Primeline Energy Holdings Inc.
Consolidated Financial Statements
March 31, 2015

June 29, 2015

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, 2015 and March 31, 2014 and the consolidated statement of loss and comprehensive loss, changes in equity and cash flows for the years then ended, 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, 2015 and March 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Primeline Energy Holdings Inc.
Consolidated Statement of Financial Position
As at March 31, 2015 and 2014
(In RMB)

	Note	Mar 31, 2015 RMB'000	Mar 31, 2014 RMB'000	Mar 31, 2015 CAD$'000 (note 3.4c)
Non-current assets				
Exploration and evaluation assets	7	233,873	462,104	47,739
Property, plant and equipment	8	1,478,476	8	301,791
Restricted cash	13	4,245	-	866
Restricted bank deposits	10	112,500	-	22,964
		1,829,094	462,112	373,360
Current assets				
Cash and cash equivalents		53,179	24,648	10,855
Trade receivables		25,639	-	5,234
Prepaid expenses and deposit		5,357	838	1,094
Inventories	9	7,240	-	1,478
		91,415	25,486	18,661
Total assets		1,920,509	487,598	392,021
Equity attributable to shareholders				
Share capital	12	1,030	1,028	210
Reserves		569,793	561,352	116,308
Accumulated deficit		(122,168)	(108,203)	(24,937)
Total equity		448,655	454,177	91,581
Non-current liabilities				
Long term bank loans	13	1,126,933	-	230,033
Shareholder's loan	16(e)	-	19,259	-
Advances from a related party	16(f)	-	8,356	-
Accounts payable	20	19,859	-	4,054
Derivative warrant liabilities		-	3,408	-
Decommissioning liabilities	10	110,834	-	22,624
		1,257,626	31,023	256,711
Current liabilities				
Bank loans	13	97,792	-	19,962
Shareholder's loan	16(e)	59,335	-	12,112
Derivative warrant liabilities	11	706		144
Accounts payable and accrued liabilities		53,381	2,395	10,896
Cash calls payable	16(b)	3,014	3	615
		214,228	2,398	43,729
Total liabilities		1,471,854	33,421	300,440
Total shareholders' equity and liabilities		1,920,509	487,598	392,021

Approved by the Board of Directors

"*Brian Chan*"
Director

"*Ming Wang*"
Director

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

Primeline Energy Holdings Inc.
Consolidated Statement of Loss and Comprehensive Loss
For the year ended March 31, 2015 and 2014
(In RMB)

	Notes	2015 RMB'000	2014 RMB'000	2015 CAD$'000 (note 3.4c)
Revenue				
Oil and gas	19	119,271	-	24,346
Expenses				
Production costs		(22,984)	-	(4,692)
General and administrative		(8,466)	(8,985)	(1,728)
Depletion and depreciation		(73,629)	(6)	(15,029)
Interest		(21,337)	-	(4,356)
Accretion	10	(922)	-	(188)
Exchange gain (loss), net		(13,515)	1,212	(2,759)
Interest and other income	14	7,617	3,040	1,555
Loss before taxation		**(13,965)**	**(4,739)**	**(2,851)**
Taxation	15	-	-	-
Loss/comprehensive loss for the year		**(13,965)**	**(4,739)**	**(2,851)**
		RMB	RMB	CAD$
Basic and diluted loss per share		(0.12)	(0.05)	(0.03)
Weighted average number of common shares outstanding		112,765,539	99,895,041	112,765,539

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

Primeline Energy Holdings Inc.
Consolidated Statement of Changes in Equity
(In RMB)

	Attributable to equity owners of the company						
	Share Capital	Share Premium	Contributed Surplus Reserve	Share Option Reserve	Shares Purchase Warrants Reserve	Deficit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance – April 1, 2013	858	437,506	5,002	64,245	-	(103,464)	404,147
Debt Conversion	86	27,762	1,109	-	-	-	28,957
Share issue costs	-	(15)	-	-	-	-	(15)
Private placement	84	23,158	-	-	-	-	23,242
Share issue costs	-	(2,958)	-	-	-	-	(2,958)
Broker warrant issue costs	-	(1,213)	-	-	1,213	-	-
Loss and comprehensive loss for the year	-	-	-	-	-	(4,739)	(4,739)
Discount on shareholder loan	-	-	2,621	-	-	-	2,621
Share based payments	-	-	-	2,922	-	-	2,922
Balance – March 31, 2014	1,028	484,240	8,732	67,167	1,213	(108,203)	454,177
Warrants exercised	2	727	-	-	(263)	-	466
Discount on shareholder loan	-	-	5,465	-	-	-	5,465
Share based payments	-	-	-	2,512	-	-	2,512
Loss and comprehensive loss for the year	-	-	-	-	-	(13,965)	(13,965)
Balance – March 31, 2015	1,030	484,967	14,197	69,679	950	(122,168)	448,655
Balance –March 31, 2015, in CAD$'000 (note 3.4c)	210	98,993	2,898	14,223	194	(24,937)	91,581

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

Primeline Energy Holdings Inc.
Consolidated Statement of Cash Flows
For the year ended March 31, 2015 and 2014
(in RMB)

	Note	2015	2014	2015
		RMB'000	RMB'000	CAD$'000 (note 3.4c)
Cash flows from operating activities				
Loss for the year		(13,965)	(4,739)	(2,851)
Items not involving cash				
Depletion and depreciation	8	73,629	6	15,029
Finance income from fair value adjustment of advance from related company		-	(1,111)	-
Finance income from fair value adjustment of warrant liability		(2,492)	(1,926)	(509)
Finance costs		22,259	-	4,544
Stock-based compensation	12	1,388	1,885	283
Unrealized foreign exchange (gain)/loss		11,475	(1,400)	2,342
		92,294	(7,285)	18,838
Changes in non-cash working capital items:				
Prepaid expenses and deposit		(30,159)	974	(6,156)
Inventories		(163)	-	(33)
Accounts payable and accrued liabilities		894	(517)	183
		(29,428)	457	(6,006)
		62,866	(6,828)	12,832
Cash flows from investing activities				
Oil and gas development assets	8	(1,258,630)		(256,916)
Trial production	8	140,746	-	28,730
Expenditures on exploration and evaluation assets	7	(43,590)	(14,482)	(8,898)
		(1,161,474)	(14,482)	(237,084)
Cash flows from financing activities				
Gross proceeds of broker warrants exercised		466	-	95
Gross proceeds of private placement		-	28,648	-
Loan drawdown		1,213,525	-	247,709
Restricted cash		(4,245)	-	(866)
Long term fixed bank deposit		(112,500)	-	(22,964)
Interest paid		(4,483)	-	(915)
Share issue costs		-	(2,936)	-
Shareholder loan advance	16(e)	41,374	15,103	8,445
Cash call from a related party	16(b)	10,211	3,746	2,084
Cash utilized for a related party	16(b)	(17,104)	(3,882)	(3,491)
		1,127,244	40,679	230,097
Increase in cash and cash equivalents		28,636	19,369	5,845
Effect of foreign exchange rate on cash and cash equivalents		(105)	240	(21)
Cash and cash equivalents - Beginning of year		24,648	5,039	5,031
Cash and cash equivalents - End of year		53,179	24,648	10,855

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

1. Nature of Operations

Primeline Energy Holdings Inc. (the Company) was incorporated under the Companies Law of the Cayman Islands on March 31, 1995. The Company is in the business of exploration, development and production of offshore oil and gas properties in the People's Republic of China (PRC).

The Company owns exploration, development and production rights in the East China Sea in relation to Block 25/34 (Petroleum Contract 25/34) and Block 33/07 (Petroleum Contract 33/07). The contracts 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 (Mr. Hwang).

Block 25/34 is the development and production area for the LS36-1 gas field (LS36-1). CNOOC is the Operator with a 51% interest, and PECL and PPC hold 36.75% and 12.25% interests respectively. On July 1, 2014 the development of LS36-1 was officially completed and CNOOC and the downstream buyer, Zhejiang Provincial Gas Development Co. (Zhejiang Gas), commenced joint commissioning of the upstream and downstream facilities. Trial gas production from LS36-1 commenced on July 16, 2014. On October 29, 2014, CNOOC, as sales agent, and Zhejiang Gas signed the final Natural Gas Sale Agreement. This supersedes the Gas Sale Agreement-in principle and subsequent Framework and Amendment Agreements signed between 2008 and 2012 and confirms general commercial terms already negotiated including, inter alia, gas quality, take-or-pay principles, base price and annual quantity.

In June 2014, prior to revenues from LS36-1, Mr. Hwang agreed to provide the Company with an interest free loan of US$ 8 million for working capital purposes. On November 17, 2014, the Company and PPC signed the contracts for the project finance facility for the financing of the costs to complete LS36-1 (Syndicate Facility) with the financing banks, namely China Development Bank (CDB), China Export-Import Bank (EXIM) and Shanghai Pudong Development Bank (SPDB). CDB, EXIM and SPDB are collectively referred to as the "Syndicate". The Syndicate Facility is made available to the Company and PPC on a joint and several borrower basis and is for a total amount of US$274 million (Company's share US$205.5 million) and will be repayable over 9 years. As at the end of the period, the Company and PPC have drawn down a total of US$263 million (Company's share US$197 million) under the loan and have repaid to CNOOC their share of the costs incurred to date in the development of LS36-1 and subject to normal cash call payment obligations to fund cash calls in relation to operations.

Block 33/07 covers an offshore area 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.

2. Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB") using the accrual basis. Except for the revaluation of the derivative warrant liability. The comparative information has also been prepared on this basis.

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 Property, Plant and Equipment

Property, plant and equipment (PP&E) is recorded at cost less accumulated depletion and depreciation and accumulated impairment losses, net of recovered impairment losses.

PP&E may include the costs of oil and gas development and production wells and costs for the associated plant and for general corporate assets. All development costs incurred after the technical feasibility and commercial viability of producing oil and gas have been demonstrated are capitalized within PP&E. Development and production assets are capitalized on an area-by-area basis and include all costs associated with the development of oil and natural gas reserves. These costs may include expenditures on the construction, installation and completion of infrastructure facilities such as platforms, pipelines, and development wells drilling (including delineation wells), decommissioning costs, amounts transferred from E&E assets and directly attributable internal costs.

The Block 25/34 Joint Management Committee (JMC) estimates that the commercial production period for LS36-1 will be for a minimum of 15 years from December 1, 2014 and may be extended by agreement between the parties in the event that additional gas resources are discovered which can be conveniently tied into, transported and processed using the production facility.

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 and probable reserves. Depletion is calculated based on individual components (i.e. fields or combinations thereof and other major components with different useful lives).

Subsequent 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.

3.2 Depletion, depreciation and amortization

Property, plant and equipment related to the oil and gas production activities is depreciated on a unit of production basis over the proved and probable reserves of the field concerned, except in the case of assets whose useful life differs from the lifetime of the field, in which case the straight-line method is applied.

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

3.3 Decommissioning liability

The Company records the present value of legal obligations associated with the retirement of long-term tangible assets, such as producing well sites and processing plants, in the period in which they are incurred with a corresponding increase in the carrying amount of the related long-term asset. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. In subsequent periods, the asset is adjusted for any changes in the estimated amount or timing of the settlement of the obligations. The carrying amounts of the associated assets are depleted using the unit of production method, in accordance with the depreciation policy for development and production assets. Actual costs to retire tangible assets are deducted from the liability as incurred.

3.4 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 CAD$
The CAD$ amounts provided in the financial statements represent supplementary information solely for the convenience of the reader. The financial information presented in CAD$ has been translated from RMB using a convenience translation at the rate of RMB 4.899 to CAD$1, which is the exchange rate published in South China Morning Post as of March 31, 2015. Such presentation is not in accordance with IFRS and should not be construed as a representation that the RMB amounts shown could be readily converted, realized or settled in CAD$ at this or at any other rate.

