of Petroleum Contract 25/34 and related agreements, by ceasing to perform their obligations under such agreements, until a final award is issued by the arbitral tribunal.

CNOOC has complied with the tribunal's decision and all production operations are running normally and smoothly.

Primeline filed its Statement of Reply and Defence to Counterclaim on March 26, 2018. Based on the new evidence which became available in CNOOC's defence and in the subsequent document production, Primeline believes that its position has been strengthened. The revised primary claim as set out in Primeline's reply is for RMB3.4b (CAD$693m), which is on the basis that the tribunal rules there has been material breach and that Primeline was entitled to terminate Petroleum Contract 25/34; the alternative cumulative claim is for damages for various individual breaches on the basis that the tribunal rules that Petroleum Contract 25/34 should not be terminated, and the project continues, is circa RMB2.9b (CAD$591m).

CNOOC was required to submit their rejoinder on June 18, 2018. On May 10, 2018, CNOOC notified the tribunal that they had changed their law firms for the CNOOC Arbitration and, on May 30, 2018, applied to the tribunal for a 3 week extension for the submission of the rejoinder. In response, the tribunal granted CNOOC a one week extension and the rejoinder was submitted on June 25, 2018.

The final hearing of the CNOOC Arbitration took place in Singapore on September 10-14 and 17-21, 2018 and then in Hong Kong on October 30, 2018. The parties then submitted two rounds of post hearing closing statements and subsequently filed submissions as to costs of the CNOOC Arbitration on January 21, 2019. The procedures for the arbitration have therefore been completed and the parties are waiting for the final award.

Primeline's lawyers contacted the Tribunal on March 14, 2019 with regard to the timing of the award. The Tribunal replied on March 16, 2019, saying the Tribunal is diligently working on the award and making good progress, however, based on the complexity of the case, the Tribunal will endeavor to issue the award before the end of the summer. Based on such relatively firm reply, Primeline's lawyers consider the Tribunal will issue the award before August 31, 2019.

Management believes the terms of Petroleum Contract 25/34 and the associated agreements entered into in relation to the Development will be upheld and the Company's rights will be protected. The Company expects that the disputes with CNOOC and CCL will be resolved to the Company's satisfaction.

FINANCING

Bank Finance

As a result of the dispute with Zhejiang Gas and its failure to make full payment under the Gas Sales Contract, the Company suffered a severe loss of cash flow with resultant difficulties in meeting its financial obligations, particularly its bank debt service obligations. The lending banks under the Syndicate Facility, however, have been extremely supportive and, in November 2016, agreed to Company's application to amend the capital repayments on the then outstanding amount of US$232 million due under the Syndicate Facility. The two repayments due in November 2016 and May 2017 were reduced to US$1 million each, representing a deferral of capital repayments of US$36 million to a later stage of the period of the loan. Further, the lenders agreed to reduce

the interest rate margin payable in relation to the Syndicate Facility, from 470bps to 335bps over US$ 6 month LIBOR until all disputes are resolved.

However, as a result of the significantly reduced production and revenue from September 2018 referred to above, whilst Primeline was able to maintain interest payments in relation to the Syndicate Facility, it was not able to make payments of principal in accordance with the agreed amortisation schedule, which was geared to the anticipated production and revenue. Primeline informed the Syndicate of the reduction in production and operational forecasts made by CCL and, in November 2018, the Syndicate agreed to an adjustment of the principal repayment due in November 2018 so that part of that principal repayment was deferred and added to the principal repayment due in May 2019, with the balance being paid at that time. This rescheduling of the Syndicate Facility was agreed in view of the abnormal operating conditions and the schedule of the CNOOC Arbitration, as it was then anticipated that the award would be available prior to the May principal repayment.

However, due to the continuation of the reduced cash flow referred to above, Primeline was unable to effect payment of the increased principal repayment instalment due on May 20, 2019. Primeline applied to the Syndicate for a further adjustment in order that the principal repayment due in May 2019 be deferred to November 2019, after the now expected date of the award in the CNOOC Arbitration. Unfortunately, the Syndicate was unable to approve such further adjustment of the repayment plan. As a result, due to the decreased revenue, Primeline was unable to effect full repayment of the principal amount due on May 20, 2019 (making only a partial repayment in the amount of US$5m) so that a default under the terms of the Syndicate Facility has now occurred. The position of Primeline is that its inability to repay the principal instalment is a direct result of decreased revenue which is, in turn, due to the various defaults by CCL and CNOOC which form the basis of the claims made by Primeline in the CNOOC Arbitration. As a result of the default, the entire amount owing under the Syndicate Facility as of March 31, 2019 of RMB 1,119,712,511 (CAD$222,341,642) has been reclassified on the Company's balance sheet as a current liability.

However, following the default, the Syndicate indicated that, notwithstanding the default, they did not intend to take enforcement action and confirmed in writing that they would endeavor to continue to support Primeline in order to maintain production and normal operations until the award in the CNOOC Arbitration has been made. Based on that indication of support (which was announced to the market) Primeline will endeavour to maintain normal operations whilst waiting for the award.

Corporate Finance

On August 14, 2015, Primeline issued US$10 million principal amount Tranche A Convertible Bonds to GRF Prime, and then US$8 million principal amount Tranche B Convertible Bonds on November 10, 2015, in order to fund the operational and exploration work relating to Block 33/07. The term of the Bonds is three years, extendable at the option of the bondholder for two one-year periods. Interest is payable quarterly at 7% per annum, of which 4.5% is payable in cash and 2.5% in Shares issued at a deemed price per Share equal to the higher of (i) the closing price of the Shares on the TSX-V on the day before; and (ii) the volume-weighted average trading price of the Shares on the TSX-V for the 10 days preceding; the interest payment date. The Bonds are

convertible, at the option of the bondholder, at any time during the period commencing four months and a day following the date of issuance up to the date that is 10 days prior to the date of maturity of the Bonds, into Shares at conversion prices of CAD$0.70 (Tranche A Bonds) and CAD$0.85 (Tranche B Bonds) per Share.

On August 14, 2015, Primeline issued US$10 million principal amount Tranche A Convertible Bonds (the ‘‘Tranche A Bonds’’) to GRF Prime Limited (“GRF”), a resources fund managed by GEMS Investment Management Limited of Hong Kong, and then issued US$8 million principal amount Tranche B Convertible Bonds to GRF on November 10, 2015 (the “Tranche B Bonds”), in order to fund the exploration work relating to Block 33/07. The term of the Bonds was three years, extendable at the option of the bondholder for two one-year periods. Interest was payable quarterly at 7% per annum, of which 4.5% was payable in cash and 2.5% in Common Shares at a deemed price per share equal to the higher of: (i) the closing price of the Shares on the TSX-V on the day before; and (ii) the volume-weighted average trading price of the Shares on the TSX-V for the 10 days preceding, the interest payment date. The Bonds were convertible, at the option of the bondholder, at any time during the period commencing four months and a day following the date of issuance up to the date that is 10 days prior to the date of maturity of the Bonds, into Shares at conversion prices of CAD$0.70 per share (Tranche A Bonds) and CAD$0.85 per share (Tranche B Bonds).

The Tranche A Bonds were due for repayment on August 14, 2018. On August 14, 2018, the Company redeemed the Tranche A Bonds in accordance with their terms. Redemption of the Tranche A Bonds was funded by a loan of US$11,300,000 from PIHI, a company wholly owned by Mr. Hwang, who is the Company’s President, Chairman and majority shareholder. The Tranche A Bonds were redeemed for an amount equal to their principal amount together with a premium calculated in accordance with their terms. PIHI’s loan was secured by the issuance by the Company of US$11,300,000 principal amount of bonds (the “New Bonds”) having the same terms as the Tranche A Bonds, except that the New Bonds are deemed to have been issued on August 14, 2018 and are for an initial period of one year, extendable for a further year at the option of the holder. The issuance of the New Bonds was approved by the TSX-V on September 17, 2018.

