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NEWS RELEASE

PRIMELINE COMMENCES ARBITRATION AGAINST CNOOC

Hong Kong, May 24, 2016. Primeline Energy Holdings Inc. (“Primeline” or the “Company” references to which include its subsidiaries) (TSXV: PEH) today announces that it has sent a letter to China National Offshore Oil Corporation (“**CNOOC**”) and CNOOC China Limited (“**CCL**”) (together “**CNOOC Group**”) giving formal notice of its intention to commence arbitration proceedings against CNOOC Group under the provisions of the Petroleum Contract for Block 25/34 (“**CNOOC Arbitration**”).

The CNOOC Arbitration relates to Primeline’s continuing disputes with CNOOC Group with regard to the development, production and sales of gas from the LS36-1 Gas Field (“**LS36-1**”). Primeline has appointed an arbitrator and will file the formal Notice of Arbitration in accordance with the UNCITRAL Arbitration Rules 1976 and the arbitration agreement under the Petroleum Contract for Block 25/34.

The CNOOC Arbitration is separate from the previously announced China International Economic and Trade Arbitration Commission (“**CIETAC**”) arbitration proceedings (“**the Zhejiang Gas Arbitration**”) by Primeline against Zhejiang Gas Natural Gas Development Company Limited (“**Zhejiang Gas**”) in respect of claims for payment of unpaid and partially paid gas sale invoices. Subsequent to the commencement of the Zhejiang Gas Arbitration, Zhejiang Gas filed a request with the Zhejiang Province Hangzhou Intermediate Peoples’ Court challenging the validity of Primeline’s reliance on the arbitration provisions in the contract relating to the sale of gas from LS36-1 (“**Gas Sales Contract**”). The basis of the challenge is that, as Primeline is not a signatory to the Gas Sales Contract but sells through CCL as agent, there is no jurisdictional basis for Primeline to initiate the Zhejiang Gas Arbitration and only CCL could institute such arbitration. Primeline has received a notice from CIETAC that the Zhejiang Gas Arbitration has been suspended until this challenge is resolved by the court. Primeline considers that it has a clear right under Section 402 of the Chinese Contract Law to institute the Zhejiang Gas Arbitration in view of the failure by its agent, CCL, to institute arbitration proceedings in accordance with the Gas Sale Contract and therefore considers Zhejiang Gas’ move to be simply an attempt to delay the Zhejiang Gas Arbitration. Primeline has filed a defence against the application by Zhejiang Gas. A wholly owned subsidiary of CNOOC owns 30% of Zhejiang Gas and CNOOC, together with its partners



(including Primeline), supplies a substantial proportion of the natural gas market in Zhejiang Province.

Following the challenge, Primeline wrote to CCL to reaffirm its position that had CCL enforced the terms and conditions of the Gas Sales Contract and led the Zhejiang Gas Arbitration, Primeline would not face the same jurisdictional challenge from Zhejiang Gas. However, CCL has failed to file arbitration against Zhejiang Gas upon Primeline's numerous requests made after CCL's attempts to settle the disputes with Zhejiang Gas failed.

The subject of the CNOOC Arbitration include claims in respect of CCL's mismanagement in relation to the development of LS36-1 and breach of fiduciary duties as agent under the Gas Sales Contract. Further details will be disclosed at a later stage by a separate announcement once the full Notice of Arbitration has been filed.

Syndicate Support During Arbitration

As previously announced, Primeline may face default under its project finance loan with China Development Bank, China Export and Import Bank and Shanghai Pudong Development Bank (together the "Syndicate") without full payment from Zhejiang Gas and continued operation of LS36-1 by CCL as operator. Primeline is in discussions with the Syndicate to secure its support during the 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 (4,397 sq. 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.

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.