

# Primeline Energy Holdings Inc.

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## Corporate Presentation

September 2017



# Leading China Focused Oil and Gas Company

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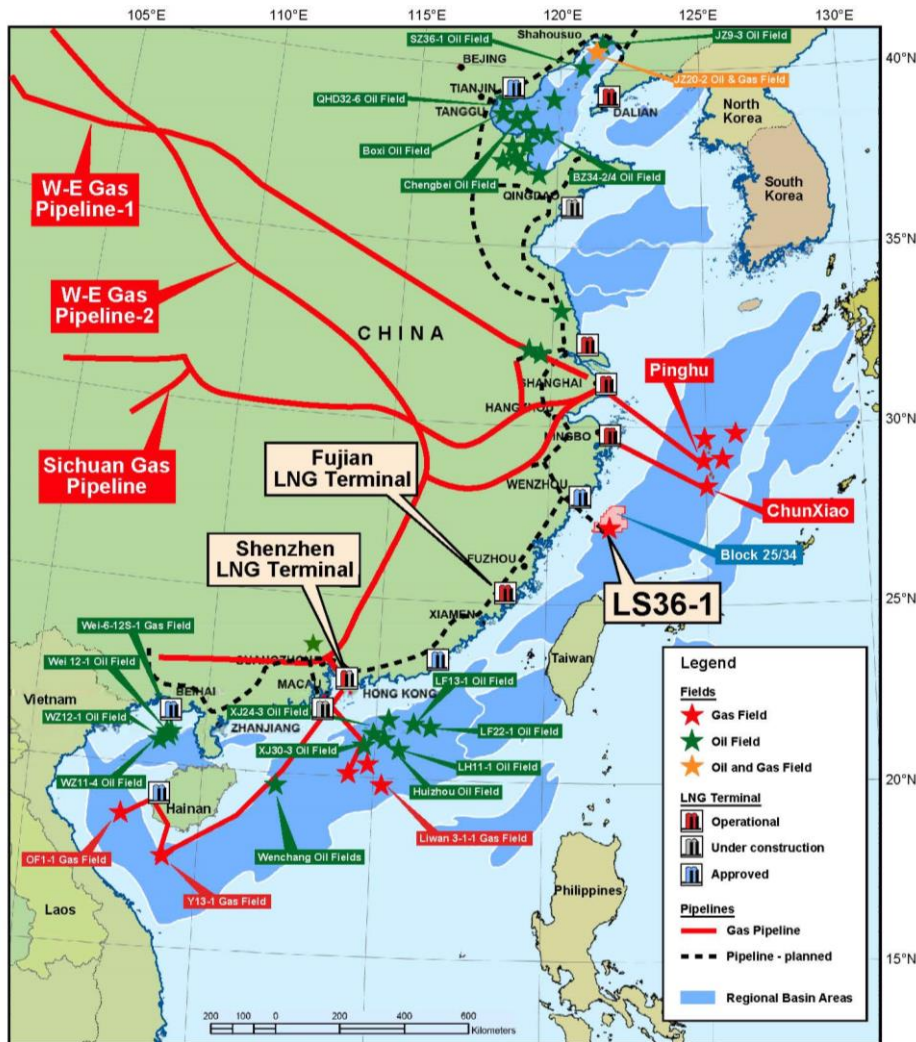
1. **TSX-V listed E&P China gas play** producing for 3 years from \$600m+ regional production infrastructure hub in East China Sea in partnership with CNOOC.
2. **Strong management team** proven to know how to operate in China.
3. **Successful resolution of dispute** with the state owned buyer. Settlement payment of C\$50m received in March 2017. The 15 year take or pay contract featuring a fixed price has been enforced and production and cashflow since then has been smooth and stable, generating about **CAD\$50m of EBITDA per year**.
4. **Financing by leading policy banks in China** recently successfully rescheduled.
5. **Access to the eastern China gas market.** China is the world's second largest energy market, but with gas at just 6% of total energy mix, increased gas utilization has become a focus of Chinese government energy policy
6. **High margin hydrocarbon upside** in the field and in the 4,397 km<sup>2</sup> exploration concession.

# Chinese Gas Market

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- Rapid gas infrastructure development (LNG terminal and long distance pipeline) in the last 10 years
- China gas usage is only about 6% of total energy mix, government is aiming for 10% in the next 5 years
- Dramatic oil and coal price reductions since late 2014 and slow down of Chinese economy led to lower gas demand and oversupply. Gas price for onshore pipeline gas in China dropped on November 20, 2015 by 34% in Zhejiang Province
- Current gas oversupply will correct eventually and strategic supply and connectivity will have value. Long term, still remains a very attractive market
- Still the highest gas price region in the world
- Infrastructure and pipelines in place so all new discoveries of gas would be very profitable

# East China Gas Developments



## West-East Pipeline Projects

- Phase 1: 4,000 km pipeline from Xinjiang to Shanghai; 18 bcmpa, on-stream Nov 2004
- Phase 2: 6,000 km (9,000 including branches) from Turkmenistan to East China; 30 bcmpa planned; on-stream 2012
- Sichuan Gas To East: 2,150 km pipeline from Sichuan; 12 bcmpa; on-stream Nov 2010

## LNG Projects

- Shenzhen LNG (3 mton): first delivery in 2006; Planned expansion to 7 mton
- Fujian LNG: (2.6 mton) first delivery 2009
- Ningbo LNG: first delivery 2013
- Other LNG terminals completed or under development

## Offshore Gas Fields

- There are eight gas pipelines to East China that are operational from offshore gas fields



