Primeline Energy Holdings Inc.
(an exploration stage company)

Consolidated Financial Statements
March 31, 2014

July 29, 2014

Independent Auditor's Report

To the Shareholders of Primeline Energy Holdings Inc.

We have audited the accompanying consolidated financial statements of Primeline Energy Holdings Inc., which comprise the consolidated statement of financial position as at March 31, 2014 and 2013 and the consolidated statement of loss and comprehensive loss, cash flows and changes in equity for the years ended March 31, 2014 and, 2013, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Primeline Energy Holdings Inc. as at March 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which discloses conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Primeline Energy Holdings Inc.'s ability to continue as a going concern.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

Primeline Energy Holdings Inc.

(an exploration stage company)
Consolidated Statement of Financial Position
As at March 31, 2014 and 2013
(In Chinese Yuan Renminbi)

	Note	Mar 31, 2014 RMB	Mar 31, 2013 RMB	Mar 31, 2014 CAD$ (note 3.3)
Non-current assets				
Exploration and evaluation assets	7	462,103,858	444,002,914	82,327,429
Property, plant and equipment	8	8,189	14,317	1,459
		462,112,047	444,017,231	82,328,888
Current assets				
Cash and cash equivalents		24,648,035	5,038,944	4,391,241
Prepaid expenses and deposit		838,097	1,812,152	149,313
		25,486,132	6,851,096	4,540,554
Total assets		487,598,179	450,868,327	86,869,442
Equity attributable to shareholders				
Share capital	10	1,028,202	858,406	183,182
Reserves		561,351,770	506,752,773	100,009,223
Accumulated deficit		(108,202,863)	(103,464,121)	(19,277,189)
Total equity		454,177,109	404,147,058	80,915,216
Non-current liabilities				
Shareholder loan	13(e)	19,258,753	33,249,513	3,431,098
Advances from a related party	13(f)	8,355,607	9,378,758	1,488,617
Derivative warrant liabilities	9	3,408,483	-	607,248
		31,022,843	42,628,271	5,526,963
Current liabilities				
Accounts payable and accrued liabilities		2,395,523	3,954,528	426,781
Cash calls payable	13 (b)	2,704	138,470	482
		2,398,227	4,092,998	427,263
Total liabilities		33,421,070	46,721,269	5,954,226
Total shareholders' equity and liabilities		487,598,179	450,868,327	86,869,442

Nature of operations and going concern (Note 1)

Approved by the Board of Directors

"*Brian Chan*" ____________________ "*Ming Wang*" ____________________

Director Director

The accompanying notes form an integral part of these consolidated financial statements.

Primeline Energy Holdings Inc.

(an exploration stage Company)
Consolidated Statement of Loss and Comprehensive Loss
For the year ended March 31, 2014 and 2013
(In Chinese Yuan Renminbi)

	Notes	2014 RMB	2013 RMB	2014 CAD$ (note 3.3)
Expenses				
Auditor’s remuneration		(729,690)	(762,603)	(130,000)
Bank charges		(52,326)	(86,220)	(9,322)
Business promotion		(459,195)	(1,420,626)	(81,809)
Directors remuneration and benefit		(1,489,445)	(1,458,278)	(265,356)
Office expenses		(716,091)	(631,076)	(127,577)
Professional fees		(3,219,415)	(2,572,931)	(573,564)
Salary and benefit		(1,811,681)	(2,081,158)	(322,765)
Travel		(512,645)	(244,203)	(91,332)
Operating Loss		(8,990,488)	(9,257,095)	(1,601,725)
Finance income	11	3,039,909	4,397,489	541,584
Exchange gain (loss), net		1,211,837	562,514	215,898
Loss and comprehensive loss		(4,738,742)	(4,297,092)	(844,243)
Basic and diluted loss per share		(0.05)	(0.05)	(0.008)
Weighted average number of common shares outstanding		99,895,041	94,041,246	99,895,041

The accompanying notes form an integral part of these consolidated financial statements.

Primeline Energy Holdings Inc.

(an exploration stage company)
Consolidated Statement of Changes in Equity
(In Chinese Yuan Renminbi)

	Attributable to equity owners of the company						
	Share Capital	Share Premium	Contributed Surplus Reserve	Share Option Reserve	Shares Purchase Warrants Reserve	Deficit	Total
Balance – April 1, 2012	858,406	437,506,225	2,298,099	60,908,458	-	(99,167,029)	402,404,159
Loss and comprehensive loss for the year	-	-	-	-	-	(4,297,092)	(4,297,092)
Discount on shareholder loan	-	-	2,703,383	-	-	-	2,703,383
Share based payments	-	-	-	3,336,608	-	-	3,336,608
Balance – March 31, 2013	858,406	437,506,225	5,001,482	64,245,066	-	(103,464,121)	404,147,058
Debt Conversion	86,052	27,762,246	1,109,401	-	-	-	28,957,699
Share issue costs		(15,291)					(15,291)
Private placement	83,744	23,157,742	-	-	-	-	23,241,486
Share issue costs	-	(2,958,390)	-	-	-	-	(2,958,390)
Broker warrant issue costs	-	(1,213,235)	-	-	1,213,235	-	-
Loss and comprehensive loss for the year	-	-	-	-	-	(4,738,742)	(4,738,742)
Discount on shareholder loan	-	-	2,621,485	-	-	-	2,621,485
Share based payments	-	-	-	2,921,804	-	-	2,921,804
Balance – March 31, 2014	1,028,202	484,239,297	8,732,368	67,166,870	1,213,235	(108,202,863)	454,177,109
Balance –March 31, 2014, in CAD$ (note 3.3)	183,182	86,271,031	1,555,740	11,966,305	216,147	(19,277,189)	80,915,216

The accompanying notes form an integral part of these consolidated financial statements

Primeline Energy Holdings Inc.

(an exploration stage company)
Consolidated Statement of Cash Flows
For the year ended March 31, 2014 and 2013
(in Chinese Yuan Renminbi)

	Note	2014 RMB	2013 RMB	2014 CAD$ (note 3.3)
Cash flows from operating activities				
Loss for the year		(4,738,742)	(4,297,092)	(844,243)
Items not involving cash				
Depreciation		6,128	5,774	1,091
Finance income from fair value adjustment of advance from related company	11	(1,111,304)	(1,416,709)	(197,988)
Finance income from fair value adjustment of advance from shareholder loan		-	(2,978,387)	-
Finance income from fair value adjustment of warrant liability	11	(1,926,382)	-	(343,200)
Stock-based compensation	10	1,885,278	2,503,899	335,877
Unrealized foreign exchange gain		(1,399,991)	(523,444)	(249,419)
		(7,285,013)	(6,705,959)	(1,297,882)
Changes in non-cash working capital items:				
Prepaid expenses and deposit		974,055	350,255	173,536
Accounts payable and accrued liabilities		(517,230)	463,659	(92,149)
		456,825	813,914	81,387
		(6,828,188)	(5,892,045)	(1,216,495)
Cash flows from investing activities				
Expenditures on exploration and evaluation assets	7	(14,482,071)	(11,411,068)	(2,580,095)
Purchase of property, plant and equipment	8	-	(7,068)	-
		(14,482,071)	(11,418,136)	(2,580,095)
Cash flows from financing activities				
Gross proceeds of private placement		28,647,728	-	5,103,818
Share issue costs		(2,935,823)	-	(523,040)
Shareholder loan advance	13(e)	15,103,142	19,266,218	2,690,743
Cash call from a related party	13(b)	3,746,120	3,258,000	667,401
Cash utilized for a related party	13(b)	(3,881,886)	(3,868,603)	(691,588)
		40,679,281	18,655,615	7,247,334
Increase in cash and cash equivalents		19,369,022	1,345,434	3,450,744
Effect of foreign exchange rate on cash and cash equivalents		240,069	(69,957)	42,770
Cash and cash equivalents - Beginning of year		5,038,944	3,763,467	897,727
Cash and cash equivalents - End of year		24,648,035	5,038,944	4,391,241

The accompanying notes form an integral part of these consolidated financial statements.

1. Nature of operations and going concern

Primeline Energy Holdings Inc. (PEHI or the Company) was incorporated under the Companies Law of the Cayman Islands on March 31, 1995. The Company is in the business of exploration and development of off-shore oil and gas properties. To date, PEHI has not realized any revenues from its oil and gas properties and is considered to be an exploration stage company.

The Company owns exploration and development rights in the East China Sea pursuant to contracts in relation to Block 25/34 (the Petroleum Contract) and Block 33/07 (the New Contract). The contacts were entered into between China National Offshore Oil Corporation (CNOOC), a Chinese State Oil company, Primeline Energy China Ltd. (PECL), a wholly owned subsidiary of the Company, and Primeline Petroleum Corporation (PPC), a company wholly owned by Mr. Victor Hwang, chairman, director and majority shareholder of the Company. Block 25/34 covering 84.7 sq kms is the development and production area for the LS36-1 gas field for which CNOOC is the Operator with a 51% interest, and PECL and PPC hold 36.75% and 12.25% interests respectively.

Block 33/07 covers an offshore area of 5,877 sq kms enclosing Block 25/34. PECL and PPC are collectively the Contractors. The Contractors are responsible for 100% of the exploration costs and CNOOC has the right to participate in up to 51% of any commercial development. The Contractors' interest is shared 75%/25% by PECL and PPC. Primeline Energy Operations International Ltd (PEOIL), a wholly owned subsidiary of the Company, is the operator for Block 33/07.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Several adverse conditions cast significant doubt upon the validity of this assumption. Consistent with other entities in the exploration stage, the Company has incurred operating losses since inception, has no source of revenue and is unable to self-finance operations. The Company has significant cash requirements to meet its overhead requirements and carry out its exploration activities under New Contract. The Company has three months from the date of notification of the grant of the approval of the Overall Development Plan for the LS 36-1 gas field ("ODP") to arrange financing for its participation obligation to fund cash calls in relation to the development operation. The Company's portion of the development costs is estimated to be approximately RMB 1,400 million (CAD$249 million) according to the ODP budget. To address the need for LS36-1 development funding, the Company and PPC have jointly signed a non-binding loan memorandum with China Development Bank ("CDB") for a loan facility of US$ 300 million of which the Company's portion is US$ 225 million. On January 29, 2013, CDB's credit committee approved in principle the granting of the loan substantially on the terms of the Loan Memorandum, subject to satisfactorily concluding arrangements with the Company and PPC for the provision of additional security to cover the period until the development reaches the production level specified in the ODP. Following the approval of the ODP by NDRC on May 16, 2014, the Company and PPC have been negotiating with CDB in order to finalize the loan on or before August 16, 2014.

The Company's working capital has been financed by interest free loans from the Chairman and majority shareholder, Mr. Hwang. The Company has continued to explore various possible ways of securing funds for its exploration obligations under the New Contract. During the period, the Company secured an additional interest free working capital loan from Mr. Hwang, who also agreed to convert part of his existing loans into shares. Mr. Hwang agreed to convert US$ 5,000,000 of his existing debt of US$ 7,853,846 into shares at CAD$ 0.55 per share, which resulted in the issuance of 9,472,272 shares. In December 2013, the Company entered into an agreement for a brokered private placement (the "Private Placement") of up to 12,727,273 Units at CAD$0.55 per Unit on a best efforts basis with D&D Securities Inc. (the "Agent"). Each Unit consisted of one common share and one half of one warrant. The Private Placement closed in two tranches on December 30, 2013 and January 23, 2014 respectively. In total, the Company sold 9.17 million Units for gross proceeds of CAD$5 million. The net proceeds received by the Company, after Agent's commission and expenses, was CAD$4.67 million. The net proceeds of the Private Placement will be used to fund the 3D seismic work under the New Contract. In June 2014, Mr. Hwang further agreed to provide the Company an interest free loan of US$ 8,000,000 which will be sufficient to meet the Company's overhead requirement and to carry out its exploration activities under the New Contract for the coming twelve months.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used, and such adjustments would be material.

On July 1, 2014 the development of its LS36-1 gas field has been officially completed and since then CNOOC Limited, as operator, and the downstream buyer, Zhejiang Provincial Gas Development Co. ("Zhejiang Gas"), commenced joint commissioning of the upstream and downstream facilities and trial gas production from the LS36-1 gas field commenced on July 16, 2014.

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Report Interpretations Committee ("IFRIC") under the historical cost convention, except for the revaluation of derivative warrant liability. The comparative information has also been prepared on this basis.

The accounting policies applied in these consolidated financial statements are based on IFRS effective for the year ended March 31, 2014 as issued and outstanding as of July 28, 2014, the date the Board of Directors approved the statements.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in note 6.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

3.1 Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those return through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. All subsidiaries, as listed below, have been consolidated into the Company's consolidated financial statements.

Name of subsidiary	Place of Incorporation	Paid up issued share capital	Percentage of issued capital held by the Company	Functional currency
Primeline Energy China Limited	Cayman Islands	US$2	100%	Chinese Yuan Renminbi
Primeline Energy Operations International Limited	Cayman Islands	US$2	100%	Chinese Yuan Renminbi

PECL and PEOIL are registered and have been granted business licenses by the Shanghai Administration of Industry and Commerce in China.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

3.2 Segment reporting

The Company has one operating segment, which is the exploration of oil and gas properties located in the People's Republic of China.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Chinese Yuan Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period – end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income (loss).

(c) Convenience Translation into Canadian Dollar Amounts

The Company's functional and presentation currency is RMB. The Canadian dollar amounts provided in the financial statements represent supplementary information solely for the convenience of the reader.