The Tranche B Bonds were due for repayment on November 13, 2018. The redemption amount due including the redemption premium amounted to US$9,301,000, which the Company repaid in full to GRF Prime in accordance with their terms. Payment of the redemption amount of the Tranche B Bonds was funded by a loan of US$9,301,000 from PIHI. PIHI’s loan is secured by the issuance by Primeline of US$9,300,000 principal amount of bonds (the “New B Bonds”) having the same terms as the Tranche B Bonds except that the New B Bonds are deemed to have been issued on November 12, 2018 and are for an initial period of one year, extendable for a further year at the option of the holder. The issuance of the New B Bonds was approved by the TSX-V on December 11, 2018.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Forward Looking Information

Statements contained herein that are not historical facts are forward-looking statements that involve risks and uncertainties. Forward-looking statements include, but are not limited to,

statements with respect to the future price of petroleum and/or natural gas; capital expenditures; currency fluctuations; requirements for additional capital; government regulation of petroleum and natural gas matters; environmental risks; unanticipated reclamation expenses; title disputes or claims; limitations on insurance coverage; forecast prices for petroleum and/or natural gas; estimates of production of petroleum and natural gas; the Company's expectations as to the financing of future development costs; the outcome of negotiations with CNOOC to extend the term of Petroleum Contract 33/07; and the outcome of the CNOOC Arbitration. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to operations; termination or amendment of existing contracts; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future actual (as opposed to forecast) prices of petroleum and natural gas; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the petroleum and natural gas industries; delays in obtaining or failure to obtain any governmental approvals, licenses or financing or in the completion of development activities, lower than anticipated production of petroleum and natural gas; possible reduction in cash flow; and negative outcomes in contract negotiations and the CNOOC Arbitration proceedings. Although the Company has attempted to identify important factors that may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this AIF and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required by law.

PART 1 DATE OF STATEMENT

Item 1.1 Relevant Dates

This Form 51-101 F1 submitted by Primeline is dated June 28, 2019. The information provided in this statement is effective March 31, 2019. The preparation date of the information provided in this statement is June 14, 2019.

PART 2 DISCLOSURE OF RESERVES DATA

The natural gas and natural gas liquid reserves for the LS36-1 Gas Field are located offshore in Block 25/34 in the East China Sea, People's Republic of China. The reserves estimate and future net revenue forecasts of the reserves have been prepared in accordance with standards set out in NI 51-101 and the COGEH.

The McDaniel Report evaluates as at March 31, 2019, the oil and natural gas reserves attributable to the Company's interest in the LS 36-1 Gas Field, and the natural gas and natural gas liquid resources for Block 33/07, which is next to (and completely surrounds) the LS 36-1 Gas Field.

The McDaniel Report also presents the estimated net present value of future revenue of the Company's interest in the LS 36-1 Gas Field before and after taxes, at various discount rates. Assumptions and qualifications relating to costs, prices for factual production and other matters are summarized in the notes to the following tables.

The extent and character of all factual information supplied by the Company including ownership, technical well and seismic data, development plans, contracts and other relevant data, have been relied upon by McDaniel in preparing the McDaniel Report and were accepted as represented without independent verification.

Definitions of the various categories of reserves and expenditures are those set out in NI 51 – 101.

Certain natural gas volumes have been converted to boe on the basis of six Mcf to one bbl. Disclosure provided herein in respect of boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf : 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 : 1, utilizing a conversion on a 6 : 1 basis may be misleading as an indication of value.

Item 2.1 Reserves Data (Forecast Prices and Costs)

SUMMARY OF RESERVES

	RESERVES							
	LIGHT AND MEDIUM OIL		HEAVY OIL		CONVENTIONAL NATURAL GAS		NATURAL GAS LIQUIDS	
RESERVES CATEGORY	Gross (Mbbl)	Net (Mbbl)	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)
CHINA								
PROVED								
Developed Producing	-	-	-	-	6,809	7,025	285	296
Developed Non-Producing	-	-	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	(0)	0	0
TOTAL PROVED	-	-	-	-	6,809	7,025	285	296
PROBABLE	-	-	-	-	1,518	1,511	90	91
PROVED+PROBABLE	-	-	-	-	8,327	8,536	375	387
POSSIBLE	-	-	-	-	2,709	2,708	123	123
PROVED+PROBABLE+POSSIBLE	-	-	-	-	11,036	11,243	498	509

SUMMARY OF NET PRESENT VALUE OF FUTURE NET REVENUE

	NET PRESENT VALUES OF FUTURE NET REVENUE (1) (2) (3) (4) (5) (6)										
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10%/year
RESERVES CATEGORY	0 (M$)	5 (M$)	10 (M$)	15 (M$)	20 (M$)	0 (M$)	5 (M$)	10 (M$)	15 (M$)	20 (M$)	($/boe)
CHINA											
PROVED											
Developed Producing	45,396	42,129	39,357	36,981	34,925	45,396	42,129	39,357	36,981	34,925	26.84
Developed Non-Producing	-	-	-	-	-	-	-	-	-	-	-
Undeveloped	0	0	0	0	0	0	0	0	0	0	-
TOTAL PROVED	45,396	42,129	39,357	36,981	34,925	45,396	42,129	39,357	36,981	34,925	26.84
PROBABLE	13,116	11,107	9,538	8,295	7,296	13,116	11,107	9,538	8,295	7,296	27.83
PROVED+PROBABLE	58,512	53,236	48,896	45,276	42,221	58,512	53,236	48,896	45,276	42,221	27.02
POSSIBLE	18,606	14,939	12,248	10,231	8,689	18,606	14,939	12,248	10,231	8,689	21.34
PROVED+PROBABLE+ POSSIBLE	77,119	68,175	61,143	55,507	50,910	77,119	68,175	61,143	55,507	50,910	25.66

Notes

(1) Company Gross reserves are based on a 49.00 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 reserves.

(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.

(4) Based on forecasted prices and costs at April 1, 2019.

(5) Numbers may not add due to rounding.

(6) The estimates of future net revenue presented do not necessarily represent fair market value.

TOTAL FUTURE NET REVENUE (Undiscounted)

RESERVES CATEGORY	REVENUE (M$)	ROYALTIES (M$)	OPERATING COSTS (M$)	DEVELOPMENT COSTS (M$)	ABANDONMENT AND RECLAMATION COSTS (M$)	BONUS (M$)	FUTURE NET REVENUE BEFORE INCOME TAXES (M$)	INCOME TAXES (M$)	FUTURE NET REVENUE AFTER INCOME TAXES (M$)
Proved Reserves	101,745	-	42,345	-	14,004	-	45,396	-	45,396
Proved+Probable	125,565	-	52,769	-	14,284	-	58,512	-	58,512
Proved+Probable+Possible	165,911	-	73,932	-	14,861	-	77,119	-	77,119

NET PRESENT VALUE OF FUTURE NET REVENUE BY PRODUCTION GROUP

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (M$)	UNIT VALUE ($/Mcf) ($/bbl)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	-	-
	Heavy Oil (including solution gas and other by-products)	-	-
	Conventional Natural Gas (including by-products but excluding solution gas and by-products from oil wells	39,357	26.84
	Total	39,357	26.84
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)	-	-
	Conventional Natural Gas (including by-products but excluding solution gas and by-products from oil wells	48,896	27.02
	Total	48,896	27.02
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)	-	-
	Conventional Natural Gas (including by-products but excluding solution gas and by-products from oil wells	61,143	25.66
	Total	61,143	25.66

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:

Reserves

The 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.

A quaitative 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.

"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.

"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.

"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.

"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.

"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.

PART 3 PRICING ASSUMPTIONS

Item 3.2 Forecast Prices Used in Estimates

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS

Year	Brent Crude Oil Price $US/bbl	Sales Natural Gas Price $US/Mcf	Sales Condensate Price $US/bbl	Sales LPG Price $US/bbl	INFLATION RATES %/Year
2019 (9 mo)	68.00	12.38	61.20	44.10	2.00
2020	67.90	12.38	60.96	43.52	2.00
2021	70.70	12.38	63.63	45.83	2.00
2022	73.70	12.38	66.48	48.34	2.00
2023	75.30	12.38	67.94	49.43	2.00
2024	76.70	12.38	69.19	50.31	2.00
2025	78.30	12.38	70.64	51.38	2.00
2026	79.80	12.38	71.99	52.35	2.00
2027	81.40	12.38	73.43	53.40	2.00
2028	83.10	12.38	74.97	54.54	2.00
2029	84.70	12.38	76.41	55.57	2.00

Notes
(1) Based on the McDaniel & Associates Consultants Ltd. April 1, 2018 price forecast.
(2) Natural Gas Price excludes 5 percent VAT and is dependent on the Chinese Renminbi to US Dollar exchange rate.
(3) LPG price based on forecasted Brent Price less a $US9.86/bbl differential based on recent LPG sales.
(4) The Company receives a fixed price for natural gas delivered to Zhejiang Gas.

WEIGHTED AVERAGE HISTORICAL PRICES

Commented [A1]: Updated for YE 2019

The weighted average historical prices received by the Company for Condensate, Light Oil, LPG and CO2 for the financial year ended Mar 31, 2019 follow. The Company receives a fixed price for its natural gas production.

Condensate: US$ 65.79/bbl
Light Oil: US$ 61.22/ bbl
LPG: US$ 48.63/bbl
CO2: US$28.52/mt

Note
(1) Weighted average prices include 5% VAT.