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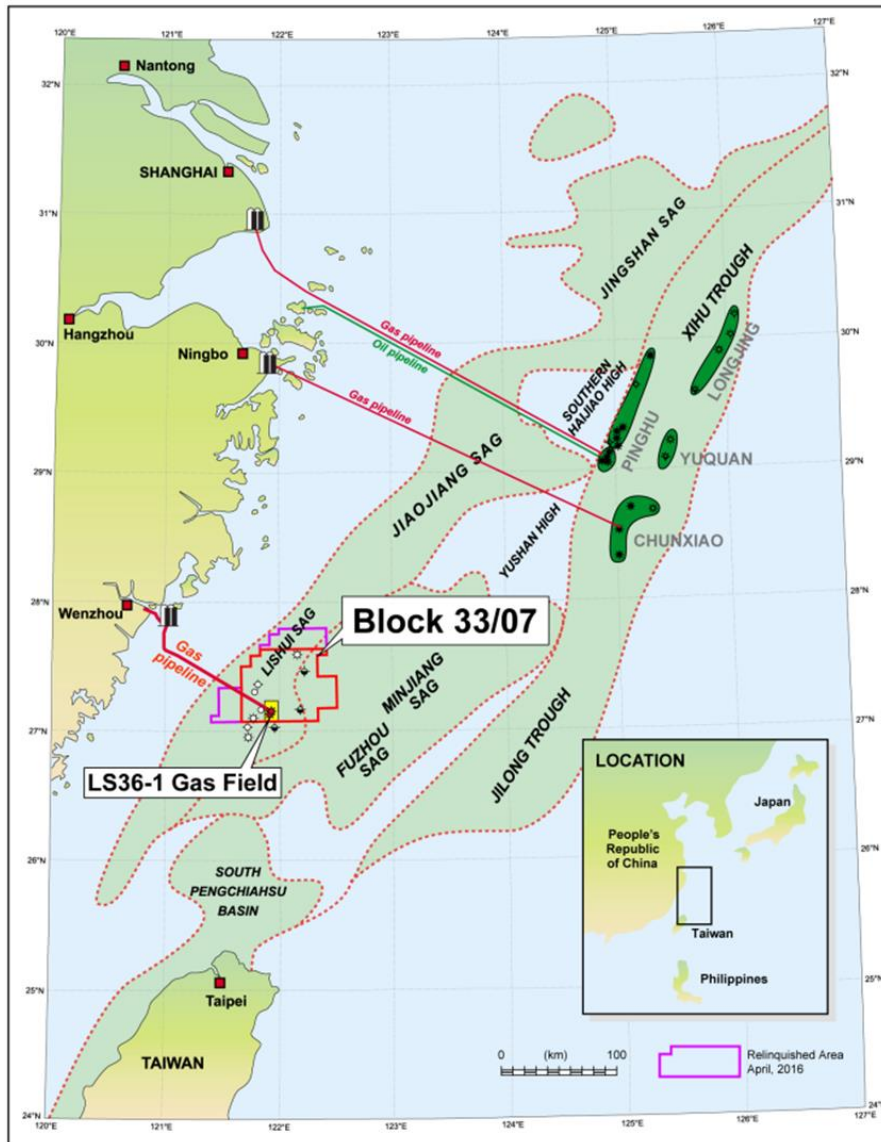
# Market: Access to Zhejiang Gas Grid



- Zhejiang Province
- 50 million+ pop.
  - Fourth largest economy in China
  - Rapid growth in past 10 years to ~6.6 bcmpa
  - However, gas is only 2.8% of total energy mix

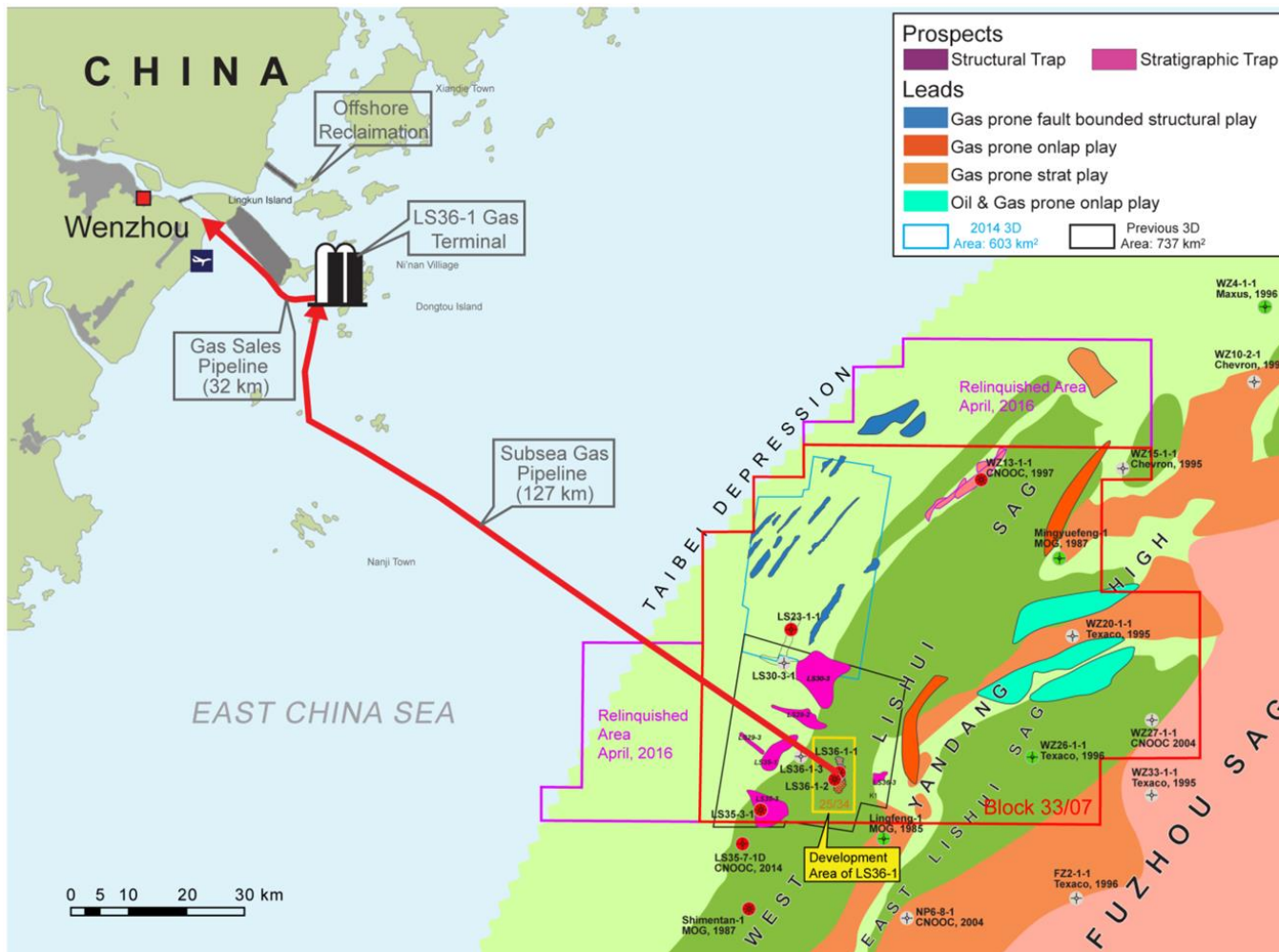
**LS36-1 is a strategic gas field as the closest resources to the province**