The financial information presented in Canadian dollars has been translated from RMB using a convenience translation at the rate of RMB5.613 to Canadian $1, which is the exchange rate published in South China Morning Post as of March 31, 2014.

Such presentation is not in accordance with IFRS and should not be construed as a representation that the RMB amounts shown could be readily converted, realized or settled in Canadian dollars at this or at any other rate.

3.4 Exploration and evaluation assets (E&E)

Once the legal right to explore has been acquired, costs directly associated with an exploration project are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. Such E&E costs may include undeveloped land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. E&E costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined.

The technical feasibility and commercial viability of an oil and gas resource is considered to be established when all of the following conditions are met - proved and/or probable reserves are determined to exist, the decision to proceed with development has been approved by the Board of Directors, the receipt of regulatory approval to develop the project and the Company has the sufficient funds to complete or participate in the project.

All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the exploratory activity. When this is no longer the case, the impairment costs are charged to exploration and evaluation expense.

Upon determination that the technical feasibility and commercial viability of an oil and gas resource is established, E&E assets attributed to those reserves are first tested for impairment and then reclassified to oil and gas development and production assets within property, plant and equipment, net of any impairment. Expired land costs are also expensed to exploration and evaluation expense as they occur.

E&E assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount, and upon transfer to property, plant and equipment whereby they are allocated to cash-generating units based on geographical proximity and other factors.

3.5 Property, plant and equipment (PP&E)

Property, plant and equipment may include the costs of oil and gas development and production wells and costs for the associated plant and for general corporate assets. PP&E is recorded at cost less accumulated depletion and depreciation and accumulated impairment losses, net of recovered impairment losses.

Computer and office equipment are depreciated at a straight–line basis at the rate of 30% per annum.

3.5.1 Oil and gas development and production assets

Development and production assets are capitalized on an area-by-area basis and include all costs associated with the development and production of oil and natural gas reserves. These costs may include proved property acquisitions, development drilling (including delineation wells), completion, gathering and infrastructure, decommissioning costs, amounts transferred from E&E assets and directly attributable internal costs.

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred.

Any gains or losses from the divestiture of development and production assets are recognized in earnings.

Accumulated costs are depleted using the unit-of-production method based on estimated proved reserves. Depletion is calculated based on individual components (i.e. fields or combinations thereof and other major components with different useful lives).

3.6 Impairment of non-current assets

The carrying amounts of the Company's property, plant and equipment are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the Cash Generating Unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of its fair value less costs of disposal and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in earnings for the period to the extent that the carrying amount of the asset (or CGU) exceeds the recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset (or CGU) does not exceed the carrying amount that would have been determined, net of depletion and depreciation, had no impairment loss been recognized for the asset (or CGU). A reversal of an impairment loss is recognized immediately in earnings.

E&E assets are assessed for impairment when they are reclassified to oil and gas properties, or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

3.7 Asset retirement obligation (ARO)

Provision is made for the present value of the future cost of abandonment of oil and gas wells and related facilities. This provision is recognised when a legal or constructive obligation arises.

The estimated costs, based on engineering cost estimates prevailing at the reporting date, are computed on the basis of the latest assumptions as to the scope and method of abandonment. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The corresponding amount is capitalised as part of exploration and evaluation expenditure or oil and gas properties and is amortised on a unit-of-production basis on the same basis as the related asset. Any adjustment arising from the reassessment of the estimated cost of the ARO is capitalized. The charge arising from the accretion of the discount applied to the ARO is treated as a component of finance costs.

Management has determined that, based on the exploration work carried out to date, there is no legal or constructive obligation requiring remediation of the Company's oil and gas property at this time.

3.8 Financial assets and liabilities

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired. It is the Company's policy that when there is a change to the contractual terms of a financial liability, the Company will use quantitative criteria to establish if the change in the contractual terms resulted in an extinguishment of the financial liability. The Company will also consider qualitative criteria to assess if the change in the contractual terms resulted in a substantially different revised terms and accordingly will account for the change in the contractual terms as an extinguishment even if the quantitative criteria are not met.

The Company classifies its financial assets as loans and receivables. Loans and receivables and financial liabilities are recognized initially at fair value and subsequently at amortized cost using the effective interest method.

Financial assets and liabilities are classified as current if the assets are realized / liabilities are settled within 12 months. Otherwise, they are presented as non-current.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents have been classified as loans and receivables and are measured at amortized cost using the effective interest rate method.

3.10 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as other financial liabilities and are measured at amortised cost using the effective interest method.

3.11 Conversion of debt to equity

It is the Company's policy that when there is a conversion of debt to equity and the creditor is a shareholder acting in its capacity as such, then the equity issued is recorded at the carrying amount of the financial liability extinguished. No gain or loss arises from the conversion of debt to equity.

3.12 Derivative financial instruments

The Company's derivative instruments are the share purchase warrants issued. During the period, the Company issued warrants as part of a Unit offering. These share purchase warrants were issued with an exercise price in Canadian dollars rather than Chinese Yuan (the functional currency of the Company). Such share purchase warrants are considered to be derivative instruments.

The Company measured the warrant liability at fair value at the date which the warrants were issued. The Company's warrant liability is subsequently revalued by reference to the fair value of the warrants at each reporting date using the Black Scholes model and the exchange rate at the balance sheet date with changes in fair value recorded to the income (loss) statement. Valuation of the warrant liability also requires determining the most appropriate inputs to the valuation model and making assumptions about them. Significant assumptions include: expected life of the warrants, volatility, and dividend yield. A change in the valuation model or related inputs would change the reported amount of the components of the instrument.

3.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share purchase warrants that are issued for underwriting services are initially accounted for under IFRS 2 as equity instruments (their initial fair value would be recognized as a share issue cost). Subsequent to their issuance, share purchase warrants issued for services that can be tracked (are non-transferable) are considered as equity for their entire life. The fair values of such share purchase warrants are not re-measured. Where these share purchase warrants are ultimately exercised, the applicable amounts of share purchase warrants are credited to share capital.

3.14 Current and deferred income tax

Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. As the Company and its subsidiaries are domiciled in an income tax-exempt jurisdiction and are in a taxable loss position in People's Republic of China (PRC), no income tax charges have been recognized during the period.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for circumstances where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.15 Share-based payments

The Company has a share-based compensation plan, details of which are disclosed in note 10. The Company applies the fair value based method of accounting to recognize the expenses arising from stock options granted to employees and non-employees. The fair value is determined using the Black – Scholes option pricing model, which requires the use of certain assumptions including future stock price volatility and expected life of the instruments.

The total share-based compensation expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement of income (loss), with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

3.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues from the sale of petroleum, natural gas and other related products are recorded when title passes to an external party.

3.17 Per share amounts

Basic earnings (loss) per share is computed by dividing the net earnings or loss for the period by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if the Company's stock options and warrants outstanding are exercised into common shares. Diluted shares are calculated using the treasury stock method which assumes that any proceeds received from "in-the-money" stock options would be used to buy back common shares at the average market price for the period. No adjustment is made to the weighted average number of common shares if the result of these calculations is anti-dilutive.

3.18 Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised as finance costs in the statement of comprehensive income (loss) in the period in which they are incurred.

4 Changes in accounting standards

The Company has adopted the following new and revised standards, along with any consequential amendments, effective April 1, 2013. These changes were made in accordance with the applicable transitional provisions:

a) IFRS 10, 'Consolidated Financial Statements' was issued in May 2011 and will supersede the consolidation requirements in SIC-12 'Consolidation — Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of the standard has no impact on the Company's financial statements.

b) IFRS 11, 'Joint Arrangements' was issued in May 2011 and will supersede existing IAS 31, 'Joint Ventures' effective for annual period beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The adoption of the standard has no impact on the Company's financial statements.

c) IFRS 12, 'Disclosure of Interests in Other Entities' was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The adoption of the standard has no impact on the Company's financial statements.

d) IFRS 13, 'Fair Value Measurement' was issued in May 2011 and sets out in a single IFRS a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The adoption of IFRS 13 did not require any adjustment to the valuation technique used by the Company to measure fair value and did not result in any measurement adjustments.

e) IAS 1, 'Presentation of Financial Statements' was amended in June 2011. This standard requires companies preparing financial statements under IFRS to group items within Other Comprehensive Income (OCI) that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit of loss should be presented as either a single statement or two consecutive statements. The amendments to IAS 1 set out in Presentation of Items of OCI are effective for fiscal years beginning on or after July 1, 2012. This adoption of the standard has no impact on the Company's financial statements.

The Company has not early adopted the following standards, amendments and interpretations to existing standards that are not yet effective.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting periods beginning after April 1, 2014 or later periods. The standards that are applicable to the Company are as follows:

a) IAS 32, "Financial instruments": Presentation has been amended to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This standard has no impact on the Company.

b) IAS 36, "Impairment of Assets", has been amended to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This standard has no impact on the Company.

c) IFRS 9, Financial Instruments ("IFRS 9"), was published on July 2014 which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The final hedging part of IFRS 9 was issued in November 2013.

   The standard is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company will be required to adopt this standard.

(in Chinese Yuan Renminbi)

We are currently assessing the effect of this standard and related amendments on our financial statements.

5 Financial risk management

5.1 Financial risk factors:

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, shareholder loan, cash calls payable, advances from a related party and derivative warrant liabilities.

Fair values of assets and liabilities approximate amounts at which these items could be exchanged in transactions between knowledgeable parties. Fair value is based on available public market information or when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk. The calculation of estimated fair value is based on market conditions at the specific point in time and in the respective geographic locations and may not be reflective of future values.

The fair value of the financial assets and current liabilities approximates their carrying value.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

(a) Currency risk

The Company held financial instruments in different currencies during the years ended as follows:

	Mar 31, 2014	Mar 31, 2013
Cash and cash equivalents of:		
- CAD$	CAD$156,625	CAD$141,146
- US$	US$3,609,762	US$150,313
- GBP	GBP72,339	GBP5,296
- HK$	HK$629,345	HK$3,106,926
Shareholder loan of US$	(US$3,494,871)	(US$6,025,641)
Advance from a related party of CAD$	(CAD$1,700,000)	(CAD$1,700,000)

(in Chinese Yuan Renminbi)

Based on the above net exposures, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Renminbi against the Canadian dollar, US dollar, British Pound and Hong Kong dollar, would result in an increase/decrease of the Company's net (loss) income of approximately:

	Mar 31, 2014 RMB	Mar 31, 2013 RMB	Mar 31, 2014 CAD$
- CAD$	866,296	953,551	154,338
- US$	71,290	3,652,104	12,701
- GBP	74,726	4,983	13,313
- HK$	50,348	248,865	8,970

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at a large international financial institution in interest bearing accounts. Minimal cash balances are held in Chinese financial institutions.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Financing will be required to fund the Company's obligations in relation to the LS36-1 Development and in relation to any future exploration work. Following the approval of the ODP by NDRC, the Company and PPC has been negotiating with CDB in order to finalise the loan to fulfil the Company's participating funding obligation on August 16, 2014.

In addition, during the year the Company secured an additional interest free shareholder loan from Mr. Hwang, the Chairman of the Company (see Note 13(e)) and completed the private placement of 9,172,500 units of shares (see Note 10 (a) (ii)). In June 2014, Mr. Hwang has further agreed to provide the Company an interest free loan of US$ 8,000,000 to meet the Company's overhead requirement and to carry out its exploration activities under the New Contract for the coming twelve months. The Company is actively exploring all possible fund-raising possibilities for the planned exploration drilling program.

Additional information regarding liquidity risk is disclosed in Note 1.

The Company's non-derivative financial liabilities which are amounts due to the shareholder loan and advances from a related party are both repayable on demand after July 2015.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has minimal interest rate risk.

5.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its petroleum property interests, acquire additional petroleum property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its cash and cash equivalent balances and components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends.

Additional information regarding capital management is disclosed in note 1.

6 Critical judgments and accounting estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Further information on management's judgments, estimates and assumptions and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

The most significant judgments made by management in applying accounting policies when preparing the Company's financial statements are described as follows:

Exploration and evaluation assets

The Company applies critical judgment in the application of accounting policies as to when technical feasibility and commercial viability of an oil and gas resource is considered to be established (Note 3.4) and has determined that the Company continues to be an exploration company.

Shareholder loan and advances from a related party

Shareholder loans are recorded at fair value on inception in accordance with IAS 39 and carried at amortized cost. The difference between the fair value of these loans and cash received represents a capital contribution which is recorded directly in equity.

(in Chinese Yuan Renminbi)

The Company follows the guidance of IAS 39 to assess whether a change in the contractual terms of the shareholder loans and advances from a related party is substantial enough to represent an extinguishment of the original agreement. This determination requires significant judgment. In making this judgment, the Company, evaluates, among other factors, the quantitative criteria and the qualitative criteria to assess if the change in the contractual terms result in a substantially different revised terms and account for the change in the contractual terms as an extinguishment (Note 3.8).

The Company considers that, when there is a conversion of shareholder loans to equity, the related party is not acting as a creditor of the Company. As such, the equity issued isrecorded at the carrying amount of the financial liability extinguished and neither gain nor loss arises (Note 3.11).

Impairment of exploration and evaluation assets

The Company reviews and evaluates the carrying value of exploration and evaluation assets for impairment when events or changes in circumstances indicate that the carrying amounts of the asset may not be recoverable. The identification of such events or changes and the performance of the assessment require significant ju No impairment indicators were noted at the end of the financial year.

