Primeline Energy Holdings Inc.
Interim Condensed Consolidated Financial Statements
September 30, 2015
(Unaudited)

Primeline Energy Holdings Inc.
Consolidated Statement of Financial Position (Unaudited)
As at September 30, 2015 and March 31, 2015
(In RMB)

	Note	September 30, 2015 RMB'000	March 31, 2015 RMB'000 (Restated – Note 3)	September 30, 2015 CAD$'000 (Note 4)
Non-current assets				
Exploration and evaluation assets	7	325,662	306,267	68,865
Property, plant and equipment	8	1,959,823	1,981,224	414,427
Restricted cash	9	17,008	5,660	3,597
Restricted bank deposits	10	150,000	150,000	31,719
		2,452,493	2,443,151	518,608
Current assets				
Cash and cash equivalents		148,070	68,951	31,311
Trade receivables		5,940	34,186	1,256
Prepaid expenses and other receivables		11,305	6,796	2,390
Inventories	11	10,118	9,653	2,140
		175,433	119,586	37,097
Total assets		2,627,926	2,562,737	555,705
Equity attributable to shareholders				
Share capital	12	1,223	1,030	259
Reserves		838,401	773,493	177,289
Accumulated deficit		(261,500)	(149,018)	(55,297)
Total equity		578,124	625,505	122,251
Non-current liabilities				
Long term bank loan	10	1,472,736	1,502,578	311,427
Accounts payable	14	22,169	26,480	4,688
Convertible bonds	15	59,203	-	12,519
Decommissioning liabilities	9	150,268	147,777	31,776
		1,704,376	1,676,835	360,410
Current liabilities				
Bank loan	10	266,616	130,389	56,379
Shareholder's loan	13(d)	-	59,335	-
Derivative warrant liabilities	16	11	706	2
Accounts payable and accrued liabilities		78,799	69,967	16,663
		345,426	260,397	73,044
Total liabilities		2,049,802	1,937,232	433,454
Total shareholders' equity and liabilities		2,627,926	2,562,737	555,705

Approved by the Board of Directors

"*Brian Chan*"
Director

"*Ming Wang*"
Director

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

Primeline Energy Holdings Inc.
Consolidated Statement of Loss and Comprehensive Loss (Unaudited)
For the three months and six months ended September 30, 2015 and September 30, 2014
(In RMB)

	Notes	Three Months Ended September 30			Six Months Ended September 30		
		2015	2014	2015	2015	2014	2015
		RMB'000	RMB'000 (Restated – Note 3)	CAD$'000 **(note 4)**	RMB'000	RMB'000 (Restated – Note 3)	CAD$'000 **(note 4)**
Revenue							
Oil and gas	17	29,584	-	6,256	37,688	-	7,970
Interest and other income	18	3,123	1,794	660	5,409	1,665	1,144
Exchange gain (loss), net	6	(37,946)	446	(8,024)	(36,878)	287	(7,798)
Expenses							
Production Costs		(24,694)	-	(5,222)	(41,248)	-	(8,722)
General and administrative		(3,195)	(1,950)	(676)	(6,414)	(3,121)	(1,356)
Depletion and depreciation		(19,463)	-	(4,116)	(24,510)	-	(5,183)
Bank interest expenses		(22,677)	-	(4,795)	(44,038)	-	(9,312)
Accretion	9	(1,251)	-	(264)	(2,491)	-	(527)
		(71,280)	(1,950)	(15,073)	(118,701)	(3,121)	(25,100)
Profit/(Loss) and comprehensive loss		(76,519)	290	(16,181)	(112,482)	(1,169)	(23,784)
		RMB	RMB	CAD	RMB	RMB	CAD
Basic and diluted profit(loss) per share		(0.428)	0.002	(0.091)	(0.657)	(0.007)	(0.139)
Weighted average number of common shares outstanding	3.2	178,679,404	157,460,869	178,679,404	171,258,714	157,410,049	171,254,718

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

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

	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, 2014 (Restated – Note 3)	1,028	484,240	202,176	67,167	1,213	(132,009)	623,815
Warrants exercised	2	727	-	-	(263)	-	466
Discount on shareholder loan			5,465	-		-	5,465
Share based payments	-	-	-	2,512	-	-	2,512
Shareholder contribution	-	-	10,256	-	-	-	10,256
Loss and comprehensive loss for the year	-	-	-	-	-	(17,009)	(17,009)
Balance – March 31, 2015 (Restated – Note 3)	1,030	484,967	217,897	69,679	950	(149,018)	625,505
Shareholder loan conversion to shares	193	40,145	18,719	-	-	-	59,057
Share based payments	-	-	-	1,157	-	-	1,157
Convertible bonds options	-	-	-	4,914	-	-	4,914
Issue costs of Convertible bonds	-	(390)	-	-	-	-	(390)
Shareholder contribution	-	-	363	-	-	-	363
Loss and comprehensive loss for the period	-	-	-	-	-	(112,482)	(112,482)
Balance – September 30, 2015	1,223	524,722	236,979	75,750	950	(261,500)	578,124
Balance –September 30, 2015, in CAD$'000 (Note 4)	259	110,958	50,112	16,018	201	(55,297)	122,251

	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, 2014 (Restated)	1,028	484,240	202,176	67,167	1,213	(132,009)	623,815
Warrants exercised	2	727	-	-	(263)	-	466
Discount on shareholder loan	-	-	5,465	-	-	-	5,465
Share based payments	-	-	-	1,455	-	-	1,455
Shareholder contribution	-	-	6,813	-	-	-	6,813
Loss and comprehensive loss for the period	-	-	-	-	-	(1,169)	(1,169)
Balance – September 30, 2014 (Restated)	1,030	484,967	214,454	68,622	950	(133,178)	636,845

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

Primeline Energy Holdings Inc.
Consolidated Statement of Cash Flows (Unaudited)
For the six months ended September 30, 2015 and September 30, 2014
(In RMB)

	Note	**September 30, 2015 RMB'000**	**September 30, 2014 RMB'000 (Restated – Note 3)**	**September 30, 2015 CAD$'000** (Note 4)
Cash flows from operating activities				
Loss for the period		(112,482)	(1,169)	(23,784)
Items not involving cash				
Interest income		(4,752)	-	(1,005)
By product inventory		(466)		(98)
Depletion and depreciation	8	24,510	3	5,183
Finance income from fair value adjustment of advance from related company				
Finance income from fair value adjustment of warrant liability		(657)	(1,665)	(139)
Finance costs		46,529	-	9,839
Stock-based compensation	12(c)	668	834	141
Unrealized foreign exchange (gain)/loss		36,022	(190)	7,616
		(10,628)	(2,187)	(2,247)
Changes in non-cash working capital items:				
Trade receivable and prepaid expenses		27,337	(88)	5,781
Accounts payable and accrued liabilities		10,578	(555)	2,237
		37,915	(643)	8,018
		27,287	(2,830)	5,771
Cash flows from investing activities				
Oil and gas development assets	7	(1,142)	-	(241)
Expenditures on exploration and evaluation assets	8	(17,041)	(63,650)	(3,604)
Interest received		1,152	-	243
		(17,031)	(63,650)	(3,602)
Cash flows from financing activities				
Gross proceeds of broker warrants exercised		-	466	-
Share issue costs		(223)		(47)
Loan drawdown		68,900	-	14,570
Restricted cash		(11,348)	-	(2,400)
Interest paid		(52,213)	-	(11,041)
Shareholder loan advance	13(d)	-	47,556	-
Issue of convertible bonds		63,022	-	13,327
		68,138	48,022	14,409
Increase (decrease) in cash and cash equivalents		78,394	(18,458)	16,578
Effect of foreign exchange rate on cash and cash equivalents		725	(43)	153
Cash and cash equivalents - Beginning of period		68,951	24,735	14,580
Cash and cash equivalents - End of period		148,070	6,234	31,311

The accompanying notes form an integral part of these interim condensed 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).