3.5 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 modelling, 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 PP&E where they are allocated to cash-generating units based on geographical proximity and other factors.

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 received to sell the asset in an orderly transaction between market participants, 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.

3.7 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. The Company classifies its financial liabilities as other financial liabilities. Loans and receivables and other 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.

3.8 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.

3.9 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.

3.10 Conversion of debt to equity

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 such conversions of debt to equity.

3.11 Derivative financial instruments

The Company's derivative instruments are the share purchase warrants issued. The Company has issued warrants as part of a Unit offering with an exercise price in CAD$ rather than RMB, 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 on 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.

3.12 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.

3.13 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 the PRC, there is no current income tax.

Deferred income tax is recognised, using the balance sheet 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 recognized 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 Company controls the timing of the reversal of the temporary difference 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.

3.14 Share-based payments

The Company has a share-based compensation plan, details of which are disclosed in note 12. 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.

3.15 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. Revenues from the sale of petroleum natural gas and other related products are recorded when title passes to the customer.

3.16 Per share amounts

Basic earnings (loss) per share are computed per IAS 33 by dividing the net earnings or loss for the period by the weighted average number of Common Shares ("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.

3.17Borrowing 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.

3.18 Restricted Cash

Cash is held for security for decommissioning costs is reported in the balance sheet and cash flow separately. If the expected duration of the restriction is less than twelve months then it is shown in current assets.

3.19 Trade receivables

Trade receivables are recognized and carried at the original invoiced amount less any provision for estimated unrecoverable amounts.

3.20 Inventories

Inventories of materials, product inventory supplies and natural gas by-products are stated at the lower of cost and net realizable value. Cost is determined on the first–in, first-out method.

3.21 Consolidation

Subsidiaries

Subsidiaries are all 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 that 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%	RMB
Primeline Energy Operations International Limited	Cayman Islands	US$2	100%	RMB

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.

Interests in Joint Operations

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties.

The Company's interests in joint operations are accounted by recognizing its shares of the assets held jointly, liability held jointly, its revenue from the sale of its share of the output arising from the joint operation and expenses incurred jointly.

The Company, PPC and CNOOC's participation in the development and production activities of LS36-1 is through a joint operation without establishing a separate legal entity for this arrangement. The joint operation has engaged CNOOC China Limited Lishui Operating Company (LOC), wholly owned by CNOOC as the Operator for the project. LOC is accountable to the Joint Management Committee, in which both CNOOC and the Company have equal voting rights and decision-making power. The LOC's executive decisions are to be made jointly by chief representatives from both partners.

The Company's 36.75% share of the results, assets and liabilities from LS36-1 under the joint operation are incorporated in these consolidated financial statements. The Company recognizes, on a line –by – line basis in the consolidated financial statements, its share of the assets, liabilities, revenues and expenses of this joint operation incurred jointly with other parties from the date when control passes to the Company.

3.22 Segmental reporting

The Company has one operating segment, which is the exploration of oil and gas properties located in the PRC.

4 Changes in accounting standards

New, Amended and Future IFRS Pronouncements

IFRS 7

This standard was amended to require additional disclosures on transition from IAS 39 to IFRS 9, effective for annual periods beginning on the date of adoption of IFRS 9. The Company is currently evaluating the extent of the impact of the adoption of this standard.

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments (IFRS 9), addresses the classification, measurement and recognition of financial assets and financial liabilities. The IASB had previously issued versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication of IFRS 9 is the completed version of the Standard, replacing earlier versions of IFRS 9 and superseding the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income.

Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The completed version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the extent of the impact of the adoption of this standard and its related amendments on our financial statements.

Application of New and Revised Accounting Standards

The Company has applied the following new or revised IFRSs in these annual consolidated financial statements:

• IFRIC 21 – *Levies* (IFRIC 21), an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* (IAS 37), clarifies that the obligating event, as defined by IAS 37, that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company has applied IFRIC 21 on a retrospective basis in compliance with the transitional requirements of IFRIC 21. The application of IFRIC 21, which was effective January 1, 2014, did not result in any adjustments to the Company's consolidated financial statements.

The Company has not early adopted any other amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

5 Financial risk management

5.1 Financial risk factors

The Company's financial instruments consist of the Syndicate Facility, 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 are 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 given the short maturity of these instruments.

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, 2015	Mar 31, 2014
Cash and cash equivalents of:		
- CAD$ '000	103	157
- US$ '000	532	3,610
- GBP '000	12	72
- HK$ '000	1,720	629
Shareholder loan of US$ '000	(10,167)	(3,495)
Bank loans and interest of US$ '000	(199,214)	-
Advance from a related party of CAD$	-	(1,700)

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

	Mar 31, 2015 RMB'000	Mar 31, 2014 RMB'000	Mar 31, 2015 CAD$'000
- CAD$	50	866	10
- US$	129,674	71	26,470
- GBP	11	75	2
- HK$	138	50	28

(b) *Credit and trade receivables risk*

Credit and trades receivables' 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 outside China are principally held at a large international financial institution in interest bearing accounts. The majority of current cash balances are held at a Chinese financial institution in RMB, primarily for the purpose of debt servicing requirements relating to the Syndicate Facility.

The Company currently sells its natural gas a single customer, Zhejiang Natural Gas Development Ltd through CNOOC China Ltd and receives sales proceeds on a weekly basis. The Company would be exposed to significant risk with regard to its trade receivables position were settlement issues to arise.

(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 may be required in relation to any future exploration work.

In June 2014, Mr. Hwang agreed to provide the Company an interest free loan of US$8 million to meet the Company's overhead requirement and to carry out its exploration activities under Petroleum Contract 33/07. The Company settled its shareholder loan balance with shares subsequent to end of the period (note 21). The Company is actively exploring all possible fund-raising possibilities for the forthcoming exploration drilling program (note 21).

(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 is subject to interest rate risk relating to the syndicate loan.

5.2 Capital management

The Company's objectives when managing capital are to safeguard its 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 Board of Directors approves the annual and updated budgets.

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

6 Critical judgments and accounting estimates

The preparation of consolidated financial statements 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 consolidated financial statements are described as follows:

6.1 Shareholder Loans

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.

The Company assesses whether a change in the contractual terms of the shareholder loans 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, quantitative criteria and 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.

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. Accordingly, the equity issued is recorded at the carrying amount of the financial liability extinguished and neither gain nor loss arises.

6.2 Exploration and Evaluation Assets (E&E)

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.

The Company reviews and evaluates the carrying value of E&E 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 judgment.

6.3 Impairment Testing on Property, Plant and Equipment

The Company reviews and evaluates the carrying value 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 judgment. The key assumptions the Company uses in estimating future cash flows are expected production volumes and expected recoverable quantities of proved and probable reserves and certain prospective resources. These assumptions are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates. Changes in the aforementioned assumptions could affect the carrying amount of the CGU.

6.4 Decommissioning Liabilities Estimate

The recognition and measurement of decommissioning provisions involves the use of estimates and assumptions. These include the existence of a legal or constructive obligation to decommission, based on current legislation, contractual or regulatory requirements or best practice; the risk-free discount rate used to determine the net present value of the liability; the estimated cost of decommissioning based on internal and external engineering estimates and reports; and the payment dates of expected decommissioning costs which are uncertain and are based on economic assumptions surrounding the useful economic lives of the fields concerned. Actual costs could differ from estimated costs due to changes in legislation, regulations, technology, price levels and the expected date of decommissioning.

7 Exploration and evaluation assets

	Exploration and evaluation assets
	RMB'000
Balance at April 1, 2013	444,003
Additions	18,101
Balance at March 31, 2014	462,104
Additions	53,328
Transfer to property, plant and equipment	(281,559)
Balance at March 31, 2015	233,873
	CAD$'000
Balance March 31, 2015 in CAD$ (note 3.5)	47,739

Block 33/07 covers an offshore area 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 for the exploration operation, development operation and production operation within this contract area.

Petroleum Contract 33/07 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.

8 Property, plant and equipment

The Company, PPC and CNOOC's participation in the development and production activities of LS36-1 is through a joint operation without establishing a separate legal entity for this arrangement. The joint operation has engaged LOC, wholly owned by CNOOC as the Operator for the project. LOC is accountable to the Joint Management Committee, in which both CNOOC and the Company have equal voting rights and decision-making power. The LOC's executive decisions are to be made jointly by chief representatives from both partners. During the period, the Company transferred RMB 281,559,189 of assets directly related to exploration and development of LS36-1 from Exploration and Evaluation to PP&E after the JMC agreed that the commissioning and trial production of LS36-1 had been completed and declared the commencement of commercial production with effect from December 1, 2014. In accordance with Petroleum Contract 25/34 and the Supplemental Development Agreement entered into with CNOOC, the production period for LS36-1 will be for a minimum of 15 years from the commencement of commercial production and may be extended by agreement between the parties in the event that additional gas resources are discovered which can be conveniently tied into, transported and processed using the production facility. The Company capitalized its 36.75% share of the development costs related to LS36-1, being RMB 1,360,573,000.

	Oil & Gas Properties	**Computer & Office Equipment**	**Total**	**Total**
	RMB'000	RMB'000	RMB'000	CAD$'000
				(note 3.3)
COST				
At April 1, 2013	-	20	20	4
Additions	-	-	-	-
At March 31, 2014	-	20	20	4
Additions	1,411,284	-	1,411,284	288,076
Transfer from exploration and evaluation	281,559	-	281,559	57,472
Less: Trial production revenue	(140,746)	-	(140,746)	(28,730)
At March 31, 2015	1,552,097	20	1,552,117	316,822
DEPRECIATION AND				
At April 1, 2013	-	6	6	1
Charge for the year	-	6	6	1
At March 31, 2014	-	12	12	2
Charge for the year	73,623	6	73,629	15,029
At March 31, 2015	73,623	18	73,641	15,031
CARRYING VALUES	RMB'000	RMB'000	RMB'000	CAD$000
At April 1, 2013	-	14	14	3
At March 31, 2014	-	8	8	2
At March 31, 2015	**1,478,474**	**2**	**1,478,476**	**301,791**

The Company has performed an assessment of the recoverable amount of the LS36-1 CGU at year-end and at the date of transition from E&E assets to PP&E. Key assumptions by management included estimates of reserves and resources comprising proved, probable and certain prospective resources, consistent with the independent engineer's reserve report and using the oil price forecast contained in the report. Other key inputs included gas quality and base price, liquids and by-products yields, take-or-pay principles, annual quantity from the Gas Sale Agreement, and a discount rate of 12%.

A reasonably possible change in the aforementioned key assumptions on which management has based its determination of the recoverable amount would cause the carrying amount to exceed the recoverable amount of the CGU. The amount by which the Company's recoverable amount exceeds its carrying amount is RMB 16.0 million. A change in the discount rate of 0.3% is a sufficient change to create a recoverable amount equal to the carrying amount of the CGU. The value assigned to the prospective resources is RMB 128.1 million.