# Proven petroleum province in East China Sea



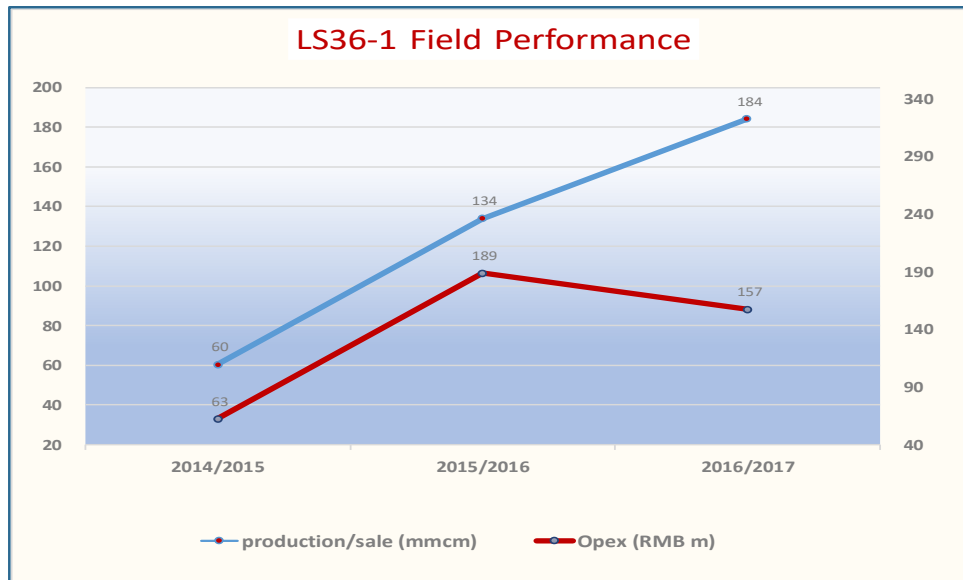
- E&P focus in Xihu Trough (Basin) in Northern East China Sea, anchored on two existing fields:
  - Pinghu Field: onstream in 1998, 386 km 14" pipeline to Shanghai terminal
  - Chunxiao Field: onstream in 2006, 360 km 28" pipeline to Ningbo and four production platforms. Expansion development underway
- LS36-1 Gas Field: in southern East China Sea: on stream in 2014

# Producing gas with very high fixed gas price contract

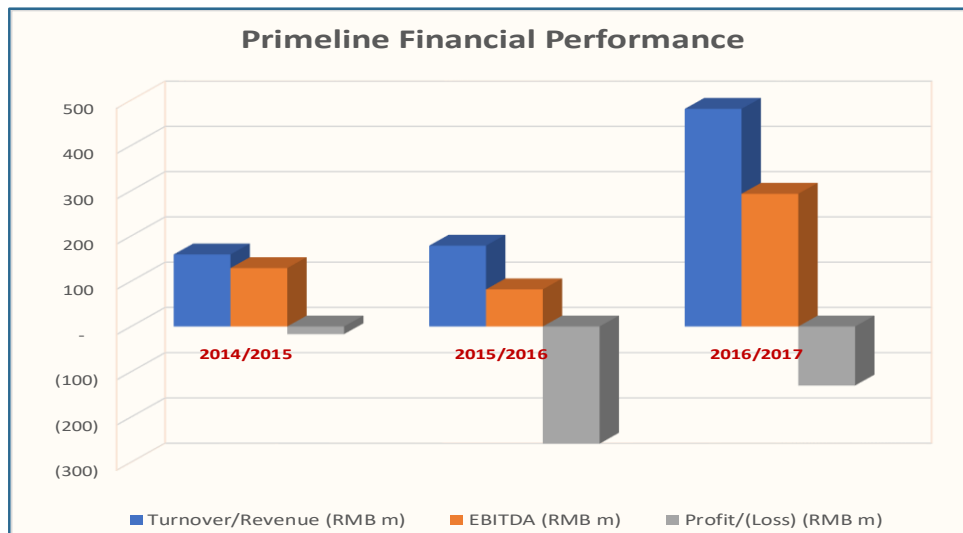


- LS36-1 gas field in production since 2014, accessing market through the regional production infrastructure hub
- Rolling development in field and nearby
- Exploration in the 4,397 km<sup>2</sup> concession can be hooked into the producing LS36-1 facility

# Financial Performance of the Company



- Persistent effort to lower Opex
- Production and cash flow were patchy in 2015/2016 due to the dispute with the buyer on the price under gas sale contract.
- Dispute with Buyer resolved and smooth production and cash flow maintained.