On August 14, 2015, following receipt of disinterested shareholder approval at its Extraordinary General Meeting held on June 30, 2015, the Company completed the acquisition of the one issued and outstanding share of Primeline Petroleum Corporation (PPC), and the right to be repaid the shareholder loan of RMB 204,408,862 (CAD$ 43,224,453) owing to Primeline International (Holdings) Inc. (PIHI), a private company wholly-owned by Mr. Victor Hwang, the Company's Chairman, President and majority shareholder (the Acquisition). PPC's major assets are its 12.25% interest in the Petroleum Contract relating to Block 25/34 and its 25% interest in the Petroleum Contract relating to Block 33/07 in the East China Sea (Petroleum Contracts). The consideration for the Acquisition was the issuance to PIHI of 44,669,851 ordinary shares of the Company (Shares), representing one third of the number of issued and outstanding Shares as of the Acquisition date. The closing price of the Shares on the TSX –V on August 12, 2015, the last trading day prior to the issuance to PIHI, was CAD$ 0.42.

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 Petroleum Contracts were entered into between China National Offshore Oil Corporation (CNOOC), a Chinese State oil company, and the Company's wholly owned subsidiaries, Primeline Energy China Ltd. (PECL), and PPC.

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.

Prior to revenues from LS36-1, Mr. Victor Hwang, the Company's Chairman, President and majority shareholder, agreed to provide the Company with interest free loans for a total of US$ 10.1667 million. These were converted into 21,218,535 Shares in June 2015. On November 17, 2014, the Company and PPC signed contracts for the project finance facility for the financing of the costs to complete LS36-1 (Syndicate Facility) with 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 for a total amount of US$274 million and repayable over nine years. As at the end of the period, the Company has fully drawn down the Syndicate Facility and repaid to CNOOC its share of the costs incurred to date in the development of LS36-1 and is now subject to normal 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 with interests of 75% and 25% respectively. 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. In order to fully fund the exploration work commitment under Petroleum Contract 33/07, the Company entered into a binding subscription agreement dated June 5, 2015 (Subscription Agreement) with GRF Prime Limited (GRF Prime), a resources fund managed by GEMS Investment Management Limited (GEMS), a Hong Kong based manager of private equity funds, under which GRF Prime has agreed to purchase US$20 million principal amount of unsecured Convertible Bonds to be issued by the Company (the "Bonds"). The first US$10 million principal amount of Tranche A Bonds was drawn down on August 14, 2015 and a second tranche of US$8 million principal amount Tranche B Bonds was drawn down on November 10, 2015.

On June 8, 2015, the Company signed a memorandum of understanding (MOU) to merge with Loyz Energy Limited (Loyz). The merger of the two companies was proposed to be completed by way of a scheme of arrangement under Cayman Islands law under which Loyz would acquire all of the Shares by issuing Loyz shares. On September 30, 2015 Primeline and Loyz announced that the proposed merger had been terminated due to current market volatility and sentiment.

2. Basis of Presentation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and follow the same accounting policies and methods of application as the Company's most recent annual audited consolidated financial statements which were prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standard Board ("IASB"). These condensed consolidated financial statements were approved for issue on November 27, 2015. The comparative figures have been restated (Note 3) to give effect to the common control Acquisition of PPC (Note 1).

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended March 31, 2015.

3. Continuity of Interest Basis of Accounting

The Acquisition of PPC is considered to be a common control transaction under applicable Canadian securities laws. As the Acquisition has been determined to be a common control transaction, it has been accounted for on a continuity of interest basis. In accordance with the continuity basis of accounting, these unaudited condensed interim consolidated financial statements reflect the assets, liabilities, operations and cash flows of the Company as if the Company and PPC had always been one entity.

There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control. IAS 8 – Accounting policies, changes in accounting estimates and errors (IAS 8) requires management, if there is no specifically applicable standard of interpretation, to develop a reliable policy that is relevant to the decision making needs of users. The Company has determined to apply the concept of continuity of interest basis of accounting for transactions under common control as detailed under United States generally accepted accounting principles (US GAAP). US GAAP requires an acquirer in a combination between entities or business under common control to recognize the assets acquired and liabilities assumed in the transaction at their carrying amounts in the accounts of the transferring entities at the date of transfer.

A summary of the retrospective accounting for the Acquisition of PPC is as follows:

3.1 Consolidated Statement of Financial Position as at March 31, 2015

	March 31, 2015 RMB'000 (As previously reported)	Mar 31, 2015 RMB'000 (PPC)	Intercompany adjustments	Mar 31, 2015 RMB'000 (As Restated)	Mar 31, 2015 CAD$'000 (As Restated)
Non-current assets					
Exploration and evaluation assets	233,873	75,501	(3,107)	306,267	64,764
Property, plant and equipment	1,478,476	502,748	-	1,981,224	418,952
Restricted cash	4,245	1,415	-	5,660	1,197
Restricted bank deposits	112,500	37,500	-	150,000	31,719
	1,829,094	617,164	(3,107)	2,443,151	516,632
Current assets					
Cash and cash equivalents	53,179	15,772	-	68,951	14,580
Trade receivables	25,639	8,547	-	34,186	7,229
Amount due from a related company	-	3,014	(3,014)	-	-
Prepaid expenses and deposit	5,357	1,439	-	6,796	1,437
Inventories	7,240	2,413	-	9,653	2,041
	91,415	31,185	(3,014)	119,586	25,287
Total assets	1,920,509	648,349	(6,121)	2,562,737	541,919
Equity attributable to shareholders					
Share capital	1,030	-	-	1,030	218
Reserves	569,793	-	203,700	773,493	163,564
Accumulated deficit	(122,168)	(24,089)	(2,761)	(149,018)	(31,512)
Total equity	448,655	(24,089)	200,939	625,505	132,270
Non-current liabilities					
Long term bank loan	1,126,933	375,645	-	1,502,578	317,737
Accounts payable	19,859	6,621	-	26,480	5,600
Decommissioning liabilities	110,834	36,943	-	147,777	31,249
	1,257,626	419,209	-	1,676,835	354,586
Current liabilities					
Bank loan	97,792	32,597	-	130,389	27,572
Shareholder's loan	59,335	-	-	59,335	12,547
Amount due to shareholder and entities controlled by shareholder	-	204,046	(204,046)	-	-
Derivative warrant liabilities	706	-	-	706	149
Accounts payable and accrued liabilities	53,381	16,586	-	69,967	14,795
Cash call payable	3,014	-	(3,014)	-	-
	214,228	253,229	(207,060)	260,397	55,063
Total liabilities	1,471,854	672,438	(207,060)	1,937,232	409,649
Total shareholders' equity and liabilities	1,920,509	648,349	(6,121)	2,562,737	541,919

3.2 Consolidated Statement of Loss and Comprehensive Loss for the three months and six months ended September 30, 2014

	Three Months Ended September 30				Six Months Ended September 30			
	2014	2014	2014	2014	2014	2014	2014	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(As previously reported)	(PPC)	Inter-company Adjustment	**(As restated)**	(As previously reported)	(PPC)	Inter-company Adjustment	**(As restated)**
Revenue								
Oil and gas	-	-	-	-	-	-	-	-
Interest and other income	1,794	1,229	(1,229)	1,794	1,665	1,229	(1,229)	1,665
Exchange gain (loss), net	448	(2)	-	446	42	245	-	287
Expenses								
Production Costs	-	-	-	-	-	-	-	-
General and administrative	(1,950)	-	-	(1,950)	(3,121)	-	-	(3,121)
Depletion and depreciation	-	-	-	-	-	-	-	-
Bank interest expenses	-	-	-	-	-	-	-	-
Accretion	-	-	-	-	-	-	-	-
	(1,950)	-	-	(1,950)	(3,121)	-	-	(3,121)
Profit/(Loss) and comprehensive loss	292	1,227	(1,229)	290	(1,414)	1,474	(1,229)	(1,169)
	RMB			RMB	RMB			RMB
Basic and diluted profit(loss) per share	0.002			0.002	(0.009)			(0.007)
Weighted average number of common shares outstanding	157,460,869			157,460,869	157,410,049			157,410,049

4. Convenience Translation into CAD$

The Canadian dollar (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 Chinese Yuan Renminbi (RMB) using a convenience translation at the rate of RMB4.729 to CAD$1, which is the exchange rate published in South China Morning Post as of September 30, 2015. Such presentation is not in accordance with IFRS and should not be construed as a representation that the RMB amounts shown could be readily converted, realized or settled in CAD$ at this or at any other rate.