The calculation of the recoverable amount of the CGU is sensitive to the discount rate. The impact of a reasonably possible change in the discount rate is detailed in the table below:

Discount rate	**Impairment**	**Impairment**
	RMB'000	CAD$000 (Note 3.3)
12%	Nil	Nil
13%	35,662	7,279
14%	84,280	17,204
15%	130,106	26,558

9 Inventories

	March 31, 2015 RMB'000	March 31, 2014 RMB'000	March 31, 2015 CAD$'000 **(note 3.3)**
Condensate	98	-	20
Light oil	48	-	10
CO_2	17	-	3
Drilling materials and supplies	7,077	-	1,445
	7,240	-	**1,478**

10 Decommissioning Liabilities

	March 31, 2015 RMB'000	March 31, 2014 RMB'000	March 31, 2015 CAD$'000 **(note 3.3)**
Balance, beginning of year	-	-	-
Additions	109,912	-	22,436
Accretion	922	-	188
Balance, end of year	110,834	-	22,624

The total undiscounted future decommissioning liabilities, including costs to reclaim and abandon wells and facilities in the years in which such costs are expected to be incurred is estimated by CNOOC and stated in the ODP to be RMB 417,820,000. The Company's share of the liability is RMB153,550,000.

At March 31, 2015, the Company's share of the liability in the principal amount of RMB 149,305,000 (CAD$30,476,628 which has a net present value of RMB110,834,398 (assuming the liability is settled in 10 years and using an estimated risk-free nominal interest rate of 3.4% which equates to the long term yield on PRC government bond). The Company's share of the decommissioning liability has been determined to be non–current. Financing costs relating to the accretion of the decommissioning liabilities are RMB922,569. .

Cash held as security for the decommissioning costs are reported in the balance sheet as restricted cash.

11 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 12 (a) (ii)). These warrants are exercisable in CAD$. 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.

(in RMB)

Tranche 1 on December 30, 2013:

	As at March 31, 2015	**As at March 31, 2014**	**At date of issue December 30, 2013**
Exchange rate at date of fair value (RMB/CAD)	4.899	5.613	5.705
Stock price	CAD$0.47	CAD$0.57	CAD$0.63
Exercise price	CAD$0.90	CAD$0.90	CAD$0.90
Risk free interest rate	0.5%	1.07%	1.09%
Expected dividend yield	Nil	Nil	Nil
Expected stock price volatility	74%	70%	83%
Expected warrant life	0.75 years	1.75 years	2 years

Tranche 2 on January 23, 2014:

	As at March 31, 2015	**As at March 31, 2014**	**At date of issue January 23, 2014**
Exchange rate at date of fair value (RMB/CAD$)	4.899	5.613	5.55
Stock price	CAD$0.47	CAD$0.57	CAD$0.53
Exercise price	CAD$0.90	CAD$0.90	CAD$0.90
Risk free interest rate	0.5%	1.07%	0.97%
Expected dividend yield	Nil	Nil	Nil
Expected stock price volatility	61%	74%	73%
Expected warrant life	0.82 years	1.82 years	2 years

The Company's warrant liability for the years ended March 31, 2014 and March 31, 2015 is set out below:

	Warrants Outstanding	Value assigned RMB'000	Value assigned CAD$'000	Average exercise price CAD$
Balance – as at April 1, 2013	-	-	-	-
Warrants issued	4,586,250	5,406	1,103	0.90
Fair value re-measurement in the year	-	(1,926)	(393)	-
Foreign exchange gain	-	(72)	(15)	-
Balance – as at March 31, 2014	4,586,250	3,408	695	0.90
Fair value re-measurement in the year	-	(2,492)	(509)	-
Foreign exchange gain	-	(210)	(42)	-
Balance – as at March 31, 2015	4,586,250	706	144	0.90

The share purchase warrants outstanding and exercisable as at March 31, 2015 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

12 Share Capital and Share Options

a) Share Capital

	Number of shares	Share Capital RMB'000	Share Premium RMB'000	Total RMB'000	Total CAD$'000 (note 3.3)
Balance as at April 1, 2013	94,041,246	858	437,506	438,364	89,480
Shareholder loan converted to shares (Note i)	9,427,272	86	27,762	27,848	5,684
Share issue costs in relation to shareholder loan conversion (Note ii)	-	-	(15)	(15)	(3)
Gross proceeds from private placement (Note i)	9,172,500	84	23,158	23,242	4,744
Share issue costs incurred in relation to private placement (Note ii)	-		(2,958)	(2,958)	(604)
Share issue costs - Broker Warrants (Note iii)	-	-	(1,213)	(1,213)	(247)
Balance – as at March 31, 2014	112,641,018	1,028	484,240	485,268	99,054
Broker Warrants exercised (Note iv)	150,000	2	727	729	149
Balance – as at March 31, 2015	112,791,018	1,030	484,967	485,997	99,203

i) On October 10, 2013, Mr. Victor Hwang agreed to convert US$5,000,000 of the shareholder loans payable to him into 9,427,272 Common Shares. The TSX Venture Exchange (TSX-V) approved this transaction on November 7, 2013. The carrying amount of the loan payable to Mr. Hwang immediately prior to the conversion to Common Shares, was RMB28,957,699 (CAD$5,910,941). The Company recorded the shares issued to Mr. Hwang at the carrying amount of the financial liability extinguished.

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). 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.

On January 23, 2014, the Company closed the second and final tranche of the Private Placement and issued a total of 1,520,000 Units at a price of CAD$0.55 per Unit for gross proceeds of CAD$836,000.

The Company first calculated the fair value of the derivative warrant liabilities (see Note 11) that were issued using the Black Scholes model, and the remaining cash proceeds were allocated between share capital and share premium.

ii) In relation to the shareholder loan conversion and Private Placement, the Company incurred share issue costs of RMB2,973,681 (CAD$606,998) in total as follows:

In connection with the shareholder loan conversion, the Company incurred total legal and professional fees of RMB 15,291 (CAD$3,121).

In connection with the Private Placement, the Company incurred RMB2,958,390 (CAD$603,876) share issuance costs, which are comprised of the Agent's fee of RMB2,005,341 (CAD$409,337), and legal and professional costs of RMB953,049 (CAD$194,539).

iii) 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 fair value of the Broker Warrants issued is RMB1,213,235 (CAD$247,650). The Company calculated the fair value of the Broker Warrants using the Black Scholes model.

iv) On June 2, 2014, a member of the Agent's selling group exercised 150,000 Broker Warrants at an exercise price of CAD$0.55 per share. The Company received gross proceeds of RMB 465,616 (CAD$95,043). The fair value of the Broker Warrants exercised of RMB 263,064 (CAD$53,697) initially recognized in share purchase warrants reserve was transferred to share premium in Equity as at the date the Broker Warrants were exercised.

b) *Broker Warrants*

	Warrants outstanding	Value assigned RMB'000	Value assigned CAD$'000	Average exercise price CAD$
Balance as at April 1, 2013	-	-	-	-
Broker Warrants issued (see Note 14(a)(iii))	733,800	1,213	248	0.55
Balance as at March 31, 2014	733,800	1,213	248	0.55

(in RMB)

Broker Warrants exercised (see Note 14 (a)(iv)	(150,000)	(263)	(54)	0.55
Balance as at March 31, 2015	583,800	950	194	0.55

The number of Broker Warrants outstanding and exercisable as at March 31, 2015 is set out below:

Exercise Price CAD$	**Expiry date**	**Number**
0.55	December 30, 2015	462,200
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

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 board of directors, subject to TSX-V policy, sets the exercise price of a share option. 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.

(in RMB)

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

	Options outstanding	Weighted Average exercise price CAD$	Options exercisable	Weighted Average exercise price CAD$
As at April 1, 2013	5,505,000	0.49	1,766,660	0.37
As at March 31, 2014	5,505,000	0.49	2,400,000	0.36
Granted	450,000	0.68	150,000	0.68
Expired	(20,000)	0.60		
As at March 31, 2015	5,935,000	0.51	2,550,000	0.38

On July 27, 2011, the Company granted 2,100,000 options at an exercise price of CAD$0.32 per share to directors, officers, employees and consultants, of which 200,000 options have expired and 1,900,000 options expire on July 27, 2016. Share based payments of RMB Nil (CAD$ Nil) and RMB Nil (CAD$ Nil) (2014 – RMB67,570 and RMB34,630) were recognized as Directors remuneration & benefit and Salary & benefit respectively in the consolidated statement of loss and comprehensive loss. Share based payment of RMB Nil (CAD$ Nil) (2014 – RMB58,277) was capitalized as exploration and evaluation assets.

The share options vested according to the following schedule:

Vesting date	Number of Share options
July 27, 2011	633,326
July 27, 2012	633,334
July 27, 2013	633,340

On July 9, 2012, the Company granted 500,000 options at an exercise price of CAD$0.50 per share to D&D Securities Inc. in consideration of ongoing services on investor relations. The options expire on June 25, 2017.

(in RMB)

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 of which 20,000 options expired and 3,085,000 expire on September 26, 2017. Share based payments of RMB639,420 (CAD$130,521), RMB290,646 (CAD$59,328), RMB219,347 (CAD$44,774) (2014 – RMB844,850, RMB444,657 and RMB493,571) and RMB21,233 (CAD$4,334) (2014 – RMB nil) were recognized as Directors remuneration and benefit, professional fees, salary & benefit and production costs respectively in the consolidated statement of loss and comprehensive loss. Share based payment of RMB549,321 (CAD$112,129) (2014 – RMB978,249), RMB68,869 (CAD$14,058) (2014 – RMB nil) were capitalized as exploration and evaluation assets and property plant and equipment. The share options vested on June 5, 2015.

On August 11, 2014, the Company granted 450,000 options at an exercise price of CAD$0.68 per share to an officer. Such options will expire on August 11, 2019. Share based payments of RMB216,979 (CAD$44,290) (2014 – nil) were recognized as salary and benefit respectively in the consolidated statement of loss and comprehensive loss. Share based payment of RMB506,281 (CAD$103,344) (2014 – nil) was capitalized as exploration and evaluation assets. The share options vest according to the following schedule:

Vesting date	Number of Share options
November 11, 2014	150,000
November 11, 2015	150,000
November 11, 2016	150,000

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, 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 March 31, 2015

CAD$0.32	1,900,000	1.33 years	1,900,000
CAD$0.50	500,000	2.24 years	500,000
CAD$0.60	3,085,000	2.49 years	-
CAD$0.68	450,000	4.37 years	150,000
	5,935,000	**1.99 years**	**2,550,000**

As at June 26 2015, there are 134,009,553 Common Shares, 5,935,000 stock options and 5,170,050 Warrants and Broker Warrants outstanding.

13 Bank Loan

	March 31, 2015 RMB'000	**March 31, 2014** RMB'000	**March 31, 2015** CAD$'000 **(note 3.3)**
Within one year	97,792	-	19,962
More than one year	1,126,933	-	230,033
Secured floating-rate bank loan	1,224,725	-	249,995

On November 17, 2014, the Company and PPC signed the Syndicate Facility on a joint and several borrower basis secured on their respective interests in LS36-1. The principal amount of the Syndicate Facility is US$ 274 million (of which the Company's share is US$ 205.5 million) which will be repayable over 9 years at an all-in interest rate of 6 month LIBOR+4.7% with interest and capital repayments made bi-annually (except the first year which is annually). The Company has not recognized a provision for the part of the obligation expected to be met by PPC as the possibility of an outflow of resources embodying economic benefits is remote.

Principal repayment amounts outstanding under the Syndicate Facility for the Company's share are as follows:

	Mar. 31, 2015	**Mar. 31, 2015**
	RMB'000	CAD$ '000
Within 1 year	97,792	19,962
More than 1 year, but not more than 5 years	735,766	150,187
More than 5 years	391,167	79,846
Total	1,224,725	249,995

Estimated interest amounts outstanding under the Syndicate Facility for the Company's share are as follows:

	Mar. 31, 2015	Mar. 31, 2015
	RMB'000	CAD$ '000
Within 1 year	139,346	28,444
More than 1 year, but not more than 5 years	293,502	59,911
More than 5 years	18,536	3,784
Total	451,384	92,139

The Company is also required to fund a Debt Service Reserve Account (DSRA) no less than the aggregate amount of the next principal payment, next interest payment and any other expenses payable to the lenders. Restricted cash on deposit is cash held in the debt reserve account on a 3-year term for the purpose of servicing the Syndicate Facility, which can be accessed with penalty loss of interest and/or permission of the Syndicate. The next principal payment is due on November 20, 2015 amounting to approximately US $21 million (of which the Company's share is US$ 15.75 million.) Among other covenants, the Company is required to meet certain ratios, including a debt coverage ratio and an asset indebtedness ratio. As March 31, 2015 the Company was in compliance with all its covenants.