7 Exploration and evaluation assets

	Exploration and evaluation assets
	RMB
Balance at March 31, 2012	427,178,383
Additions	16,824,531
Balance at March 31, 2013	444,002,914
Additions	18,100,944
Balance at March 31, 2014	462,103,858
	CAD$
Balance March 31, 2014 in CAD$ (note 3.3)	82,327,429

The Company and PPC are the Contractors under a petroleum contract dated March 24, 2005 (Petroleum Contract) with CNOOC to explore, develop and produce oil and gas reserves that may exist in an area known as Block 25/34 (the Contract Area) in Lishui and Jiaojiang Basins, East China Sea. PECL and PPC hold 75% and 25% of the Contractors' interest, respectively.

The Petroleum Contract became effective on May 1, 2005, and had three periods: exploration, development and production, with a maximum contract term of 30 years. The exploration period was seven years while the production period was 15 years. The exploration period was further subdivided into three exploration phases, which included the first phase of three contract years (the first contract year through the third contract year); the second phase of two contract years (the fourth contract year through the fifth contract year); and the third phase of two contract years (the sixth contract year through the seventh contract year).

Under the Petroleum Contract the Contractors were committed to drilling one exploration well in each of the three exploration phases (plus an additional 200 square kilometers of 3D seismic surveys in phase one) and the minimum cost of completing these exploration operations was to be US$6,000,000, which is equivalent to RMB 37,914,000, in the first phase and US$5,000,000, which is equivalent to RMB 31,595,000, in each of the second and third phases. At the end of each of the first and second exploration phases, the Contractors were required to decide whether to enter into the next exploration phase and relinquish 25% of the remaining Contract Area, or terminate the Petroleum Contract. At the end of the third exploration phase, the Contract Area, except for any discovery, development or production area that may exist in the Contract Area, was to be relinquished.

The Petroleum Contract provided that the Contractors would fund all costs incurred during the exploration period, and CNOOC had the right to participate in up to 51% of any future development and production of oil and/or gas fields in the Contract Area by paying its pro rata share of the development and production costs.

The Petroleum Contract provided that the Contractors would remain as operators for the development and production period until at least full cost recovery.

By an Amendment Agreement dated February 18, 2008 between CNOOC, the Company and PPC, the parties agreed that the Petroleum Contract be amended to provide that the exploration period beginning on the date of the commencement of the implementation of the contract shall be divided into three phases and shall consist of 8 years rather than 7 years. The first exploration period was to be for a period of four years from the date of commencement on May 1, 2005, and the second and the third exploration phases shall be for two year periods respectively.

On July 15, 2011, the Company signed a Memorandum of Agreement (“MOA”) with CNOOC to further amend the Petroleum Contract. The MOA amended the Petroleum Contract so that no further exploration activity would be carried out under that contract and the Company and PPC would relinquish all of the area held under the Petroleum Contract, save for the development area for the LS36-1 gas field. The Petroleum Contract remains in effect in relation to the continuing development and production operations for the LS36-1 gas field.

The MOA further provided that the parties would enter into a new petroleum contract and, on June 15, 2012, the Company and PPC signed the new petroleum contract (the “New Contract”) with CNOOC to explore, develop and produce oil and gas reserves that may exist in an area known as Block 33/07 in East China Sea. Block 33/07 covers the same area as that previously held under Block 25/34 but with an additional adjacent area to the east. The New Contract became effective from November 21, 2012 after ratification by the Ministry of Commence in the People’s Republic of China. The New Contract provides for an exploration period, a development and production period. The exploration period is for 7 consecutive years divided into 3 exploration periods of 3, 2 and 2 years each with a minimum work commitment in the first phase of two wells plus 600 sq kms of 3D seismic surveys. The commitment for each of the second and third phases is one well. PEOIL acts as the operator for the exploration operation, development operation and production operation within this new contract area. During the year, PEOIL entered into an agreement with China Oilfield Services Ltd (“COSL”) to carry out the acquisition and processing of seismic date on a turnkey basis for part of the Company and PPC’s rolling development and exploration program. Under the Turnkey Contract, COSL will gather the 3D seismic data over 600 sq km. The survey started in March 14 and completed in May 2014. The data will now be shipped to COSL's processing center and it is estimated that processing will commence around mid-May. The processing will take about 4-5 months and will allow Primeline to merge the new data with the existing 3D seismic data for interpretation in Q3 2014 (note 16 (b)). Exploration drilling is planned for 2015 fiscal year.

(in Chinese Yuan Renminbi)

Any future discoveries in the New Contract area (and any CNOOC self -financed discoveries nearby, if there is spare capacity) will use the production facilities built for the LS36-1 gas field.

The New Contract is held by PECL and PPC in the same proportions in which they held the Petroleum Contract being 75% / 25%. PEOIL continues to be the exploration operator on Block 33/07 under the New Contract.

Following the completion of the ODP, the Company, PPC and CNOOC entered into a Supplemental Development Agreement and other agreements with regard to the development of the LS36-1 gas field which was discovered by the Company. The ODP comprises a formal development engineering plan for the development, backed up by survey results and environmental studies, together with a full economic analysis of the development, which is required to be approved by the Chinese government. Under these agreements, CNOOC became the operator for the development and production operations and proceeded with the development pending full government approval of the ODP which was submitted to the Government for approval on June 6, 2012.

The Company and PPC were notified by CNOOC of the ODP's approval on May 16, 2014. Trial gas production commenced on July 16, 2014.

8 Property, plant and equipment

	Computer & Office Equipment	**Computer & Office Equipment**
	RMB	CAD$ **(note 3.3)**
COST		
At April 1, 2012	13,357	2,380
Additions	7,068	1,259
At March 31, 2013	20,425	3,639
Additions	-	-
At March 31, 2014	20,425	3,639
DEPRECIATION AND IMPAIRMENT		
At April 1, 2012	334	60
Charge for the year	5,774	1,029
At March 31, 2013	6,108	1,089
Charge for the year	6,128	1,091
At March 31, 2014	12,236	2,180

CARRYING VALUES	RMB	CAD$
At April 1, 2012	13,023	2,320
At March 31, 2013	14,317	2,550
At March 31, 2014	**8,189**	**1,459**

9 Derivative warrant liability

The Company issued share purchase warrants in connection with the private placement offering completed on December 30, 2013 and January 23, 2014 (see Note 10 (a) (ii)). These warrants are exercisable in Canadian dollars. As the functional and reporting currency of the Company is RMB, share purchase warrants with an exercise price in a different currency are considered a derivative instrument under IAS 32.

The initial fair value on recognition of the share purchase warrants was calculated using the Black-Scholes pricing model, using the assumptions in the following table. Subsequent to their initial recognition, the share purchase warrants liability is re-measured and re-translated each reporting period in accordance with IAS 32.

Tranche 1 on December 30, 2013:

	As at March 31, 2014	**At date of issue December 30, 2013**
Exchange rate at date of fair value (RMB/CAD)	5.613	5.705
Stock price	CAD$0.57	CAD$0.63
Exercise price	CAD$0.90	CAD$0.90
Risk free interest rate	1.07%	1.09%
Expected dividend yield	Nil	Nil
Expected stock price volatility	70%	83%
Expected warrant life	1.75 years	2 years

(in Chinese Yuan Renminbi)

Tranche 2 on January 23, 2014:

	As at March 31, 2014	At date of issue January 23, 2014
Exchange rate at date of fair value (RMB/CAD)	5.613	5.55
Stock price	CAD$0.57	CAD$0.53
Exercise price	CAD$0.90	CAD$0.90
Risk free interest rate	1.07%	0.97%
Expected dividend yield	Nil	Nil
Expected stock price volatility	74%	73%
Expected warrant life	1.82 years	2 years

The Company's warrant liability for the years ended March 31, 2014 and March 31, 2013 is set out below:

	Warrants Outstanding	Value assigned RMB	Value assigned CAD$	Average exercise price CAD$
Balance – as at March 31, 2013	-	-	-	-
Warrants issued	4,586,250	5,406,242	963,164	0.90
Fair value re-measurement in the year	-	(1,997,759)	(355,916)	-
Balance – as at March 31, 2014	4,586,250	3,408,483	607,248	0.90

The share purchase warrants outstanding and exercisable as at March 31, 2014 is set out below:

Exercise Price CAD$	Expiry date	Number
0.90	30 December, 2015	3,826,250
0.90	23 January, 2016	760,000

(in Chinese Yuan Renminbi)

10 Share capital

a) Authorized Share capital

The Company is authorized to issue 500,000,000 ordinary shares with a par value of US$0.001 each. As at March 31, 2013 the total issued share capital of the Company was 94,041,246 common shares.

	Number of shares	Share Capital RMB	Share Premium RMB	Total RMB	Total CAD$
Balance as at March 31, 2013	94,041,246	858,406	437,506,225	438,364,631	78,098,099
Shareholder loan converted to ordinary shares (Note i)	9,427,272	86,052	27,762,246	27,848,298	4,961,393
Share issue costs in relation to shareholder loan conversion (Note iii)	-	-	(15,291)	(15,291)	(2,724)
Gross proceeds from private placement (Note ii)	9,172,500	83,744	23,157,742	23,241,486	4,140,653
Share issue costs incurred in relation to private placement (Note iii)	-		(2,958,390)	(2,958,390)	(527,060)
Share issue costs - Broker warrants (iv)	-	-	(1,213,235)	(1,213,235)	(216,147)
Balance – as at March 31, 2014	112,641,018	1,028,202	484,239,297	485,267,499	86,454,213

i) On October 10, 2013, Mr. Victor Hwang, the majority shareholder, director and officer of the Company agreed to convert US$5,000,000 of the shareholder loans payable to him into 9,427,272 common shares. This transaction was approved by the TSX Venture Exchange (the “TSX-V”) on November 7, 2013. The carrying amount of the loan payable to Mr. Hwang on November 7, 2013 , immediately prior to the conversion to common shares, was RMB28,957,699 (CAD$5,084,758). The Company recorded the shares issued to Mr. Hwang at the carrying amount of the financial liability extinguished.

ii) On December 30, 2013, the Company completed the first tranche of a private placement (“Private Placement”) offering led by D&D Securities Inc. (the "Agent") as agent. The Company issued a total of 7,652,500 units ("Units") at a price of CAD$0.55 per Unit for gross proceeds of CAD$4,208,875. Each Unit consists of one ordinary share (a "Common Share") and one half of one warrant (a "Warrant"). Each Warrant is exercisable to purchase a further Common Share at a price of CAD$0.90 per share for period of two years following the closing date of the Private Placement. The Company has the right to accelerate expiry of the Warrants if the volume weighted average closing price of the common shares on the TSX-V exceeds CAD$1.35 per share for 10 consecutive trading days by giving notice, whereupon the Warrants will expire 30 days from the date of notice. The Company considered the value of the right to accelerate as immaterial. The Common Shares comprised in the Units, the Warrants, and any Common Shares issued on exercise of the Warrants, are subject to a hold period of four months plus one day from the closing date.

The Company first calculated the fair value of the derivative warrant liabilities (see Note 9) that were issued using the Black Scholes model, and the remaining cash proceeds were allocated between share capital and share premium.

On January 23, 2014, the company closed the second and final tranche of the Private Placement. In this second tranche Primeline issued a total of 1,520,000 Units at a price of CAD$0.55 per Unit for gross proceeds of CAD$836,000. Each Unit consists of one Common Share and one half of one Warrant. Each Warrant is exercisable to purchase a further Common Share at a price of CAD$0.90 per share for 24 months from the closing date. The Company will have the right to accelerate expiry of the Warrants if the volume weighted average closing price of the common shares on the TSX-V exceeds CAD$1.35 per share for 10 consecutive trading days by giving notice, whereupon the Warrants will expire 30 days from the date of notice. The Company considered the value of the right to accelerate as immaterial. The Common Shares comprised in the Units, the Warrants and any Common Shares issued on exercise of the Warrants and the Broker Warrants, are subject to a hold period of four months plus one day from the closing date.

The Company first calculated the fair value of the derivative warrant liabilities (see Note 9) that were issued using the Black Scholes model, and the remaining cash proceeds were allocated between share capital and share premium.

iii) In relation to the shareholder loan conversion and Private Placement, the Company incurred share issue costs of RMB2,973,681 (CAD$529,785) in total as follows:

The Company incurred legal and professional fees of RMB 15,291 (CAD$2,724) for the shareholder loan conversion.

In connection with the Private Placement, the Company incurred RMB2,958,390 (CAD$527,060) share issuance costs which are comprised of the Agent’s fee of RMB2,005,341 (CAD$357,267), and legal and professional costs of RMB953,049 (CAD$169,793).

iv) The Company issued 733,800 warrants (“Broker Warrants”) exercisable to purchase a number of Common Shares equal to 8% of the number of Units sold by the Agent at an exercise price of CAD$0.55 per share. The Broker Warrants and any Common Shares issued on exercise of the Broker Warrants are subject to a hold period of four months plus one day from the closing date.

The fair value of the Broker Warrants issued is RMB1,213,235 (CAD$ 216,147). The Company calculated the fair value of the Broker Warrants, using the Black Scholes model.

