PREMIERE EASTERN ENERGY LIMITED
(ACN 169 923 095)

22 Lindsay Street, Perth WA 6000, Australia
Tel: + 61 8 9200 3457 | Fax: + 61 8 9227 6390

5 September 2016
ASX Announcement/Media Release

Market Update

Like most companies in the petroleum sector, the first half of Calendar Year 2016 has been a very difficult one for Premiere Eastern Energy Limited ("Premiere" or "the Company") (ASX: PEZ) as global markets continue to feel the effect of the "lower for longer" oil price environment.

The interim financial statements for the half-year ended 30 June 2016 of Premiere Eastern Energy Limited show that the Company has gone through a fall in revenue. To a large extent, it was due to the following factors:

Domestic industry review

In the first half of 2016, international crude prices recorded a sharp decline from prices in the corresponding period in 2015, and bottomed out during the current period, with the average Platts' Brent spot price at USD39.81 per barrel, 31.2% below the level in the same period last year (please refer to the Figure 1 below for further detail).

International crude prices stayed at low levels in the first half - with weak demand during the reporting period and fierce competition existing in the oil and gas markets.

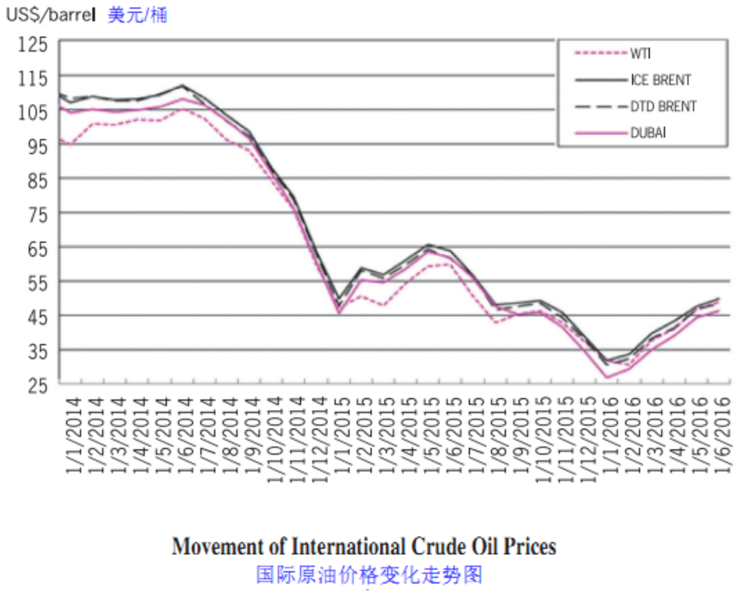


Figure 1: Movement of International Crude Oil Prices.

The Chinese market was not sheltered from this global downturn and the price trend of domestic refined petroleum and petrochemical products were broadly in correlation with that of crude prices in the international markets.

China's latest GDP growth rate of 6.7% saw a slow down of 1.2 % in Q1 2016 on a Q on Q basis, but Q2 GDP growth of 6.7% has shown a much improved 1.8% growth rate Q on Q. The one highlight of these economic indicators is that retail sales have risen by a significant 10.5%.

The latest financial reports released by the top three Chinese oil majors in August 2016, show that PetroChina's profit has declined by 21.3% for the first half of 2016, Sinopec's profits have dropped by 98% and CNOOC's profits has declined by 152% to register a loss. The combined earnings of these three oil majors have receded by 81%.

1. **Main financial data of 3 domestic biggest oil company**
   国内三大石油公司主要财务数据

Company 公司名称	Revenue (RMB million) 营业收入 (人民币百万元)	Changes (%) 同比变动	Net Profit (RMB million) 净利润 (人民币百万元)	Changes (%) 同比变动
Sinopec 中石化	879,220	-15.6%	19,250	-21.3%
PetroChina 中石油	739,067	-15.8%	528	-98%
CNOOC 中海油	55,080	-28.5%	-7,740	-152.5%

Figure 2: Financial data of China's largest 3 oil companie1 1H, 2016.

During the same period, the average selling prices of Premiere's refined petroleum products (ie. gasoline #92, #95 and #98) dropped by 18.2% to 29.5%. Meanwhile, the average selling prices of our petrochemical products (ie. MTBE, naphtha and fuel oil) dropped by 14.3% to 15.8 %.

Alongside an excessive supply of refined products in the domestic market, a persistent slow-down in the pace of China's economic recovery caused further deterioration and downward pressure to the Company's business operation and financial performance.

In this regard Premiere was significantly affected by a wildly variable international currency market with the Company recording a foreign exchange loss on translation of our foreign operation of $8.9 million due to the depreciation of the Chinese Renminbi ("RMB") against the Australian dollar ("AUD").

While the recording of a loss after tax of $2.3 million is a disappointment to the Company's Board and Management, we have taken a number of steps to develop new options to help protect ourselves against further declines in the petrochemical and refined petroleum product markets.

The most significant of these is our entry during the reporting period into the retail market with the acquisition of two U1 branded retail petrol stations.