14 Interest and other income

	For the year ended		
	Mar 31, 2015 RMB'000	**Mar 31, 2014 RMB'000**	**Mar 31, 2015 CAD$'000 (note 3.3)**
Bank interest income	1,585	2	323
Gain on extinguishment of Related Party's loan under revised loan facility	-	1,111	-
Gain on fair value of re-measurement of warrant liability	2,492	1,927	509
Personnel services income, net	3,540	-	723
	7,617	**3,040**	**1,555**

15 Taxation

	For the year ended		
	Mar 31, 2015	**Mar 31, 2014**	**Mar 31, 2015**
	RMB'000	**RMB'000**	**CAD$'000**
Deferred tax for the year	-	-	-

The Company is domiciled in an income tax-exempt jurisdiction and carries out its oil exploration activities in the 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 year period, from commencement of oil/gas production. A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is provided below:

	Mar. 31, 2015	**Mar. 31, 2014**
	RMB'000	RMB'000
For the year ended March 31, 2015	25.00%	25.00%
Loss before taxes	13,965	4,739
Income tax recovery calculated at statutory rate	3,491	1,185
Unrecognized tax benefit	(3,491)	(1,185)
Income Tax	0	0

Unrecognized deferred income tax asset

Future potential tax deductions that are not used to offset deferred income tax liabilities are considered to be unrecognized deferred income tax assets. The significant components of the Company's unrecognized deferred income tax asset are as follows:

	Mar. 31, 2015
	RMB'000
As at March 31, 2015	
Non-capital losses	332,595
Other items	4,821
Unrecognized deferred income tax asset	337,416

The Company estimates that the realization of income tax benefits related to these deferred income tax assets is uncertain and cannot be considered to be more likely than not. Accordingly, no deferred income tax asset has been recorded.

Non-capital losses

The Company has incurred non-capital losses that may be carried forward and used to reduce taxable income of future years. These losses of RMB 332,595,029 will expire in five years from the March 31, 2015 year-end.

16 Transactions with related parties and directors

During the year ended March 31, 2015, the Company paid or accrued the following:

a) London office rent of RMB381,608 (CAD$77,895 **- (note 3.3)**) (2014 – RMB373,607) 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, for its 25% contribution to exploration, development & production costs were RMB15,211,133 (CAD$3,104,947) (2014 – RMB 3,746,120) and RMB12,200,253 (CAD$2,490,356) (2014 – RMB3,881,886) respectively. The balance is recorded as a cash call payable on the statement of financial position amounting to RMB3,013,583 (CAD$615,142) (2014 – RMB 2,704).

c) Fees and benefits paid or accrued to key management personnel of the Company were RMB5,627,738 (CAD$1,148,752) (2014 – RMB4,648,845) and share based payment of RMB1,381,389 (CAD$281,974) (2014 – RMB1,225,121) was recognized for the 2,360,000 (2014 – 2,260,000) share options granted to these key management personnel.

d) Fees and benefits paid or accrued to directors were RMB540,476 (CAD$110,324) (2014 – RMB577,025) and share based payment of RMB637,833 (CAD$130,197) (2014 – RMB912,420) was recognized for the 2,100,000 (2014 – 1,750,000) share options granted to the directors.

e) Shareholder loan of RMB 59,335,376 (CAD$12,111,732) (2014 – RMB19,258,753) represents interest-free loans with a principal balance of RMB63,124,835 (CAD$12,885,249) (2014 – RMB21,685,675). On June 30, 2014, Mr. Hwang agreed to advance an additional US$8,000,000 interest-free loan facility to the Company. This loan was repayable upon demand after December 31, 2015, and was converted on June 5, 2015 into Commons Shares (see note.21) As at March 31, 2015, the Company has drawn down a total of US$5,166,667 from the facility with a remaining available facility of US$2,833,333.

The shareholder loan was recorded at fair value on inception and carried at amortized cost. The discount on shareholder loan of RMB 3,789,459 (CAD$773,517) (2014 – RMB 2,621,485) and the capitalized interest of RMB4,106,472 (CAD$838,227) (2014 – RMB 2,621,485) were calculated using an effective rate of 10% per annum during the year-ended March 31, 2015.

f) Advances from a related party of RMB Nil (CAD$ Nil) (2014 – RMB 8,355,607) represent an interest-free balance with a principal amount of RMB Nil (CAD$ Nil) (2014 – RMB 9,542,100) 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 RMB 1,229,353 (CAD$250,940) (2014 – RMB820,697) was calculated using an effective rate of 10% per annum.

In June 2014, the Company funded CAD$1.7 million of PPC's share of the 3D seismic survey costs on behalf of PPC, thus repaying the advance.

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

17 Commitments

a) Under Petroleum Contract 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 RMB100 million of which the Company's 75% obligations would be a total of RMB75 million.

b) The Company entered into a lease agreement for the rental of its Shanghai office in the PRC. The lease is for a period of one year from September 1, 2014 to August 31, 2015 with a monthly rental fee of RMB 58,450 (CAD$11,931). The Company has signed a new lease agreement in June 2015 for new premises for its Shanghai office in the PRC covers the period from September 15, 2015 to 2018 for three months for a monthly rental fee of RMB 111,437.00 (CAD$22,747).

18 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.

The Syndicate Facility (note 13) is a secured floating rate instrument was recorded at fair value on inception and is carried at amortized cost.

A 1% change in the 6-month USD LIBOR rate would cause a 19.6% increase in interest payable.

A 1% change in the USDRMB rate would cause (from RMB 6.209 to RMB 6.271) a 1% change in interest payable.

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.

19 Revenue

	Year Ended March 31		
	2015 RMB'000	**2014 RMB'000**	**2015 CAD$'000 (note 3.8c)**
Natural gas	101,922	-	20,805
Condensate	14,453	-	2,950
Light Oil	2,870	-	586
CO2	26	-	5
	119,271	-	24,346

In December 2014, the Company received payment for natural gas and condensate sold during the trial production period, from July 16, 2014 to the declaration of commercial production by the JMC on December 1, 2014, of RMB 140.7 million. This has not been recognized as revenue but has been booked under investing activities in the cash flow statement, and netted off against Property, Plant and Equipment in the balance sheet.

20 Long term accounts payable

Under the repayment agreement with CNOOC in December 2014 which governs the terms and basis for the Company's repayment of its LS36-1 development cost obligations, the Company and CNOOC agreed a supplementary management fee would be added in consideration of the carry by CNOOC of those costs during that period. The fee is expected to be made by cash call adjustments by CNOOC and the non-current portion has been accrued as an account payable with the full amount capitalised as a development cost into PP&E.

21 Subsequent Events

a. On June 5, 2015, the Company's shareholder loan of US$10.1667 million from Mr. Hwang was converted into 21,218,535 Common Shares of the Company at a conversion price of CAD$0.58 per share with TSX-V approval. Mr. Hwang now directly and indirectly owns 80,543,619 Common Shares, representing approximately 60% of the 134,009,553 shares issued and outstanding. As a consequence of the loan conversion, 3,085,000 outstanding stock options exercisable at CAD$0.60 per share issued to directors, officers, employees and consultants of the Company in September 2012, vesting of which was conditional on repayment of the shareholders loans vested.

b. On May 11, 2015 the Company announced that it intended to acquire the one issued and outstanding share of PPC held by Primeline International Holdings Inc. (PIHI), a company wholly owned by Mr. Hwang, and the right to be repaid the shareholder loan made by PIHI to PPC (Shareholder Loan). PPC's only material assets are its 12.25% interest in Petroleum Contract 25/34 and its 25% interest in Petroleum Contract 33/07 and the same percentage interests in related contracts. The proposed acquisition (Acquisition) will be effected through a Sale and Purchase Agreement dated as of June 26, 2015 (Sale and Purchase Agreement) between the Company, as purchaser, and PIHI and Mr. Hwang as vendors. Pursuant to the Sale and Purchase Agreement, the Company will acquire the PPC Share and the right to be repaid the Shareholder Loan. Upon completion of the Acquisition, the Company's only operating assets (being its interests in the Petroleum Contracts) will be increased from 36.75% to 49%. The Sale and Purchase Agreement is expected to provide that the consideration for the PPC Share and the Shareholder Loan will be satisfied by the issue of 44,669,851 Common Shares of the Company to PIHI, representing one third of the number of issued and outstanding Common Shares of the Company as of the date of the Sale and

Purchase Agreement. PIHI will fund any additional payments required to be made by PPC under the Petroleum Contracts and related agreements to which PPC is party after March 31, 2015 and prior to completion of the Acquisition. The Company on completion will repay all such amounts paid by PIHI in cash. The Acquisition will be conditional on a number of factors, including the approval of the transaction by the Company's disinterested shareholders at an Extraordinary General Meeting has been called for July 23, 2015.

c. On May 11, 2015, the Company entered into a non-binding term sheet with GEMS, a Hong Kong based manager of private equity funds, whereby GRF Prime Limited (GRF Prime), a resources fund managed by GEMS, is to purchase a principal amount of US$20 million of unsecured Convertible Bonds to be issued by the Company (Bonds). Subsequently, GEMS' investment committee approved the investment and the binding Subscription Agreement has been negotiated and was signed by Primeline and GRF Prime on June 5, 2015. The Bonds are to be issued as Tranches A and B of US$10 million each. Tranche A Bonds are required to be drawn down by no later than July 30, 2015 and Tranche B Bonds is required to be drawn down by December 31, 2015. The Bonds will be for a term of three years extendable for two one-year periods at the option of the Bondholders if the average of the volume weighted average trading price of the shares of the Company for the 30 days prior to the maturity date of the Bonds is less than 115% of the conversion price in respect of the first extension and 125% in respect of the second extension. Interest will be payable quarterly at 7% per annum, of which 4.5% will be paid in cash and 2.5% in Common Shares issued at a deemed price per share equal to the volume-weighted average trading price of the Common Shares on the TSX-V for the 15 days preceding the interest payment date. The Tranche A Bonds will be convertible at the option of the holder 4 months from the date of issue to maturity into shares of the Company at a conversion price of CAD$0.70 per share, and the Tranche B Bonds will be convertible at the option of the holder 4 months from the date of issue to maturity at a conversion price CAD$0.85 per share. The Company will have the right to require conversion of a portion of the Tranche A Bonds and the Tranche B Bonds at any time after one year following their respective dates of issue if the volume-weighted average trading price of the shares exceeds 175% of this applicable conversion price for 30 consecutive trading days. Such portion is a number of Bonds, which, on conversion, would not cause the number of shares issued to exceed 25% of the arithmetic mean of the daily volume of shares traded during such 30 consecutive trading days. GRF Prime will have the right to call for redemption of the Bonds at maturity, on a change of control of the Company and upon occurrence of an event of default. On redemption, the Company will be required to pay such amount, which, together with previously paid fees and coupons, results in an aggregate return to GRF Prime of 10% per annum as of the date of redemption, with an additional premium in the event of a change of control of Primeline. GRF Prime will be entitled to nominate one voting member and one observer to the Board of Directors. As consideration for GRF Prime's entry into the Subscription Agreement, the Company will pay GRF Prime a cash finder's fee of US$376,000 (equal to 1.88% of the principal amount of the Bonds), and issue GRF Prime shares of the Company with a value of US$376,000, calculated at a price per share equal to the arithmetic mean of the volume weighted average trading price for the shares for the 15 trading days prior to the date of payment, with U$$ translated to CAD$ at the Bank of Canada noon rate on the day before the date of payment. Under the Subscription Agreement, the issue of the Bonds is subject to customary conditions including satisfactory completion of due diligence, receipt of all required regulatory approvals, absence of adverse material change, approval of Primeline's lending syndicate and approval of the TSX-V. Pursuant to the Subscription Agreement, completion of the issue of the Bonds is also subject to completion of the Acquisition referred to above.