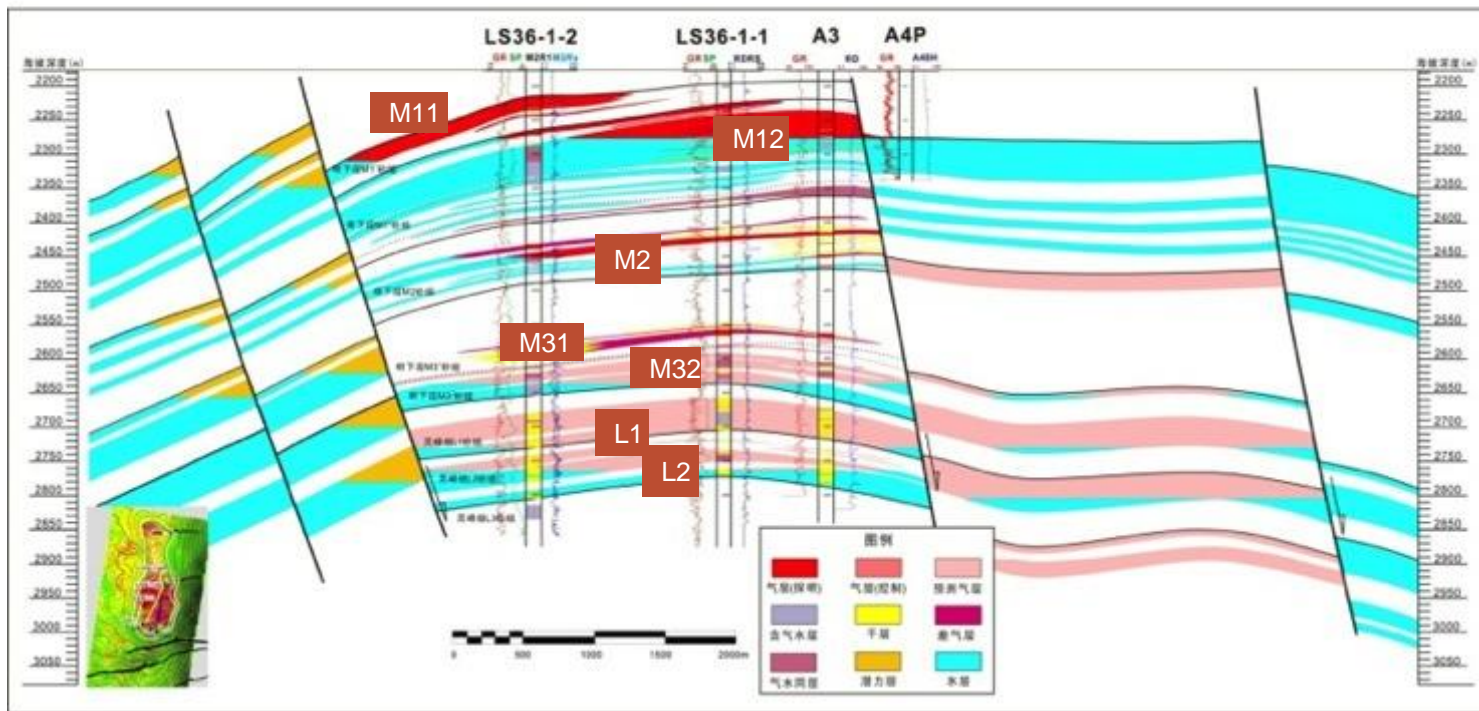




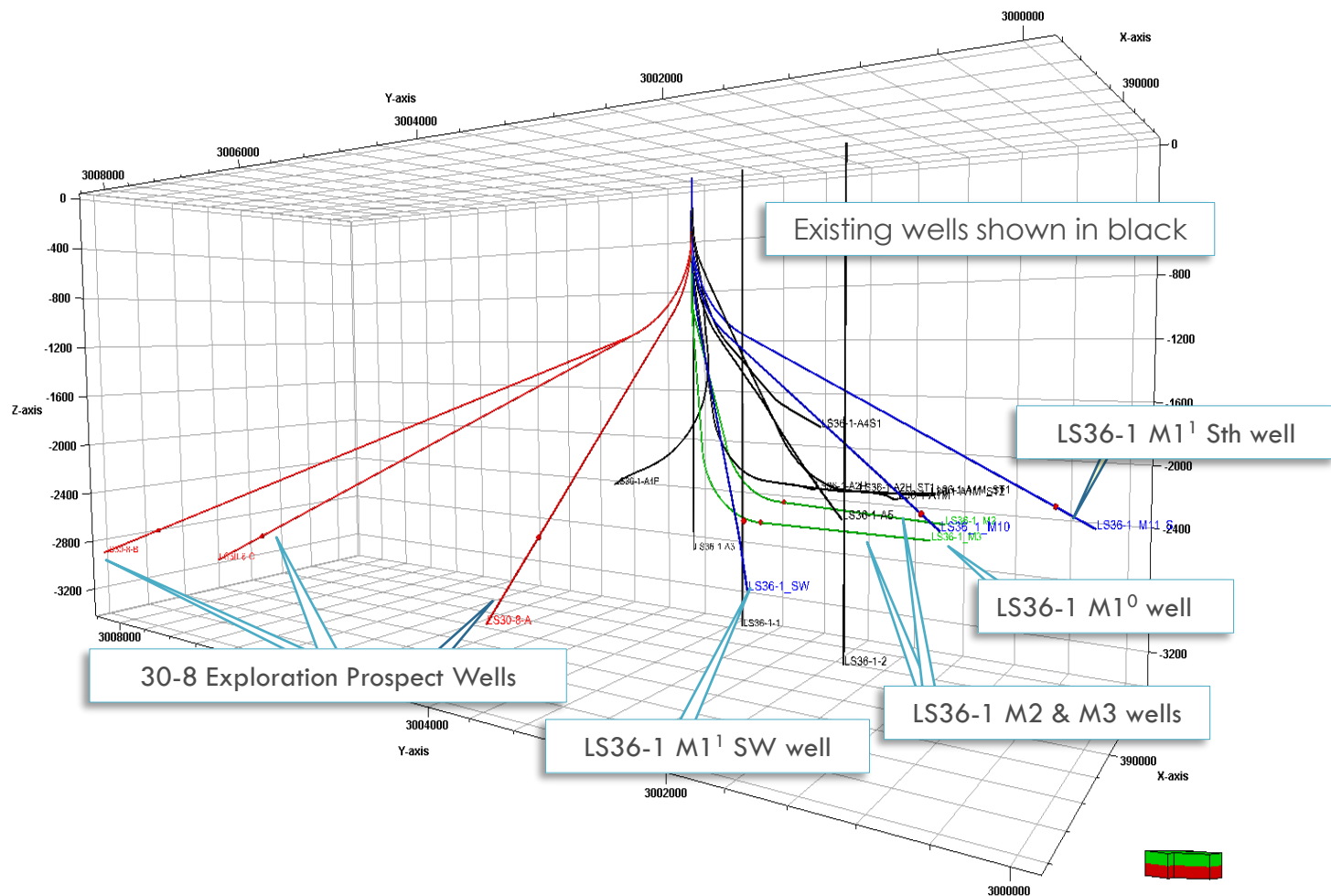
# Additional Resources in the field to be expanded into

- Current producers are in M1-1 and M1-2 sands
- Additional gas in other sands and in lower tight reservoirs - scope for expansion