5. Changes in accounting standards

New, Amended and Future IFRS Pronouncements

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.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, which replaces IAS 18, Revenue, is effective for fiscal years ending on or after December 31, 2018 and is available for early adoption. The standard contains a single model that applies to contracts with customers. Revenue is recognized as control is passed to the customer, either at a point in time or over time. New estimates and judgemental thresholds have been introduced, which may affect the amount and /or timing of revenue recognized. The Company does not intend to early adopt IFRS 15 in its financial statements for the year ending March 31,

2016. The extent of the impact of adoption of the standard has not yet been determined.

6. Financial risk management

6.1 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-term 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 period/year ended as follows:

	September 30, 2015	March 31, 2015 (Restated)
Cash and cash equivalents of:		
- CAD$ '000	103	103
- US$ '000	9,022	619
- GBP '000	1	12
- HK$ '000	697	1,720
Shareholder loan of US$ '000	-	(10,167)
Bank loans and interest of US$ '000	(277,887)	(265,714)

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:

	September 30, 2015	March 31, 2015 (Restated)	September 30, 2015
	RMB'000	RMB'000	CAD$'000
- CAD$	48	50	10
- US$	170,657	170,910	36,091
- GBP	1	11	-
- HK$	57	138	12

(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 to 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.

On August 14, 2015, the Company completed the issue of US$10 million principal amount of Tranche A Bonds to GRF Prime. A second tranche of US$8 million principal amount Tranche B Bonds was drawn down on November 10, 2015. The issuance of the Bonds is to fund the operation and exploration work relating to Block 33/07 (see Note 21 (c)).

(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 Facility.

6.2 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 its development, in order to maximize ongoing development efforts, the Company does not pay out dividends.

7. Exploration and evaluation assets

	Exploration and evaluation assets
	RMB'000
Balance at April 1, 2014 (Restated – Note 3))	623,556
Transfer to property, plant and equipment	(388,979)
Additions	71,690
Balance at March 31, 2015 (Restated – Note 3)	306,267
Additions	19,395
Balance at September 30, 2015	325,662
	CAD$'000
Balance at September 30, 2015 in CAD$ (Note 4)	68,865

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 7.5 consecutive years divided into 3 exploration periods of 3.5, 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 (See Note 20(a)).

At the end of phase one of the exploration period, the Company has the option to enter into phase two or terminate the contract.

8. Property, plant and equipment

In accordance with Petroleum Contract 25/34 and the Supplemental Development Agreement entered into with CNOOC, the production period for LS36-1 is 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.

	Oil & Gas Properties	Computer & Office Equipment	Total	Total
	RMB'000	RMB'000	RMB'000	CAD$'000 (Note 4)
COST				
At April 1, 2014 (Restated – Note 3)	-	20	20	4
Additions	1,878,540	-	1,878,540	397,239
Transfer from exploration and evaluation assets	388,979	-	388,979	82,254
Less: Trial production revenue	(187,661)	-	(187,661)	(39,683)
At March 31, 2015 (Restated – Note 3)	2,079,858	20	2,079,878	439,814
Additions	3,109	-	3,109	657
At September 30, 2015	2,082,967	20	2,082,987	440,471
DEPRECIATION				
At April 1, 2014 (Restated- Note 3)	-	12	12	3
Charge for the period	98,636	6	98,642	20,858
At March 31, 2015 (Restated – Note 3)	98,636	18	98,654	20,861
Charge for the period	24,510	-	24,510	5,183
At September 30, 2015	123,146	18	123,164	26,044

CARRYING VALUES	RMB'000	RMB'000	RMB'000	CAD$000
At April 1, 2014 (Restated)	-	8	8	1
At March 31, 2015 (Restated)	1,981,222	2	1,981,224	418,953
At September 30, 2015	**1,959,821**	**2**	**1,959,823**	**414,427**

9. Decommissioning Liabilities

	September 30, 2015 RMB'000	**March 31, 2015** RMB'000 (Restated)	**September 30, 2015** CAD$'000 (Note 4)
Balance, beginning of year (Restated – Note 3)	147,777	-	31,250
Additions	-	146,547	-
Accretion	2,491	1,230	526
Balance, end of year/period	150,268	147,777	31,776

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 Overall Development Plan (ODP) for LS36-1 to be RMB 417,820,000. PECL and PPC's share of the liability is RMB204,731,800 in total.

At September 30, 2015, PECL and PPC's share of the liability is the principal amount of RMB204,731,800(CAD$43,292,831), which has a net present value of RMB150,267,999 (CAD$31,775,851) (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 bonds). The decommissioning liability has been determined to be non–current. Financing costs relating to the accretion of the decommissioning liabilities are RMB2,491,208(CAD$526,794).

Cash held as security for the decommissioning costs is reported in the balance sheet as restricted cash of RMB17,007,900 (CAD$3,597,000).

10. Bank Loan

	September 30, 2015 RMB'000	**March 31, 2015** RMB'000 (Restated – Note 3)	**September 30, 2015** CAD$'000
Within one year	266,616	130,389	56,379
More than one year	1,472,736	1,502,578	311,427
Secured floating-rate bank loan	1,739,352	1,632,967	367,806

On November 17, 2014, the PECL and PPC signed the Syndicate Facility as joint and several borrowers. The Syndicate Facility is secured on their respective interests in LS36-1. The principal amount of the Syndicate Facility is US$274 million which is repayable over 9 years at an all-in interest rate of 6 month LIBOR+4.7% with interest and principal repayments made bi-annually (except the first year which is annually).

The Company's share of principal repayment amounts outstanding under the Syndicate Facility is as follows:

	September 30, 2015	September 30, 2015
	RMB'000	CAD$ '000
Within 1 year	266,616	56,379
More than 1 year, but not more than 5 years	996,636	210,750
More than 5 years	476,100	100,677
Total	1,739,352	367,806

The Company's share of estimated interest amounts outstanding under the Syndicate Facility is as follows:

	September 30, 2015	September 30, 2015
	RMB'000	CAD$ '000
Within 1 year	85,412	18,061
More than 1 year, but not more than 5 years	210,218	44,453
More than 5 years	31,353	6,630
Total	326,983	69,144

The Company is also required to fund a Debt Service Reserve Account (DSRA) in 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 of RMB150,000,000 (CAD$31,719,180) is cash held in the DSRA 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 first principal repayment of US$21 million was paid on November 20, 2015. The next principal payment of US$21million will be due in May 20, 2016. As at September 30, 2015 the Company was in compliance with all its covenants under the Syndicate Facility, including, inter alia, a debt coverage ratio and an asset indebtedness ratio.

11. Inventories

	September 30, 2015 RMB'000	March 31, 2015 RMB'000 (Restated – Note 3)	September 30, 2015 CAD'000
Condensate	121	131	26
Light oil	116	64	25
CO2	22	22	4
LPG	70	-	15
Drilling materials and supplies	9,789	9,436	2,070
	10,118	**9,653**	**2,140**

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
Balance – as at April 1, 2014	112,641,018	1,028	484,240	485,268	102,616
Shares issued to acquire PPC (ii)	44,669,851	-	-	-	-
Balance – as at April 1, 2014 (Restated – Note 3)	157,310,869	1,028	484,240	485,268	102,616
Broker Warrants exercised	150,000	2	727	729	154
Balance – as at March 31, 2015 (Restated – Note 3)	157,460,869	1,030	484,967	485,997	102,770
Shareholder loan converted to Shares (i)	21,218,535	193	40,145	40,338	8,530
Issue of Bonds (iii)	-	-	(390)	(390)	(83)
Balance – as at September 30, 2015	178,679,404	1,223	524,722	525,945	111,217

(i) On June 5, 2015, the balance of the Company's shareholder loans of US$10.1667 million from Mr. Hwang was converted into 21,218,535 Shares at a conversion price of CAD$0.58 per share with TSX-V approval. Mr. Hwang subsequently directly and indirectly owned 80,543,619 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 C$0.60 per share issued to directors, officers, employees and consultants in September 2012, vesting of which was conditional on repayment of the shareholder loans, were amended such that they have now vested.

(ii) On August 14, 2015, the Company completed the Acquisition of PPC by the issuance of 44,669,851 Shares to PIHI representing one third of the number of issued and outstanding Shares as of June 26, 2015, the date of the Sale and Purchase Agreement relating to the Acquisition The closing price of the Shares on the TSX-V on August 12, 2015, the last trading day prior to the issuance to PIHI, was CAD$0.42. Following the completion of the Acquisition, Mr. Hwang now has ownership and control of 125,213,470 Shares representing approximately 70.08% of the issued and outstanding Shares on a non-diluted basis. Under continuity of interests accounting, the share issuance is treated as if it had occurred by April 1, 2014.