d. On June 8, 2015, the Company signed a memorandum of understanding (MOU) to merge with Loyz Energy Limited (Loyz). The proposed merger of the two companies is to be effected by way of a scheme of arrangement under Cayman Islands law (Arrangement) under which Loyz would acquire all of the Common Shares of Primeline by issuing Loyz shares. Completion of the Arrangement will be subject to entry into definitive, binding agreements on or before August 31, 2015 and approvals of the shareholders of Primeline and Loyz. The consideration to be received by Primeline shareholders for their Common Shares of Primeline pursuant to the Arrangement has been fixed at CAD$1.01 per Common Share to be satisfied by the issue of shares of Loyz at an agreed price of SG$0.11 (approximately CAD$0.10) per Loyz share. The closing price of Primeline's shares on the TSX-V on June 5, 2015, the last trading day before the announcement of the MOU, was CAD$0.415, and the closing price of Loyz' shares on the Singapore Stock Exchange Catalist Board on June 5, 2015 was SG$0.119. Completion of the Arrangement will result in Primeline shareholders receiving approximately 10.023 Loyz Shares for every 1 Primeline Share held.

Primeline Energy Holdings Inc. (TSX Venture-PEH) ("the Company")
Management Discussion and Analysis for the Year Ended March 31, 2015

INTRODUCTION

This Management Discussion and Analysis is dated, June 29 2015 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, 2015 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 ("CAD$") equivalents are provided for information only. Such presentation in CAD$ 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 CAD$ at the date of these financial statements or any other date. The exchange rate of CAD$ to RMB published in the South China Morning Post on March 31, 2015 was RMB 4.899 to CAD$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 financing of, and the results of, the Company's exploration and assumptions that production from the LS36-1 gas field ("LS36-1") will proceed in accordance with the Natural Gas Sale Agreement ("Gas Sale Agreement") and other relevant agreements. Actual results may vary from those anticipated. Sufficient cash flow and/or external finance may not be available to the Company for exploration and it may then be in breach of its funding obligations under the Petroleum Contracts (defined below). 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 the People's Republic of China ("PRC"). 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 ("Mr. Hwang"). 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 LS36-1 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 LS36-1 and its production under Petroleum Contract 25/34 and Primeline leading the effort on exploration under Petroleum Contract 33/07. LS36-1’s production infrastructure is the first gas facility in the southern part of the East China Sea and could become a hub for successful exploration and development work in the remainder of the petroliferous Lishui Basin.

QUARTERLY AND ANNUAL PROGRESS REVIEW

This financial year saw the Company achieve the milestone of its first production and cash flow with the completion of the development of LS36-1. At the time of the discovery of LS36-1 in 1997 the Chinese gas market was at a very early stage of development but, following rapid expansion, is now becoming a more mature market with further growth potential given the relatively low penetration of natural gas in the total primary energy supply market compared to more developed countries.

The gas field has now been in production and selling gas to Zhejiang Gas since July 16, 2014. Primeline started to receive revenue from production from December 2014. The development has established access to the Zhejiang provincial gas grid in Eastern China, and together with the production infrastructure, enhances the value of LS36-1’s incremental reserves and prospective resources and any additional resources which may be discovered in Block 33/07 and elsewhere in the Lishui Basin.

The Company and PPC entered into a loan agreement with a syndicate jointly led by China Development Bank (“CDB”) and China Export-Import Bank (“EXIM”) with Shanghai Pudong Development Bank (“SPDB”) (together the “Syndicate”) as participant and agent bank. The loan has been drawn down to repay the Company’s and PPC’s share of the development costs.

During the period under review, Primeline also progressed the exploration work in the vicinity and completed the acquisition and processing of the additional 600 sq. km of 3D seismic data of Block 33/07. Primeline is now preparing for the start of the two well exploration, which is required to be completed on or before October 31, 2015.

Subsequent to the year end, Primeline also announced a number of corporate transactions to secure exploration funding, to acquire PPC and to merge with Loyz Energy Ltd. Once these transactions are completed, expected in late 2015, the Company will be well positioned to progress and expand in its China assets, but more importantly, to expand into other Asia-Pacific countries.

LS 36-1 GAS FIELD BROUGHT INTO PRODUCTION

During 2010-2014, CNOOC, as Operator, carried out and completed the LS36-1 development works including the production platform, subsea pipeline, development wells and onshore processing terminal.

On May 16, 2014, CNOOC notified Primeline that final approval of the Overall Development Program ("ODP") had been granted by the National Development and Reform Commission ("NDRC") for LS36-1 and it intended to finalise plans for the commencement of gas production.

The last part of the development work was the last 3 km of sale gas pipeline linking to the off taker's substation and facility which was completed in June 2014. The final connection with Zhejiang Gas's infrastructure was made on July 1, 2014. Joint commissioning of the upstream and downstream facilities commenced on July 8, 2014 and trial gas production from LS36-1 commenced on July 16, 2014.

After a successful trial production period, commercial production of LS36-1 under the Petroleum Contract commenced on December 1, 2014. The Block 25/34 Joint Management Committee (JMC) resolved that the commercial production period for LS36-1 would be for a minimum of 15 years from December 1, 2014 with the production area being confirmed as the same as the development area. The production period may be extended by agreement between the parties in the event that additional gas resources are discovered which can be conveniently tied into transported and processed using the production facility.

During 2014, CNOOC and Zhejiang Gas negotiated the terms of the Gas Sale Agreement. The first gas sale agreement in principle was signed in 2008 and a framework agreement for gas sale was signed in 2011, which together provided the commercial support for the development of LS36-1. The terms of the Gas Sale Agreement were agreed in early July and the contract was signed on October 29, 2014 in Beijing, replacing the previous framework agreement. It confirmed the general commercial terms already negotiated, including gas quality, take or pay principles, base price and annual quantity.

The Company received its first share of production revenue on December 12, 2014, which included revenue from sales of gas and the by-products. Subsequently, the Company has received its share of gas sales revenue at weekly intervals and by-product sales revenue at monthly intervals.

The total development cost paid by the Company and PPC for LS36-1 up to March 31, 2015 was RMB1,673 million (CAD$342 million) (Company share RMB1,257 million, or CAD$257 million) including the management charge for CNOOC's carry of the development costs from 2010 to 2014. The total production opex paid by the Company and PPC up to March 31, 2015 was RMB 31million (CAD$6.3 million) (Company share RMB 23million or CAD$5 million).

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.

DEVELOPMENT FINANCE

Under the terms of the agreements entered into by the Company, PPC and CNOOC in March 2010, Primeline had no obligation to fund its share of the development costs for LS36-1 until 3 months after ODP approval was obtained. In the meantime, CNOOC had responsibility for all work required to ensure that the development remained on schedule.

On May 16, 2014, CNOOC notified Primeline that approval of the ODP had been obtained. In order to allow Primeline sufficient time to finalize the financing arrangements, CNOOC agreed that the period allowed for Primeline to arrange for funding of cash calls in relation to the Development should be extended by 4 months to December 16, 2014. A memorandum of agreement was signed to that effect on October 29, 2014.

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 of LS36-1. PECL, PPC and CDB signed a revised 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.

Following the approval of the ODP, Primeline worked with CDB to finalise the loan arrangements for Primeline and PPC's share of the Development costs. As a result of changes in the banking environment and CDB internal regulations since the date of the previous credit committee approval it was agreed that CDB would lead and arrange a syndicated project finance facility. EXIM joined the Syndicate as joint lead arranger, and SPDB as participant and agent bank. The loan contract was signed by Primeline, PPC, and the Syndicate and dated as of November 17, 2014.

The facility (the "Syndicate Facility") is made available to Primeline and PPC on a joint borrower basis and secured on their respective interests in LS36-1. The Syndicate Facility is for a total amount of US$ 274 million (of which the Company's share is US$ 205.5 million) and will be repayable over 9 years at an all-in interest rate of 6 month LIBOR+4.7%. The Syndicate Facility is sufficient to cover all of the obligations of Primeline and PPC with respect to the costs of development.

Following the signing of the loan contract, in December 2014, Primeline and PPC made a drawdown on the Syndicate Facility and repaid CNOOC the agreed share of cash calls for the development of LS36-1 to the end of November, such draw down being in the order of US$262 million (Company's share US$197 million). Subsequent drawdowns were made to fund the remaining minor development work and up to March 31, 2015, the total drawn facility is US$264 million with US$10 million remaining undrawn.

EXPLORATION

In addition to the production and cash flow from the first phase, the main benefit of the LS36-1 development is that, on the basis of the current production from LS36-1, the production infrastructure has spare capacity which which will enable the Company to capitalise on its access to the growing Chinese gas market through exploration in the remainder of the Lishui Basin.

Petroleum Contract 33/07 covers 5,877 sq. km surrounding LS36-1 and provides the exploration fairway for long term growth. Primeline previously had 737 sq. km of 3D seismic data in the area from which several attractive prospects have been identified and mapped. Primeline's first step in exploration under the new licence was to expand this existing 3D seismic coverage to the north with an additional 3D survey of 600 sq. kms so that more drillable targets could be mapped in the remainder of the block currently only covered by 2D seismic data. In 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. The data processing commenced soon after and completed in November 2014. The interpretation of the new 3D seismic merged with the previous data, commenced in December 2014 and first around of interpretation result was presented to the JMC in April 2015.

The cost of the Survey and processing the data was approximately US$8 million borne by the Company and PPC in the proportions of 75%/25%, representing their respective interests in Petroleum Contract 33/07. The Survey provided better definition of the prospects and leads that had previously been identified in the survey area using 2D data in order to generate more drillable prospects. Primeline and CNOOC have agreed the candidates of drillable prospects and Primeline is in the process of finalising the well design and has been in discussion with potential drilling contractors since end of 2014 for the drilling operations to commence in summer/autumn 2015. There is very good rig availability in the region and Primeline is confident that it will secure a good rig at competitive price for its operation. An announcement will be made once the drilling contract is negotiated and concluded.

RESERVES

The Company appointed McDaniel and Associates Consultants Limited ("McDaniel") of Calgary to update the independent evaluation of its assets, including LS36-1 and Block 33/07.

McDaniel is one of the world's leading petroleum consulting firms specializing 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 seen the progress of LS36-1 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 and the Gas Sale Agreements as at March 31, 2015 and have updated their evaluation of the natural gas and natural gas liquid reserves located LS36-1 in accordance with the standards set out in Canadian National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook (COGEH).

The full report will be published on or before July 31, 2015.

At the effective date of March 31, 2015, the key estimates by McDaniel for LS36-1 are as follows:

- Total project recoverable Proved Reserves of 45.9 billion cubic feet ("bcf") of natural gas and 2.1 million barrels ("MMbbl") of LPG (1) and condensate;
- Total project recoverable Proved Plus Probable Reserves of 61.3 bcf of natural gas and 3.0 MMbbl of LPG and condensate which translates to Company Net Reserves (2) of 23.3 bcf of gas and 0.8 MMbbl of LPG and condensate;
- Total Proved Plus Probable barrels of oil equivalent ("boe") (3) of 13.2 MMbbl which translates to Net Company Reserves of 5.0 MMbbl; and
- Total Proved Plus Probable Plus Possible BOE(4) for the Project is 16.9 MMbbl which translates to Net Company Reserves of 6.4 MMbbl.