## Cross-section of LS36-1

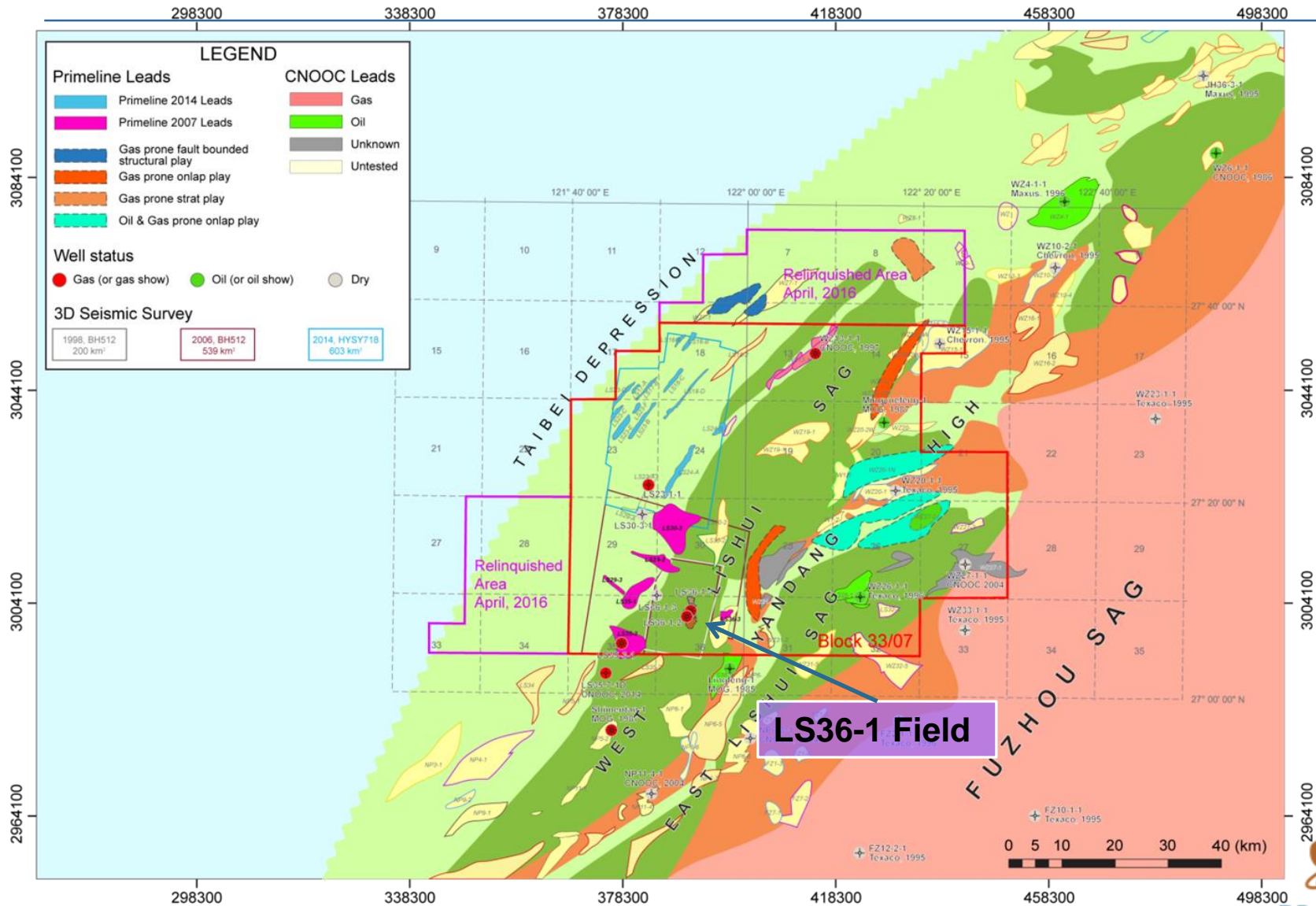


# Reserve Additions via Phase 2 Drilling from Platform



- Eight locations and well tracks selected as candidates for reserve additions

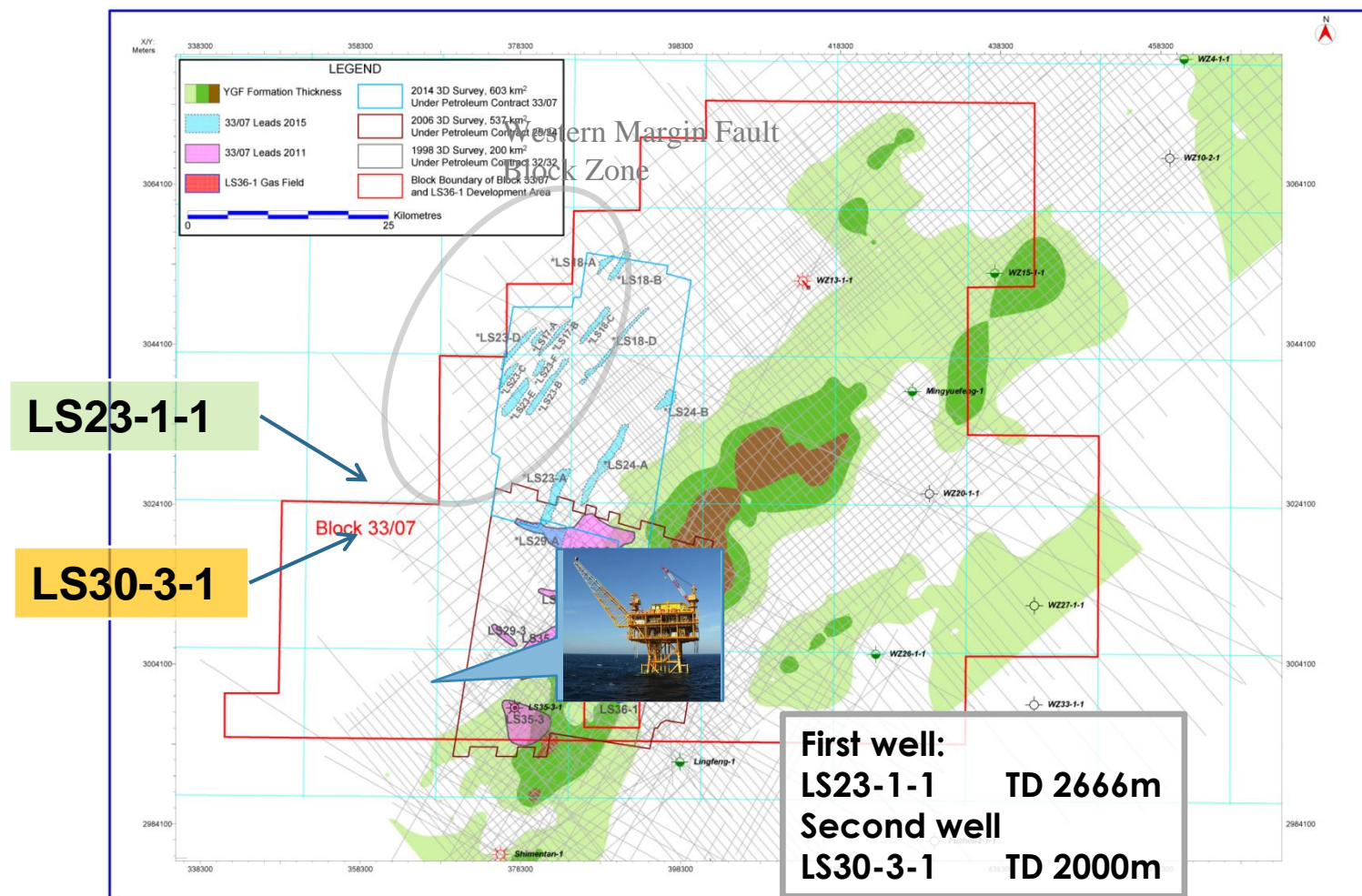
## LS36-1 Field Nearby Prospects





# 2015 Exploration Drilling Program

## Block 33/07 showing well locations and LS36-1 Gas Field



DHU 04/2015



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# High Margin Upside Potential Identified

- McDaniel independently assessed upside as follows:

Gross Prospective Resources - Natural Gas – 31/3/16							
		Prospective Resources - Unrisked (1)				Risked (2) Resources	Chance of Success (3)
Prospect		Low	Medium	Mean	High	Mean	
		MMcf	MMcf	MMcf	MMcf	MMcf	%
LS36-1	Paleocene-M1-0	2,740	5,436	6,301	11,055	4,593	73
LS36-1	Paleocene-M1-1	1,716	3,936	4,729	8,745	3,447	73
LS36-1	Paleocene-M2	4,942	14,300	18,929	38,222	11,357	60
LS36-1	Paleocene-M3	14,308	31,325	37,045	67,044	25,932	70
LS36-1	Paleocene-L1	8,347	23,808	32,791	68,497	16,395	50
LS36-1	Paleocene-L2	2,353	5,271	6,448	11,998	2,579	40
LS30-8	Paleocene-M2	9,190	27,006	35,747	72,219	5,405	17
<b>LS36-1 Sub total)</b>		<b>43,595</b>	<b>111,081</b>	<b>141,989</b>	<b>277,770</b>	<b>69,709</b>	
LS23-2 N	Total	7,549	23,443	34,834	74,191	3,102	80
LS23-2 S	Total	8,459	28,480	43,444	93,278	3,662	80
LS29-3	Paleocene-M1-2	7,607	24,278	35,589	75,152	4,100	80
A	Paleocene-M1-2	5,332	16,571	24,127	51,333	5,559	90
B	Paleocene-M1-2	7,798	20,492	26,584	53,363	3,101	90
E North	Paleocene-M1-2	2,755	7,366	9,614	18,902	433	60