(iii) According to the Subscription Agreement dated June 5, 2015, interest is payable on the Tranche A Bonds quarterly at 7% per annum, of which 4.5% is to be paid in cash and 2.5% in Shares. 131,647 Shares were issued to GRF at a deemed price per Share of $0.21, equal to the higher of the closing price of the Shares on the day before, and the volume-weighted average TSX-V trading price of the Shares for the 10 days preceding, on the interest payment date of September 15, 2015 (Note 21(d)) .

b) *Broker Warrants*

	Warrants outstanding	Value assigned RMB'000	Value assigned CAD$'000	Average exercise price CAD$
As at April 1, 2014	733,800	1,213	257	0.55
Broker Warrants exercised (see Note 12(a)	(150,000)	(263)	(56)	0.55
As at March 31, 2015 & September 30, 2015	583,800	950	201	0.55

The number of Broker Warrants outstanding and exercisable as at September 30, 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

(In RMB)

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 Shares from time to time. The options enable the directors, officers, consultants and employees of the Company to acquire 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.

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, 2014	5,505,000	0.49	1,766,660	0.37
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
Vested	-	-	3,085,000	0.60
As at September 30, 2015	5,935,000	0.51	5,635,000	0.50

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.

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 investor relations services. The options expire 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 of which 20,000 options expired and 3,085,000 expire on September 26, 2017. Share based payments of RMB329,015 (CAD$69,574), RMB71,785 (CAD$16,776) and RMB149,552 (CAD$31,624), (2014 – RMB407,627, RMB185,285 and RMB150,081) and RMB46,362(CAD$9,804) (2014 – RMB nil) were recognized as Directors remuneration and benefit, salary & benefit, professional fees and production costs respectively in the consolidated statement of loss and comprehensive loss. Share based payment of RMB282,654(CAD$59,770) (2014 – RMB407,627), were capitalized as exploration and evaluation assets. 3,085,000 options vested on June 5, 2015 upon the conversion of shareholder loan. (Note 12(a))

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 RMB68,387 (CAD$14,461) (2014 – RMB91,381) were recognized as salary and benefit respectively in the consolidated statement of loss and comprehensive loss. Share based payment of RMB159,572 (CAD$33,743) (2014 – RMB213,220) was capitalized as exploration and evaluation assets.

(In RMB)

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, 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 September 30, 2015			
CAD$0.32	1,900,000	0.82 years	1,900,000
CAD$0.50	500,000	1.74 years	500,000
CAD$0.60	3,085,000	1.99 years	3,085,000
CAD$0.68	450,000	3.87 years	150,000
	5,935,000	**1.52 years**	**5,635,000**

At September 30, 2015, there are 178,679,404 Shares, 5,935,000 stock options and 5,170,050 Warrants/Broker Warrants.

13. Transactions with related parties and directors

During the period ended September 30, 2015, the Company paid or accrued the following:

a) London office rent of RMB122,485 (CAD$25,901) (September 30, 2014 – RMB264,648) was paid or accrued to a company beneficially owned by Mr. Hwang.

b) Fees and benefits paid or accrued to key management personnel of the Company were RMB3,267,548 (CAD$690,960) (September 30, 2014 – RMB888,068) and share based payment of RMB569,644 (CAD$120,458) (September 30, 2014 – RMB725,197) was recognized for the 2,360,000 (September 30, 2014 – 2,360,000) share options granted to these key management personnel.

c) Fees and benefits paid or accrued to directors were RMB245,081(CAD$51,825) (September 30, 2014 – RMB284,025) and share based payment of RMB331,150 (CAD$70,025) (September 30, 2014 – RMB407,627) was recognized for the 2,100,000 (September 30, 2014 – 2,100,000) share options granted to the directors.

d) Shareholder loan of RMB Nil (CAD$ Nil) (March 31, 2015 – RMB59,335,376) represents interest-free loans with a principal balance of RMB Nil (CAD$ Nil) (March 31, 2015 – RMB63,124,835). On June 5, 2015, the Company's shareholder loan of US$10.1667 million from Mr. Hwang was converted into 21,218,535 Shares at a conversion price of CAD$0.58 per share with TSX-V approval.

The shareholder loan was recorded at fair value on inception and carried at amortized cost. The discount on shareholder loan of RMB Nil (CAD$ Nil) (September 30, 2014 – RMB5,464,982) and the capitalized interest of RMB874,194 (CAD$184,858) (September 30, 2014 – RMB1,712,982) were calculated using an effective rate of 10% per annum during the period ended September 30, 2015.

e) On August 14, 2015, the Company acquired PPC by the issuance of 44,669,851 Shares to PIHI which is wholly owned by Mr. Hwang, representing one third of the number of issued and outstanding Shares of the Company as of June 26, 2015, the date of the Sale and Purchase Agreement relating to the Acquisition The closing price of the Shares on the TSX-V on August 12, 2015, the last trading day prior to the issuance to PIHI, was CAD$0.42. Following the completion of the Acquisition, Mr. Hwang now has ownership and control of 125,213,470 Shares representing approximately 70.08% of the issued and outstanding Shares on a non-diluted basis.

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

14. Long term accounts payable

Under the agreement between the Company, PPC and CNOOC in December 2014 regarding the Company and PPC's repayment of their LS36-1 development cost obligations, a supplementary management fee was added in consideration of the carry by CNOOC of those costs prior to LS36-1 going into production. The fee is expected to be paid 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 Property, Plant and Equipment.

15. Convertible bonds

On August 14, 2015 the Company completed the first tranche of its private placement of Bonds in the aggregate principal amount of US$20 million. Primeline issued US$10 million principal amount Tranche A Bonds to GRF. The term of the Tranche A Bonds is three years extendable for two one-year periods. Interest is payable quarterly at 7% per annum, of which 4.5% will be paid in cash and 2.5% in Shares issued at a deemed price per Share equal to the volume-weighted average trading price of the Shares on the TSX-V for the 10 days preceding the interest payment date. The Tranche A Bonds are convertible, at the option of GRF, at any time during the period commencing four months and a day following the date of issuance of the Tranche A Bonds up to the date that is 10 days prior to the date of maturity of the Tranche A Bonds, into Shares at a conversion price of CAD$0.70 per Share.

The Tranche A Bonds had a total nominal value of RMB63,940,000 (CAD$13,520,829) at August 14, 2015. The value of the liability component of RMB59,026,215 (CAD$12,481,754) and the equity conversion component of RMB4,913,785 (CAD$1,039,075), net of transaction cost of RMB5,738,241 (CAD$1,213,415), were determined at the date of issuance of the Bonds. The fair value of the liability component included in the Bonds was calculated using a market interest rate for an equivalent non-convertible Bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the Bond. The residual amount, representing the value of the equity conversion component, is included in shareholder's equity in convertible bonds reserves.

16. Derivative Warrant Liability

The Company issued 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.

(In RMB)

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

Tranche 1 on December 30, 2013:

	As at September 30, 2015	**As at March 31, 2015**	**At date of issue December 30, 2013**
Exchange rate at date of fair value (RMB/CAD)	4.729	4.899	5.705
Stock price	CAD$0.21	CAD$0.47	CAD$0.63
Exercise price	CAD$0.90	CAD$0.90	CAD$0.90
Risk free interest rate	0.52%	0.5%	1.09%
Expected dividend yield	Nil	Nil	Nil
Expected stock price volatility	85%	74%	83%
Expected Warrant life	0.25 years	0.75 years	2 years

Tranche 2 on January 23, 2014:

	As at September 30, 2015	**As at March 31, 2015**	**At date of issue January 23, 2014**
Exchange rate at date of fair value (RMB/CAD$)	4.729	4.899	5.55
Stock price	CAD$0.21	CAD$0.47	CAD$0.53
Exercise price	CAD$0.90	CAD$0.90	CAD$0.90
Risk free interest rate	0.52%	0.5%	0.97%
Expected dividend yield	Nil	Nil	Nil
Expected stock price volatility	131%	61%	73%
Expected Warrant life	0.32 years	0.82 years	2 years

The Company's Warrant liability for the years and period ended March 31, 2015 and September 30, 2015 is set out below:

	Warrants Outstanding	Value assigned RMB'000	Value assigned CAD$'000	Average exercise price CAD$
As at April 1, 2014	4,586,250	3,408	681	0.90
Warrants issued				
Fair value re-measurement in the year	-	(2,492)	(498)	-
Foreign exchange gain	-	(210)	(42)	-
As at March 31, 2015	4,586,250	706	141	0.90
Fair value re-measurement in the year	-	(657)	(139)	-
Foreign exchange loss	-	(38)	-	-
As at September 30, 2015	4,586,250	11	2	0.90

The number of Warrants outstanding and exercisable as at September 30, 2015 is set out below:

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

17. Revenue

	For six months Period Ended September 30,		
	2015 RMB'000	2014 RMB'000 (Restated)	2015 CAD$'000
Natural gas	33,598	-	7,105
Condensate	3,790	-	802
Light Oil	300	-	63
	37,688	-	7,970

18. Finance Income

	For six months Period Ended September30,		
	2015 RMB'000	2014 RMB'000 (Restated)	2015 CAD$'000
Bank interest income	4,752	1	1,005
Gain on fair value of re-measurement of warrant liability	657	1,664	139
	5,409	1,665	1,144

19. 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 markets that are not active, quoted 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 10) is a secured floating rate instrument, which 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 19.4% increase in interest payable.