In fact, in April 2016 Premiere became the first ASX-listed company to enter the retail market and to obtain the required licenses for a retail petrol station in China when it acquired its interest in the Guangzhou City retail petrol station, which is located beside the Guangshan Road of Tianhe District, Guangzhou City. *(For full details see ASX announcements "Retail Petrol Station Acquisition" April 28, 2016 and "Update to Chinese Retail Petrol Station Acquisition" September 4, 2016.)*

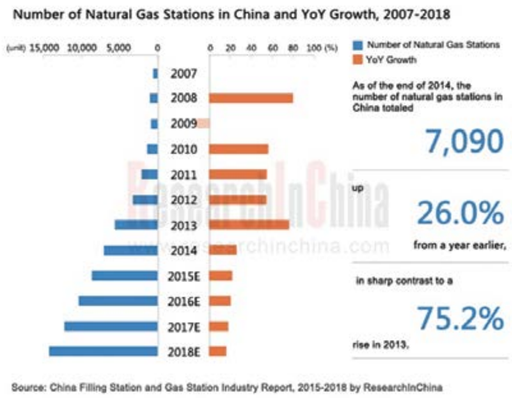
Subsequent to that initial entry into the Chinese retail petrol station market, we completed a lease agreement for the operation of a petrol station in Foshan City, Guangdong Province. (*For full details see ASX announcement "Lease of Second Operating Petrol Station" June 28, 2016*.)

These agreements are the initial steps in a strategy aimed at turning Premiere into a significant player in the world's biggest road transport sector.

Industry analysis by the respected IbisWorld forecast that revenue for the Gas Station industry in China is expected to total US$272.1 billion in 2015, up 7.4% from 2014, with annualised growth of 9.9% over the past five years (1). It also predicted that over the decade to 2020, industry value added is expected to increase at an annualised rate of 6.9%, slightly higher than China's overall GDP growth rate during the same period (1).

This data is supported by forecasts of strong growth in Chinese car sales over the same period.

For the first seven months of 2016, the production and sales of automobiles were 14,854,000 and 14,684,000 units respectively, up 9.0% and 9.8% year-on-year, 8.2 percentage points and 9.4 percentage points higher than the same period last year (2). In the long-term, the China Passenger Car Sales is projected to trend around 1,779,380.71 in 2020 (3).



Premiere is currently investigating the opportunity to acquire additional retail petrol stations in the Guangdong region, with a strategic target of owning 6 stations by calendar year end 2016.

This very real growth opportunity for Premiere is supported by our strong cash and cash equivalent position, with the Company holding a balance of $157.6 million as at June 30, 2016.

This places Premiere in a very good position to make further strategic acquisitions that the Board believe will bring value to our shareholders.

At the same time, we are continuing to be very prudent with our cost management and we have a programme in place to continue to look at ways to best handle the current global commodities market situation and our highly valuable assets and cash position.

Our strong cash balance places Premiere in a strong position to continue supporting its current refined petroleum and petrochemicals wholesale business. Significantly, Premiere's recent expansion into the retail petroleum sector is already showing positive signs and - with the recent financial support commitment from external parties - the Company will continue to expand into this new sector for the rest of the year and it would be expected to contribute positively to our performance for the next financial period.

References

(1) Source: “Gas Stations in China: Market Research Report” Jan 2016 - IbisWorld

(2) Source: China Association of Automobile Manufacturers (CAAM) industry analysis – 15 August, 2016

(3) Source:Trading Economics - *www.tradingeconomics.com/**china**/**car**-registrations/**forecast***

For further information, please contact:

Premiere Eastern Energy
David Wheeler
Independent Non-Executive Deputy Chairman
Tel : +61 8 9200 3457 +86 20 8527 1729

Media
David Tasker and Colin Hay
Tel: PPR+61 8 9388 0944

About Premiere Eastern Energy Limited

Premiere Eastern Energy Limited is a leading integrated supply chain manager of petrochemical products in the PRC based in the Guangdong Province, PRC. As an integrated supply chain manager, it engaged in the wholesale distribution of petrochemical products including sourcing, storage, shipping, sales and distribution and after-sales services of petrochemical products in the PRC.

The Group’s products can be grouped into 2 major classes of product; namely Refined Petroleum and Other Petrochemicals. Refined Petroleum comprised mainly the various grades of gasoline and diesel oil used mainly by automobiles. The Group’s Other Petrochemicals comprised of mixed aromatics, C5 non aromatics, fuel oil, naphtha and MBTE, used mainly for gasoline blending.

The Group procures its supply of Refined Petroleum and Other Petrochemicals mainly from petroleum refineries and their authorised distributors in the resource-rich northern regions of the PRC. It distributes these products to the more economically developed southern coastal cities in the PRC, which has huge demands for fuel and energy and rely on the petroleum resources from the northern PRC regions. The Group also aggregates orders from its customers in order to procure these products from suppliers at more favourable terms through economies of scale.

The Group beneficially owns a petroleum storage facility located in Longkou City, Shandong Province, PRC with a total petroleum storage capacity of 13,500 cubic meters (equivalent to approximately 9,000 tonnes). Beneficial ownership allows the Group to use the facilities at their own discretion and for their own purposes. The strategic location near the Longkou harbor enables it to expediently and economically store Refined Petroleum intermediately for shipment to its customers located in the southern PRC cities.

The Group holds two operating retail petrol stations under the same branding.