E South	Paleocene-M1-2	2,509	6,719	8,973	18,070	404	60
T1 Channel	Paleocene-M1-2	7,610	23,636	34,220	73,465	6,338	90
T3 Deep	Paleocene-M1-2	10,326	27,565	36,333	73,366	7,151	90
LS35-1	Total	21,225	69,048	106,442	233,827	11,658	90
<b>Block 33/07 3D Seismic Area</b>		<b>81,171</b>	<b>247,598</b>	<b>360,158</b>	<b>764,948</b>	<b>45,508</b>	
<b>Total Property Gross</b>		<b>124,766</b>	<b>358,679</b>	<b>502,147</b>	<b>1,042,717</b>	<b>115,216</b>	



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# Good entry point for shares

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- Shares have traded well below previous trading range of 40c-70c. This is a cash producing company with exploration and a base position in a major energy market.
- Phase 1 of LS36-1 has stable cash flow – EBITDA of CAD\$50 million pa
- Settlement of buyer dispute – one off cash flow of over CAD\$50 million
- Selling into one of the key provincial economies in China. Despite slower demand recently, this remains one of the highest gas price regions in the world
- Management with proven track record and operational expertise
- One of the very few offshore gas developments in China - with a world class \$600m+ infrastructure hub
- Phase 2 exploration program plus rolling development in concession with upside potential able to share infrastructure. The east sub-basin has oil potential to be explored in the Block.

# Appendices

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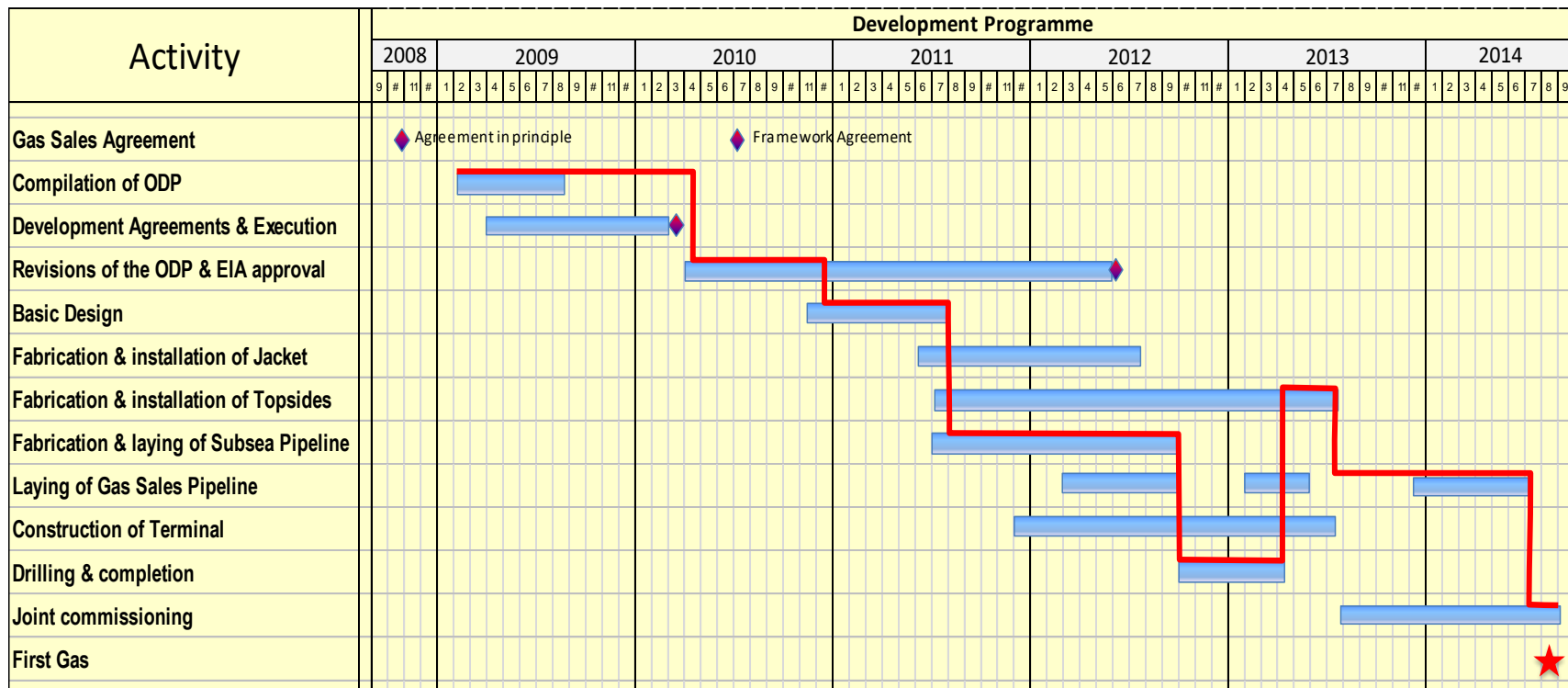
Supplementary Technical and Operational Data