(in Chinese Yuan Renminbi)

b) Broker Warrants

	Warrants outstanding	Value assigned RMB	Value assigned CAD$	Average exercise price CAD$
Balance as at March 31, 2013	-	-	-	-
Broker Warrants issued (see note 10 (a)(iv))	733,800	1,213,235	216,147	0.55
Balance as at March 31, 2014	733,800	1,213,235	216,147	0.55

The number of Broker Warrants outstanding and exercisable as at March 31, 2014 is set out below:

Exercise Price CAD$	Expiry date	Number
0.55	December 30, 2015	612,200
0.55	January 23, 2016	121,600

The fair value of the Broker Warrants granted has been calculated using the Black-Scholes option pricing model, using the following assumptions:

	Broker Warrants issued on December 30, 2013	Broker Warrants issued on January 23, 2014
Risk free interest rate	1.09%	0.97%
Expected dividend yield	Nil	Nil
Expected stock price volatility	83%	73%
Expected warrant life	24 Months	24 Months

(in Chinese Yuan Renminbi)

c) Share Purchase Options

The Company has a stock option plan (the "Plan"), pursuant to which the directors are authorized to grant options to purchase up to 10% of the issued and outstanding Common Shares from time to time. The options enable the directors, officers, consultants and employees of the Company to acquire Common Shares. The exercise price of a share option is set by the board of directors, subject to TSX-V policy. Options granted under the Plan may have a maximum term of ten years and, subject to any vesting restrictions imposed by the TSX-V, shall vest over such period as is determined by the board of directors at the grant date.

The following table summarizes the stock option activity under the Plan.

	Options outstanding	**Weighted Average exercise price CAD$**	**Options exercisable**	**Weighted Average exercise price**
As at Apri1, 2012	2,950,000	0.81	1,549,992	1.25
Expired	(1,050,000)	1.68		
Granted	3,605,000	0.59		
As at March 31, 2013	5,505,000	0.49	1,766,660	0.37
As at March 31, 2014	5,505,000	0.49	2,400,000	

On July 27, 2011, the Company granted 2,100,000 options at an exercise price of CAD$0.32 per share to directors, officers, employees and consultants, of which 200,000 options have expired and 1,900,000 options will expire on July 27, 2016. Share based payments of RMB67,570 (CAD$12,038) and RMB34,630 (CAD$6,170) (2013 – RMB437,441 and RMB182,990 were recognized as Directors remuneration & benefit and Salary & benefit respectively in the consolidated statement of loss and comprehensive loss. Share based payment of RMB58,277 (CAD$10,383) (2013 – RMB307,961) was capitalized as exploration and evaluation assets.

(in Chinese Yuan Renminbi)

The share options vested according to the following schedule:

Vesting date	Number of Share options
July 27, 2011	700,000
July 27, 2012	700,000
July 27, 2013	700,000

On July 9, 2012, the Company granted to D&D Securities Inc. options to purchase a total of 500,000 Common Shares at an exercise price of CAD$0.50 per share in consideration of D&D Securities Inc's ongoing services on corporate marketing and investor relations. The options expire on June 25, 2017. Share based payments of RMB *nil* (2013 – RMB926,996) were recognized as business promotion in the consolidated statement of loss and comprehensive loss.

The share options vested according to the following schedule:

Vesting date	Number of Share options
July 9, 2012	200,000
September 30, 2012	100,000
December 31, 2012	100,000
March 31, 2013	100,000

On September 26, 2012, the Company granted 3,105,000 options at an exercise price of CAD$0.60 per share to directors, officers, employees and consultants. Such options will expire on September 26, 2017. Share based payments of RMB844,850 (CAD$150,517), RMB444,657 (CAD$79,219) and RMB493,571 (CAD$87,934) (2013 – RMB453,191, RMB238,522 and RMB264,759) were recognized as Directors remuneration and benefit, professional fees and salary & benefit respectively in the consolidated statement of loss and comprehensive loss. Share based payment of RMB978,249 (CAD$174,283) (2013 – RMB524,748) was capitalized as exploration and evaluation assets.

(in Chinese Yuan Renminbi)

The share options shall vest according to the following schedule:

Vesting date	Number of Share options
Upon date of full repayment of the existing shareholder loans	1,035,000
One year after the date of full repayment of the existing shareholder loans	1,035,000
Two years after the date of full repayment of the existing shareholder loans	1,035,000

Stock options outstanding and exercisable are as follows:

Exercise price	Number of outstanding options	Weighted average remaining contractual life	Number of exercisable options
As at March 31, 2013			
CAD$0.32	1,900,000	3.33 years	1,266,660
CAD$0.50	500,000	4.24 years	500,000
CAD$0.60	3,105,000	4.49 years	-
	5,505,000	**4.07 years**	**1,766,660**
As at March 31, 2014			
CAD$0.32	1,900,000	2.33 years	1,900,000
CAD$0.50	500,000	3.24 years	500,000
CAD$0.60	3,105,000	3.49 years	-
	5,505,000	**3.07 years**	**2,400,000**

As at July 28, 2014, there are 112,791,018 Common Shares, 5,505,000 stock options and 5,170,050 Warrants and Broker Warrants outstanding.

(in Chinese Yuan Renminbi)

11 Finance Income

	For the year ended		
	Mar 31, 2014 RMB	Mar 31, 2013 RMB	Mar 31, 2014 CAD$
Gain on extinguishment of Shareholder loan under revised loan facility (see note 13 e)	-	2,978,387	-
Gain on extinguishment of Related Party's loan under revised loan facility (see note 13 f)	1,111,304	1,416,709	197,988
Gain on fair value re-measurement of warrant liability	1,926,382	-	343,200
Bank interest income	2,223	2,393	396
	3,039,909	**4,397,489**	**541,584**

During the year to March 31, 2014, the Company issued share purchase warrants in connection with the private placement offering completed on December 30, 2013 and January 23, 2014 (note 10(a)(ii)). Subsequent to initial fair value recognition, the share purchase warrant liability is re-measured at the end of the reporting period (note 9).

12 Taxation

The Company is domiciled in an income tax-exempt jurisdiction and carries out its oil exploration activities in the People's Republic of China (PRC); these activities are subject to PRC income tax at a rate of 25%. In accordance with PRC tax regulation, exploration costs incurred by foreign oil and gas enterprises can be deferred and amortized, over a one year or three years period, from commencement of oil/gas production. The Company has nil deferred income tax.

13 Transactions with related parties and directors

During the year ended March 31, 2014, the Company paid or accrued the following:

a) London office rent of RMB373,607 (CAD$66,561) (2013 – RMB379,408) was paid or accrued to a company beneficially owned by Mr. Victor Hwang, the majority shareholder, director and officer of the Company.

b) Cash call received from and utilized for PPC, a company owned by Mr. Hwang, the majority shareholder, director and officer of the Company, for its 25% contribution to exploration costs were RMB 3,746,120 (CAD$667,401) (2013 – RMB3,258,000) and RMB3,881,886 (CAD$691,588) (2013 – RMB3,868,603) respectively. The balance is recorded as a cash call payable on the statement of financial position amounting to RMB2,704(CAD$482) (2013 – RMB138,470).

c) Fees and benefits paid or accrued to key management personnel of the Company were RMB4,648,845 (CAD$828,228) (2013 – RMB5,474,268) and share based payment of RMB1,225,121(CAD$218,265) (2013 – RMB1,048,161) were recognized for the 2,260,000 (2013 – 2,260,000) share options granted to these key management personnel. In the event of a termination of the Company's officer's employment, termination benefits of RMB 3,099,000 (CAD$552,111) is payable.

d) Fees and benefits paid or accrued to directors were RMB577,025 (CAD$102,802) (2013 – RMB567,644) and share based payment of RMB912,420 (CAD$162,555) (2013 – RMB890,633) were recognized for the 1,750,000 (2013 – 1,750,000) share options granted to the directors.

e) Shareholder loan of RMB 19,258,753 (CAD$3,431,098) (2013 – RMB33,249,513) represents interest-free loans with a principal balance of RMB21,685,675(CAD$3,863,473) (2013 – RMB37,455,385) due to Mr. Victor Hwang, the majority shareholder, director and officer of the Company.

During the year ended March 31, 2013, Mr. Hwang advanced additional US$1,650,000 and US$1,000,000 interest-free loan facility to the Company. These loans were repayable upon demand on July 31, 2014 and July 31, 2015. This is in addition to the interest-free loan facility of US$4,000,000 that was provided to the Company in May 2011, which was repayable upon demand on April 30, 2013. On June 30, 2013, Mr. Hwang agreed to not demand repayment on the US$4,000,000 loan facility before April 30, 2014. During the year, the Company drew down the remaining US$1,051,282 of the US$4,000,000 facility, the entire US$1,650,000 loan facility and US$375,641 of the US$1,000,000 loan facility. The available facility for draw down as at March 31, 2013 is US$624,359.

As at March 31, 2013, the shareholder loan was comprised of 3 different loan facilities for a total of US$6,650,000 which were repayable upon demand on or after April 30, 2014, July 31, 2014 and July 31, 2015.

During the year ended March 31, 2014, Mr. Hwang further advanced an additional loan amount of US$1,203,846 which is interest free and repayable on demand so that together with the loan balance of US$ 6,650,000 as at March 31, 2013, the aggregate amount owing to Mr. Hwang was US$7,853,846 before October 2013. Then on October 10, 2013, the Company signed a debt settlement agreement with Mr. Victor Hwang, under which the 9,427,272 Common Shares were issued to Mr. Hwang in settlement of US$5,000,000 of the existing debt owed by the Company to Mr. Hwang (CAD$5,185,000 at the agreed exchange rate of US $1/CAD$1.037) at a deemed price of CAD$0.55 per share. As a result, the amount owing to Mr. Hwang after such debt settlement was US$ 2,853,846. On October 10, 2013 Mr. Hwang also agreed to extend another US$5,000,000 loan facility to the Company. As at the date of such agreement, the amount drawn down was US$2,853,846 and the amount remaining available for drawdown was US$ 2,146,153. This loan facility is interest-free and is repayable upon demand after July 31, 2015. As at March 31, 2014, the Company has drawn down a total of US$3,494,871 from the facility with a remaining available facility of US$ 1,505,129.

The shareholder loan has been recorded at fair value on inception and carried at amortized cost. The discount on shareholder loan of RMB2,621,485 (CAD$467,038) (2013 – RMB2,703,383) and the capitalized interest of RMB2,841,283 (CAD$506,197) (2013 – RMB1,964,535) were calculated using an effective rate of 10% per annum.

RMB2,978,387 was recognized as a gain on extinguishment during the year ended March 31, 2013 because there was significant modification to the terms of the shareholder loan. This resulted from the agreed extension of the repayment date from April 30, 2013 to April 30, 2014 and a revised effective interest rate of 10% (see Note 11).

Due to the change in terms on the loan facility on October 10, 2013, the Company recalculated the fair value of the amounts owing to the shareholder on that day and the calculations showed insignificant differences under the revised terms from a quantitative and qualitative perspective when comparing to the old terms.

Therefore, in compliance with the relevant standard, the changes are accounted for as modification of the liabilities that is not accounted for as an extinguishment. The gain on modification of RMB$347,920 has been amortized over the remaining term of the facility.

f) Advances from a related party of RMB8,355,607 (CAD$1,488,617) (2013 – RMB9,378,758) represents an interest-free balance with a principal amount of RMB9,542,100 (CAD$1,700,000) (2013 – RMB10,398,900) from PPC.

The interest-free non-current advance from a related company has been recorded at fair value on inception and carried at amortized cost.

The capitalized interest of RMB820,697 (CAD$146,214) (2013 – RMB744,092) were calculated using an effective rate of 10% per annum.

The advance is repayable upon demand after July 31, 2015 (2013: April 30, 2014).

RMB1,111,304 (CAD$197,988) (2013 – RMB1,416,709) was recognized as a gain on extinguishment as a result of the revision of the facility terms during year ended March 31, 2014 (see Note 11).

These transactions are measured at the exchange amount, which is the amount of the consideration established and agreed by the related party.

14 Commitments

a) Under the New Contract for Block 33/07, the Company has a 7 years exploration period divided into 3 exploration periods of 3, 2 and 2 years each with a minimum work commitment in the first phase of two wells plus 600 sq kms of 3D seismic surveys. The minimum expenditures for such exploration activities are estimated to be RMB 100 million of which the Company's 75% obligation would be a total of RMB75.6 million. Total exploration expenditures up to the year end is RMB 18,732,428 (CAD$3,337,329)

b) The Company entered into a lease agreement for the rental of PEHI's Shanghai office in the PRC. The lease is for a period of two years from September 1, 2012 to August 31, 2014 with a monthly rental fee of RMB55,845 in the first year and RMB57,436 in the subsequent year.

c) Under an agreement signed between the Company, PPC and CNOOC for the development and production of the LS 36-1 gas field within contract area 25/34 on March 17, 2010 (Implementation Agreement), CNOOC agreed to provide all funding in relation to the development operations until the ODP approval is obtained. The Company has no obligation to fund cash calls nor is it liable for costs expended by CNOOC for the development until such date. With effect from the date ODP approval is obtained, the Company will become liable and will have the obligation to fund its share of the development costs according to the Implementation Agreement. This is currently anticipated to be approximately RMB 1,400 million (CAD$ 249 million) being the Company's 36.75% share of the total development budget for LS36-1 Gas field. CNOOC has agreed that it will allow the Company 3 months from the notification of the grant of the ODP approval to arrange financing for its obligations in relation to the development operations. On

May 16, 2014, CNOOC notified the Company that the ODP has been formally approved by the NDRC and according to the Implementation Agreement that Primeline is obliged to fund the cash call on or before August 16, 2014.

d) On December 13, 2013, PEOIL entered into an agreement (the "Turnkey Contract") with China Oilfield Services Ltd. ("COSL") under which COSL agreed to carry out the acquisition and processing of seismic data on a turnkey basis for part of the Company and PPC's rolling development and exploration program. Under the Turnkey Contract, COSL will gather the 3D seismic data over 600sq km. in Block 33/07. Based on the Turnkey Contract, the cost of the survey is US$7.6 million and the cost of processing the data is expected to be US$580,000. The cost of the survey will be borne by the Company and PPC in the proportions 75%/25%, representing their respective interests in Petroleum Contract 33/07. Accordingly, the net cost to the Company is expected to be US$5.7 million for the survey and US$435,000 for the data processing. These amounts will be funded by the net proceeds from the Private Placement the Company completed in December 2013 and January 2014, and the rest will be funded by a shareholder's loan from Mr. Victor Hwang.