PART 4 RECONCILIATIONS OF CHANGES IN RESERVES

Item 4.1 Reserves Reconciliation

RECONCILIATION OF COMPANY GROSS RESERVES BY PRINCIPLE PRODUCT TYPE

	LIGHT AND MEDIUM OIL			HEAVY OIL			CONVENTIONAL NATURAL GAS					NATURAL GAS LIQUIDS				
FACTORS	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)	Gross Possible (MMcf)	Gross Proved Plus Prob. Plus Poss (MMcf)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Possible (Mbbl)	Gross Proved Plus Prob. Plus Poss. (Mbbl)
March 31, 2018	-	-	-	-	-	-	10,200	2,370	12,570	5,046	17,615	453	154	607	265	872
Extensions &	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technical Revisions	-	-	-	-	-	-	250	(852)	(601)	(2,337)	(2,938)	(2)	(64)	(66)	(143)	(208)
Discoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dispositions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic Factors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	(3,641)	-	(3,641)	-	(3,641)	(166)	-	(166)	-	(166)
March 31, 2019	-	-	-	-	-	-	6,809	1,518	8,327	2,709	11,036	285	90	375	123	498

PART 5 ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Item 5.1 Undeveloped Reserves

SUMMARY OF COMPANY UNDEVELOPED RESERVES

	Light/Medium Oil		Heavy Oil		Natural Gas		Natural Gas Liquids	
Proved Undeveloped	First Attributed	Booked	First Attributed	Booked	First Attributed	Booked	First Attributed	Booked
	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(MMcf)	(MMcf)	(Mbbl)	(Mbbl)
Prior to 2017	-	-	-	-	-	5,605	-	712
2017	-	-	-	-	-	6,400	-	320
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-

	First		First		First		First	
Probable Undeveloped	Attributed	Booked	Attributed	Booked	Attributed	Booked	Attributed	Booked
	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(MMcf)	(MMcf)	(Mbbl)	(Mbbl)
Prior to 2017	-	-	-	-	-	1,440	-	81
2017	-	-	-	-	-	739	-	45
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-

PART 6 OTHER OIL AND GAS INFORMATION

Item 6.1 Oil and Gas Properties and Wells

	Heavy Crude Oil (wells)	Light and Medium Oil (wells)	Conventional Natural Gas (wells)	Total (wells)
Gross Wells[1]				
Producing[3]	–	–	6	6
Non-producing[4]	–	–	–	–
Total Gross Wells	–	–	**6**	**6**
Net Wells[2]				
Producing[3]	–	–	3	3
Non-producing[4]	–	–	–	–
Total Net Wells	–	–	**3**	**3**

Notes

(1) "Gross Wells" represent the number of wells in which the Company has a working-interest.

(2) "Net Wells" represent the number of wells obtained by aggregating the Company's working-interests in each of its Gross Wells.

(3) "Producing" includes wells presently producing and contributing revenue or wells presently producing that are expected to contribute revenue in the foreseeable future through the sale of presently produced gas.

(4) "Non-Producing" includes wells that are presently non-producing or wells presently producing but are not expected to contribute revenue in the foreseeable future through the sale of presently produced gas.

Item 6.2 Properties with no attributed reserves

The Company has a 100% interest in Block 33/07 in China, which covers an offshore area of 4,397 sq. km (1.08 million acres) enclosing Block 25/34. The Company owns the Contractor's interest of 100% under Petroleum Contract 33/07. The Contractor is responsible for 100% of the exploration costs and CNOOC has the right to participate in up to 51% of any commercial development.

The work commitment for the first exploration phase under Petroleum Contract 33/07 was to complete 600 sq kms of 3D seismic and drill two exploration wells. The 3D seismic was completed in early 2015 and the Company completed two exploration wells, LS23-1-1 and LS30-3-1 in late 2015, and accordingly the work commitment for the first exploration phase was satisfied.

At the end of April 2016, the Company elected to enter the second exploration phase, which commenced on May 1, 2016 with a term of 2 years, and a work programme to drill one exploration well to a depth of 2500 m. Before entering into this phase, the Company relinquished 25% of the original contract area in accordance with the Petroleum Contract, so the contract area was reduced from 5,877 sq km to 4,397 sq km.

The Company's strategy was to use the LS36-1 production and its infrastructure as a springboard to expand in the neighbouring area in the East China Sea. In addition to the production and cash

flow from the first phase, the main benefit of LS36-1 is that, on the basis of the current production from LS36-1, the production infrastructure has spare capacity and it was anticipated that such spare capacity would allow the Company to capitalise on its access to the Chinese gas market through exploration in the remainder of the Lishui Basin.

However, following careful evaluation, the Company has not as yet been able to find any technically and commercially viable prospects immediately ready to be drilled in the existing 3D seismic area within the contract area for Petroleum Contract 33/07. The Company has however identified two areas where structural and stratigraphic exploration leads have been indicated by the existing 2D seismic data but the potential in these leads requires further evaluation in order to establish any drilling targets. Accordingly, the Company believes that the next step in the exploration programme should be to acquire 3D seismic over these two exploration leads after which the data would be assessed to make the decision on whether these leads are good drillable prospects. The Company believes an outline programme of 400 km2 of 3D seismic over these leads is warranted.

The term of Petroleum Contract 33/07 expired on April 30, 2018. In January 2018, the Company requested that CNOOC agree that with respect to the second phase: (a) a 3D seismic programme of a minimum area of 400 km2 be substituted for the exploration well and (b) the expiry date for the second exploration phase of April 30, 2018 be extended to April 30, 2019 in order to provide time to complete the proposed revised work programme. However, CNOOC has not yet agreed to such requested extension and the Company has suggested that the matter be suspended until after the result of the Company's arbitration proceedings with CNOOC in relation to Petroleum Contract 25/34 is known. If CNOOC does not agree to the requested extension, it may be that Petroleum Contract 33/07, and thus the Company's interest in Block 33/07, expired on April 30, 2018.

Item 6.2.1 Significant Factors or 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.

Item 6.3 Forward Contracts

Under the Company's settlement agreement with Zhejiang Gas dated March 1, 2017, the Company receives a fixed price for its share of the natural gas delivered to Zhejiang Gas for the balance of the delivery period under the Gas Sales Contract under which CCL acts as the Company's sales agent.

Item 6.4 Tax Horizon

The Company does not anticipate paying income taxes in the forseeable future because of accrued losses which are available to it.

Item 6.5 Costs Incurred

Commented [A2]: Updated

The following table provides information regarding the Company's oil and gas exploration and development drilling activities in China during the year ended March 31, 2019.

Summary of Costs Incurred

Year Ended March 31, 2019

	China	Total	
	($millions RMB)	($millions RMB)	($millions USD)
Acquisition of Proved properties	–	–	
Acquisition of Unproved properties	–	–	
Total property acquisition costs	–	–	
Exploration and appraisal costs	41.80	41.80	6.23
Development costs	35.74	35.74	5.33
Total Capital Expenditures	77.53	77.53	11.56

The following table provides information regarding the Company's oil and gas exploration and development drilling activities in China during the year ended March 31, 2019.

	China		Total	
Type of Well	Gross Wells[1]	Net Wells[2]	Gross Wells[1]	Net Wells[2]
Exploratory				
Oil	–	–	–	–
Gas	–	–	–	–
Service	–	–	–	–
Dry	-	-	-	-
Stratigraphic Test	–	–	–	–
Total Exploratory	-	-	-	-
Development				
Oil	–	–	–	–
Gas	1	0.5	1	0.5
Service	–	–	–	–
Dry	–	–	–	–
Stratigraphic Test	–	–	–	–
Total Development	1	0.5	1	0.5
Oil	–	–	–	–
Gas	–	–	–	–
Service	–	–	–	–

Dry	–	–	–	–
Stratigraphic Test	–	–	–	–
Total Drilled	1	0.5	1	0.5

Notes
(1) Gross Wells represent the total number of wells in which the Company has a working-interest.
(2) Net Wells represent the number of wells obtained by aggregating the Company's working-interests in each of its Gross Wells.

Item 6.6 Production Estimates

SUMMARY OF COMPANY GROSS PRODUCTION ESTIMATES

	Light and Medium Oil (Mbbl) 2019 (9 mo)	Heavy Oil (Mbbl) 2019 (9 mo)	Conventional Natural Gas (MMcf) 2019 (9 mo)	Natural Gas Liquids (Mbbl) 2019 (9 mo)
Proved				
China	-	-	1628	79
Probable				
China	-	-	23	13

Notes
(1) Estimates are calculated based on the McDaniel Report.
(2) Represents estimated production from April 1, 2019 to December 31, 2019.
(3) All estimated production is from the LS 36-1 Gas Field

Item 6.7 Production History

Commented [A3]: Updated

The following table provides information regarding the Company's share of average daily oil and gas production and the average netbacks to the company for the periods indicated:

Summary of Production and Netbacks
Year Ended March 31, 2019

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Yearly Average
Conventional Natural Gas (China)					
Net Working-Interest Production (MMcfpd)	13.12	11.43	7.92	7.42	9.98
Average netback ($ per Mcf)					
Revenue	13.00	13.00	13.00	13.00	13.00
VAT and VAT Surcharge (5% plus 6%)	1.43	1.43	1.43	1.43	1.43
Production costs[(1)]	2.82	4.19	5.95	3.54	3.98

Netback[(2)]	8.74	7.37	5.62	8.03	7.59

Note:

(1) Calculated using net cash production costs in accordance with NI 51-101.