Board of Directors

Management and Technical Team

Corporate Structure

# LS36-1: Development schedule



Development Activity



Critical Path



Milestone



First production date





# LS36-1: Development milestones

## Commercial Agreements

October 2008	Gas Sale Agreement-in-principle signed, subsequent Framework and Amendment Agreements signed in 2011 and 2012
End 2009	Overall Development Program completed
April 2010	Development Agreements signed

## Design and Construction

December 2010	Engineering design commenced
September 2011	Procurement and fabrication commenced
April 2012	Site installation commenced
June 2013	Mechanical Completion of platform, terminal & offshore pipeline
July 2014	Development completed and production commenced

## Project Finance

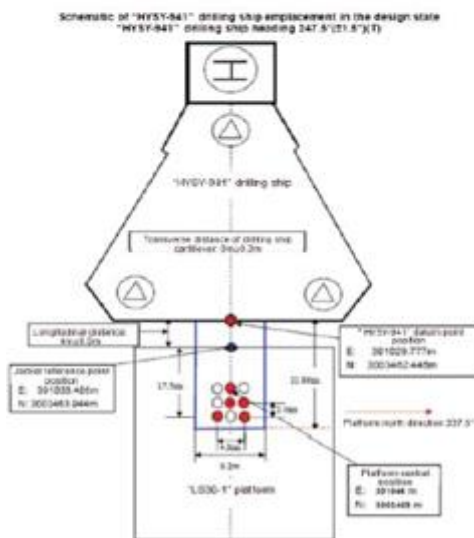
July 2010	Loan Memorandum signed
November 2012	Revised Loan Memorandum signed
November 2014	CDB/EXIM/SPDB Project Finance confirmed, signed and drawn down