(1) Barrels of LPG are based on density of Propane.
(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) Based on gas/boe conversion of 6 to 1 and LPG/boe conversion of 1 to 1.
(4) With gas converted to oil in the rate of six thousand cubic feet of gas ("mcf") to one barrel of oil ("bbl") (6 Mcf : 1 bbl) and one barrel of LPG to one barrel of oil. BOEs may be misleading, particularly if used in isolation. A BOE conversion of 6 Mcf gas: 1 bbl oil and 1 bbl LPG : 1 bbl oil is based on an energy equivalency conversion method applicable at the burner tip and does not represent a value equivalency at the wellhead.

Under the reporting definitions, there is a 90% probability that the quantities actually recovered will equal or exceed the Proved Reserves, and a 50% probability that the quantities actually recovered will equal or exceed the Probable Reserves. Possible Reserves are those additional reserves that are less certain to be recovered than Probable Reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the Possible Reserves. Based on the terms of Gas Sale Agreement and McDaniel's view of the product price, together with the development costs spent to date, McDaniel estimates:

- Net present value before tax for LS36-1 Proved Plus Probable Reserves, net to Primeline, of US$223.4 million at a discount rate of 10%;

- Net present value before tax of US$278.9 million, 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 nor do they reflect capital and corporate structure effects and optimisation.

EXPLORATION AND WORKING CAPITAL FINANCE

Cash flow generated from LS36-1, including trial production revenue, for the financial year totaled RMB 260,016,991 (CAD$53,075,524). However, under the Syndicate Facility, such cash can only be accessed with penalty loss of interest and/or permission of the Syndicate, and therefore the Company intends to ring-fence such cash flow for the service of the Syndicate Facility. LS36-1 by product prices have been depressed given the decline in oil prices, hence there may be insufficient cash flow to fully fund the exploration work commitment under Petroleum Contract 33/07 and is described above under "Exploration".

Prior to production cash flow since December 2014, the Company's working capital had been funded from by its Chairman's interest free shareholder loans. In June 2014, prior to revenues from LS36-1, Mr. Hwang agreed to provide the Company with an additional interest free loan of US$ 8 million for working capital purposes and at March 31, 2015, the loans amounted to a principal amount of RMB 63,124,835 (CAD$12,885,249). The Survey in 2014 was funded by a modest fund raising of CAD$5 million in January 2014 plus Mr. Hwang's shareholder loans.

On June 5, 2015, after receipt of TSX-V approval, Primeline issued 21,218,535 ordinary shares to Mr. Victor Hwang at a conversion price of CAD$0.58 per Share, in settlement of US$10,166,666.67 (being the equivalent of CAD$12,306,750 at the agreed exchange rate of US$1.00 / CAD$1.2105) of debt owed by the Company to Mr. Hwang.

On May 11, 2015, the Company entered into a non-binding term sheet with GEMS Investment Management Limited ("GEMS"), a Hong Kong based manager of private equity funds, under which a resources fund managed by GEMS, GRF Prime, is to purchase a principal amount of US$20 million of unsecured Convertible Bonds to be issued by the Company (the "Bonds"). Subsequently, the investment in the Bonds has been approved by GEMS' investment committee and the binding subscription agreement ("Subscription Agreement") has been negotiated and was signed by both parties on the 5th June 2015 The Subscription Agreement provides that the Bonds are to be issued in two tranches of US$10 million each. The first US$10 million principal amount of Tranche A Bonds is be required to be drawn down by no later than July 30, 2015 and the second tranche of US$10 million principal amount Tranche B Bonds is required to be drawn down by December 31, 2015. The Bonds will be for a term of three years extendable for two one-year periods at the option of the Bondholders if the average of the volume weighted average trading price of the shares of the Company for the 30 days prior to the maturity date of the Bonds is less than 115% of the conversion price in respect of the first extension and 125% in respect of the second extension. Interest will be payable quarterly at 7% per annum, of which 4.5% will be paid in cash and 2.5% in shares in the Company issued at a deemed price per share equal to the volume-weighted average trading price of the shares on the TSX-V for the 15 days preceding the interest payment date. The Tranche A Bonds will be convertible at the option of the holder 4 months from the date of issue to maturity into shares of the Company at a conversion price of CAD$0.70 per share, and the Tranche B Bonds will be convertible at the option of the holder 4 months from the date of issue to maturity at a conversion price CAD$0.85 per share. The Company will have the right to require conversion of a portion of the Tranche A Bonds and the Tranche B Bonds at any time after one year following their respective dates of issue if the volume-weighted average trading price of the shares exceeds 175% of the applicable conversion price for 30 consecutive trading days subject to a liquidity test. GEMS will have the right to call for redemption of the Bonds at maturity, on a change of control of the Company and upon occurrence of an event of default. On redemption, the Company will be required to pay such amount as results in an aggregate return to GEMS of 10% per annum as of the date of redemption, with an additional premium in the event of a change of control of Primeline. GEMS will be entitled to nominate one voting member and one observer to the Board of Directors.

As consideration for entry into the Subscription Agreement, the Company will pay GEMS a cash finder's fee of US$376,000 (equal to 1.88% of the principal amount of the Bonds), and issue GEMS shares of the Company with a value of US$376,000, calculated at a price per share equal to the arithmetic mean of the volume weighted average trading price for the shares for the 15 trading days prior to the date of payment, with US dollar ("US$") translated to CAD$ at the Bank of Canada noon rate on the day before the date of payment.

Under the Subscription Agreement, the issue of the Bonds is subject to customary conditions including satisfactory completion of due diligence, receipt of all required regulatory approvals, absence of adverse material change, approval of the Syndicate and EXIM, and approval of the TSX-V.

Pursuant to the Subscription Agreement, completion of the issue of the Bonds is also subject to completion of the Acquisition referred to below.

CORPORATE TRANSACTION: ACQUISITION OF PPC

On May 11 2015 the Company announced that it intended to acquire the one issued and outstanding share of PPC held by Primeline International Holdings Inc. ("PIHI"), a company wholly owned by Mr. Hwang, and the right to be repaid the shareholder loan made by PIHI to PPC (the "Shareholder Loan"). PPC's only material assets are its 12.25% interest in Petroleum Contract 25/34 and its 25% interest in Petroleum Contract 33/07 and the same percentage interests in related contracts. The proposed acquisition of the PPC Share and the Shareholder Loan by the Company from Mr. Hwang ("the Acquisition") is conditional on a number of factors, including the approval of the transaction by the Company's disinterested shareholders at an Extraordinary General Meeting, which is expected to be held on July 30, 2015.

The Acquisition will be effected through a Sale and Purchase Agreement dated as of June 26, 2015 (the "Sale and Purchase Agreement") between the Company, as purchaser, and PIHI and Mr. Hwang as vendors. Pursuant to the Sale and Purchase Agreement, the Company will acquire the PPC Share and the right to be repaid the Shareholder Loan. Upon completion of the Acquisition, the Company's only operating assets (being its interests in the Petroleum Contracts) will be increased by one third. The Sale and Purchase Agreement provides that the consideration for the PPC Share and the Shareholder Loan will be satisfied by the issue of one third of the number of issued and outstanding shares of the Company as of the date of the Sale and Purchase Agreement which is 44,669,851 common shares of the Company to PIHI. PIHI will fund any additional payments required to be made by PPC under the Petroleum Contracts and related agreements to which PPC is party after March 31, 2015 and prior to completion of the Acquisition. All such amounts paid by PIHI will be repaid in cash by the Company on completion.

In May 2015, Primeline formed a special committee ("Special Committee") comprised of the independent non-executive directors of the Company, Messrs. Alan Johnson, Peter Kelty and Vincent Lien, to evaluate the Acquisition and engaged Blair Franklin Capital Partners Inc. ("Blair Franklin") of Toronto to advise the Special Committee and to provide an opinion to the Special Committee as to whether or not the issuance of the Primeline shares pursuant to the Acquisition was fair from a financial point of view to the shareholders of Primeline other than Mr. Hwang and PIHI. On June 26, 2015, Blair Franklin provided the Special Committee with an opinion that stated that, based upon and subject to the assumptions, limitations and qualifications set forth therein, as of June 26, 2015, the Primeline shares to be issued pursuant to the Acquisition was fair from a financial point of view to the shareholders of Primeline other than Mr. Hwang and PIHI.

An Extraordinary General Meeting of Primeline shareholders to consider the Acquisition has been scheduled for July 30, 2015 and a management information circular will be posted to Primeline shareholders providing notice of the meeting and details of the Acquisition. Completion of the Acquisition is one of the main conditions precedent to the completion of the issue of US$20 million principal amount of bonds to GEMS, which is intended to provide funds to fulfill Primeline's exploration drilling obligations under the Petroleum Contract for Block 33/07, announced on June 5, 2015.

CORPORATE TRANSACTION: PROPOSED MERGER WITH LOYZ

On June 9, 2015, the Company announced that it has signed a memorandum of understanding ("MOU") to merge with Loyz Energy Limited ("Loyz").

The merger will result in the creation of an ambitious pan-Asia/Pacific oil and gas company, listed on the Catalist board of the Singapore Stock Exchange (the "SGX") with significant production, cash flow and exploration upside in which existing PEH shareholders will have the controlling position.

The proposed merger of the two companies is to be effected by way of a scheme of arrangement under Cayman Islands law (the "Arrangement") under which Loyz would acquire all of the ordinary shares of Primeline in consideration of the issue of Loyz shares to Primeline shareholders.

The consideration to be received by Primeline shareholders for their shares of the Company ("Primeline Shares") pursuant to the Arrangement has been fixed at CAD$1.01 per ordinary share to be satisfied by the issue of shares of Loyz at an agreed price of SG$0.11 (approximately CAD$0.10) per Loyz share. The closing price of the Primeline Shares on the TSX-V on June 5, 2015, the last trading day before announcement of the proposed merger, was CAD$0.415, and the closing price of Loyz' shares on the SGX-ST on June 5, 2015 was SG$0.119. Completion of the Arrangement will result in Primeline shareholders receiving approximately 10.023 Loyz Shares for every 1 Primeline Share held.

After the Acquisition and the Arrangement, Primeline's shareholders will own 66.1% of the enlarged share capital of Loyz, and Mr. Hwang will hold approximately 1,255 million Loyz Shares representing approximately 46.3% of Loyz and will be the largest and controlling shareholder of Loyz.

The Arrangement is expected to constitute, in respect of Loyz, a "Reverse Takeover" under Chapter 10 of the Listing Manual of the SGX.

The combined company will have oil production in Thailand and gas production in China, plus the significant exploration upside in both countries and in the Philippines, Australia and New Zealand. If the Arrangement is completed, Primeline will become a wholly-owned subsidiary of Loyz, and apply to delist from the TSX-V.

Completion of the Arrangement will be subject to entry into definitive, binding agreements on or before August 31, 2015 or such later date as Loyz and Primeline may agree. Until such date, Loyz and Primeline have agreed to negotiate exclusively with each other. Completion of the Arrangement is presently expected to occur by December 31, 2015.

Conditions to completion of the Arrangement provided for in the MOU include satisfactory conclusion of due diligence by both parties, approvals from shareholders of Primeline and Loyz, approvals from the TSX -V and the SGX, approval of the courts of the Cayman Islands, approval of Primeline and PPC's lending syndicate banks, any approvals required from CNOOC, completion by Primeline of the Acquisition and the issuance of US$20 million principal amount of Bonds and completion by Loyz of the disposal of certain rigs, and the conversion of outstanding shareholder loans into shares of Loyz.