(2) Netbacks are calculated by subtracting royalties and production costs from revenue.

PROSPECTIVE RESOURCES

The Company's natural gas and natural gas liquid resources are located offshore in the East China Sea, PRC in the LS36-1 Development Area, Block 25/34, and in Block 33/07, which is next to (and completely surrounds) the LS36-1 Gas Field.

The McDaniel Report evaluates as at March 31, 2019 the natural gas and natural gas liquid resources for each prospect in the LS36-1 Development Area and Block 33/07 area. The resources estimates have been prepared in accordance with the COGEH.

Two tables from the McDaniel Report are attached which summarise for each prospect the Property Gross Estimates of Natural Gas Prospective Resources and Condensate (Natural Gas Liquids) Prospective Resources. To calculate the estimate attributable to the Company's interest, the Company Gross resources are based on a 49.0 percent working interest share of the Property Gross resources in the LS36-1 Development Area, and also assumes that CNOOC exercise their right to back-in and take a 51 percent interest in Block 33/07.

In the McDaniel Report, the assessment of the Prospective Resources is based on the resource definitions presented in the CEOGH Section 5. Prospective Resources are defined as those 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. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

Estimates of resources always involve uncertainty, and the degree of uncertainty can vary widely between accumulations/projects and over the life of a project. Consequently, estimates of resources should generally be quoted as a range according to the level of confidence associated with the estimates. An understanding of statistical concepts and terminology is essential to understanding the confidence associated with resources definitions and categories
The range of uncertainty of estimated recoverable volumes may be represented by either deterministic scenarios or a probability distribution. Resources should be provided as low, best and high estimates, as follows:

○ Low Estimate – This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low

estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

○ Best Estimate – This is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

○ High Estimate – This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

The attached tables from the McDaniel Report list the prospects identified and mapped in the LS36-1 Development Area and in Block 33/07.

Seven prospects are located in the LS36-1 Development Area and can all be drilled from the LS36-1 production platform. Three identified undrilled prospects with targets in the potentially producing shallower reservoirs are referred to as LS36-1 M1-0, LS36-1 M1-1 South and LS30-8 M2. The other four prospects have deeper reservoirs of the M2 and M3 sands of the Mingyuefeng Formation and the L1 and L2 sands of the Lingfeng Formation which have been drilled within the LS36-1 Development Area but are still considered exploration prospects as they have not yet been successfully tested. These are referred to as the LS36-1 M2, LS36-1 M3, LS36-1 L1 and LS36-1 L2 prospects (collectively the "**Tight Gas**" prospects) and have been assigned Prospective Resources. The prospects are identified in the adjustment drilling plan to the ODP which demonstrates plans to develop these Tight Gas reservoirs in the event that they can be produced at commercial rates.

The 10 prospects within the 3D seismic area of Block 33/07 are referred to as the A, B, E North, E South, T1 Channel, T3 Deep, LS35-1, LS29-3, LS23-2 North and LS23-2 South prospects. Previously drilled prospects LS30-3, LS23-1 and LS35-3, drilled during 2010 and 2015, confirmed the presence of good quality sands within the Mingyuefeng and Lingfeng, but most likely the lack of an effective up-dip seal or hydrocarbon migration failure from the deeper parts of the basin meant they were water bearing with some gas shows. The well results also confirmed the presence of a working petroleum system in the western part of the basin, as the relatively tight L1 Sand within the Lingfeng Formation produced gas at low rate in well LS35-3-1. The main exploration play within the area covered by the 2006 3D seismic is still to find this gas within the better quality M1-0, M1-1 and M1-2 sands in the remaining prospects. However, in the case of the LS23-2 North and LS23-2 South prospects to the north (covered by the 2014 3D seismic) the Lingfeng sands are much shallower and constitute the main exploration potential.

Prospective Resources for each of the prospects were estimated probabilistically using distributions for all the key parameters. Area and gross thickness were assigned log-normal distributions, while the other parameters were all assigned either normal or uniform distributions. The LS36-1 M1-0 prospect has been assigned a high (P10) estimate area based on seismic amplitude. The LS36-1 M1-1 South prospect has been assigned a best (P50) estimate area based

on an assumed common GWC with the main field of 2,277 m ss. The LS30-8 M2 prospect comprises lower Mingyuefeng Formation (designated M2 Sand but may also include the M3 Sand). The prospect is interpreted to be a pure stratigraphic trap based on mapping seismic amplitude anomalies. The Tight Gas prospects within the LS36-1 Development Area were generally assigned a best estimate (P50) area in line with an estimated, log derived GWC. The one exception is the L1 Sand where a GWC is not evident on the logs and so a high (P10) estimate area was based on the mapped closure.

For the Block 33/07 prospects, low (P90) and high (P10) areas were defined from mapping of high seismic amplitude. In most cases, structural closure cannot be mapped, but stratigraphic traps could exist as there is considerable amplitude variation along the features. For the A, B, T1 Channel and T3 Deep prospects, amplitudes define the extent of the low (P90) and high (P10) areas. A similar approach is taken to define the LS29-3 and LS35-1 prospects. The LS23-2 North and LS23-2 South prospects are interpreted as fault bounded dip closures rather than purely stratigraphic traps.

The petrophysical parameters used for the prospects in the 3D seismic area were based on the values estimated from the LS35-3-1 and LS30-3-1 wells as the main gas field has been subjected to significant inversion and uplift and is therefore not seen as directly applicable to the prospects on the basin margin. The PVT parameters were based on the LS36-1 gas samples, but the pressure and the temperature were adjusted slightly to account for the different depths of the prospects. The amount of CO2 in the gas is expected to vary depending on where the prospect is located relative to a number of volcanic vents which have been interpreted on seismic. The CO2 content in the main field is relatively high (32 percent) whilst the two exploration wells LS35-3-1 and LS23-1-1 showed a lower CO2 content (below five percent). The prospects adjacent to the LS35-3-1 well, A, B, E North, E South, T1 Channel, T3 Deep, are therefore interpreted to have a similar low CO2 content and a range of gas shrinkage values between 5 (P10) and 15 (P90) percent were used. However, the CO2 content in the LS29-3, LS35-1, LS23-2 North and LS23-2 South prospects is still considered to be uncertain and a larger shrinkage range was assumed with values between 15 (P10) and 50 (P90) percent. Shrinkage values between 30 (P10) and 50 (P90) percent were estimated for LS36-1 Development Area prospects, which is in line with the existing LS36-1 discovery. A CGR range (P90/P10) of 10 to 20 bbl/MMcf was used for all the prospects. A gas recovery factor range (P90/P10) of 60 to 80 percent was also used for all the prospects. A condensate recovery factor range (P90/P10) of 20 to 50 percent was used for all the Block 33/07 prospects but this was reduced progressively for the deeper Tight Gas prospects within the LS36-1 Development Area.

The prospects have been risked for Chance of Discovery using five parameters which were source, migration, reservoir, structure and seal. A chance of success ("**COS**") was assigned to each parameter with their product giving the overall prospect COS. This is referred to as Chance of Discovery in the tables.

For the Tight Gas prospects "reservoir" is considered the sole risk as gas shows were recorded during drilling and gas is interpreted on the logs. The reservoir COS was based on the log derived relative quality of the different sands. The M3 Sand has the highest interpreted porosity and so was assigned a COS of 0.7. In contrast, the L2 Sand appears to have the lowest porosity and so was assigned a COS of 0.4.

