

PRIMELINE ENERGY HOLDINGS INC.

FOR IMMEDIATE RELEASE

**PRIMELINE SIGNS
MAJOR AGREEMENT WITH CNOOC**

May 26, 2000. Primeline Energy Holdings Inc. (CDNX: PEH), (“Primeline” or the “Company”) is pleased to announce an important agreement which will accelerate the company’s activity in Block 32/32 in the East China Sea.

China National Offshore Oil Corporation (“CNOOC”) and Primeline have negotiated an Amendment Agreement (the “Amendment Agreement”) modifying the terms of the original Petroleum Contract which the Company’s affiliate, Primeline Petroleum Corporation signed with CNOOC in respect of Block 32/32 in the East China Sea. The Company and Primeline Petroleum Corporation are the Contractor under the Petroleum Contract. Primeline has today received notification that the Amendment Agreement was ratified by the Ministry of Foreign Trade & Economic Co-operation of People’s Republic of China (the “PRC”) and became effective on 19th May 2000.

Under the terms of the Amendment Agreement, CNOOC will fund the appraisal programme of the Vicky (Lishui 36-1) discovery and future exploration programme in Block 32/32. In return, CNOOC will become entitled to an 85% participation interest (increased from 51% in the original Petroleum Contract) in any future development and production of oil or gas field(s) in Block 32/32 with Contractor’s participation interest becoming 15%. CNOOC and Contractor will be responsible for their pro rata shares of the future development costs. CNOOC & Primeline have agreed to form a Joint Operating Company under a Joint Operating Agreement to conduct the exploration, development and production operations. All operations remain subject to the approval of the Joint Management Committee, established under the Petroleum Contract, on which Primeline and CNOOC have equal representation.

Through the Joint Management Committee, CNOOC has agreed with Primeline's assessment of the commercial potential of the discovery and wishes to accelerate the appraisal programme. Under the Amendment Agreement, CNOOC has committed to fund the drilling of two wells in the next phase of the work programme, the first one to commence within the next few weeks. The wells aim to establish the commercially recoverable gas reserves in Vicky (Lishui 36-1) discovery and to provide sufficient data to allow for the formulation of the field development plan.

CNOOC's willingness to participate directly in the exploration of Block 32/32 and in the Vicky discovery is a reflection of the confidence that they have in the potential for the Vicky Play and other structures in Block 32/32.

Primeline and CNOOC have completed considerable research into the potential market for natural gas in the Wenzhou region of the Zhejiang province in the PRC. Both parties are convinced that there is a significant existing natural gas market which could expand dramatically once a reliable source of gas is established.

Victor Hwang, Chairman of Primeline, said "This new Amendment Agreement will enable Primeline to realise value for all its shareholders at a much earlier stage than was previously anticipated. The Chinese Government has recently stressed the importance to its economy of developing natural gas resources and we are pleased to play our part in the realisation of this objective."

The Company owns a 75% interest in the Petroleum Contract for Block 32/32, a 4,580 square kilometres (1.1 million acres) concession block in the East China Sea. The remaining 25% is owned by the Company's affiliate, Primeline Petroleum Corporation. Under the original Petroleum Contract, the Company had the obligation to drill one exploration well during the current Phase Two Exploration Period and has the obligation to provide all exploration costs including the appraisal programme. Under the terms of this new Amendment Agreement, the Company will have obligations and revenues based on a net participation interest of 11.25% in

any future development and production from the Block, whilst having no further obligation in funding the exploration programme.

Primeline is focusing exclusively on oil and gas exploration and upstream business opportunities in China. The Company's shares are listed on the Canadian Venture Exchange under the symbol 'PEH'.

"Peter Kelty"

Director

Primeline Energy Holdings Inc.

For More Information Please Contact:

Primeline Investor Relations

Tel. + 44 20 7499 8888

Fax. + 44 20 7499 2288

Toll Free: 1 877 818 0688

E-Mail primeline@pilp.com

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