GENERAL FINANCIAL OUTLOOK

As at March 31, 2015, the Company held cash resources of RMB 53,178,928 (C$10,855,057), loans from Mr. Hwang in principal amount in the order of RMB63,124,4835 (C$12,885,249), and amounts outstanding under the Syndicate Facility of RMB 1,224,725,249 (C$249,994,948).

The Company expects to make a capital repayment on the Syndicate Facility in November 2015 of approximately US$15.75 millon, and interest payments in June and December 2015 for US$5 million and US$5.3 million respectively.

FINANCIAL INFORMATION

Results of Operations

The Company's results for the year ended March 31, 2015 were a loss of RMB13,965,358 (CAD$2,850,655) compared to the loss of RMB4,738,742 for last year. Compared with last year, this year's results included revenue, production costs, finance cost and amortization relating to LS36-1 which has been in the commercial production stage since December 2014.

This year's results included items relating to the period of commercial production of LS36-1 since December 2014 including revenue of RMB119,270,538 (CAD$24,345,895) and production costs of RMB22,984,369 (CAD$4,691,645). In addition, G&A expenses were RMB8,464,899 (CAD$1,727,883).

There was an increase of finance expenses of RMB22,259,144 (CAD$4,543,610) mainly due to interest paid/accrued under the Syndicate Facility.

There was a negative change in foreign exchange gains and losses of RMB14,727,702 (CAD$3,006,2673,) due to the depreciation of the RMB and CAD$ against the US$, which is mainly related to amounts drawn down under the Syndicate Facility, which is denominated in US$.

The loss before taxation for the period was RMB13,965,358 (CAD$2,850,655).

The Company estimates that the realization of income tax benefits related to its deferred income tax assets is uncertain and cannot be considered to be more likely than not. Accordingly, no deferred income tax asset has been recorded.

Liquidity and Capital Resources

As at March 31, 2015, net current liabilities of the Company amounted to RMB122,812,744 (CAD$25,068,941), compared to net current assets of RMB23,087,905 as at March 31, 2014. The decrease in net current assets of RMB145,900,649 (CAD$29,781,721) was mainly due to the significant increase in current liabilities of RMB214,228,626 (CAD$43,729,052) as a result of shareholder loans of RMB59,335,376 (CAD$12,111,732) being reclassified from a long-term liability in previous period to a current liability and also to the Syndicate Facility and loan interest of RMB97,791,750 (C$19,961,574) and RMB 16,853,494 (C$3,440,191) respectively which due within the coming 12 months . The shareholder loans were repaid after the year-end by shares issued to Mr. Victor Hwang; see "Subsequent Events".

As at March 31, 2015, the Company had total assets of RMB1,920,510,055 (CAD$392,020,832) (March 31, 2014 – RMB487,598,179) which were financed by net shareholders' equity of RMB448,654,445 (CAD$91,580,822) (March 31, 2014 – RMB454,177,109), shareholders loan of RMB59,335,376 (CAD$12,111,732) (March 31, 2014 – RMB19,258,753), advance from a related party of RMB nil (CAD$ nil) (March 31, 2014 – RMB8,355,607) and Syndicate Facility bank loan of RMB1,224,725,249 (CAD$249,994,948) (March 31, 2014 – RMB nil).

As at March 31, 2015, the Company had an accumulated deficit of RMB122,168,221 (CAD$24,937,379) (March 31, 2014 – RMB108,202,863).

During the year, exploration and evaluation assets of RMB53,328,642 (CAD$10,885,618) were incurred and financed mainly by the shareholder's loans. As at March 31, 2015, the total amount of exploration and evaluation assets incurred and capitalized amounted to RMB233,873,311 (CAD$47,738,990) (March 31, 2014 – RMB462,103,858) and can be broken down as follows:

	Mar 31, 2014 RMB	Mar 31, 2015 RMB	Mar 31, 2015 CAD$
Exploration Drilling Related Services			
Drilling services	178,263,638	144,537,498	29,503,470
Drilling technical supervision and evaluation	4,650,259	2,622,475	535,308
Exploration Geological&Geophysical Surveys& Work			
Geological&geophysical survey acquisition& processing	64,892,882	38,783,106	7,916,535
Technical evaluations&management	43,713,058	6,461,452	1,318,933
Pre-development study	32,583,351	-	-
Interests on funding of deferred exploration expenditures	27,423,969	10,886,737	2,222,237
Deferred costs acquired from Primeline Petroleum Corporation	8,485,080	-	-
Project administration	29,299,370	9,443,242	1,927,586
Salaries and benefits	50,173,660	16,480,369	3,364,027
Travel and accommodation	19,475,389	4,658,432	950,894
Contract signing fee	3,143,202	-	-
	462,103,858	233,873,311	47,738,990

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, 2015	Mar 31, 2014
Cash and cash equivalents of:		
- CAD$ '000	102,586	156,625
- US$ '000	531,814	3,609,762
- GBP '000	11,749	72,339
- HK$ '000	1,719,859	629,345
Shareholder loan of US$ '000	(10,166,667)	(3,495,871)
Bank loans and interest of US$ '000	(199,214,365)	-
Advance from a related party of CAD$	-	(1,700,000)

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

	Mar 31, 2015 RMB	Mar 31, 2014 RMB	Mar 31, 2015 CAD$
- CAD$	50,257	866,296	10,259
- US$	129,674,479	71,290	26,469,581
- GBP	10,809	74,726	2,206
- HK$	137,761	50,348	28,120

(b) Credit risk and trade receivable risk

Credit and trades receivables' 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 outside China are principally held at a large international financial institution in interest bearing accounts. The majority of current cash balances are held at a Chinese financial institution in RMB and US$, primarily for the purpose of debt servicing requirements relating to the Syndicate Facility.

The Company currently sells its natural gas a single customer, Zhejiang Natural Gas Development Ltd, through CNOOC China Ltd, and receives sales proceeds on a weekly basis. The Company would be exposed to significant risk with regard to its trade receivables position were settlement issues to arise.

(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 may be required in relation to any future exploration work.

In June 2014, Mr. Hwang agreed to provide the Company an interest free loan of US$8 million to meet the Company's overhead requirement and to carry out its exploration activities under

Petroleum Contract 33/07. The Company is actively exploring all possible fund-raising possibilities for the forthcoming exploration drilling program. See "Subsequent Events".

The Company's non-derivative financial liabilities, which are amounts due on the shareholder loan, are repayable on demand after December 31, 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 inherent interest rate risk in the Syndicate Facility, which is set at US$ 6 month LIBOR plus 4.7%.

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. These warrants are exercisable in CAD$. 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, 2015	**As at March 31, 2014**	**At date of issue January 23, 2014**
Exchange rate at date of fair value (RMB/CAD)	4.899	5.613	5.55
Stock price	CAD$0.47	CAD$0.57	CAD$0.53
Exercise price	CAD$0.90	CAD$0.90	CAD$0.90
Risk free interest rate	0.5%	1.07%	0.97%
Expected dividend yield	Nil	Nil	Nil
Expected stock price volatility	61%	74%	73%
Expected warrant life	0.82 years	1.82 years	2 years

Tranche 2 on January 23, 2014:

	As at March 31, 2015	As at March 31, 2014	At date of issue January 23, 2014
Exchange rate at date of fair value (RMB/CAD)	4.899	5.613	5.55
Stock price	CAD$0.47	CAD$0.57	CAD$0.53
Exercise price	CAD$0.90	CAD$0.90	CAD$0.90
Risk free interest rate	0.5%	1.07%	0.97%
Expected dividend yield	Nil	Nil	Nil
Expected stock price volatility	61%	74%	73%
Expected warrant life	0.82 years	1.82 years	2 years

The Company's warrant liability for the year ended March 31, 2015 and March 31, 2014 is set out below:

	Warrants Outstanding	Value assigned RMB'000	Value assigned CAD$'000	Average exercise price CAD$
Balance – as at April 1, 2013	-	-	-	-
Warrants issued	4,586,250	5,406	1,103	0.90
Fair value re-measurement in the year	-	(1,998)	(408)	-
Balance – as at March 31, 2014	4,586,250	3,408	695	0.90
Fair value re-measurement in the year	-	(2,702)	(551)	-
Balance – as at March 31, 2015	4,586,250	706	144	0.90

The share purchase warrants outstanding and exercisable as at March 31, 2015 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

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 Board of Directors approves the annual and updated budgets. 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, 2015.

Transactions with related parties and directors

During the year ended March 31, 2015, the Company paid or accrued the following:

a) London office rent of RMB381,608 (CAD$77,895) (2014 – RMB373,607) was paid or accrued to a company beneficially owned by Mr. Hwang.

b) Cash calls received from and utilized for, PPC, a company owned by Mr. Hwang for its 25% contribution to exploration, development & productions costs were RMB RMB15,211,133 (CAD$3,104,947) (2014 – RMB 3,746,120) and RMB12,200,253 (CAD$2,490,356) (2014 – RMB3,881,886) respectively. The balance is recorded as a cash call payable on the statement of financial position amounting to RMB 3,013,583 (CAD$615,142) (2014 – RMB2,704).

c) The aggregate total compensation paid or payable to the key management is as follows:

Key Management	Position	Nature of Compensation	March 31, 2015	March 31, 2014	March 31, 2015
			RMB	RMB	CAD$
Ming Wang	CEO	Salary	1,858,230	1,661,441	379,308
Andrew Biggs	SVP	Salary	1,308,101	1,161,034	267,014
Alan Soulsby	Tec. Director	Consulting	411,346	319,606	83,965
Yu Jin Shen	Sen. Advisor	Consulting	156,705	239,749	31,987
Chongxin Zhang	Sen. Advisor	Salary	164,299	316,699	33,537
Mark Norman	GM, China	Salary	954,336	851,375	194,802
Stuart Joyner*	CFO	Salary	774,721	-	158,139
Ben Cheng	Former CFO	Salary	-	88,361	-
Alan Johnson	Director	Board Advisory	135,119	144,256	27,581
Vincent Lien	Director	Board Advisory	135,119	144,256	27,581
Yunshi Cao	Director	Board Advisory	135,119	144,256	27,581
Peter Kelty	Director	Board Advisory	135,119	144,256	27,581
Total			**6,168,214**	**5,225,870**	**1,259,076**

**Mr. Joyner's employment commenced on August 11, 2014*

Share based payments of RMB2,019,222 (CAD$412,171) (2014 – RMB2,137,541) were recognized for the 4,460,000 (2014 – 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.

d) Shareholder loans of RMB 59,335,376 (CAD$12,111,732) (2014 – RMB19,258,753) represent interest-free loans with a principal balance of RMB63,124,835 (CAD$12,885,249) (2014 – RMB21,685,675) due to Mr. Victor Hwang. and repayable upon demand after December 31, 2015, Shareholder loans were recorded at fair value on inception and carried at amortized cost. The discount on shareholder loan of RMB 3,789,459 (CAD$773,517) (2014 – RMB 2,621,485) and the capitalized interest of RMB4,106,472 (CAD$838,227) (2014 – RMB 2,841,283) were calculated using an effective rate of 10% per annum during the year ended March 31, 2015.

e) Advances from a related party of RMB Nil (CAD$ Nil) (2014 – RMB 8,355,607) represent an interest-free balance with a principal amount of RMB Nil (CAD$ Nil) (2014 – RMB 9,542,100) 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 RMB 1,229,353 (CAD$250,940) (2014 – RMB820,697) was calculated using an effective rate of 10% per annum.

   In June 2014, the Company funded CAD$1.7 million of PPC's share of the 3D seismic survey costs on behalf of PPC, thus repaying the advance.