For the undrilled prospects, the following risking methodology was adopted. Source is not considered a risk and hence a probability of 1.0 was assigned to all prospects. Migration was assigned a high probability of 1.0 in the Mingyuefeng and Lingfeng sands in the Development Area prospects as migration is proven at the LS36-1 Gas Field. However, the minor gas shows and water bearing sands in exploration wells LS23-1-1 and LS30-3-1 suggests that migration from the deeper parts of the basin to prospects on the margin may be an issue. The migration risk was therefore set to 0.60 for most prospects within the 3D seismic area. The exceptions being prospects A and T1 Channel which are situated over deeper faults, which may facilitate direct migration into the traps and would therefore not rely on migration from the deeper parts of the central basin. Prospects LS23-2 North and LS23-2 South are located further up the margin, approximately 40 kilometres north of the main field, and beyond exploration well LS23-1-1 and have been assigned a migration risk of 0.3. The presence of reservoir sands as mapped by high amplitudes on the seismic data has been demonstrated at the LS36-1 Gas Field and the LS35-3-1, LS23-1-1 and LS30-3-1 exploration well and the chance of encountering reservoir quality sands is considered to be high (0.8 to 0.9) for most prospects mapped based on high amplitudes and low (0.5 to 0.6) where amplitudes are closer to background amplitudes. The LS30-8 M2 prospect was assigned a lower reservoir COS of 0.6 as it is likely to comprise of lower permeability M2 and M3 sands. The reservoir COS for the T50 and T60 zones within the LS35-1 prospect has been set to 0.5 due to the unknown nature of these potential reservoirs. Structure or trap chances were generally guided by the distribution of high amplitudes within the prospects. Up dip seal is considered to be a high risk for most prospects (0.5) only mitigated by the presence of faults in prospects B, T1 Channel and LS23-2 North and South, providing possible fault closure.

The T3 Deep prospect comprises the Lower Lingfeng gas sands tested in well LS35-3-1. Although some gas was brought to surface the test in the tight sands of well LS35-3-1 was insufficient to prove the presence of a significant volume of potentially producible gas and has therefore been assigned Prospective Resources.

The Chance of Development is defined as the probability of a project being commercially viable. Quantifying the chance of development requires consideration of both economic contingencies and other contingencies, such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. Fortunately, many of these contingencies do not apply given the existing development of the LS36-1 Gas Field and the associated contractual arrangements. The development of the LS36-1 Gas 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 three 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 Gas Field itself or in the nearby identified prospects would be significantly enhanced. With this in mind, the chance of development for each prospect is likely to be high and mostly dependent on the economics of tying back to the existing platform. The smaller southwest area prospects (E North and E South) are likely to depend on other prospects being successful in the area and so were assigned a lower chance of development ("**COD**") of 60 percent. Despite being relatively large,

the LS23-2 North and South prospects are located over 35 kilometres away from the LS36-1 platform and so were assigned a COD of 80 percent. All the other prospects requiring some form of tie back to the existing platform were assigned a COD of 90 percent. The prospects that can be developed directly from the LS36-1 platform were assigned a COD of 100 percent.

The potential development plans for the prospective resources are conceptual only. No decision has been made to proceed with development. They are divided into two categories of project:

1. Development project in the LS36-1 Development Area
   The seven prospects can all be drilled from the platform and, if successful in finding gas, can be completed as production wells and brought onto production with no delay. The gas would be produced by depletion. The timeline for each project is estimated to be two months from the arrival of the rig at the platform until the commencement of commercial production. The estimated cost required to achieve commercial production for each prospect is US$10.6 million.

2. Development project in Block 33/07
   For the exploration prospects in Block 33/07, a successful exploration well finding gas will probably require at least one appraisal well to confirm the size of the resources and help define the type of development needed to economically produce gas. The style of development will be dependent on the size of the gas accumulation but in all cases, it is envisaged that the gas would be produced by depletion drive. A smaller gas field may be economic using a subsea completion and pipeline tie-back to the LS36-1 platform for processing and export to market. The minimum time for development would be two years from drilling the first well to first commercial production for a smaller field. A larger field would require a wellhead platform with two or more wells and a pipeline tie-back to the LS36-1 platform. The project timeline for the larger project would be two to three years depending on the distance from the LS36-1 platform and the size of the accumulation. The estimated project cost would be expected to range from US$25.0 million for a two well subsea completion and tie-back to over US$80 million for a larger development project.

The estimate of Prospective Resources for each prospect adjusted for the Chance of Discovery and the Chance of Development is shown in the final column of the tables under the heading Risked Prospective Resources (Mean). The adjustment has been made to the unrisked Mean Prospective Resources Estimate.

Primeline Energy Holdings Inc.
LS36-1 Development Area & Block 33/07 - People's Republic of China
Summary of Natural Gas Prospective Resources Estimates
Effective March 31, 2019

Prospective Resources - Natural Gas

		Prospective Resources - Unrisked (1)				Chance	Chance	Risked Pro. Res.
		Low	Best Est.	Mean	High	of Disc.	of Dvpmt	Mean
Prospect	**Zone**	MMcf	MMcf	MMcf	MMcf	**% (4)**	**% (5)**	MMcf (2)
LS36-1	Paleocene - M1-0	2,740	5,436	6,301	11,055	73	100	4,593
LS36-1	Paleocene - M1-1 South	1,716	3,936	4,729	8,745	73	100	3,447
LS36-1	Paleocene - M2	4,942	14,300	18,929	38,222	60	100	11,357
LS36-1	Paleocene - M3	14,308	31,325	37,045	67,044	70	100	25,932
LS36-1	Paleocene - L1	8,347	23,808	32,791	68,497	50	100	16,395
LS36-1	Paleocene - L2	2,353	5,271	6,448	11,988	40	100	2,579
LS30-8	Paleocene - M2	9,190	27,006	35,747	72,219	17	90	5,405
LS36-1 Development Area (Sub-total)		**43,595**	**111,081**	**141,989**	**277,770**			**69,709**
LS23-2 North L2	Paleocene - L2 (T45 to T46.5)	5,656	17,283	25,437	53,677	12	70	2,051
LS23-2 North L3	Paleocene - L3 (T48.5 to T60)	1,893	6,161	9,397	20,514	10	70	663
LS23-2 North	**Prospect Total**	**7,549**	**23,443**	**34,834**	**74,191**			**2,714**
LS23-2 South L2	Paleocene - L2 (T45.9 to T46.5)	2,833	9,087	13,802	29,338	12	70	1,113
LS23-2 South L3	Paleocene - L3 (T47 to T60)	5,626	19,393	29,642	63,941	10	70	2,092
LS23-2 South	**Prospect Total**	**8,459**	**28,480**	**43,444**	**93,278**			**3,205**
LS29-3 M1-2	Paleocene - M1-2	7,607	24,278	35,589	75,152	14	70	3,587
LS29-3	**Prospect Total**	**7,607**	**24,278**	**35,589**	**75,152**			**3,587**
LS35-1 M1-2	Paleocene - M1-2	15,053	42,321	56,974	117,469	14	80	6,563
LS35-1 T50-60	Pal-Cret - T50&T60	6,172	26,727	49,468	116,358	10	80	3,799
LS35-1	**Prospect Total**	**21,225**	**69,048**	**106,442**	**233,827**			**10,362**
Prospect A	Paleocene - M1-2	5,332	16,571	24,127	51,333	26	80	4,941
Prospect A	**Prospect Total**	**5,332**	**16,571**	**24,127**	**51,333**			**4,941**
Prospect B	Paleocene - M1-2	7,798	20,492	26,584	53,363	13	80	2,756
Prospect B	**Prospect Total**	**7,798**	**20,492**	**26,584**	**53,363**			**2,756**
Prospect E North	Paleocene - M1-2	2,755	7,366	9,614	18,902	8	50	361
Prospect E North	**Prospect Total**	**2,755**	**7,366**	**9,614**	**18,902**			**361**
Prospect E South	Paleocene - M1-2	2,509	6,719	8,973	18,070	8	50	336
Prospect E South	**Prospect Total**	**2,509**	**6,719**	**8,973**	**18,070**			**336**
Prospect T1 Channel	Paleocene - M1-2	7,610	23,636	34,220	73,465	21	80	5,634
Prospect T1 Channel	**Prospect Total**	**7,610**	**23,636**	**34,220**	**73,465**			**5,634**
Prospect T3 Deep	Paleocene - L1	10,326	27,565	36,333	73,366	22	80	6,357
Prospect T3 Deep	**Prospect Total**	**10,326**	**27,565**	**36,333**	**73,366**			**6,357**
Block 33/07 (Sub-total)		**81,171**	**247,598**	**360,158**	**764,948**			**40,254**
Total - Property Gross (3)		**124,766**	**358,679**	**502,147**	**1,042,717**			**109,963**
Total - Company Gross (6)		**61,135**	**175,753**	**246,052**	**510,931**			**53,882**

(1) There is no certainty that any portion of the prospective 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.
(2) These are fully risked prospective resources that have been risked for chance of discovery and for chance of development.
(3) The Unrisked Total is not representative of the Portfolio Unrisked Total and is provided to give an indication of the resources range assuming all the prospects are successful.
(4) The LS23-2 N & S total prospect chance of discovery takes into account the inter-dependency between zones.
(5) The chance of development is defined as the probability of a project being commercially viable.
Quanitfying the chance of development requires consideration of both economic contingencies and other contingencies such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and develoment timing. As many of these factors are extremely difficult to quanitfy, the chance of development is uncertain and must be used with caution.
(6) Company Gross resources are based on a 49.0 percent working interest share of the property gross resources, assuming CNOOC exercise their right to back-in and take a 51 percent interest.