15 Fair value measurement

Certain financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and valuation techniques used to value the Company's financial assets and liabilities are described below:

1) Level 1- Quoted Prices in Active Markets for Identical Assets

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

The Company does not have any financial assets and liabilities that are included in Level 1 of the fair value hierarchy.

2) Level 2 – Significant Other Observable Inputs

Quoted prices in market that are not active, quote prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Warrant liability is included in Level 2 of the fair value hierarchy as the warrants are valued using a pricing model, which require a variety of inputs, including but not limited to historical stock prices and discount rates.

3) Level 3 – Significant Unobservable Inputs

Unobservable (supported by little or no market activity) prices

The Company does not have any financial assets and liabilities that are included in Level 3 of the fair value hierarchy.

(in Chinese Yuan Renminbi)

	As at March 31, 2014				March 31, 2013			
	Level1	Level2	Level3	**Total**	Level1	Level2	Level3	**Total**
Recurring fair value measurement								
Warrant liability	-	3,408,483	-	**3,408,483**	-	-	-	-
	-	3,408,483	-	**3,408,483**	-	-	-	-

16 Subsequent Events

a) On May 16, 2014, the Company was notified by CNOOC that the ODP for the Lishui 36-1 Gas Field was officially approved by NDRC. According to the Implementation Agreement signed between CNOOC and the Company and PPC in March 2010, the Company is obliged to fund cash calls in relation to the development on or following August 16, 2014, three months after the date of notification of the ODP approval.

b) In June 2014, the Company funded CAD$1.7million (US$1.57 million) of PPC's share of the 3D seismic survey costs on behalf of PPC, thus unwinding the security arrangement previously entered into (Note 13 (f)). This is funded by the additional shareholder loan of US$8,000,000 granted by Mr. Hwang in June 2014.

c) On July 1, 2014 the development of its LS36-1 gas field has been officially completed and since then CNOOC Limited, as operator, and the downstream buyer, Zhejiang Gas, commenced joint commissioning of the upstream and downstream facilities and trial gas production from the LS36-1 gas field commenced on July 16, 2014.

Primeline Energy Holdings Inc. (TSX Venture-PEH) ("the Company")
Management Discussion and Analysis for the Year Ended March 31, 2014

INTRODUCTION

This Management Discussion and Analysis is dated July 28, 2014 and takes into account information available up to that date and should be read in conjunction with the annual consolidated financial statements for the year ended March 31, 2014 which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All monetary amounts in this discussion and analysis are expressed in Chinese Yuan Renminbi ("RMB") unless otherwise noted. Canadian dollar ("C$") equivalents are provided for information only. Such presentation in Canadian dollars is not in accordance with IFRS and should not be construed as a representations that the RMB amounts shown could be readily converted, realized or settled in Canadian dollars at the date of these financial statements or any other date. The exchange rate of one Canadian dollar for RMB published in the South China Morning Post on March 31, 2014 was RMB 5.613 to C$1.00.

Cautionary Note Regarding Forward-Looking Statements

Some of the following disclosures contain forward-looking statements, which involve inherent risk and uncertainty affecting the business of the Company. These statements relate to the time anticipated for the commencement of the formal commercial gas production from development of the Lishui 36-1 (or "LS36-1") gas field ("LS36-1 Development" or "Development"), the financing of the Development and the results of exploration of the Company's other exploration prospects. They are based on assumptions that the LS36-1 Development production will proceed in accordance with the agreed timetable, that a binding agreement for the financing of the Company's share of the costs of the LS36-1 Development will be concluded with the China Development Bank ("CDB") or other banks and that the results of further exploration will be favorable. Actual results may vary from those anticipated. Funding may not be available to the Company for the LS36-1 Development and/or for exploration or may not be sufficient and, if it is not, the Company may be in breach of its funding obligations under the Petroleum Contracts (defined below). The timetable for the production from LS36-1 Development may be delayed. It is possible that a binding agreement with CDB or other banks will not be obtained. Exploration for oil and gas is subject to the inherent risk that it may not result in a commercial discovery.

COMPANY AND PROJECT OVERVIEW

The Company is focused exclusively on upstream oil and gas opportunities in China. The Company owns exploration and development rights in the East China Sea pursuant to two Petroleum Contracts, one in relation to Block 25/34 ("Petroleum Contract 25/34") and one in relation to Block 33/07 ("Petroleum Contract 33/07") both entered into between China National Offshore Oil Corporation ("CNOOC"), Primeline Energy China Ltd. ("PECL"), a wholly owned subsidiary of the Company, and Primeline Petroleum Corporation ("PPC"), an affiliated company wholly owned by Mr. Victor Hwang, the Company's chairman, president and majority shareholder. Petroleum Contract 25/34, dated March 24, 2005 and Petroleum Contract 33/07, dated June 15, 2012, are together referred to as "the Petroleum Contracts". PECL and PPC act jointly as the "Contractor" under the Petroleum Contracts.

- Block 25/34 covers 84.7 sq km, being the development and production area for the LS36-1 gas field for which CNOOC is the Operator holding a 51% interest with the Company and PPC holding a 36.75% and 12.25% interest respectively.

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

References in this MD&A to 'Primeline' refer generally to the Company, PECL, PEOIL and PPC and references to the Company include its subsidiaries PECL and PEOIL.

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

At the time of this Management Discussion and Analysis, the LS36-1 Development has been completed and trial gas production started on July 16, 2014, which established access to the dynamic local gas market in Eastern China. The confirmation of the gas market and the completion of the production facility will significantly enhance the value of LS36-1 gas field's incremental reserves and prospective resources and any additional resources which may be discovered in the Lishui Gas Play and elsewhere within Block 33/07.

QUARTERLY AND ANNUAL PROGRESS REVIEW

This financial year was extremely challenging due to the delay in the approval of the ODP and the consequent delay in completion of the Development. However, since the end of the financial year these issues have been resolved: the ODP has received the final government approval in May 2014, the LS36-1 Development has finally been completed and connected to the provincial grid and trial gas production commenced on July 16, 2014.

The Company has thus achieved its first production and cash flow which is a remarkable milestone. At the time of the discovery of the LS36-1 gas field in 1997 the China gas market was at very early stages of development and now the Chinese gas market is gradually becoming a more mature market with tremendous growth potential. On the exploration side, Primeline has finished the acquisition of an additional 600 sq. km of 3D seismic data and is now processing the data in order to prepare for the next exploration drilling programme in the large exploration area in Block 33/07 surrounding the LS36-1 gas field. This future exploration work will be able to capitalize on the infrastructure built in the LS36-1 gas field and the continued expansion of the China's gas market.

DEVELOPMENT OF LS 36-1 GAS FIELD

Overall Development Program (ODP) Approval

The Development was subject to the final approval of the ODP by the National Development and Reform Commission (NDRC). As a result of the increasingly strict regulatory regime adopted by the government, the ODP approval was delayed which had the knock-on effect of delaying the completion of the Development and, particularly, the final connection to the Zhejiang Provincial Grid. The final ODP was filed with the NDRC for confirmation in June 2012 and passed the review by the expert group appointed by the NDRC in August 2012. The NDRC subsequently requested additional information in relation to planning approval for the terminal site. CNOOC supplied part of the documentation required in July 2013 and the land planning permit was finally obtained from the Ministry of Land and Resource in October 2013 and immediately provided to the NDRC. On May 16, 2014, CNOOC notified Primeline that the NDRC had finally approved the Development.

This approval allowed the project Operator, CNOOC, to finalise plans for the commencement of gas production and the Company and PPC to commence finalising the financing arrangements for their share of the costs of the Development.

Development Engineering Design, Procurement, Fabrication and Construction

During the year under review CNOOC, as the operator, continued with the final development operations, particularly the final connection to the Zhejiang Provincial Grid. CNOOC has in the past 3 years carried out the following work on the LS36-1 Development:

- Completion of the engineering design in November 2011 with procurement for the Development commencing thereafter
- Completion of the laying of the offshore pipeline in September 2012 and the offshore section of the sales gas pipeline in April 2013
- Completion of the platform jacket fabrication in May 2012 and completion of the installation of the platform jacket in July 2012
- Completion of the phase one development drilling and completion work for four producing wells in April 2013. Full open well flow tests were subsequently conducted during the period of December 2013 to May 2014
- Completion of the fabrication of the platform topsides in March 2013 and successful installation of the topsides on the platform jacket in May 2013.
- Completion of the engineering work for the onshore gas processing terminal in October 2013.
- Joint commissioning of the platform and terminal commenced in April 2014 and completed in June 2014
- The construction/pipe laying for the last 3 km of the sale gas pipeline commenced in March 2014 and completed in June 2014 with final connection to the provincial gas grid completed on 1st July 2014, marking the completion of all construction work for LS36-1 Development.

CNOOC and Zhejiang Gas, who is the offtaker of the natural gas from LS36-1 gas field, have been working closely during the past year in relation to the coordination of completion of the Development and of the offtaker’s infrastructure, the final connection and the arrangements for the commencement of the production.

During the financial year, CNOOC and Zhejiang Gas have been negotiating the terms of the final gas sale contract. The first gas sale agreement in principle was signed in 2008 and a framework agreement for gas sale was signed in 2011 which provided the commercial support for the Development. The terms of the final gas sale contract have now been finalised although the agreement is yet to be signed. Once signed it will replace the previous framework agreement.

The final connection with Zhejiang Gas's infrastructure was achieved on July 1, 2014. Joint commissioning of the upstream and downstream facilities commenced on July 8, 2014 and trial gas production from the LS36-1 Gas Field commenced on July 16, 2014.

CNOOC and Primeline are working closely with Zhejiang provincial government, Zhejiang Gas Development Co. and Wenzhou Municipality Government and other entities to ensure that final joint commissioning and initial production phase proceeds smoothly so that the design level of production at 29mmcf per day (sale gas) can be achieved.

Now that trial production has been commenced, CNOOC will continue to work on the construction of a small jetty next to the terminal to facilitate the transportation of CO_2 and hydrocarbon liquid products by sea. Prior to the completion of this jetty transportation of such products will be by truck only.

EXPLORATION

The main purpose of the LS36-1 Development is to provide a production infrastructure in the Lishui Basin which will enable the Company to capitalise on access to the dramatically growing Chinese gas market through exploration in the remainder of the basin.

In June 2012, CNOOC and Primeline signed the Petroleum Contract for Block 33/07 which covers 5,877sq km surrounding the LS36-1 field and which provides the exploration fairway for long term growth. Surrounding the LS36-1 Development, Primeline previously had 737 sq km of 3D seismic data by which several prospects with significant potential resources have been identified and mapped. Primeline's first step in exploration under the new licence has been to expand the 3D seismic coverage with an additional 3D suvey of 600 sq kms to the north of the existing 3D coverage so that more drillable targets can be mapped in the remainder of the block which is currently only covered by 2D seismic data.

On December 13, 2013, Primeline entered into a turnkey contract with China Oilfield Services Ltd. ("COSL") for a 600sq km 3D seismic survey (the "Survey") in Block 33/07. COSL is the leading integrated oilfield services provider in offshore China and is listed on the Hong Kong (2883: HK) and Shanghai Stock Exchanges.

The 3D survey vessel arrived at Primeline's location on March 30, 2014 and started deploying the streamers for the Survey on March 31, 2014. As the weather and sea conditions were good, COSL was able to complete the Survey ahead of the planned schedule and the final line was shot on May 2, 2014. The data was then shipped to COSL's processing centre and processing commenced on May 18. 2014. The processing will take about 4-5 months and will allow Primeline to merge the new data with the existing 3D seismic data for interpretation in the fourth quarter of 2014.

The new survey is intended to provide better definition of the prospects and leads that have previously been identified in the survey area using 2D data in order to generate more drillable prospects. Exploration drilling is planned for 2015.

The cost of the Survey was US$7.6 million and the cost of processing the data is expected to be US$580,000. The cost of the Survey is borne by the Company and PPC in the proportions of 75%/25%, representing their respective interests in Petroleum Contract 33/07. Accordingly, the net cost to Primeline is US$5.7 million for the Survey and US$435,000 for the data processing.

Development Finance

Under the terms of the agreements entered into by the Company, PPC and CNOOC in March 2010, Primeline has no obligation to fund its share of the development costs for the LS36-1 Development until 3 months after ODP approval has been obtained. In the meantime, CNOOC continues to be responsible for all work in order to ensure that the Development remains on schedule.

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

On January 29, 2013, CDB's credit committee approved in principle the granting of the loan substantially on the terms of the Loan Memorandum, subject to satisfactorily concluding arrangements with Primeline for the provision of additional security to cover the period until the Development reaches the production level specified in the ODP.

Following the approval of the ODP by NDRC as noted above, Primeline has been negotiating with CDB in order to finalise the loan to fulfil Primeline's funding obligation from 16th August 2014.