# LS36-1: Development in images

Jacket Installation  
2012



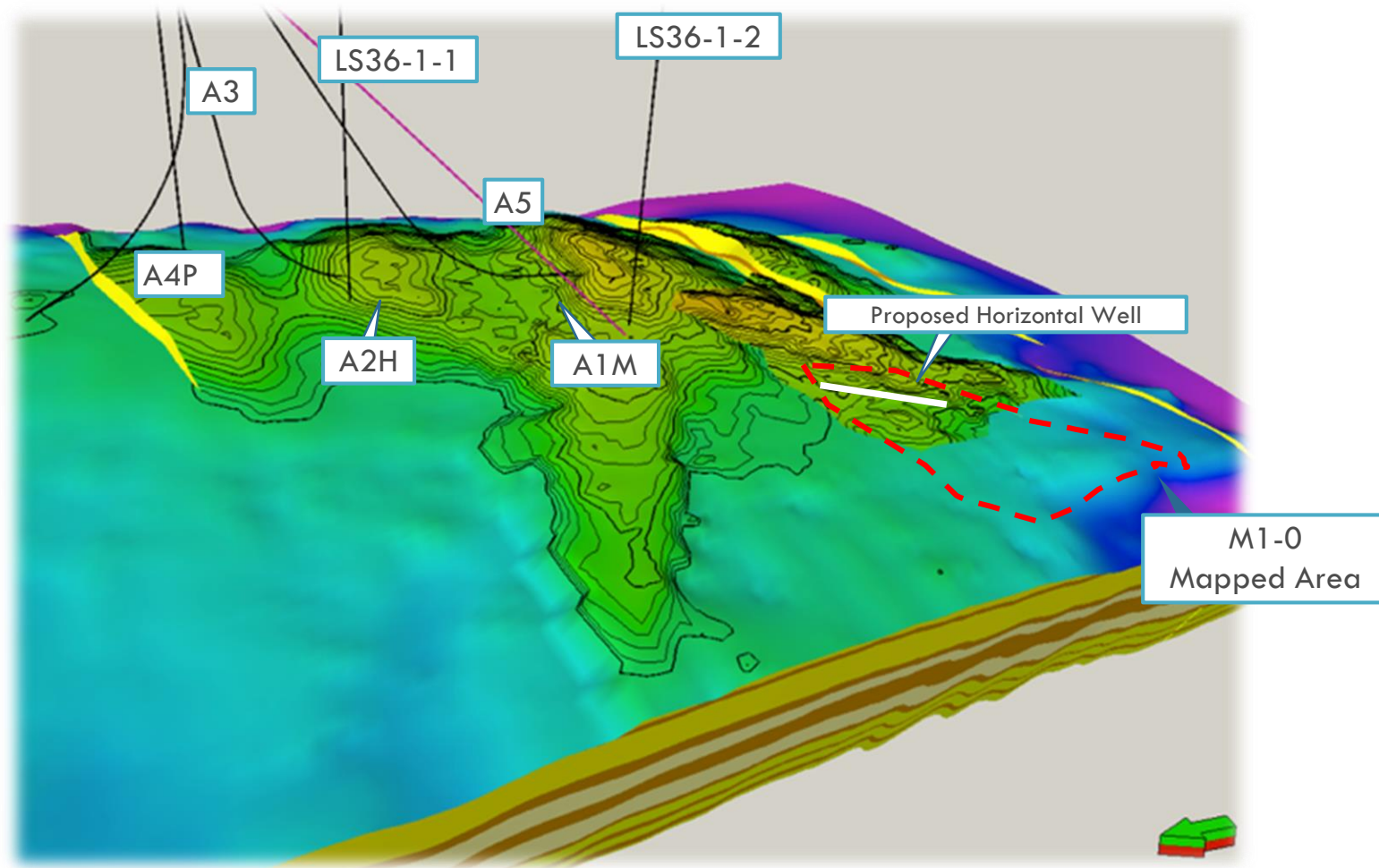
Development Drilling  
2013



Topside lifted May 2013,  
installation completed June 2013



# LS36-1: Wells



Top M1-2 / M1-1 Merged & M1-0 (Patch) Contoured to GWC (5m CI)



# Onshore Processing Terminal – in operation

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# Board of Directors

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## **Victor Hwang | Chairman and President**

Executive Director of the family controlled Parkview Group. Parkview's roots lie in the Chyau Fwu Group, a pioneering construction and development business founded in Taiwan in the 1950s. One of its recent projects, 200,000 sqm Parkview Green in Beijing, was the first mixed-use project in China to be awarded the LEED Platinum certification. The Parkview Group of today has diverse investments in Europe and Asia ranging from the top-end residential and hotel developments. Mr. Hwang is also President of Parkview International London Ltd - the company that sold Battersea Power Station in London for US\$780M in late 2006. He holds a BSc in Business Administration and has significant business and political relationships in China.

## **Ming Wang | Director and CEO**

Dr. Wang joined in 1994, appointed as Vice President of Exploration in 1996 and CEO in 2006. He has been responsible for all technical and commercial operations for Primeline, including the successful drilling operation of the LS36-1-1 discovery well. He has extensive knowledge of, and contacts within, China's petroleum industry. He holds a PhD in Geology from Imperial College, London.

## **Brian Chan | Director**

Mr. Chan has extensive experience in international banking and commerce. He is General Manager and Director of the Hong Kong Parkview Group Ltd and is a Certified Accountant.

## **Alan Johnson | Non-Executive Director**

Mr. Johnson has over 30 years' oil industry experience particularly in management and operations in Africa, Russia and China. He was Chief Operation Officer for the Cluff Group of Companies 1996-2000, and Oil project manager for Glencore until he retired in 2017.

## **Peter Kelty | Non-Executive Director**

Mr. Kelty has extensive experience in restructuring and financing major Asian regional corporations as well as advisory work for European and US multi-nationals. Mr. Kelty is a Certified Public Accountant and a member of the Illinois State Bar. He holds a Masters in Business Administration with a major in Accounting and is a Doctor of Jurisprudence.

## **Vincent Lien | Non-Executive Director**

Mr. Lien has 20 years' experience in banking, specialising in corporate finance and capital management in Asia, including for Swiss Bank, Bankers Trust and ABN AMRO. Mr. Lien obtained a Bachelor's degree in Business Administration from the University of New Brunswick in 1986.

## **Tim Baldwin | Non-Executive Director**

Mr. Baldwin is a partner of General Enterprise Management Services (HK) Ltd., a private equity fund management firm specializing in investment in companies operating in Asia in need of equity for strategic growth, acquisitions, market expansion or balance sheet restructuring.

# Non-Board Senior Management & Technical Team

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## **Andrew Biggs | Senior Vice President and General Counsel**

Mr. Biggs joined in 2007 as General Counsel. Between 1981 and 1998, he was a partner with international law firm Richards Butler, both in Hong Kong and London. Mr. Biggs specialised in corporate finance transactions and was involved in many of the early H-share listings of mainland Chinese companies on the HK Stock Exchange. In 1998, Mr. Biggs joined Parkview Group as the Corporate Affairs Director. He is qualified as a solicitor in England and in Hong Kong.

## **John Li | Interim Chief Financial Officer**

Mr Li is the CFO (China) of Beijing Chyau Fwu Properties Company Limited. He has over 30 years experience working in various financial capacities for public and private companies. Mr. Li is a Certified Public Accountant qualified in Hong Kong and Australia, and graduated with a Masters in Practising Accounting from Monash University in Australia. Mr. Li has previously served as interim CFO of the Company from May 2013 to September 2014. He will serve on a part time basis on secondment from Parkview Group.

## **Brian Thurley | Technical Director**

Mr. Thurley joined in 2014 to work with Alan Soulsby to manage the exploration program and production of the LS36-1 gas field and become the Technical Director in October 2016 having overall technical management and coordination responsibility. He has over 35 years' G&G experience in international oil and gas exploration and production projects including International Exploration Manager for Monument Oil and Gas, technical director for Burren Energy, and technical advisor to Bayfield Energy. Mr. Thurley graduated from Imperial College, London.

## **Mark Norman | Project Director and General Manager, China Office**

Mr. Norman joined in 2012 as Project Director for Primeline's Shanghai office and Vice President in the Lishui Operating Company - the operator of the LS36-1 development - and in December 2014, he became General Manager of Primeline's Shanghai Office. He has over 25 years' experience in project management and has expertise in the delivery of complex projects in the UK and worldwide.

## **Alan Soulsby | Senior Advisor**

Mr. Soulsby joined in 1994 as Technical Director and was responsible for the initial block selection and the exploration programme which led to the LS36-1 discovery and ongoing evaluation work. He stepped down as Technical Director in October 2016 but remained as an advisor to the Company. He has had a wide and varied career in the petroleum industry with over 35 years' international exploration experience, including managing Exploration Consultants Ltd. for a number of years and managing many large integrated exploration and evaluation projects. He graduated from Oxford University with a degree in Physics in 1970 followed by a Masters in Geophysics.

# Corporate Structure

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Trading Symbols	PEH - TSX Venture Exchange
Outstanding Shares	191.9M
Fully Diluted Shares	197.5 M
Auditor	Crowe Clark Whitehill LLP, London
Major shareholders	Mr. Victor Hwang (approx. 65%) Fidelity Worldwide (approx. 7%) GEMS (approx. 7%) Management (approx. 3%)

## Contact

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Andrew Biggs  
Senior Vice President  
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# Disclaimer

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