Primeline Energy Holdings Inc.
LS36-1 Development Area & Block 33/07 - People's Republic of China
Summary of Condensate Prospective Resources Estimates
Effective March 31, 2019

Prospective Resources - Condensate		**Prospective Resources - Unrisked (1)**				**Chance**	**Chance**	**Risked Pro. Res.**
		Low	**Best Est.**	**Mean**	**High**	**of Disc.**	**of Dvpmt**	**Mean**
Prospect	**Zone**	Mbbl	Mbbl	Mbbl	Mbbl	**% (4)**	**% (5)**	MMcf (2)
LS36-1	Paleocene - M1-0	26	64	79	148	73	100	57
LS36-1	Paleocene - M1-1 South	17	46	59	120	73	100	43
LS36-1	Paleocene - M2	51	172	237	499	60	100	142
LS36-1	Paleocene - M3	146	373	464	890	70	100	324
LS36-1	Paleocene - L1	74	248	364	780	50	100	182
LS36-1	Paleocene - L2	21	57	72	144	40	100	29
LS30-8	Paleocene - M2	94	319	450	956	17	90	68
LS36-1 Development Area (Sub-total)		**429**	**1,279**	**1,725**	**3,537**			**847**
LS23-2 North L2	Paleocene - L2 (T45 to T46.5)	52	183	286	623	12	70	23
LS23-2 North L3	Paleocene - L3 (T48.5 to T60)	18	64	104	234	10	70	7
LS23-2 North	**Prospect Total**	**70**	**247**	**389**	**857**			**30**
LS23-2 South L2	Paleocene - L2 (T45.9 to T46.5)	27	96	154	338	12	70	12
LS23-2 South L3	Paleocene - L3 (T47 to T60)	54	200	329	738	10	70	23
LS23-2 South	**Prospect Total**	**81**	**296**	**482**	**1,076**			**36**
LS29-3 M1-2	Paleocene - M1-2	71	252	401	889	14	70	40
LS29-3	**Prospect Total**	**71**	**252**	**401**	**889**			**40**
LS35-1 M1-2	Paleocene - M1-2	141	443	628	1,316	14	80	72
LS35-1 T50-60	Pal-Cret - T50&T60	58	282	553	1,290	10	80	42
LS35-1	**Prospect Total**	**200**	**724**	**1,181**	**2,606**			**115**
Prospect A	Paleocene - M1-2	36	129	201	439	26	80	41
Prospect A	**Prospect Total**	**36**	**129**	**201**	**439**			**41**
Prospect B	Paleocene - M1-2	52	158	222	461	13	80	23
Prospect B	**Prospect Total**	**52**	**158**	**222**	**461**			**23**
Prospect E North	Paleocene - M1-2	18	58	81	168	8	50	3
Prospect E North	**Prospect Total**	**18**	**58**	**81**	**168**			**3**
Prospect E South	Paleocene - M1-2	17	52	75	158	8	50	3
Prospect E South	**Prospect Total**	**17**	**52**	**75**	**158**			**3**
Prospect T1 Channel	Paleocene - M1-2	52	182	288	634	21	80	47
Prospect T1 Channel	**Prospect Total**	**52**	**182**	**288**	**634**			**47**
Prospect T3 Deep	Paleocene - L1	68	214	303	642	22	80	53
Prospect T3 Deep	**Prospect Total**	**68**	**214**	**303**	**642**			**53**
Block 33/07 (Sub-total)		**665**	**2,313**	**3,622**	**7,931**			**391**
Total - Property Gross (3)		**1,094**	**3,592**	**5,348**	**11,468**			**1,238**
Total - Company Gross (6)		**536**	**1,760**	**2,620**	**5,619**			**607**

(1) There is no certainty that any portion of the prospective 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.
(2) These are fully risked prospective resources that have been risked for chance of discovery and for chance of development.
(3) The Unrisked Total is not representative of the Portfolio Unrisked Total and is provided to give an indication of the resources range assuming all the prospects are successful.
(4) The LS23-2 N & S total prospect chance of discovery takes into account the inter-dependency between zones.
(5) The chance of development is defined as the probability of a project being commercially viable.
Quantifying the chance of development requires consideration of both economic contingencies and other contingencies such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are extremely difficult to quanitfy, the chance of development is uncertain and must be used with caution.
(6) Company Gross resources are based on a 49.0 percent working interest share of the property gross resources, assuming CNOOC exercise their right to back-in and take a 51 percent interest.

Primeline Energy Holdings Inc.
LS36-1 Development Area & Block 33/07 - People's Republic of China
Summary of Barrels of Oil Equivalent Prospective Resources Estimates
Effective March 31, 2019

Prospective Resources - Natural Gas

		Prospective Resources - Unrisked (1)				Chance	Chance	Risked Pro. Res.
		Low	Best Est.	Mean	High	of Disc.	of Dvpmt	Mean
Prospect	**Zone**	Mboe	Mboe	Mboe	Mboe	**% (4)**	**% (5)**	Mboe (2)
LS36-1	Paleocene - M1-0	483	970	1,129	1,990	73	100	823
LS36-1	Paleocene - M1-1 South	303	702	848	1,577	73	100	618
LS36-1	Paleocene - M2	875	2,555	3,392	6,870	60	100	2,035
LS36-1	Paleocene - M3	2,530	5,594	6,638	12,064	70	100	4,646
LS36-1	Paleocene - L1	1,465	4,216	5,829	12,196	50	100	2,915
LS36-1	Paleocene - L2	413	935	1,147	2,142	40	100	459
LS30-8	Paleocene - M2	1,626	4,820	6,408	12,992	17	90	969
LS36-1 Development Area (Sub-total)		**7,695**	**19,793**	**25,390**	**49,832**			**12,465**
LS23-2 North L2	Paleocene - L2 (T45 to T46.5)	995	3,063	4,525	9,569	12	70	365
LS23-2 North L3	Paleocene - L3 (T48.5 to T60)	333	1,091	1,670	3,653	10	70	118
LS23-2 North	**Prospect Total**	**1,328**	**4,154**	**6,195**	**13,222**			**483**
LS23-2 South L2	Paleocene - L2 (T45.9 to T46.5)	499	1,611	2,454	5,227	12	70	198
LS23-2 South L3	Paleocene - L3 (T47 to T60)	992	3,432	5,269	11,395	10	70	372
LS23-2 South	**Prospect Total**	**1,491**	**5,043**	**7,723**	**16,622**			**570**
LS29-3 M1-2	Paleocene - M1-2	1,339	4,298	6,332	13,414	14	70	638
LS29-3	**Prospect Total**	**1,339**	**4,298**	**6,332**	**13,414**			**638**
LS35-1 M1-2	Paleocene - M1-2	2,650	7,496	10,124	20,894	14	80	1,166
LS35-1 T50-60	Pal-Cret - T50&T60	1,087	4,736	8,797	20,683	10	80	676
LS35-1	**Prospect Total**	**3,737**	**12,232**	**18,921**	**41,578**			**1,842**
Prospect A	Paleocene - M1-2	925	2,891	4,222	8,995	26	80	865
Prospect A	**Prospect Total**	**925**	**2,891**	**4,222**	**8,995**			**865**
Prospect B	Paleocene - M1-2	1,352	3,573	4,653	9,355	13	80	482
Prospect B	**Prospect Total**	**1,352**	**3,573**	**4,653**	**9,355**			**482**
Prospect E North	Paleocene - M1-2	478	1,285	1,683	3,318	8	50	63
Prospect E North	**Prospect Total**	**478**	**1,285**	**1,683**	**3,318**			**63**
Prospect E South	Paleocene - M1-2	435	1,172	1,570	3,170	8	50	59
Prospect E South	**Prospect Total**	**435**	**1,172**	**1,570**	**3,170**			**59**
Prospect T1 Channel	Paleocene - M1-2	1,321	4,122	5,991	12,878	21	80	986
Prospect T1 Channel	**Prospect Total**	**1,321**	**4,122**	**5,991**	**12,878**			**986**
Prospect T3 Deep	Paleocene - L1	1,789	4,808	6,358	12,870	22	80	1,112
Prospect T3 Deep	**Prospect Total**	**1,789**	**4,808**	**6,358**	**12,870**			**1,112**
Block 33/07 (Sub-total)		**14,194**	**43,579**	**63,649**	**135,422**			**7,100**
Total - Property Gross (3)		**21,889**	**63,372**	**89,039**	**185,254**			**19,565**
Total - Company Gross (6)		**10,725**	**31,052**	**43,629**	**90,775**			**9,587**

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(3) The Unrisked Total is not representative of the Portfolio Unrisked Total and is provided to give an indication of the resources range assuming all the prospects are successful.
(4) The LS23-2 N & S total prospect chance of discovery takes into account the inter-dependency between zones.
(5) The chance of development is defined as the probability of a project being commercially viable.
Quanitfying the chance of development requires consideration of both economic contingencies and other contingencies such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and develoment timing. As many of these factors are extremely difficult to quanitfy, the chance of development is uncertain and must be used with caution.
(6) Company Gross resources are based on a 49.0 percent working interest share of the property gross resources, assuming CNOOC exercise their right to back-in and take a 51 percent interest.
(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.