RESERVE UPDATE

The Company appointed McDaniel and Associates Consultants Limited ("McDaniel") of Calgary to update the independent evaluation of its assets, including the LS36-1 gas field and Block 33/07. McDaniel is one of the world's leading petroleum consulting firms specialising in geological studies, reserves evaluations, resource assessments, economic evaluations and petroleum engineering studies. McDaniel has been the independent engineering auditor for the Company since 2007 and has witnessed the full progress of the LS36-1 Development from feasibility study, ODP, construction to final completion. They have reviewed the full current development status, including the engineering, development drilling and commercial progress, as well as ODP report and the Gas Sale Agreements as at 31st March 2014 and have updated their evaluation of the natural gas and natural gas liquid reserves located in the LS36-1 gas field in accordance with the standards set out in Canadian National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook (COGEH).

McDaniel's evaluation estimates that the LS36-1 gas field has total project recoverable Proved Reserves of 52.1 bcf of natural gas and 2.6 MMbbl of natural gas liquid and light oil, and Proved +Probable Reserves of 68.1 bcf of natural gas and 3.6MMbbl of natural gas liquid and condensate, which translates to Company net Proved + Probable Reserves of 26.4bcf of gas and 1.4MMbbl of natural gas liquid and condensate. The total Proved + Probable BOE for the LS36-1 gas field is 14.9MMbbl and net to the Company is 5.8MMbbl. The total Proved+Probable+Possible BOE for the Project is 19.1MMbbl, and net to Company at 7.4MMbbl. With gas converted to oil in the rate of six thousand cubic feet of gas to one barrel of oil (6 Mcf : 1bbl) and 1 barrel of LPG to one barrel of oil (1bbl : 1bbl). BOEs may be misleading, particularly if used in isolation. A BOE conversion of 6 Mcf gas : 1bbl oil and 1bbl LPG : 1bbl oil is based on an energy equivalency conversion method applicable at the burner tip and does not represent a value equivalency at the wellhead.

Summary of Reserves (1) (2)

	Natural Gas Reserves			LPG Reserves (3)		
	Property Gross MMcf	Company Gross MMcf	Company Net MMcf	Property Gross Mbbl	Company Gross Mbbl	Company Net Mbbl
Reserve Category						
Total Proved Reserves	52,148	19,164	20,611	1,954	718	772
Probable Reserves	15,940	5,858	5,813	597	220	218
Proved Plus Probable Reserves	68,088	25,022	26,424	2,552	938	990
Possible Reserves	19,430	7,141	7,095	728	268	266
Proved + Prob. + Poss. Reserves	87,519	32,163	33,519	3,280	1,205	1,256

	Condensate Reserves			BOE Reserves (4)		
	Property Gross Mbbl	Company Gross Mbbl	Company Net Mbbl	Property Gross Mbbl	Company Gross Mbbl	Company Net Mbbl
Reserve Category						
Total Proved Reserves	655	241	274	11,301	4,153	4,481
Probable Reserves	359	132	138	3,613	1,328	1,325
Proved Plus Probable Reserves	1,014	373	412	14,914	5,481	5,806
Possible Reserves	259	95	101	4,226	1,553	1,549
Proved + Prob. + Poss. Reserves	1,274	468	513	19,140	7,034	7,355

(1) Company Gross reserves are based on Company working interest share of the reserves.
(2) Company Net reserves are based on Company share of total Cost and Profit Oil and due to repayment of past costs are greater than Company Gross.
(3) Barrels of LPG are based on density of Propane
(4) Based on gas/boe conversion of 6 to 1 and LPG/boe conversion of 1 to 1.
(5) Company Share of Net Present Values are after the deduction of Chinese Corporation Tax.

Under the reporting definitions, there is a 90% probability that the quantities actually recovered will equal or exceed the estimated Proved Reserves, and at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated Proved plus Probable Reserves. Possible Reserves are those additional reserves that are less certain to be recovered than Probable Reserves. There is at least a 10% probability that the quantities actually recovered will equal or exceed the sum of the estimated Proved plus Probable plus Possible Reserves.

Based on the terms of the Gas Sale Contract recently agreed between CNOOC and Zhejiang Gas and McDaniel's view of the product price, together with the development costs spent to date and commercial arrangement made by Primeline relating to the Development, McDaniel estimates a net present value before tax for the LS36-1 project's Proved + Probable Reserves, net to Primeline, of US$104.9 million at a discount rate of 5% and US$182.9million, again net to Primeline, when the Possible Reserves in LS 36-1 are included. It should be noted that these estimates of the net present values are not estimates of fair market value.

Summary of Company Share of Net Present Values Before Tax (2)

	$M US Dollars				
Reserve Category	0.0%	5.0%	10.0%	15.0%	20.0%
Total Proved Reserves	66,907	36,623	13,160	(5,302)	(20,027)
Probable Reserves	85,287	68,294	56,038	46,972	40,113
Proved Plus Probable Reserves	152,194	104,917	69,197	41,670	20,087
Possible Reserves	103,671	78,006	60,656	48,564	39,904
Proved + Prob. + Poss. Reserves	255,865	182,923	129,853	90,234	59,991

There are substantial gas resources in the lower geological section beneath the developed reservoir zones which as yet cannot be assigned as reserves under COGEH guidelines. . McDaniel has estimated 142.8 bcf of total unrisked mean prospective resources assigned to seven different zones within the LS36-1 gas field development area, a summary of the prospective resources assigned to these zones and the corresponding chance of success can be referred to in the table below. McDaniel states that "CNOOC and Primeline intend to drill the prospective resources from the production platform using some of the five unused well slots, and, if successful, the resources could be upgraded to reserves and added to the production stream". McDaniel noted that there is spare production capacity built into the LS36-1 Development which could cope with future expansion. Experience in the oil industry in general is that once infrastructure is established in a basin, additional resources will be found to tag into supply that infrastructure.

McDaniel also evaluated the 3D area surrounding the LS 36-1 and assessed that within the 3 prospects close to LS36-1 Development in the 3D area, there could be an unrisked mean Prospective Resource of 498.9 bcf with a chance of success ranging between 14 and 28%.

Primeline Energy Holdings Inc.
LS36-1 Development Area & Block 33/07 - People's Republic of China
Summary of Resource Estimates - Property Gross Values (1) (2) (3)
Effective March 31, 2014

Table 10

Prospective Resources - Natural Gas

Prospect	Zone	Prospective Resources - Unrisked (1) Low MMcf	Median MMcf	Mean MMcf	High MMcf	Risked (2) Resources Mean MMcf	Chance of Success %
LS36-1	Paleocene - M1-0	2,725	5,513	6,370	11,087	4,644	73
LS36-1	Paleocene - M1-1 South	1,759	3,965	4,779	8,931	3,484	73
LS36-1	Paleocene - M2	5,046	14,464	18,934	38,513	11,360	60
LS36-1	Paleocene - M3	14,187	31,725	37,210	67,032	26,047	70
LS36-1	Paleocene - L1	8,351	23,772	32,862	69,109	16,431	50
LS36-1	Paleocene - L2	2,379	5,363	6,444	11,822	2,577	40
LS30-8	Paleocene - M2	9,136	27,070	36,195	73,148	7,601	21
LS36-1 Development Area (Sub-total)		**43,584**	**111,871**	**142,794**	**279,641**	**72,145**	
LS30-3	Paleocene - M1-1	14,631	32,007	38,820	71,810	10,870	28
LS30-3	Paleocene - M1-2	43,387	178,831	315,221	727,991	88,262	28
LS29-2	Paleocene - M1-2	19,016	47,306	60,442	117,561	14,506	24
LS29-3	Paleocene - M1-2	7,090	22,601	32,984	70,620	7,124	22
LS35-1	Paleocene - M1-2	14,592	38,521	51,441	105,723	7,407	14
Block 33/07 (Sub-total)		**98,715**	**319,266**	**498,907**	**1,093,706**	**128,170**	
Total (3)		**142,299**	**431,137**	**641,701**	**1,373,347**	**200,314**	

Prospective Resources - Condensate

Prospect	Zone	Prospective Resources - Unrisked (1) Low Mbbl	Median Mbbl	Mean Mbbl	High Mbbl	Risked (2) Resources Mean Mbbl	Chance of Success %
LS36-1	Paleocene - M1-0	27	65	79	149	58	73
LS36-1	Paleocene - M1-1 South	17	47	60	118	44	73
LS36-1	Paleocene - M2	52	171	237	497	142	60
LS36-1	Paleocene - M3	144	374	465	897	325	70
LS36-1	Paleocene - L1	75	251	365	792	182	50
LS36-1	Paleocene - L2	20	57	72	141	29	40
LS36-1 Development Area (Sub-total)		**335**	**965**	**1,277**	**2,594**	**780**	
LS30-3	Paleocene - M1-1	176	454	584	1,143	164	28
LS30-3	Paleocene - M1-2	553	2,505	4,732	11,025	1,325	28
LS29-2	Paleocene - M1-2	233	667	909	1,878	218	24
LS29-3	Paleocene - M1-2	74	265	408	901	88	22
LS35-1	Paleocene - M1-2	146	452	646	1,363	93	14
Block 33/07 (Sub-total)		**1,182**	**4,343**	**7,279**	**16,310**	**1,888**	
Total (3)		**1,517**	**5,308**	**8,557**	**18,903**	**2,668**	

(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 partially risked prospective resources that have been risked for chance of discovery, but have not been risked for chance of development.
(3) Total based on an arithmetic aggregation of all the Prospect/Zones and as such there is >90 percent chance of exceeding the overall Low Total and <10 percent chance of exceeding the overall High Total

McDaniel commented that "The development of the LS36-1 field provides an infrastructure hub in the area which may be utilized in any development of the nearby prospects; there is spare capacity in this infrastructure to accommodate future expansion. It is envisaged that development of these prospects will either be by wells drilled from the existing platform using the 5 spare well slots on the platform, by subsea wells or using a well head platform with all processing at the infrastructure hub. Incremental development costs will therefore be low and so that the economics for any additional resources which may be discovered within LS36-1 field itself or in the nearby identified prospects would be significantly enhanced. The initial production plateau from 1P, 2P and 3P reserves may then be extended and/or the production level can be increased subject to reserve volumes and market demand."

The effective date of McDaniel's evaluation is March 31, 2014. A summary of the McDaniel's report is available on Primeline's website: http://www.pehi.com.

EXPLORATION AND WORKING CAPITAL FINANCE

The anticipated cash flow from the LS36-1 Development is significant but it did not commence in time to fund the 3D seismic work in 2014 which was a commitment under Petroleum Contract 33/07. Furthermore, the Company has been supported in the past three years by its Chairman's generous provision of interest free loans for working capital which at March 31, 2014, amounted to RMB21,685,675 (C$3,863,473) in principal. Whilst it is anticipated that Primeline's share of the cost of the LS36-1 Development will be financed by CDB, the Company has continued to explore various possible ways of securing funds for its exploration activities.

In May 2011, the Company entered into an agreement with Victor Hwang, its chairman, president and majority shareholder, under which Mr. Hwang granted the Company an interest free loan facility of up to US$4 million (the "Facility"). This facility was repayable on demand any time after April 30, 2014. By the end of September 2012, the Company had fully drawn down this facility. On June 1, 2012, Mr. Victor Hwang agreed to provide another interest free loan facility of up to US$1.65 million to the Company for working capital purposes, repayable on demand any time after July 31, 2014. By the end of March 2013, the Company had fully drawn down this Facility. On March 31, 2013, Mr. Victor Hwang further granted an interest free loan facility of up to US$1 million to the Company for working capital purposes, repayable on demand any time after July 31, 2015.

In October 2013 the Company secured an additional interest free working capital loan from its Chairman, who also agreed to convert part of his existing loan into shares. Mr Hwang agreed to convert US$5,000,000 (equivalent to C$5,185,000 at the agreed exchange rate of $1US/$1.037C$) of his existing debt of US$7,853,846 into shares at C$0.55 per share, which resulted in the issue of 9,427,272 shares, and granted a new loan facility of US$5 million under which US$2,853,846 of the existing loan which was not converted remained outstanding.

The conversion of the US$5 million into shares was approved by the TSX Venture Exchange (the "TSX-V") and was completed in November 2013.

Prior to its execution of the 3D Survey contract with COSL, Primeline obtained confirmation from Mr. Hwang that he would underwrite the cost of the Survey referred to above. On December 13, 2013, the Company arranged a brokered private placement (the "Private Placement") of up to C$7m of units ("Units") at C$0.55 per Unit on a best efforts basis. Each Unit consisted of one common share and one-half of one warrant (a "Warrant"). One whole Warrant is exercisable to purchase a common share at a price of C$0.90 per share for two years from the date of issue. The Company has the right to accelerate expiry of the Warrants if the volume weighted average closing price of the common shares on the TSX-V exceeds

C$1.35 per share for 10 consecutive trading days by giving notice, whereupon the Warrants will expire 30 days from the date of notice.

The Private Placement was closed in two tranches on December 30, 2013 and January 23, 2014 respectively. In total, the Company sold 9.17m Units with gross proceeds of circa C$5m. The net proceeds received by the Company, after commission and expenses, was circa C$4.5m.