A 1% change in the USD/RMB rate would cause (from RMB6.348 to RMB6.411) 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.

20. Commitments

a) Petroleum Contract 33/07 granted the Company a 7 year 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 drilling for the first phase commenced on September 22, 2015 by the Company's drilling contractor China Oilfield Service Ltd. (COSL). On October 9, 2015, CNOOC and Primeline agreed to a 6-month extension to Block 33/07's first exploration period from October 31, 2015 to April 30, 2016. The amendment agreement extends the exploration period to 7.5 years with the first phase extended to 3.5 years with the other phases remaining at two years each. At the end of phase one, the Company has the option to enter into phase two or terminate the contract.

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 RMB58,450 (CAD$11,683). The Company 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 RMB111,437.00 (CAD$22,274).

21. Subsequent Events

a) On October 9, 2015, CNOOC and the Company signed an amendment agreement relating to the Petroleum Contract 33/07 to extend phase one of the exploration period from 3 years to 3.5 years so that it now expires on April 30, 2016. The extension allowed the Company to conduct the two well programme (see note 21c).

b) On October 12, 2015, the Company completed the issue of the second tranche (Tranche B Bonds) of US$20 million principal amount of Bonds to GRF Prime. The Tranche B Bonds have a principal amount of US$8 million. The term of the Tranche B Bonds is three years extendable for two one-year periods. Interest is payable quarterly at 7% per annum, of which 4.5% will be paid in cash and 2.5% in Shares issued at a deemed price per Share equal to the volume-weighted average trading price of the Shares on the TSX-V for the 10 days preceding the interest payment date. The Tranche B Bonds are convertible, at the option of GRF, at any time during the period commencing four months and a day following the date of issuance of the Tranche B Bonds up to the date that is 10 days prior to the date of maturity of the Tranche B Bonds, into Shares at a conversion price of CAD$0.85 per Share. Under the Subscription Agreement, the principal amount of Tranche B Bonds to be sold was US $10 million, on or before December 31, 2015. Primeline and GRF have agreed that GRF will purchase on or before February 29, 2016, an aggregate principal amount of US$2,000,000 Tranche C Bonds. Save for the extended outside date for purchase, the terms and conditions of the Tranche C Bonds will be identical to those of the Tranche B Bonds.

c) On October 28, 2015, the Company completed the drilling operation of the LS23-1-1 well which was spudded on September 23, 2015. The LS 23-1 prospect is a technical discovery of hydrocarbon but not likely to be a commercial discovery. The Company has therefore plugged and abandoned the well. On the basis of the agreed two well work programme, the drilling operations of the LS30-3-1 well commenced on the November 16, 2015.

d) In October 2015, the Company issued 131,647 shares to GRF for the 2.5% share interest payment of the Tranche A Bonds (Note 12a (iii)).

Primeline Energy Holdings Inc. (TSX Venture-PEH) ("the Company")
Management Discussion and Analysis for the Period Ended September 30, 2015

INTRODUCTION

This Management Discussion and Analysis is dated November 27, 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 and interim consolidated financial statements for the quarter ended September 30, 2015. 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 September 30, 2015 or any other date. The exchange rate of CAD$ to RMB used is the rate published in the South China Morning Post on September 30, 2015 of RMB4.729 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 the results of, the Company's exploration and assumptions that sale of production from the LS36-1 gas field ("LS36-1") will proceed in accordance with the LS36-1 Gas Field Natural Gas Sale and Purchase Contract (the "Gas Sale Contract" or "GSC") between CNOOC China Ltd ("CNOOC China"), a subsidiary of CNOOC, and Zhejiang Gas Provincial Development Co. ("Zhejiang Gas") and other relevant agreements. Actual results may vary from those anticipated. Zhejiang Gas may not honour the Gas Sale Contract or may renegotiate a lower price for gas sold thereunder. If so, the Company's revenues will be lower than anticipated, and there may be a serious consequent adverse effect on the Company's debt repayment obligations under the Syndicate Facility (as defined below). Exploration for oil and gas is subject to the inherent risk that it may not result in a commercial discovery. The Company assumes no obligation to update forward-looking information, except as required by law.

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 Corp ("CNOOC"), Primeline Energy China Ltd. ("PECL"), a wholly owned subsidiary of the Company, and Primeline Petroleum Corporation ("PPC"), also now a wholly owned subsidiary following its acquisition from Mr. Victor Hwang, the Company's Chairman, President and majority shareholder ("Mr. Hwang") on August 13, 2015. 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 and, following the recent acquisition of PPC, the Company now owns a 49% interest.

- Block 33/07 covers an offshore area of 5,877 sq. km (1.45 million acres) enclosing Block 25/34 and the Company holds the Contractor's interest 100%. 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, PPC and PEOIL and references to the Company include its subsidiaries PECL, PPC and PEOIL.

Primeline and CNOOC are implementing a rolling development and exploration strategy in the Lishui Basin with CNOOC operating LS36-1's development and 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.

LS36-1 has been in production and selling gas to Zhejiang Gas since July 16, 2014. Management believes access to the Zhejiang provincial gas grid in Eastern China, and the production infrastructure, means that LS36-1's incremental reserves and prospective resources, and any additional resources that may be discovered in Block 33/07, can be monetized quickly and cost effectively. Significantly, the East China gas market has one of the highest prices globally due to its demand and distance from supply sources.

ACQUISITION OF PPC

On August 14, 2015, following receipt of disinterested shareholder approval at its Extraordinary General Meeting held on June 30, 2015, the Company completed the acquisition of the one issued and outstanding share of PPC and the right to be repaid the shareholder loan of RMB 204,408,862 (CAD$ 43,224,453) by, held by and owing to Primeline International (Holdings) Inc. (PIHI), a private company wholly-owned by Mr. Victor Hwang, the Chairman, President and majority shareholder of the Company. PPC's major assets are its 12.25 interest in the Petroleum Contract relating to Block 25/34 and its 25% interest in the Petroleum Contract relating to Block 33/07 in the East China Sea (Petroleum Contracts). The consideration of the Acquisition was the issuance to PIHI of 44,669,851 ordinary shares of the Company (Shares), representing one third of the number of issued and outstanding Shares of the Company as of the Acquisition date. The closing price of the Shares on the TSX –V on August 12, 2015, the last trading day prior to the issuance to PIHI was CAD$ 0.42.

The Acquisition of PPC is considered to be a common control transaction under applicable Canadian securities laws. As the Acquisition has been determined to be a common control transaction, it has been accounted for on a continuity of interest basis. In accordance with the continuity basis of accounting, these unaudited condensed interim consolidated financial statements reflect the assets, liabilities, operations and cash flows of the Company as if the Company and PPC had always been one entity.

There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control. IAS 8 – Accounting policies, changes in accounting estimates and errors (IAS 8) requires management, if there is no specifically applicable standard of interpretation, to develop a reliable policy that is relevant to the decision making needs of users. The Company has determined to apply the concept of continuity of interest basis of accounting for transactions under common control as detailed under United States generally accepted accounting principles (US GAAP). US GAAP requires an acquirer in a combination between entities or business under common control to recognize the assets acquired and liabilities assumed in the transaction at their carrying amounts in the accounts of the transferring entities at the date of transfer.

A summary of the retrospective accounting for the acquisition of PPC is disclosed in Note 3 to the interim financial statements as at and for the period ended September 30, 2015.