McDaniel
& Associates Consultants Ltd.

June 24, 2019

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, 2019. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at March 31, 2019 estimated using forecast prices and costs. The prospective resources data are risked estimates of volume of prospective resources as at March 31, 2019, 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.

2200, Bow Valley Square 3, 255 - 5 Avenue SW, Calgary AB T2P 3G6 Tel: (403) 262-5506 Fax: (403) 233-2744 www.mcdan.com

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, 2019, and identifies the respective portions thereof that we have evaluated and reported on to the Company's Board of Directors:

			Net Present Value of Future Net Revenue $M US (before income taxes, 10% discount rate)			
Independent Qualified Reserves Evaluator	Effective Date of Evaluation Report	Location of Reserves	Audited	Evaluated	Reviewed	Total
McDaniel & Associates	March 31, 2019	China	-	107,960	-	107,960

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, 2019	China	56,456 MMcf Natural Gas 632 Mbbl 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.

C. T. Boulton, P. Eng.
Executive Vice President

Calgary, Alberta, Canada
June 24, 2019

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.

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") are 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 and prospective resources data.

An independent qualified reserves evaluator has evaluated the Company's reserves data and prospective resources data. The report of the independent qualified reserves evaluator is presented below.

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 and prospective resources 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, prospective resources 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 prospective resources data; and

(c) the content and filing of this report.

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

"*Andrew Biggs*"
Andrew Biggs, Chief Executive Officer

"*John Li*"
John Li, Chief Financial Officer

"*Brian Chan*"
Brian Chan, Director

"*Peter Kelty*"
Peter Kelty, Director

June 28, 2019

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 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 208,559,959 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 June 28, 2019 was CAD$0.035. The following sets forth the high and low market prices and the volume of Shares traded during the periods indicated for last completed financial year and the 3 full months preceding the date of this AIF:

Price Range (in CAD$)			
Month	High	Low	Volume
April 2018	$0.085	$0.075	259,130
May 2018	$0.07	$0.07	217,320
June 2018	$0.07	$0.07	61,110
July 2018	$0.07	$0.07	253,036
August 2018	$0.10	$0.10	222,750
September 2018	$0.09	$0.09	310,830
October 2018	$0.09	$0.09	112,002
November 2018	$0.07	$0.07	76,433
December 2018	$0.05	$0.05	297,028
January 2019	$0.45	$0.45	348,025
February 2019	$0.045	$0.045	60,400

March 2019	$0.045	$0.045	73,789
April 2019	$0.03	$0.025	256,831
May 2019	$0.030	$0.025	722,986
June 2019	$0.030	$0.025	49,200

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[(8)] *Chairman, President & Director*	Director of Financial and Strategic Development of Chyau Fwu Group[(2)]; and Director and President of Primeline International[(2)] and Parkview International London Ltd.[(2)]	April 18, 1995	136,680,287[(3)]
Andrew Biggs Dorset, England *CEO*	CEO of the Company since March 31 2019, previously Senior Vice-President, Secretary and General Counsel Mr. Biggs has worked for Primeline full time since 2007.	N/A	452,500

Name, Place of Residence and Position with the Company [1]	Principal Occupation or Employment	Date First Appointed as Director	No. of Shares Held
Dr. Guang Ming Wang People's Republic of China *Director*	CEO of the Company from 2005 to March 31, 2019	July 12, 2000	1,638,500
Brian Chi Fai Chan[4] Hong Kong, SAR, People's Republic of China *Director*	General Manager of Chyau Fwu Group[2] and Director of Primeline International[2] and a Professional Accountant[5]	April 18, 1995	Nil
Alan P. Johnson[4][8] London, England *Director*	Retired; Formerly Head of Upstream Oil Projects for Glencore UK Ltd.[6]	April 18, 1995	150,000
Peter C. Kelty [4][8] Illinois, USA *Director*	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
Vincent Lien Singapore *Director*	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	April 16, 2013	Nil

Name, Place of Residence and Position with the Company (1)	Principal Occupation or Employment	Date First Appointed as Director	No. of Shares Held
	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.		

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 and Parkview International London Ltd. are private corporations wholly owned by the Hwang family. Their principal business is investment holding and property development. Primeline International is a holding company wholly owned by Mr. Hwang.

(3) 102,610,290 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) 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, a director, chief executive officer or chief financial officer of any company (including Primeline) that:

i. 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 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 (including Primeline) 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.

Shareholdings

The number of Shares beneficially owned by all directors and executive officers of Primeline as a group is 139,071,287.

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
John Li Beijing, People's Republic of China *Interim Chief Financial Officer*	Li has over 30 years experience working in various financial capacities for public and private companies. Mr. Li is a Certified Public Accountant qualified in Hong Kong and Australia, and graduated with a Masters in Practicing Accounting from Monash University in Australia. Mr. Li is the CFO (China) of Beijing Chyau Fwu Properties Company Limited., which is part of the Parkview Group and owned by the family of Primeline's Chairman, President, and largest shareholder, Mr Hwang.	Nil
Alan Soulsby London, England *Senior Consultant*	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.	1,316,600

Name, Place of Residence and Position with the Company [(1)]	Principal Occupation or Employment	No. of Shares Held
Mark Norman Shanghai, People's Republic of China *General Manager, China Office*	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.	Nil
Brian Thurley London, England *Technical Director*	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.	Nil
Grace Deng Shanghai, People's Republic of China *Finance Controller, China Office*	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 holds a MBA degree from the University of Leicester. Ms. Deng joined Primeline in 2012.	Nil
Judy Li	Ms. Li graduated from Manchester University with a Bachelor degree in Accounting and	

Name, Place of Residence and Position with the Company (1)	Principal Occupation or Employment	No. of Shares Held
Hong Kong SAR, People's Republic of China *Financial Controller, Hong Kong Office*	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.	Nil
Chengzhang Wang Shanghai, People's Republic of China *Financial Manager, China Office*	Mr. Wang has been with Primeline China since 1994 and is responsible for accounting operations, particularly the management of the Joint Account maintained under Petroleum Contract 25/34.	Nil
Mr. Nelson Jin Shanghai, People's Republic of China *Procurement Manager, China Office*	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.	Nil
Dr. William Li Shanghai, People's Republic of China *Project Manager, China Office*	Dr. Li was appointed as project coordinator for the LS36-1 Development in 2008. Based in the London office he was responsible for the project management of the design and development phases of LS 36-1. 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.	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 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.

Mr. Hwang controls Primeline. In some cases, the interests of Mr. Hwang 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

Operational, Environmental and Safety Incidents

Primeline's operations are subject to inherent operational risks with respect to safety and the environment that require continuous vigilance. However, the production operations in relation to the LS36-1 Gas Field are carried out by CCL which accordingly has primary responsibility for such operations. In relation to exploration operations under Petroleum Contract 33/07, the Company seeks to minimise the operational risks by carefully planning and conducting its operations in a safe and reliable manner. Failure to manage the risks effectively could result in potential fatalities, serious injury, interruptions to activities or use of assets, damage to assets, environmental impact, or loss of license to operate. Enterprise risk management, emergency preparedness, business continuity and security policies and programmes are in place for all operating areas and are adhered to on an ongoing basis. The Company, in accordance with industry practice, maintains insurance coverage against losses from certain of these risks. Nonetheless, insurance proceeds may not be sufficient to cover all losses, and insurance coverage may not be available for all types of operational risks.

Commodity Price Volatility

Primeline's results of operations and financial condition are dependent on the prices received for its natural gas, crude oil and by-products including, LPG, light oil and condensate production. Lower prices will adversely affect the value and quantity of Primeline's oil and gas reserves. All of Primeline's natural gas production is currently sold to Zhejiang Gas. Therefore, the majority of Primeline's revenue is currently dependent on the one contract, being the Gas Sales Contract. The Gas Sales Contract is between CCL (as agent for Primeline and the operator of LS36-1) and Zhejiang Gas and as such Primeline has limited influence over its performance and terms. If Zhejiang Gas was to attempt to alter or terminate the Gas Sales Contract, or the cost of production from LS36-1 were to rise above the price provided for in the Gas Sales Contract, that would have

a material adverse effect on Primeline's business. If the CNOOC Arbitration is concluded adversely to the Company's expectations that would likely have a material adverse effect on the Company's business, financial condition and cash flow. See "Disputes With Sales Agent and Operator".