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 June 5, 2015, the Company's shareholder loan of US$10.1667 million from Mr. Hwang was converted into shares of the Company at a conversion price of CAD$0.58 per share with TSX-V approval. As a result, the Company issued 21,218,535 new ordinary shares to Mr. Hwang. Mr. Hwang now directly and indirectly owns 80,543,619 ordinary shares, representing approximately 60% of the 134,009,553 shares issued and outstanding. As a consequence of the loan conversion, 3,085,000 outstanding stock options exercisable at CAD$0.60 per share issued to directors, officers, employees and consultants of the Company in September 2012, vesting of which was conditional on repayment of the shareholders loans, have been amended such as they have now vested.

b) On May 11, 2015 the Company announced that it intended to acquire the one issued and outstanding share of PPC held by PIHI. PPC's only material assets are its 12.25% interest in Petroleum Contract 25/34 and its 25% interest in Petroleum Contract 33/07 and the same percentage interests in related contracts.

   The Acquisition will be effected through a Sale and Purchase Agreement dated as of June 26, 2015 between the Company, as purchaser, and PIHI and Mr. Hwang as vendors. Pursuant to the Sale and Purchase Agreement, the Company will acquire the PPC Share and the right to be repaid the Shareholder Loan. Upon completion of the Acquisition, the Company's only operating assets (being its interests in the Petroleum Contracts) will be increased by one third. The Sale and Purchase Agreement provides that the consideration for the PPC Share and the Shareholder Loan will be satisfied by the issue of 44,669,851 common shares of the Company to PIHI, representing one third of the number of issued and outstanding shares of the Company as of the date of the Sale and Purchase Agreement. PIHI will fund any additional payments required to be made by PPC under the Petroleum Contracts and related agreements to which PPC is party after March 31, 2015 and prior to completion of the Acquisition. All such amounts paid by PIHI will be repaid in cash by the Company on completion. The Acquisition will be conditional on a number of factors, including the approval of the transaction by the Company's disinterested shareholders at an Extraordinary General Meeting has been called for July 30, 2015.

c) On May 11, 2015, the Company entered into a non-binding term sheet with GEMS, a Hong Kong based manager of private equity funds, under which a resources fund managed by GEMS is to purchase a principal amount of US$20 million of unsecured Convertible Bonds to be issued by the Company. Subsequently, the investment in the Bonds has been approved by GEMS' investment committee and the binding subscription agreement has been negotiated and was signed by Primeline and GRF Prime Limited, a resources fund managed by GEMS, on the June 5, 2015/ The Subscription Agreement provides the Bonds are to be issued in two tranches of US$10 million each.

d) On the June 8, 2015, the Company signed a MOU to merge with Loyz. The merger of the two companies is proposed to be effected by way of a scheme of arrangement under Cayman Islands law (the "Arrangement") under which Loyz would acquire all of the ordinary shares of Primeline by issuing Loyz shares. Completion of the Arrangement will be subject to entry into definitive, binding agreements on or before August 31, 2015 and approvals of the shareholders of Primeline and Loyz.

Summary of Significant Accounting Policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective April 1, 2014. These changes were made in accordance with the applicable transitional provisions:

Property, Plant and Equipment

Property, plant and equipment (PP&E) is recorded at cost less accumulated depletion and depreciation and accumulated impairment losses, net of recovered impairment losses.

PP&E 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. All development costs incurred after the technical feasibility and commercial viability of producing oil and gas have been demonstrated are capitalized within PP&E. Development assets are capitalized on an area-by-area basis and include all costs associated with the development of oil and natural gas reserves. These costs may include expenditures on the construction, installation and completion of infrastructure facilities such as platforms, pipelines, and development wells drilling (including delineation wells), decommissioning costs, amounts transferred from E&E assets and directly attributable internal costs.

Block 25/34 Joint Management Committee (JMC) has resolved that the commercial production period for LS36-1 will be for a minimum of 15 years from December 1, 2014 with the production area being confirmed as the same as the development area The production period may be extended by agreement between the parties in the event that additional gas resources are discovered which can be conveniently tied into transported and processed using the production facility.

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).

Subsequent 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.

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

Depletion, depreciation and amortization

Property, plant and equipment related to the oil and gas production activities is depreciated on a unit of production basis over the proved and probable reserves of the field concerned, except in the case of assets whose useful life differs from the lifetime of the field, in which case the straight-line method is applied.

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

Decommissioning liability

The Company records the present value of legal obligations associated with the retirement of long-term tangible assets, such as producing well sites and processing plants, in the period in which they are incurred with a corresponding increase in the carrying amount of the related long-term asset. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. In subsequent periods, the asset is adjusted for any changes in the estimated amount or timing of the settlement of the obligations. The carrying amounts of the associated assets are depleted using the unit of production method, in accordance with the depreciation policy for development and production assets. Actual costs to retire tangible assets are deducted from the liability as incurred.

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 AD$ amounts provided in the financial statements represent supplementary information solely for the convenience of the reader.

The financial information presented in CAD$ has been translated from RMB using a convenience translation at the rate of RMB 4.899 to Canadian $1, which is the exchange rate published in South China Morning Post as of March 31, 2015.

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.

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 modelling, 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.

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.

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.

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.

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.

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.

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.

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.

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 the PRC, there is no current income tax.

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 recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized ", please update accordingly.

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 Company controls the timing of the reversal of the temporary difference 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.

Share-based payments

The Company has a share-based compensation plan. 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.

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

Per share amounts

Basic earnings (loss) per share are 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.

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.

Restricted Cash

Cash is held for security for the decommissioning costs is reported in the balance sheet and cash flow separately. If the expected duration of the restriction is less than twelve months then it is shown in current assets.

Trade receivables

Trade receivables are recognized and carried at the original invoiced amount less any provision for estimated irrecoverable.

Inventories

Inventories of materials, product inventory supplies and natural gas by-products are stated at the lower of cost and net realizable value. Cost is determined on the first–in, first-out method.

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 returns 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%	RMB
Primeline Energy Operations International Limited	Cayman Islands	US$2	100%	RMB

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.

Interests in Joint Operations

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties.

The Company's interests in joint operations are accounted by recognizing its shares of the assets held jointly, liability held jointly, its revenue from the sale of its share of the output arising from the joint operation and expenses incurred jointly.

The Company, PPC and CNOOC's participation in the development and production activities of LS36-1 is through a joint operation without establishing a separate legal entity for this arrangement. The joint operation has engaged CNOOC China Limited Lishui Operating Company ("LOC") which is non legal entity wholly owned by CNOOC as the operator for the project. LOC is accountable to the Joint Management Committee, in which both CNOOC and the Company have equal voting rights and decision making power. The LOC's executive decisions are to be made jointly by chief representatives from both partners. The company shares 36.75% of the results, assets and liabilities in the LS36-1 gas field development and production project under the joint operation are incorporated in these consolidated financial statements using the proportionate method of accounting in which the Company recognizes, one a line –by – line basis in the consolidated financial statements, its share of the assets, liabilities, revenues and expenses of this joint operation incurred jointly with other parties from the date when control passes to the Company.

Segmental reporting

The Company has one operating segment, which is the exploration of oil and gas properties located in the PRC.

Changes in Accounting Standards

New, Amended and Future IFRS Pronouncements

IFRS 7

This standard was amended to require additional disclosures on transition from IAS 39 to IFRS 9, effective for annual periods beginning on the date of adoption of IFRS 9. The Company is currently evaluating the extent of the impact of the adoption of this standard.

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments (IFRS 9), addresses the classification, measurement and recognition of financial assets and financial liabilities. The IASB had previously issued versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication of IFRS 9 is the completed version of the Standard, replacing earlier versions of IFRS 9 and superseding the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income.

Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The completed version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the extent of the impact of the adoption of this standard and its related amendments on our financial statements.

Application of New and Revised Accounting Standards

The Company has applied the following new or revised IFRSs in these annual consolidated financial statements:

• IFRIC 21 – *Levies* ("IFRIC 21"), an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), clarifies that the obligating event, as defined by IAS 37, that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company has applied IFRIC 21 on a retrospective basis in compliance with the transitional requirements of IFRIC 21. The application of IFRIC 21, which was effective January 1, 2014, did not result in any adjustments to the Company's consolidated financial statements.

The Company has not early adopted any other amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

Outstanding Share Data

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 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 CAD$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 CAD$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 its previously announced 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 24 months 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 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 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 from the date of issue to purchase a Common Share at CAD$0.55 per share. On June 2, 2014, 150,000 of the Broker Warrants were exercised resulting in the issue of 150,000 shares at CAD$ 0.55 each and the receipt of CAD$82,500 by the Company.

On January 24, 2014, the Company closed the second and final tranche of the private placement led by the Agent. 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 CAD$836,000. Each Warrant is exercisable to purchase a further Common Share at a price of CAD$0.90 per share for 24 months from the date of issue. Primeline 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 Agent was paid a cash commission of 7% of the gross proceeds and, together with members of its selling group, was issued 121,600 Broker Warrants, equal to 8% of the number of Units sold. Each Broker Warrant is exercisable for 24 months from the date of issue to purchase a Common Share at CAD$0.55 per share.

On August 11, 2014, the Company granted 450,000 options at an exercise price of CAD$0.68 per share to an officer. Such options will expire on August 11, 2019.

As at June 26, 2015, there are 134,009,553 Common Shares, 5,935,000 stock options and 5,170,050 Warrants and Broker Warrants outstanding.

Summary of Quarterly Results (Unaudited)

The Company's results for the quarter ended March 31, 2015 were a loss of RMB5,036,096 (CAD$1,027,985), compared to the profit of RMB187,718 for the same quarter last year. The increase in loss of RMB5,223,814 (CAD$1,066,302) was mainly due to the reversal of RMB4,594,207 (CAD$937,785) deferred tax assets recognized in last quarter. Exploration expenditures of RMB5,674,384 (CAD$1,158,274) were incurred, which comprised mainly of technical evaluations & management of RMB765,252 (CAD$156,206), interest on funding of deferred exploration expenditures of RMB403,556 (CAD$82,375), project administration of RMB2,619,409 (CAD$534,682) and salaries and benefits of RMB1,587,602 (CAD$324,067). These amounts were capitalized as exploration and evaluation assets.

Quarter Ended	2015 Mar 31 CAD$	2015 Mar 31 RMB	2014 Dec 31 RMB	2014 Sep 30 RMB	2014 Jun 30 RMB
Net gain (loss)	(1,027,985)	(5,036,096)	(7,515,732)	292,059	(1,705,590)
Per basic share	(0.009)	(0.04)	(0.067)	0.003	(0.015)
Per diluted share	(0.009)	(0.04)	(0.067)	0.003	(0.015)

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

Selected Annual Information

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

Years Ended March 31,	2015 RMB	2014 RMB	2013 RMB	2015 CAD
Net (loss) gain	(13,965,358)	(4,738,742)	(4,297,092)	(2,850,655) 18)
Per basic share	(0.12)	(0.05)	(0.05)	(0.03)
Per diluted share	(0.12)	(0.05)	(0.05)	(0.03)
Total assets	1,920,510,055	487,598,179	450,868,327	392,020,832
Total long-term financial liabilities	1,257,626,984	31,022,843	42,628,271	256,710,958

The increase in loss of RMB9,226,616 (CAD$1,883,367) between 2015 and 2014 was mainly due to increase in foreign exchange losses of RMB14,727,540 (CAD$3,006,234) and partially set off by increase of interest and other income of RMB4,576,913 (CAD$934,255).

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.

Additional information related to the Company, including the Company's AIF, is available on SEDAR under the Company's profile at www.sedar.com

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