QUARTERLY PROGRESS REVIEW

During the period under review, LS36-1 continued in production and Primeline prepared for and commenced the two well exploration drilling campaign in Block 33/07. On the corporate front, Primeline completed the acquisition of PPC and secured exploration funding for the drilling campaign.

LS36-1 Production and Operations

The quarter under review saw an increase in off take volumes by Zhejiang Gas, the sole customer for the LS36-1 gas, versus the previous quarter. Revenues from oil and gas sales increased to RMB 22,479,696 (CAD$4,753,583) in the quarter ended September 30, 2015 from RMB 6,078,216 (CAD$1,214,914) in the previous period.

As reported in previous quarters, the substantial build out of long distance pipeline infrastructure and LNG terminals along China's East Coast, the general slowdown of China's economy and the dramatic oil price drop since 2014, have led to an oversupply of gas in the region. The main suppliers to the East China gas market responded by lowering prices and this led to reduced demand for LS36-1's gas, particularly in the previous quarter, as well as pressure from Zhejiang Gas to adjust prices to reflect such substantive market changes.

During the quarter, CNOOC China and Primeline negotiated hard with Zhejiang Gas to try to settle the issues related to gas sale and pricing in the Gas Sale Contract. Primeline welcomes the better offtake of gas seen in the quarter under review and noted that subsequently there has been continuous offtaking from mid-October to date.

CNOOC Gas and Power, which is a subsidiary of CNOOC, is the 30% shareholder of Zhejiang Gas. CNOOC China holds a 51% participating interest in the LS36-1 and sells the LS36-1 gas on behalf of both CNOOC China and Primeline to Zhejiang Gas. In addition, CNOOC and its subsidiaries sell about 40% of the gas supply to Zhejiang Province in the form of LNG and offshore gas for themselves and partners. Primeline has requested CNOOC China to negotiate with Zhejiang Gas on an arm's length basis to ensure that the Gas Sale Contract is performed in its entirety. CNOOC China and Primeline have requested that Zhejiang Gas ensure that the 2015 annual volume of gas for off take is in line with the annual "take-or-pay" volume of 195 million cubic metres (mcm) for 2015 subject to and in accordance with the Gas Sale Contract. CNOOC China and Primeline anticipate full collection of amounts owing associated with the 'take or pay' contractual arrangement.

Primeline believes longer-term fundamentals remain positive given the underlying growth prospects of the Chinese gas market even in the context of the country's widely reported lower short-term economic growth. Gas in the total energy mix is only 5% in China and 3% in Zhejiang Province, compared with 25% internationally. With the further development of regional and local gas grids, Primeline believes gas consumption will continue to expand in China, particularly in East China, and that current surplus capacity will be quickly absorbed by the anticipated growth.

On the production facility side, CNOOC continues 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. Equipment commissioning problems had resulted in delayed LPG production, which commenced on November 17, 2015.

Exploration Drilling in Block 33/07

During the period, Primeline started its 2015 two well exploration drilling programme as part of the rolling development programme anchored on LS36-1's production facilities. In addition to production and cash flow, the main benefit of the LS36-1 development is that the production infrastructure has spare capacity above and beyond current production. This will enable Primeline to capitalise on its access to the 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 exploration opportunities for long-term growth. Primeline previously had 737 sq. km of 3D seismic data in the area from which several prospects were identified and mapped. Primeline's exploration programme in 2014 was the expansion of this existing 3D seismic coverage to the north with an additional 3D survey of 600sq. kms so that more prospects could be mapped in the remainder of the block. The interpretation of the new 3D seismic merged with the previous data, commenced in December 2014 and the interpretation results were presented to the Joint Management Committee established by CNOOC and Primeline under Petroleum Contract 33/07 (the "JMC") in April 2015, leading to the selection of the exploration drilling locations. Primeline completed the well design and negotiation for the drilling contract in July 2015.

Primeline has selected drilling locations along the western margin of the Lishui basin with multiple target zones. In 2010, Primeline discovered gas in well LS35-3-1 which proved the migration of hydrocarbon into prospects in the western margin area. Primeline has, through the interpretation of the 3D seismic acquired in 2014 and the previous 3D seismic, identified a group of prospects in the western margin with significant hydrocarbon potential and these two wells are part of the programme to explore this area.

Primeline signed a letter of intent with China Oilfield Services Ltd. (COSL) on July 22, with regards to the drilling work, and signed the formal drilling contract with COSL on August 14, 2015. COSL is the leading integrated oilfield services provider in offshore China and is listed on the Hong Kong and Shanghai Stock Exchanges.

Under the terms of the drilling contract, COSL agreed to drill two wells for Primeline on a turnkey basis to the depth and target zone specified by Primeline. If hydrocarbons are discovered, COSL will also conduct tests for Primeline either on a turnkey basis or on a day rate operation as selected by Primeline.

The site survey of the drilling locations commenced on August 4 and completed in September.

On September 23, 2015 the Company spudded its LS23-1-1 exploration well which is in 81 metres of water about 24 kilometres north of its LS36-1 production facility.

The LS23-1-1 well reached a total depth (TD) of 2,666 metres on October 21, 2015 and wireline logging data was subsequently acquired. The well encountered sandstone units of Paleocene and early Cretaceous age, drilling through the geological sequence as anticipated and finished in basement rock. It discovered several zones of gas bearing sandstone and evaluation of logging data indicated total cumulative net pay thickness of 14 metres. The LS23-1 prospect is a technical discovery of hydrocarbon but not likely to be a commercial discovery. Therefore Primeline plugged and abandoned the well and opted to proceed with the drilling of the LS30-3-1 well on the basis of the agreed two well work programme.

LS30-3-1 spudded on November 13, 2015 and is located in 83.5 metres of water approximately 20 kilometres north of the LS36-1 platform and is targeting a large channel sand prospect. The prospect was originally mapped in 2009/2010 and refined during the 2014/2015 evaluation. The planned TD of the well is 1,800m, targeting the same reservoir as that of LS36-1.

Petroleum Contract

In order to allow Primeline to conduct the two well programme and subsequent evaluation work, on October 9, 2015, CNOOC and Primeline signed an amendment agreement relating to the Petroleum Contract 33/07 to extend phase one of the exploration period from three years to 3.5 years so that it now expires on April 30, 2016. Petroleum Contract 33/07 originally had a seven year exploration period split into three phases of three, two and two years. The amendment agreement extends the exploration period to 7.5 years with the first phase extended to 3.5 years, with the other phases remaining at two years each.

In the first exploration period, the minimum work programme comprises 600 sq km of 3D seismic and two exploration wells. Primeline fulfilled the seismic commitment in 2014 and the drilling of exploration wells LS23-1-1 and LS30-3-1 will fulfil the drilling commitment. At the end of each of the first and second exploration phases, Primeline has the right to either enter into the next phase or terminate Petroleum Contract 33/07. The minimum work programme for each of the second and third phases is one exploration well.

Proposed merger with Loyz

On September 30, 2015, Primeline terminated its previously announced proposed merger with Loyz Energy Limited due to current market volatility and sentiment. Primeline will continue discussing potential opportunities with Loyz and reiterated its intention to list its shares independently in Asia in the future.

Funding of Exploration Work by Convertible Bond Issuance

In November 2014, Primeline secured a project finance facility ("Syndicate Facility") from a syndicate jointly led by China Development Bank and China Export-Import Bank with Shanghai Pudong Development Bank as participant and agent bank (together the "Syndicate"). The Company requires the substantive part of the cash flow from LS36-1 for the service of the Syndicate Facility and general corporate operations. In order to fully fund the exploration work commitment under Petroleum Contract 33/07 and described above under "Exploration Drilling in Block 33/07", on June 5, 2015, the Company entered into a binding subscription agreement ("Subscription Agreement") with GRF Prime Limited ("GRF Prime"), a resources fund managed by GEMS Investment Management Limited ("GEMS"), a Hong Kong based manager of private equity funds, under which GRF Prime has agreed to purchase US$20 million principal amount of unsecured Convertible Bonds to be issued by the Company (the "Bonds").

- The first US$10 million principal amount of Tranche A Bonds was drawn down on August 14, 2015;
- The second tranche of US$8 million principal amount Tranche B Bonds was drawn down on November 10, 2015; and
- The Company expects to draw down the final US$2 million of Tranche C Bonds on or before February 28, 2015.