Due to the decrease in production from LS 36-1 (see "LS36-1 Development and Production"), unless the terms of the Gas Sale Contract are revised as a result of the current discussions between CCL and Zhejiang Gas (see "Disputes with Sales Agent and Operator"), Primeline may be liable for its share of a 10% penalty, and may be unable to fulfill its delivery obligations under the Gas Sales Contract. The position of Primeline is that such potential default under the Gas Sales Contract is a result of the various failures by CCL which are the subject of the CNOOC Arbitration and that accordingly CCL should be liable for any such penalty in the event that Zhejiang Gas makes any claim in respect thereof.

Requirement for New Capital

Primeline may 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 Shares may result. If adequate funds are not available, Primeline may be required to delay, scale back or eliminate portions of its operations.

Risks Relating to the CNOOC Arbitration

Primeline is engaged in the CNOOC Arbitration. While Primeline believes its legal position is good and that it will be successful in the CNOOC Arbitration, the outcome of such proceedings is inherently uncertain and no assurance can be given of Primeline's success. Primeline may not be successful in the CNOOC Arbitration. CNOOC may be successful in their counterclaim, so that Petroleum Contract 25/34 is terminated without substantial damages being received, this depriving Primeline of its only source of revenue. If Primeline is successful in the CNOOC Arbitration, it may nonetheless be unable to enforce the award of the arbitral tribunal. If either of these events were to occur, that would likely have a material, adverse effect on Primeline's business, financial position and cash flow. See "Political and Economic Considerations" below.

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 developments in the CNOOC Arbitration 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, including the Chairman and President of the Corporation, Mr. Hwang, and the Chief Executive Officer of Primeline, Mr. Andrew Biggs. 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 RMB, with a small amount in US$, whereas accounts payable by reference to various currencies are denominated primarily in US$ and RMB. For instance, the Syndicate Facility is denominated in US$, and serviced from cash income from operations in RMB. Therefore, fluctuation between exchange rates for US$, in which Primeline holds the majority of its debt instruments, and RMB, in which Primeline holds the majority of its cash deposits and Primeline has income, could adversely affect Primeline and, accordingly, the market price of the Shares. Primeline believes the foreign exchange risk is currently significant and is in discussions with the Syndicate to mitigate this risk.

Exploration Risk

Oil and natural gas exploration involves a high degree of risk. These risks are more acute in the early stages of exploration. If the second exploration phase of Petroleum Contract 33/07 is extended (see "Petroleum Contracts"), 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 Primeline's ability to generate revenues from operations. 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.

Reservoir Performance Risk

Lower than projected reservoir performance at LS36-1, such as that recently experienced (see 'LS36-1 Development and Production') could have a material impact on the Company's financial position, medium to long-term business strategy and cash flow. Inaccurate appraisal of large project reservoirs could result in missed production, revenue and earnings targets and negatively affect the Company's reputation, investor confidence and the Company's ability to deliver on its growth strategy. In order to maintain the Company's future production of crude oil, natural gas and by-products and maintain the value of the reserves portfolio, additional reserves must be added through discoveries, extensions, improved recovery, performance related revisions and acquisitions. The production rate of oil and gas properties tends to decline as reserves are depleted while the associated unit operating costs increase. In order to mitigate the effects of this, the Company must undertake successful exploration and development programs, increase the recovery factor from existing properties through applied technology and identify and execute strategic acquisitions of proved developed and undeveloped properties and unproved prospects. Maintaining an inventory of developable projects depends on, among other things, obtaining and renewing rights to explore, develop and produce oil and natural gas, drilling success, completing

long-lead time capital intensive projects on budget and on schedule and the application of successful exploitation techniques on mature properties.

Reserves Data and Future Net Revenue Estimates

The reserves data contained or referenced in this AIF are estimates only. The accurate assessment of oil and gas reserves is critical to the continuous and effective management of the Company's assets. Reserves estimates support various investment decisions about the development and management of oil and gas properties. In general, estimates of economically recoverable crude oil and natural gas reserves and the future net cash flow therefrom are based upon a number of variable factors and assumptions, such as product prices, future operating and capital costs, historical production from the properties and the assumed effects of regulation by government agencies, including with respect to royalty payments, all of which may vary considerably from actual results. All such estimates are to some degree uncertain, and classifications of reserves are only attempts to define the degree of uncertainty involved. For those reasons, estimates of the economically recoverable oil and gas reserves attributable to any particular group of properties, classification of such reserves and resources based on risk of recovery and estimates of future net revenues expected therefrom may differ substantially from actual results. The data may be prepared by different engineers or by the same engineers at different times. These factors may cause the estimates to vary substantially over time. All reserves estimates involve a degree of ambiguity and, at times, rely on indirect measurement techniques to estimate the size and recoverability of the resource. While new technologies have increased the accuracy of these techniques, there remains the potential for human or systemic error in recording and reporting the magnitude of the Company's oil and gas reserves. Inaccurate appraisal of large project reservoirs could result in missed production, revenue and earnings targets and could negatively affect the Company's reputation, investor confidence and the Company's ability to deliver on its growth strategy.

Unplanned Shutdowns and Pipeline Interruptions

Unplanned shutdowns and closures of facilities or platform may limit and may potentially have a material impact on the Company's financial condition, short-term to long- term business strategy, cash flow and earnings. The Company’s corporate reputation is particularly vulnerable to these events. Prolonged problems may threaten the commercial viability of operations.

Security and Terrorist Threats

Security threats and terrorist or activist activities may impact the Company’s personnel, which could result in injury, death, extortion, hostage situations and/or kidnapping, including unlawful confinement. A security threat, terrorist attack or activist incident targeted at a facility, office or offshore vessel/installation owned or operated by the Company could result in the interruption or cessation of key elements of the Company's operations. Outcomes of such incidents could have a material impact on the Company’s financial condition, business strategy and cash flow. A cyber incident may impact the operational state and/or cause physical damage to the Company’s assets, along with potential health and safety risks or loss of intellectual property.

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. 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

The oil and gas industry is highly competitive. 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 65.54 % of the votes attaching to all of the Shares. 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 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.

PRC Political and Economic Considerations

The location of its operations wholly in the PRC may expose the Company to uncertain political, economic and other risks. The Company's operations may be adversely affected by events that may include, but are not limited to, onerous fiscal policy, renegotiation, nullification or failure to perform agreements, imposition of onerous regulation, changes in laws governing existing operations, financial constraints, including currency and exchange rate fluctuations, unreasonable taxation and corrupt behaviour of public officials, joint venture partners or third-party representatives that could result in lost business opportunities for Primeline. This could adversely affect the Company's interest in its PRC operations and future profitability. Changes in PRC government policy, legislation or regulation could impact the Company's existing and planned projects as well as impose costs of compliance and increase capital expenditures and operating

expenses. Examples of the Company's regulatory risks include, but are not limited to, uncertain or negative interactions with government, uncertain energy policies, uncertain climate policies, uncertain environmental and safety policies, penalties, taxes, royalties, government fees, reserves access, limitations or increases in costs relating to the exportation of commodities, restrictions on the acquisition of exploration and production rights and land tenure, expropriation or cancellation of contract rights, limitations on control over the development and abandonment of fields and loss of licences to operate.

Partner Misalignment

CCL, as joint venture partner operates all of Primeline's producing assets. Primeline is at times dependent upon CCL for the successful execution of various projects. If a dispute with partners were to occur over the development and operation of a project or if partners were unable to fund their contractual share of the capital expenditures, a project may be delayed and the Company may be partially or totally liable for its partner's share of the project. Primeline is currently involved in a dispute with its partners CNOOC and CCL. See "Disputes With Sales Agent and Operator".

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 relatively 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

Primeline is not involved in any legal proceedings other than the CNOOC Arbitration referred to in "Disputes with "Sales Agent and Operator".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below, 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.

On September 18, 2018, the Company issued the New Bonds to Mr. Hwang, with a deemed issuance date of August 14, 2018. On January 3, 2019, the Company issued the New B Bonds to Mr. Hwang, with a deemed issuance date of November 12, 2018. See "Corporate Finance"

AUDITORS AND REGISTRAR AND TRANSFER AGENT

Primeline's auditors are Crowe U.K. LLP, Chartered Professional Accountants, of St Bride's House, 10 Salisbury Square, London EC4Y 8EH, UK. Crowe U.K. LLP has advised that they are independent with respect to Primeline within the meaning of the Code of Professional Conduct of the Institute of Chartered Professional 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 Crowe U.K. LLP, Primeline's auditors. None of McDaniel, or any of its designated professionals 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 November 1, 2018.

Further information on financial matters is contained in Primeline's audited financial statements and management discussion and analysis for the year ended March 31, 2019.