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NEWS RELEASE

**COSL COMMENCES ARBITRATION AGAINST PRIMELINE'S
SUBSIDIARY**

Hong Kong, September 6, 2016 – Primeline Energy Holdings Inc. (“Primeline” or the “Company”) (TSXV: PEH) today announced that it has just received notice that China Oilfield Services Limited (“COSL”) has commenced arbitration proceedings against the Company’s subsidiary Primeline Energy Operations International Limited (“PEOIL”) before the China International Economic and Trade Commission (“CIETAC”) in relation to a claim for payment under the previously announced Turnkey Drilling Contract dated August 14, 2015 (the “**Drilling Contract**”) between COSL and PEOIL (the “**COSL Arbitration**”). 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 has encountered in the last 2 years with Primeline’s other subsidiaries, Primeline Energy China Ltd. (“PECL”) and Primeline Petroleum Corp (“PPC”), suffering from the default of Zhejiang Natural Gas Development Company (“**Zhejiang Gas**”) and the related dispute with China National Offshore Oil Corporation (“CNOOC”) and its subsidiary CNOOC China Ltd. (“CCL”). These other disputes are the subject of separate arbitrations by PECL and PPC commenced earlier this year, details of which have previously been announced, in respect of claims arising out of the development of and sale of gas from the LS36-1 gas field. The arbitration against Zhejiang Gas arises out of the failures by Zhejiang Gas to make full and proper payment to PECL/PPC and CCL in accordance with the Gas Sales Contract (“**Zhejiang Gas Arbitration**”) and the arbitration against CNOOC/CCL arises out of the failures by CNOOC/CCL in relation to the management of the Gas Sale Contract and the development and production of the LS36-1 gas field, and its conflict of interest in its dealings as agent under the Gas Sale Contract for PECL and PPC with Zhejiang Gas (“**CNOOC Arbitration**”). Further details of the Zhejiang Gas Arbitration and the CNOOC Arbitration are set out in the Company’s recent quarterly and annual MD&A.

The amount claimed by COSL in the COSL Arbitration against PEOIL is RMB119m, or approximately CAD \$22.8m. The total amount outstanding and due from Zhejiang Gas as of the end of August under the Gas Sales Contract is estimated to be RMB435m (approximately CAD \$83.7m) of which approximately RMB280m (approximately CAD \$53.8m) is the estimated share



of PECL and PPC. As disclosed previously, the breach of contract by Zhejiang Gas has led to significantly lower than anticipated cash flow and presented difficulties in relation to the ability of PECL and PPC to service their obligations under the project finance loan for the development costs of the LS36-1 gas field and its normal operations. PECL and PPC have managed to meet the project finance repayment obligations to date but PEOIL is unable to make payment of COSL's costs under the Drilling Contract for the two wells without prior resolution by PECL and PPC of the disputes with Zhejiang Gas and CNOOC as a whole.

COSL is a public company listed in Hong Kong and Shanghai and is a majority owned subsidiary of CNOOC, which holds approximately 50.53% of COSL. CNOOC also holds 64.44% of CNOOC Ltd. which, in turn, holds 100% of CCL. CNOOC also owns 30% of Zhejiang Gas.

PEOIL will follow the procedures of the COSL Arbitration, and PECL and PPC are proceeding with Zhejiang Gas Arbitration and CNOOC Arbitration.

About Primeline Energy Holdings Inc.

Primeline is an exploration and production company focusing exclusively on China natural resources to become a major supplier of gas and oil to the East China market. Primeline has a 100% Contractor's interest in, and is the operator of, the petroleum contract with CNOOC for Block 33/07 (4,397sq km) and a 49% interest in the producing LS36-1 gas field in Block 25/34, together with CNOOC (51% interest and acting as Operator.) Both blocks are located in the East China Sea. LS36-1 has been in production since July 2014. Shares of Primeline are listed for trading on the TSX Venture Exchange under the symbol PEH.

ON BEHALF OF PRIMELINE ENERGY HOLDINGS INC.

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Please visit the Company's website at www.pehi.com. Should you wish to receive Company news via email, please email john@chfir.com and specify "Primeline Energy" in the subject line.

Forward-Looking Statements

Some of the statements in this news release contain forward-looking information, which involves inherent risk and uncertainty affecting the business of Primeline. Although these statements are based on assumptions management believes to be reasonable, actual results may vary from those anticipated in such statements. If the disputes with Zhejiang Gas and CNOOC are not resolved to Primeline's satisfaction, or if Zhejiang Gas secures a lower price for gas sold thereunder or does not comply with the take or pay payment obligations, and if CNOOC and its subsidiary fail to fulfil their obligations and duties as operator and sale agents for Primeline in LS36-1, the Company's revenues or cash flow will be lower than anticipated, and the Company will be unable to pay the amounts due to COSL under the Drilling Contract. This may result in seizure of Primeline's assets, or Primeline's insolvency. Exploration for oil and gas is subject to the inherent risk that it will not result in a commercial discovery.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.
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