The Bonds are 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 of 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 10 days preceding the interest payment date. The Tranche A Bonds are 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 and C 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 and C 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 is entitled to nominate one voting member and one observer to the Board of Directors and nominated Tim Baldwin, who has been appointed by the Company as a director.

As consideration for entry into the Subscription Agreement, the Company paid GEMS a cash finder's fee of US$376,000 (equal to 1.88% of the principal amount of the Bonds), and has agreed to issue GEMS shares of the Company with a value of US$376,000 on February 14, 2016, 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$ translated to CAD$ at the Bank of Canada noon rate on the day before the date of payment.

FINANCIAL INFORMATION

Results of Operations

The Company's results for the quarter ended September 30, 2015 were a loss of RMB76,518,266 (CAD$16,180,644) compared to a gain of RMB289,419 for the same quarter last year. Compared with same quarter last year, this period's results included revenue of RMB29,583,588 (CAD$6,255,781), production costs of RMB24,693,583 (CAD$5,221,735) included and G&A expenses were RMB3,194,803 (CAD$675,577). The loss for the quarter is primarily driven by translation effects on the US$ denominated Syndicate Facility as a result of the weaker Chinese Renminbi coupled with lower than expected oil and gas sale revenue generated as a result of the significant decline in off take volumes by Zhejiang Gas in the quarter ended September 30, 2015.

There was an increase in finance expenses to RMB22,676,530 (CAD$4,795,206) mainly due to interest paid/accrued under the Syndicate Facility. There was a depletion and depreciation charge of RMB19,463,485 (CAD$4,115,772) relating to the amortization of the oil and gas properties under property, plant and equipment of the Company based on the units-of-production method adopted.

There were foreign exchange losses of RMB37,945,847 (CAD$8,024,074) due to the depreciation of the RMB against the US$, which is mainly related to the conversion of the Syndicate Facility denominated in US$ which, as mentioned above, is the main reason for the loss of RMB 76,518,266 (CAD$ 16,180,644) for the period.

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.

Liquidity and Capital Resources

As at September 30, 2015, the Company's working capital deficiency (current assets less current liabilities) increased to RMB169,992,836 (CAD$35,946,889) from RMB 140,812,649 as at March 31, 2015. The increase of RMB29,180,187 (CAD$6,170,477) was mainly due to the increase in bank loans of RMB136,227,000 (CAD$28,806,724) being reclassified from a long-term liability in the previous period to a current liability partially offset by the increase in cash and cash equivalents of RMB79,119,378 (CAD$16,730,678) and conversion of the shareholder loan of RMB59,335,376 (CAD$12,547,130) in June 2015.

As of September 30, 2015, Primeline held cash resources of RMB 298,070,052 (CAD$63,030,250) including RMB150,000,000 (CAD$31,719,180) generated from oil and gas sales revenue in 2014 which is placed in the Debt Service Reserve Account on a three year term from December 2014 for the purpose of servicing the Syndicate Facility. This amount is classified as a non-current asset. This deposit can be accessed with the permission of the Syndicate to repay the loan made under the Syndicate Facility when it falls due, and offsets the current portion of the bank loan.

The Company's cash and cash equivalents balance and the cash expected to be generated during 2015 are anticipated to be sufficient to meet debt repayments and the planned development and operating activities of the Company for the next 12 months. If required, the Company anticipates that it could raise cash from debt financing or from the sale of shares to meet its cash requirements. The Company's results are highly dependent on the price of gas and future changes in the price of gas will therefore impact performance. Readers are encouraged to read "Risk Factors" contained in the Company's 2015 Annual Information Form, which is available on SEDAR under the Company's profile at www.sedar.com.

The profitability and operating cash flow of the Company are affected by various factors, including the amount of gas produced, the market price of gas, the timing of offtake purchases, operating costs, interest rates, regulatory and environmental compliance, the level of exploration activity and capital expenditures, general and administrative costs, and other discretionary costs and activities. The Company is also exposed to fluctuations in currency exchange rates, interest rates, regulatory, licensing and political risks and varying levels of taxation that can impact profitability and cash flow. The Company seeks to manage the risks associated with its business operations; however, many of the factors affecting these risks are beyond the Company's control.

The Company's financial performance, including its profitability and cash flow from operations, is tied to the price of gas and cost of inputs to its gas production. The price of gas itself is the greatest factor in profitability and cash flow from operations, and should be expected to continue to be impacted by market factors. The price of gas is volatile and subject to price movements which can take place over short periods of time and are affected by multiple macroeconomic and industry factors that are beyond the control of the Company. Some of the major recent factors influencing the price of gas include currency exchange rates, the relative value of the US dollar, supply and demand for gas and more general economic results and projections such as interest rate and inflation projections and assumptions.

Commodity prices in general continue to see volatility as economies around the world continue their cautious recovery from the economic difficulties experienced over the last several years. Volatility in the price of gas will impact the Company's revenue, while volatility in the price of other commodities, such as oil, may have an impact on the Company's operating costs and capital expenditure deployment.

As at September 30, 2015, the Company had total assets of RMB2,627,926,281 (CAD$555,704,437) (March 31, 2015 – RMB2,562,736,595) which were financed by net shareholders' equity of RMB578,124,177 (CAD$122,250,830) (March 31, 2015 – RMB625,504,673), shareholders loan of RMB Nil (March 31, 2015 – RMB59,335,376) and Syndicate Facility bank loan of RMB1,739,352,002 (CAD$367,805,456) (March 31, 2015 – RMB1,632,966,998).

As at September 30, 2015, the Company had an accumulated deficit of RMB261,499,660 (CAD$55,297,031) (March 31, 2015 – RMB149, 018,251).

During the six-months ended September 30, 2015, exploration and evaluation assets of RMB19,394,903 (CAD$4,101,269) were incurred and financed mainly by shareholder loans. As at September 30, 2015, the total amount of exploration and evaluation assets incurred and capitalized amounted to RMB325,661,988 (CAD$68,864,874) (March 31, 2015 – RMB306,267,085) and can be broken down as follows:

	Sep 30, 2015 RMB	Mar 31, 2015 RMB (Restated)	Sep 30, 2015 CAD$
Exploration Drilling Related Services			
Drilling services	192,854,260	192,854,260	40,781,193
Drilling technical supervision and evaluation	3,245,906	3,245,906	686,383
Exploration Geological & Geophysical Surveys & Work			
Geological & geophysical survey acquisition & processing	51,710,807	51,710,808	10,934,829
Technical evaluations & management	14,893,372	8,615,326	3,149,370
Interest on funding of deferred exploration expenditures	11,409,314	9,567,142	2,412,627
Project administration	20,553,950	13,423,418	4,346,363
Salaries and benefits	23,556,283	20,598,975	4,981,240
Travel and accommodation	7,438,096	6,251,250	1,572,869
	325,661,988	306,267,085	68,864,874

Under Petroleum Contract 33/07, Primeline has a minimum work commitment during the first three year phase to drill two wells to 2,500 m plus 600 sq. km of 3D seismic. The seismic obligation was completed in May 2014. The commitment to drill two wells was to be completed by October 31, 2015. CNOOC and Primeline have agreed to extend this by six months to April 30, 2016. Under the drilling contract signed by Primeline and COSL, the expenditures to perform the drilling work are to be approximately US$20 million. Primeline intends to use the proceeds from the GEMS Bond issuance (see "Funding Exploration Work by Convertible Bond Issuance") to finance such exploration drilling as it intends to use revenue from LS36-1 primarily for debt service under the Syndicate Facility and general corporate operations.

Financial Instruments

The Company's financial instruments consist of the Syndicate Facility, cash and cash equivalents, accounts payable and accrued liabilities, shareholder loan, cash calls payable, 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 term 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 period/year ended as follows:

	September 30, 2015	Mar 31, 2015 (Restated)
Cash and cash equivalents of:		
- CAD$ '000	103	103
- US$ '000	9,022	619
- GBP '000	1	12
- HK$ '000	697	1,720
Shareholder loan of US$ '000	-	(10,167)
Bank loans and interest of US$ '000	(277,887)	(265,714)

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:

	September 30, 2015	March 31, 2015 (Restated)	September 30, 2015
	RMB'000	RMB'000	CAD$'000
- CAD$	48	50	10
- US$	170,657	170,910	36,091
- GBP	1	11	-
- HK$	57	138	12

(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 to a single customer, Zhejiang Gas, through CNOOC China 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.