In June 2014, Mr. Hwang has further agreed to provide the Company an interest free loan of US$ 8 million, of which US$ 3.5 million was drawn down as Mr. Hwang's undertaking to meet the Company's funding shortfall for its share of the costs of the 3D seismic survey and Petroleum Contract 25/34's signature bonus of US$1m payable upon ODP approval, and also funded C$1.7million (US$1.57 million) of PPC's share of the 3D seismic survey costs on behalf of PPC thus unwinding the security arrangement previously entered into. The amount remaining under the facility of US$ 4.5 million is anticipated to meet the Company's overhead requirement and to carry out its exploration activities under Petroleum Contract 33/07 for the coming twelve months.

GENERAL FINANCIAL OUTLOOK

As at March 31, 2014, the Company held cash resources of RMB24,648,035 (C$4,391,241), and loans in principal amount from Victor Hwang, its Chairman, President and majority shareholder, and PPC in the order of RMB21,685,675 (C$3,863,473) and RMB9,542,100 (C$1,700,000) respectively.

The Company and PPC are finalising the loan from CDB and other banks with respect to financing their share of the costs of the LS36-1 Development.

The Company anticipates starting to receive significant cash flow once the LS36-1 gas field enters into full commercial production. Such full cash flow is anticipated to commence in September/October 2014.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Several adverse conditions cast significant doubt upon the validity of this assumption. Consistent with other entities in the exploration and development stage, the Company has incurred operating losses since inception, has no source of revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead, to carry out its exploration activities under Petroleum Contract 33/07 and to fund its share of the LS36-1 Development.

The Company's ability to continue as a going concern is dependent upon management's ability to secure additional financing. While management has been successful in obtaining funding in the past, including support from its majority shareholder, there can be no assurance that it will be able to do so in the future.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used, and such adjustments would be material.

FINANCIAL INFORMATION

Results of Operations

The Company's results for the year ended March 31, 2014 were a loss of RMB4,738,742 (C$844,243). Compared to the loss of RMB4,297,092 for last year, the increase in loss of RMB441,650 (C$78,683) was mainly due to the increase of professional fees of RMB646,484 (C$115,176) and decrease of finance income of RMB1,357,580 (C$241,864) which resulted mainly from the gain on extinguishment of shareholder loan and related party loan under the revised loan facility terms. The result was partially set off by the decrease of business promotion of RMB961,431 (C$171,286) and increase in foreign exchange gain of RMB649,323 (C$115,682) due to appreciation of the RMB against the US dollar and Canadian dollar.

Liquidity and Capital Resources

As at March 31, 2014, net current assets of the Company amounted to RMB23,087,905 (C$4,113,291), whereas net current assets of RMB2,758,098 were recorded as at March 31, 2013. The increase in net current assets of RMB20,329,807 (C$3,621,915) was mainly due to the increase of cash and cash equivalents of RMB19,609,091 (C$3,493,513) mainly from the Private Placement and the decrease of accounts payable and accrued liabilities of RMB 1,559,005 (C$277,749). The result was partially set off by the decrease of prepaid expenses and deposit of RMB974,055 (C$173,536).

During the year, exploration and evaluation assets of RMB18,100,944 (C$3,224,825) were incurred and financed mainly by the shareholder's loans. As at March 31, 2014, the total amount of exploration and evaluation assets incurred and capitalized amounted to RMB462,103,858 (C$82,327,429) (March 31, 2013 – RMB444,002,914) and can be broken down as follows:

	Mar 31, 2014	Mar 31, 2013	Mar 31, 2014
	RMB	RMB	C$
Exploration Drilling Related Services			
Drilling services	178,263,638	178,263,638	31,759,066
Drilling technical supervision and evaluation	4,650,259	4,650,259	828,480
Exploration Geological&Geophysical Surveys& Work			
Geological&geophysical survey acquisition& processing	64,892,882	64,892,882	11,561,176
Technical evaluations&management	43,713,058	40,087,083	7,787,824
Pre-development study	32,583,351	32,583,351	5,804,980
Interests on funding of deferred exploration expenditures	27,423,969	23,763,779	4,885,795
Deferred costs acquired from Primeline Petroleum Corporation	8,485,080	8,485,080	1,511,684
Project administration	29,299,370	27,015,498	5,219,913
Salaries and benefits	50,173,660	42,920,078	8,938,831
Travel and accommodation	19,475,389	18,198,064	3,469,694
Contract signing fee	3,143,202	3,143,202	559,986
	462,103,858	444,002,914	82,327,429

As at March 31, 2014, the Company had total assets of RMB487,598,179 (C$86,869,442) (March 31, 2013 – RMB450,868,327) which were financed by net shareholders' equity of RMB454,177,109 (C$80,915,216) (March 31, 2013 – RMB404,147,058), shareholder loan of RMB19,258,753 (C$3,431,098) (March 31, 2013 – RMB33,249,513) and advance from a related party of RMB8,355,607 (C$1,488,617) (March 31, 2013 – RMB9,378,758).

As at March 31, 2014, the Company had net current assets of RMB23,087,905 (C$4,113,291) (March 31, 2013 – RMB2,758,098) and had a accumulated deficit of RMB108,202,863 (C$19,277,189) (March 31, 2013 – RMB103,464,121). The new loan facility of US$5,000,000 (with a remaining amount available for drawdown of US$ 1,505,129 as at March 31, 2014) from Mr. Victor Hwang was arranged in October 2013 and was intended to give the Company time to work with CNOOC to complete the final development work for the LS36-1 Development and secure all regulatory approvals for development and production in order to supply gas to the Zhejiang provincial grid. As previously mentioned, additional financing will be required in respect of the LS36-1 Development following approval of the ODP. Primeline and CDB are negotiating to finalise the loan to finance Primeline's share of the LS36-1 Development costs. The Company is actively investigating other funding options to address further financing requirements for the Company's exploration activities.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, shareholder loan, cash calls payable, advances from a related party and derivative warrant liabilities.

Fair values of assets and liabilities approximate amounts at which these items could be exchanged in transactions between knowledgeable parties. Fair value is based on available public market information or when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk. The calculation of estimated fair value is based on market conditions at the specific point in time and in the respective geographic locations and may not be reflective of future values.

The fair value of the financial assets and current liabilities approximates their carrying value.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

(a) Currency risk

The Company held financial instruments in different currencies during the years ended as follows:

	Mar 31, 2014	Mar 31, 2013
Cash and cash equivalents of:		
- C$	C$156,625	C$141,146
- US$	US$3,609,762	US$150,313
- GBP	GBP72,339	GBP5,296
- HK$	HK$629,345	HK$3,106,926
Shareholder loan of US$	(US$3,494,871)	(US$6,025,641)
Advance from a related party of C$	(C$1,700,000)	(C$1,700,000)

Based on the above net exposures, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Renminbi against the Canadian dollar, US dollar, British Pound and Hong Kong dollar, would result in an increase/decrease of the Company's net (loss) income of approximately:

	Mar 31, 2014 RMB	Mar 31, 2013 RMB	Mar 31, 2014 C$
- C$	866,296	953,551	154,338
- US$	71,290	3,652,104	12,701
- GBP	74,726	4,983	13,313
- HK$	50,348	248,865	8,970

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at a large international financial institution in interest bearing accounts. Minimal cash balances are held in Chinese financial institutions.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Financing will be required to fund the Company's obligations in relation to the LS36-1 Development and in relation to any future exploration work. Following the approval of the ODP by NDRC, Primeline has been negotiating with CDB in order to finalise the loan to fulfil Primeline's funding obligation on August 16, 2014.

In addition, during the period, the Company secured an additional interest free shareholder loan from Mr. Hwang, the Chairman of the Company (see Note 13(e)) and completed the private placement of 9,172,500 units of shares (see Note 10 (a) (ii)). Also in June 2014, Mr. Hwang has further agreed to provide the Company an interest free loan of US$ 8,000,000 to meet the Company's overhead requirement and to carry out its exploration activities under the Petroleum Contract 33/07 for the coming twelve months. The Company is actively exploring all possible fund-raising possibilities for the planned exploration drilling program.

Additional information regarding liquidity risk is disclosed in Note 1.

The Company's non-derivative financial liabilities which are amounts due to the shareholder loan and advances from a related party are both repayable on demand after July 2015.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has minimal interest rate risk.

Derivative warrant liability

The Company's derivative instruments are the share purchase warrants issued. During the year, the Company issued warrants as part of a Unit offering. These share purchase warrants were issued with an exercise price in Canadian dollars rather than Chinese Yuan (the functional currency of the Company). Such share purchase warrants are considered to be derivative instruments.

The initial fair value on recognition of the share purchase warrants was calculated using the Black-Scholes pricing model, using the assumptions in the following table. Subsequent to their initial recognition, the share purchase warrants liability is re-measured and re-translated each reporting period in accordance with IAS 32.

Tranche 1 on December 30, 2013:

	As at March 31, 2014	At date of issue December 30, 2013
Exchange rate at date of fair value (RMB/C$)	5.613	5.705
Stock price	C$0.57	C$0.63
Exercise price	C$0.90	C$0.90
Risk free interest rate	1.07%	1.09%
Expected dividend yield	Nil	Nil
Expected stock price volatility	70%	83%
Expected warrant life	1.75 years	2 years

Tranche 2 on January 23, 2014:

	As at March 31, 2014	At date of issue January 23, 2014
Exchange rate at date of fair value (RMB/C$)	5.613	5.55
Stock price	C$0.57	C$0.53
Exercise price	C$0.90	C$0.90
Risk free interest rate	1.07%	0.97%
Expected dividend yield	Nil	Nil
Expected stock price volatility	74%	73%
Expected warrant life	1.82 years	2 years

The Company’s warrant liability for the year ended March 31, 2014 and March 31, 2013 is set out below:

	Warrants Outstanding	Fair value RMB	Fair value C$	Average exercise price C$
Balance – as at March 31, 2013	-	-	-	-
Warrants issued	4,586,250	5,406,242	963,164	0.90
Fair value re-measurement in the year	-	(1,997,759)	(355,916)	-
Balance – as at March 31, 2014	4,586,250	3,408,483	607,248	0.90

The share purchase warrants outstanding and exercisable as at March 31, 2014 is set out below:

Exercise Price C$	Expiry date	Number
0.90	30 December, 2015	3,826,250
0.90	23 January, 2016	760,000

Capital management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the exploration and development of its petroleum property interests, acquire additional petroleum property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its cash and cash equivalent balances and components of shareholders’ equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

At this stage of the Company’s development, in order to maximize ongoing development efforts, the Company does not pay out dividends.

Additional information regarding capital management is disclosed in note 1 of the consolidated financial statements as at March 31, 2014.

Transactions with related parties and directors

During the year ended March 31, 2014, the Company paid or accrued the following:

a) London office rent of RMB373,607 (C$66,561) (2013 – RMB379,408) was paid or accrued to a company beneficially owned by Mr. Victor Hwang, the majority shareholder, director and officer of the Company.

b) Cash call received from and utilized for PPC, a company owned by Mr. Hwang, the majority shareholder, director and officer of the Company for its 25% contribution to exploration costs were RMB 3,746,120 (C$667,401) (2013 – RMB3,258,000) and RMB3,881,886 (C$691,588) (2013 – RMB3,868,603) respectively. The balance is recorded as a cash call payable on the statement of financial position amounting to RMB2,704(C$482) (2013 – RMB138,470).

c) Key management includes members of the Board, the Chairman, Chief Executive Officer, Chief Financial Officer, Vice President and Consultants. The aggregate total compensation paid or payable to the key management is as follows:

Key Management	**Position**	**Nature of Compensation**	**March 31, 2014**	**March 31, 2013**	**March 31 ,2014**
			RMB	**RMB**	**C$**
Victor Hwang	Chairman	Directorship	0.00	0.00	0.00
Ming Wang	Chief Executive Officer	Salary	1,661,441.12	1,766,179.93	295,998.77
Andrew Biggs	Senior Vice President	Salary	1,161,034.35	1,182,788.27	206,847.38
Alan Soulsby	Technical Director	Directorship	319,605.52	346,632.99	56,940.23
Malcolm Barratt	Consultant	Consulting	10,580.62	83,899.05	1,885.02
Yu Jin Shen	Consultant	Consulting	239,748.75	162,401.25	42,713.12
Chongxin Zhang	Genernal Manager	Salary	316,698.75	289,470.00	56,422.37
Mark Norman	Project Director	Salary	851,374.70	700,764.60	151,679.08
Brian Chan	Director	Directorship	0.00	0.00	0.00
Ben Cheng	Former CFO	Salary	88,360.94	209,941.52	15,742.19
Eric Yu	Former CFO	Salary	0.00	732,189.91	0.00
Alan Johnson	Director	Board Advisory	144,256.25	156,362.50	
Lien Jown Jing Vincent	Director	Board Advisory	144,256.25	156,362.50	
Yunshi Cao	Director	Board Advisory	144,256.25	156,362.50	
Peter Kelty	Director	Board Advisory	144,256.25	156,362.50	
Total			**5,225,869.75**	**6,099,717.52**	**828,228.18**

Share based payment of RMB2,137,541(C$380,820) (2013 – RMB1,938,794) were recognized for the 4,010,000 (2013 – 4,010,000) share options granted to these key management personnel. These amounts have not been included in the table above and should be considered as additional compensation. In the event of a termination of the Company's officer's employment, termination benefits of RMB 3,099,000 (C$552,111) is payable.

d) Shareholder loan of RMB 19,258,753 (C$3,431,098) (2013 – RMB33,249,513) represents interest-free loans with a principal balance of RMB21,685,675(C$3,863,473) (2013 – RMB37,455,385) due to Mr. Victor Hwang, the majority shareholder, director and officer of the Company.