On August 14, 2015, the Company completed the issue of the first tranche (Tranche A Bonds) of US$20 million principal amount of Bonds to GRF Prime. The second tranche of US$8 million principal amount Tranche B Bonds was drawn down on November 10, 2015. The Company expects to draw down the final US$2 million of Tranche C Bonds on, or before, February 28, 2016. The issuance of the Bonds is to fund the operation and exploration work relating to Block 33/07.

(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 Facility.

Derivative Warrant Liability

The Company issued warrants ("Warrants") in connection with the private placement offering completed on December 30, 2013 and January 23, 2014. The 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 Warrants was calculated using the Black-Scholes pricing model, using the assumptions in the following table. Subsequent to their initial recognition, the Warrant liability is re-measured and re-translated each reporting period in accordance with IAS 32.

Tranche 1 on December 30, 2013:

	As at September 30, 2015	As at March 31, 2015	At date of issue December 30, 2013
Exchange rate at date of fair value (RMB/CAD)	4.729	4.899	5.705
Stock price	CAD$0.21	CAD$0.47	CAD$0.63
Exercise price	CAD$0.90	CAD$0.90	CAD$0.90
Risk free interest rate	0.52%	0.5%	1.09%
Expected dividend yield	Nil	Nil	Nil
Expected stock price volatility	85%	74%	83%
Expected Warrant life	0.25 years	0.75 years	2 years

Tranche 2 on January 23, 2014:

	As at September 30, 2015	As at March 31, 2015	At date of issue January 23, 2014
Exchange rate at date of fair value (RMB/CAD$)	4.729	4.899	5.55
Stock price	CAD$0.21	CAD$0.47	CAD$0.53
Exercise price	CAD$0.90	CAD$0.90	CAD$0.90
Risk free interest rate	0.52%	0.5%	0.97%
Expected dividend yield	Nil	Nil	Nil
Expected stock price volatility	131%	61%	73%
Expected Warrant life	0.32 years	0.82 years	2 years

The Company's Warrant liability for the years and period ended March 31, 2015 and September 30, 2015 is set out below:

	Warrants Outstanding	Value assigned RMB'000	Value assigned CAD$'000	Average exercise price CAD$
As at April 1, 2014	4,586,250	3,408	681	0.90
Warrants issued				
Fair value re-measurement in the year	-	(2,492)	(498)	-
Foreign exchange gain	-	(210)	(42)	-
As at March 31, 2015	4,586,250	706	141	0.90
Fair value re-measurement in the year	-	(657)	(139)	-
Foreign exchange loss	-	(38)	-	-
As at September 30, 2015	4,586,250	11	2	0.90

The number of Warrants outstanding and exercisable as at September 30, 2015 is set out below:

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

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.

Transactions with related parties and directors

During the period ended September 30, 2015, the Company paid or accrued the following:

a) London office rent of RMB122,485 (CAD$25,901) (September 30, 2014 – RMB264,648) was paid or accrued to a company beneficially owned by Mr. Hwang.

b) Fees and benefits paid or accrued to key management personnel of the Company were RMB3,267,548 (CAD$690,960) (September 30, 2014 – RMB888,068) and share based payment of RMB569,644 (CAD$120,458) (September 30, 2014 – RMB725,197) was recognized for the 2,360,000 (September 30, 2014 – 2,360,000) share options granted to these key management personnel.

c) Fees and benefits paid or accrued to directors were RMB245,081(CAD$51,825) (September 30, 2014 – RMB284,025) and share based payment of RMB331,150 (CAD$70,025) (September 30, 2014 – RMB407,627) was recognized for the 2,100,000 (September 30, 2014 – 2,100,000) share options granted to the directors.

d) Shareholder loan of RMB Nil (CAD$ Nil) (March 31, 2015 – RMB59,335,376) represents interest-free loans with a principal balance of RMB Nil (CAD$ Nil) (March 31, 2015 – RMB63,124,835). 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.

   The shareholder loan was recorded at fair value on inception and carried at amortized cost. The discount on shareholder loan of RMB Nil (CAD$ Nil) (September 30, 2014 – RMB5,464,982) and the capitalized interest of RMB874,194 (CAD$184,858) (September 30, 2014 – RMB1,712,982) were calculated using an effective rate of 10% per annum during the period ended September 30, 2015.

e) On August 14, 2015, the Company acquired PPC by the issuance of 44,669,851 Shares to PIHI which is wholly owned by Mr. Hwang, representing one third of the number of issued and outstanding Shares of the Company as of June 26, 2015, the date of the Sale and Purchase Agreement relating to the Acquisition The closing price of the Shares on the TSX-V on August 12, 2015, the last trading day prior to the issuance to PIHI, was CAD$0.42. Following the completion of the Acquisition, Mr. Hwang now has ownership and control of 125,213,470 Shares representing approximately 70.08% of the issued and outstanding Shares on a non-diluted basis.

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

Changes in Accounting Standards

New, Amended and Future IFRS Pronouncements

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.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, which replaces IAS 18, Revenue, is effective for fiscal years ending on or after December 31, 2018 and is available for early adoption. The standard contains a single model that applies to contracts with customers. Revenue is recognized as control is passed to the customer, either at a point in time or over time. New estimates and judgemental thresholds have been introduced, which may affect the amount and /or timing of revenue recognized. The Company does not intend to early adopt IFRS 15 in its financial statements for the year ending March 31, 2016. The extent of the impact of adoption of the standard has not yet been determined.

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 500,000 options at an exercise price of CAD$0.50 per share to D&D Securities Inc. The options expire 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 ordinary 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 ordinary 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. The options will expire on August 11, 2019.

As at November 27, 2015, there are 178,679,404 ordinary 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 September 30, 2015 were a loss of RMB76,518,266 (CAD$16,180,644) compared to the gain of RMB289,419 for the same quarter last year, this period's results included revenue of RMB29,583,588 (CAD$6,255,781), production costs of RMB24,693,583 (CAD$5,221,735) included and G&A expenses were RMB3,194,803 (CAD$675,577).

There was an increase of interest of RMB22,676,530 (CAD$4,795,206) mainly due to interest paid/accrued under the Syndicate Facility.

Exploration expenditures of RMB12,588,241 (CAD$2,661,925) were incurred, which comprised mainly of technical evaluations & management of RMB3,207,273 (CAD$678,214), interest on funding of deferred exploration expenditures of RMB6,288,078 (CAD$934,474), project administration of RMB6,288,078 (CAD$1,329,685) and salaries and benefits of RMB1,515,559 (CAD$320,482). These amounts were capitalized as exploration and evaluation assets.

The Company's financial statements are reported under IFRS issued by the IASB. The following tables provide highlights from the Company's financial statements of quarterly results for the past eight quarters, as restated for the common control acquisition of PPC (See Notes 1 and 3 to the interim condensed consolidated financial statements for the quarter ended September 30, 2015):

Quarter Ended	Sep 30, 2015 CAD$	Sep 30, 2015 RMB	Jun 30, 2015 RMB (Restated)	Mar 31, 2015 RMB (Restated)	Dec 31, 2014 RMB (Restated)
Revenue	6,255,781	29,583,588	8,104,288	91,450,721	67,576,663
Net gain (loss)	(16,180,644)	(76,518,266)	(35,963,143)	(17,273,183)	1,432,357
Per basic share	(0.1)	(0.43)	(0.22)	(0.11)	0.01
Per diluted share	(0.1)	(0.43)	(0.22)	(0.11)	0.01

Quarter Ended		Sep, 2014 RMB (Restated)	Jun 30, 2014 RMB (Restated)	Mar 31, 2014 RMB (Restated)	Dec 31, 2013 RMB (Restated)

Revenue	-	-	-	-
Net gain (loss)	289,419	(1,457,842)	(575,052)	(1,961,874)
Per basic share	0.002	(0.009)	(0.004)	(0.014)
Per diluted share	0.002	(0.009)	(0.004)	(0.014)

The loss for the quarter ended September 30, 2015 of RMB76,518,266 (CAD$16,180,644) was mainly attributable to exchange loss of RMB37,945,847 (CAD$8,024,074) and bank interest of RMB22,676,530 (CAD$4,795,206) and depletion & depreciation of RMB19,463,485 (CAD$4,115,772).

The gain for the quarter ended September 30, 2014 of RMB289,419 was mainly attributable to a foreign exchange gain of RMB445,657.

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