During the year ended March 31, 2013, Mr. Hwang advanced additional US$1,650,000 and US$1,000,000 interest-free loan facility to the Company. These loans were repayable upon demand on July 31, 2014 and July 31, 2015. This is in addition to the interest-free loan facility of US$4,000,000 that was provided to the Company in May 2011, which was repayable upon demand on April 30, 2013. On June 30, 2013, Mr. Hwang agreed to not demand repayment on the US$4,000,000 loan facility before April 30, 2014. During the year, the Company drew down the remaining US$1,051,282 of the US$4,000,000 facility, the entire US$1,650,000 loan facility and US$375,641 of the US$1,000,000 loan facility. The available facility for draw down as at March 31, 2013 is US$624,359. As at March 31, 2013, the shareholder loan was comprised of 3 different loan facilities for a total of US$6,650,000 which were repayable upon demand on April 30, 2014, July 31, 2014 and July 31, 2015.

During the year ended March 31, 2014, Mr. Hwang further advanced an additional loan amount of US$1,203,846 which is interest free and repayable on demand so that together with the loan balance of US$ 6,650,000 as at March 31, 2013, the aggregate amount owing to Mr. Hwang was US$7,853,846 before October 2013. Then on October 10, 2013, the Company signed a debt settlement agreement with Mr. Victor Hwang, under which 9,427,272 Common Shares were issued to Mr. Hwang in settlement of US$5,000,000 of the existing debt owed by the Company to Mr. Hwang (C$5,185,000 at the agreed exchange rate of US $1/C$1.037) at a deemed price of C$0.55 per share. As a result, the amount owing to Mr. Hwang after such debt settlement was US$ 2,853,846. On October 10, 2013 Mr. Hwang also agreed to extend another US$5,000,000 loan facility to the Company. As at the date of such agreement, the amount drawn down was US$2,853,846 and the amount remaining available for drawdown was US$ 2,146,153. This loan facility is interest-free and is repayable upon demand after July 31, 2015. As at March 31, 2014, the Company has drawn down a total of US$3,494,871 from the facility with a remaining available facility of US$ 1,505,129

The shareholder loan has been recorded at fair value on inception and carried at amortized cost. The discount on shareholder loan of RMB2,621,485 (C$467,038) (2013 – RMB2,703,383) and the capitalized interest of RMB2,841,283 (C$506,197) (2013 – RMB1,964,535) were calculated using an effective rate of 10% per annum.

RMB2,978,387 was recognized as a gain on extinguishment during year ended March 31, 2013 because there was significant modification to the terms of the shareholder loan. This was resulted from the agreed extension of repayment date from April 30, 2013 to April 30, 2014 and a revised effective interest rate to 10% (see note 11).

Due to the change in terms on the loan facility on October 10, 2013, the Company recalculated the fair value of the amounts owing to the shareholder on that day and the calculations showed insignificant differences under the revised terms from a quantitative and qualitative perspective when comparing to the old terms. Therefore, in compliance with the relevant standard, the changes are accounted for as modification of the liabilities that is not accounted for as an extinguishment. The gain on modification of RMB$347,920 has been amortized over the remaining term of the facility.

e) Advances from a related party of RMB8,355,607 (C$1,488,617) (2013 – RMB9,378,758) represents an interest-free balance with a principal amount of RMB9,542,100 (C$1,700,000) (2013 – RMB10,398,900) from PPC.

The interest-free non-current advance from a related company has been recorded at fair value on inception and carried at amortized cost.

The capitalized interest of RMB820,697 (C$146,214) (2013 – RMB744,092) were calculated using an effective rate of 10% per annum.

The advance is repayable upon demand after July 31, 2015 (2013: April 30, 2014).

RMB1,111,304 (C$197,988) (2013 – RMB1,416,709) was recognized as a gain on extinguishment as a result of the revision of the facility terms during year ended March 31, 2014 (see Note 11).

These transactions are measured at the exchange amount, which is the amount of the consideration established and agreed by the related party.

Subsequent Events

a) On May 16, 2014, the Company was notified by CNOOC that the ODP for the Lishui 36-1 Gas Field was officially approved by NDRC. According to the Implementation Agreement signed between CNOOC and the Company and PPC in March 2010, Primeline is obliged to fund cash calls in relation to the development on or following August 16, 2014, three months after the date of notification of the ODP approval.

b) In June 2014, the Company funded C$1.7million (US$1.57 million) of PPC's share of the 3D seismic survey costs on behalf of PPC, thus unwinding the security arrangement previously entered into (Note 13 (f)). This is funded by the additional shareholder loan of US$8,000,000 granted by Mr. Hwang in June 2014.

c) On July 1, 2014 the development of its LS36-1 gas field has been officially completed and since then CNOOC Limited as operator, and the downstream buyer, Zhejiang Provincial Gas Development Co. ("Zhejiang Gas"), commenced joint commissioning of the upstream and downstream facilities and trial gas production from the LS36-1 gas field commenced on July 16, 2014.

Change in accounting standards

The Company has adopted the following new and revised standards, along with any consequential amendments, effective April 1, 2013. These changes were made in accordance with the applicable transitional provisions:

a) IFRS 10, 'Consolidated Financial Statements' was issued in May 2011 and will supersede the consolidation requirements in SIC-12 'Consolidation — Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of the standard has no impact on the Company's financial statements.

b) IFRS 11, 'Joint Arrangements' was issued in May 2011 and will supersede existing IAS 31, 'Joint Ventures' effective for annual period beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The adoption of the standard has no impact on the Company's financial statements.

(c) IFRS 12, 'Disclosure of Interests in Other Entities' was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The adoption of the standard has no impact on the Company's financial statements.

(d) IFRS 13, 'Fair Value Measurement' was issued in May 2011 and sets out in a single IFRS a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The adoption of IFRS 13 did not require any adjustment to the valuation technique used by the Company to measure fair value and did not result in any measurement adjustments.

(e) IAS 1, 'Presentation of Financial Statements' was amended in June 2011. This standard requires companies preparing financial statements under IFRS to group items within Other Comprehensive Income (OCI) that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit of loss should be presented as either a single statement or two consecutive statements. The amendments to IAS 1 set out in Presentation of Items of OCI are effective for fiscal years beginning on or after July 1, 2012. This adoption of the standard has no impact on the Company's financial statements.

The Company has not early adopted the following standards, amendments and interpretations to existing standards that are not yet effective.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting periods beginning after January 1, 2014 or later periods. The standards that are applicable to the Company are as follows:

(a) IAS 32, "Financial instruments": Presentation has been amended to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This standard has no impact on the Company.

(b) IAS 36, "Impairment of Assets", has been amended to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This standard has no impact on the Company.

(c) IFRS 9, Financial Instruments ("IFRS 9"), ") was , published on July 2014 which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The final hedging part of IFRS 9 was issued in November 2013.

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The standard is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company will be required to adopt this standard.

We are currently assessing the effect of this standard and related amendments on our financial statements.

Outstanding Share Data

On July 27, 2011, the Company granted 2,100,000 options at an exercise price of C$0.32 per share to directors, officers, employees and consultants, of which 200,000 options expired and 1,900,000 options expire on July 27, 2016.

On July 9, 2012, the Company granted to D&D Securities Inc. an option to purchase a total of 500,000 common shares at an exercise price of C$0.50 per share. The option expires on June 25, 2017.

On September 26, 2012, the Company granted 3,105,000 options at an exercise price of C$0.60 per share to directors, officers, employees and consultants. Such options expire on September 26, 2017.

On December 30, 2013, the Company closed the first tranche of the Private Placement led by D&D Securities Inc. (the "Agent") as agent. The Company issued a total of 7,652,500 units ("Units") at a price of C$0.55 per Unit for gross proceeds of C$4,208,875. Each Unit consists of one ordinary share (a "Common Share") and one half of one warrant (a "Warrant"). Each Warrant is exercisable to purchase a further Common Share at a price of C$0.90 per share for 24 months from today. The Company will have the right to accelerate expiry of the Warrants if the volume weighted average closing price of the common shares on the TSX-V exceeds C$1.35 per share for 10 consecutive trading days by giving notice, whereupon the Warrants will expire 30 days from the date of notice. The Agent was paid a cash commission of 7% of the gross proceeds, and together with members of its selling group issued 612,200 warrants ("Broker Warrants"), equal to 8% of the number of Units sold. Each Broker Warrant is exercisable for 24 months to purchase a Common Share at C$0.55 per share.

On January 24, 2014, the Company closed the second and final tranche of the Private Placement. In this second tranche Primeline issued a total of 1,520,000 Units at a price of $0.55 per Unit for gross proceeds of C$836,000. Each Unit consists of one Common Share and one half of one Warrant. Each Warrant is exercisable to purchase a further Common Share at a price of C$0.90 per share for 24 months from the closing date. Primeline will have the right to accelerate expiry of the Warrants if the volume weighted average closing price of the common shares on the TSX-V exceeds C$1.35 per share for 10 consecutive trading days by giving notice, whereupon the Warrants will expire 30 days from the date of notice. The Agent was paid a cash commission of 7% of the gross proceeds and, together with members of its selling group, was issued a number of warrants ("Broker Warrants") equal to 8% of the number of Units sold. Each Broker Warrant was exercisable for 24 months to purchase a Common Share at C$0.55 per share.

After the year end, 150,000 of the Broker Warrants were exercised resulting in the issue of 150,000 Common Shares at C$ 0.55 each and the receipt of C$ 82,500 by the Company.

As at July 28, 2014, there are 112,791,018 Common Shares, 5,505,000 stock options and 5,170,050 Warrants and Broker Warrants outstanding.

Quarter ended March 31, 2014

The Company’s results for the quarter ended March 31, 2014 was a gain of RMB187,718 (C$33,442), compared to the gain of RMB508,236 for the same quarter last year, the decrease in gain of RMB320,518 (C$57,103) was mainly due to the gain recognized from extinguishment of shareholder loan and related party loan under the revised terms and effective interest rate of RMB3,539,003 in 2013, and the result was partially set off by the gain recongnized from fair value change of warrant liabilities of RMB1,926,382 (C$343,200), decrease of professional fee of RMB1,139,890 (C$203,080) and decrease of business promotion of RMB115,683 (C$20,610).

During the quarter exploration expenditures of RMB4,353,455 (C$775,602) were incurred, which comprised mainly of technical evaluations & management of RMB593,080 (C$105,662), interest on funding of deferred exploration expenditures of RMB616,564 (C$109,846), project administration of RMB766,275 (C$136,518) and salaries and benefits of RMB2,034,319 (C$362,430). These amounts were capitalized as exploration and evaluation assets.

Selected Annual Information

The following information was extracted from the Company's consolidated audited financial statements:

Years Ended March 31,	2014 RMB	2013 RMB	2012 RMB	2014 CAD
Net (loss) gain	(4,738,742)	(4,297,092)	(6,836,407)	(844,243)
Per basic share	(0.05)	(0.05)	(0.07)	(0.008)
Per diluted share	(0.05)	(0.05)	(0.07)	(0.008)
Total assets	487,598,179	450,868,327	433,117,280	86,869,442
Total long-term financial liabilities	31,022,843	42,628,271	28,345,306	5,526,963

The increase in loss of RMB441,650 (C$78,683) between 2014 and 2013 was mainly due to increase of professional fees of RMB646,484 (C$115,176) and decrease of finance income of RMB1,357,580 (C$241,864) which mainly from gain on extinguishment of shareholder loan and related party loan under revised loan facility term, and the result was partially set off by the decrease of business promotion of RMB961,431 (C$171,286) and increase in foreign exchange gain of RMB649,323 (C$115,682).

Summary of Quarterly Results (Unaudited)

Quarter Ended	2014 Mar 31 C$	2014 Mar 31 RMB	2013 Dec 31 RMB	2013 Sep 30 RMB	2013 Jun 30 RMB
Net gain (loss) gain	33,442	187,718	(1,908,099)	(1,039,850)	(1,978,511)
Per basic share	0.0003	0.002	(0.019)	(0.011)	(0.020)
Per diluted share	0.0003	0.002	(0.019)	(0.011)	(0.020)

Quarter Ended		2013 Mar 31 RMB	2012 Dec 31 RMB	2012 Sep 30 RMB	2012 Jun 30 RMB
Net gain (loss)		508,236	(2,364,487)	(2,091,568)	(349,273)
Per basic share		0.005	(0.025)	(0.022)	(0.004)
Per diluted share		0.005	(0.025)	(0.022)	(0.004)

The gain for the quarter ended March 31, 2014 of RMB187,718 (C$33,442) was mainly attributable to the gain recongnized from fair value change of warrant liabilities of RMB1,926,382 (C$343,200), increase of exchange gain RMB216,177 (CAD38,514) which is mainly resulted from CAD/RMB and US$/RMB exchange rate depreciation and partially set off by auditor's remuneration of RMB729,690 (C$130,000), directors remuneration and benefit of RMB341,308 (C$60,807), salary and benefit of RMB461,891 (C$82,290) and professional fees of RMB208,141 (C$37,082).

The gain for the quarter ended March 31, 2013 of RMB508,236 was mainly attributable to gain from extinguishment of shareholder loan and related party loan under revised loan facility of RMB2,431,963 and of RMB1,107,040 respectively and partially offset by auditor's remuneration of RMB717,524, salary and benefit of RMB554,547 and professional fees of RMB1,348,031.

The Company has a website at www.primelineenergy.com or www.pehi.com. The site features information on PEHI, new releases, background information and a technical summary of the project.