



18 APRIL 2006

**FORTUNE OIL PLC
("Fortune Oil" or "the Company")**

Liulin Coal Bed Methane

The Company is pleased to announce a conditional agreement to take a 60% interest in a company formed to develop coal bed methane ("CBM") gas reserves in the Liulin block in Shanxi Province, China. The other 40% shareholding will be held by Molopo Australia Limited ("Molopo"), an ASX-listed company with significant experience in the development of CBM in Australia. In 1999 a subsidiary of Molopo signed a Production Sharing Contract ("PSC") for development of the Liulin block with CUCBM (China United Coal Bed Methane Company), a PRC government entity responsible for all CBM PSCs. Subject to approval by the Ministry of Commerce, the foreign contractor rights in this PSC will be extended and transferred to the new company, Fortune Liulin Gas Company Limited, registered in Hong Kong. The initial obligation of Fortune Oil is to commit US\$2.5 million for further field appraisal, to be financed from the Company's cashflow.

CBM consists of natural gas that is trapped within coal seams. China has one of the world's largest reserves of CBM and its development is being encouraged because of resource limitations and the need to remove gas from coal reserves on safety grounds. To date CUCBM has signed over 20 PSCs with foreign companies but the industry is only just emerging and China's CBM output is small at 100 million cubic metres per year. The industry has now been spurred by the development of local gas markets and supply infrastructure, particularly in Shanxi Province which has the two largest CBM basins.

We believe that Fortune Oil is the only foreign company controlling pipelines and reticulation networks for supply of natural gas in Shanxi Province. This gas is sourced from the Shaanxi-Beijing trunk pipelines which pass through the province and are operated by our partner in the Fu Hua natural gas business. As CBM fields are developed the gas will be supplied initially to local markets by truck as compressed natural gas (CNG) and ultimately to Beijing as pipeline gas. Therefore, once the Liulin block has been commercially developed, we envisage the gas being supplied to Fortune Oil-controlled gas distribution companies such as the Tongzhou CNG station in Beijing. This will provide Fortune Oil with an independent source of gas and increase reliability of supply for our downstream businesses.

The Liulin block is one of the best geologically proven CBM blocks in China. Analysis from coal holes and exploration wells has indicated an in-place gas resource of approximately 0.8 trillion cubic feet ("TCF"). With a successful appraisal programme, this resource may be converted to recoverable reserves in the order of 400 billion cubic feet (12 billion cubic metres) in an area of approximately 200 square kilometres. The gas recovered to date is over 95% methane, located in three main coal seams at a depth of 400 to 700 metres. The coal parameters such as permeability, gas content and seam thickness are favourable for CBM drilling, as advised by our technical consultants, Advanced Resources International, Inc of Virginia, USA.

A Molopo subsidiary, Lowell Petroleum NL ('Lowell'), started to explore the Liulin block over 10 years ago and drilled 4 vertical exploration wells under the PSC in 2000. Under the terms of the agreement with Molopo, approval will be sought from PRC authorities for the PSC to be extended and the rights transferred from Lowell to Fortune Liulin Gas Company Limited. Fortune Oil would then commit US\$2.5 million for further appraisal over the next year and be entitled to a 60% shareholding in the company, with Molopo retaining a 40% interest. This would involve further drilling, in particular using techniques recently applied successfully in China and Australia. Should this appraisal work prove successful, then we anticipate commercial development of the block commencing after two years.

The agreements for extension and transfer of the PSC are now being approved by CUCBM for submission to the Ministry of Commerce for final approval, which we expect to receive by end of May.

Bruce McGowan, Executive Vice-Chairman of Fortune Oil, stated:

"This is our first step into the upstream gas business. We are very excited by the long-term potential of China's vast CBM resources and the synergies with our gas distribution business. Development of Coal Bed Methane reserves is very important for China to provide clean fuels for the community. Molopo's experience in CBM development in Australia and its knowledge of the Liulin block provide an ideal partner for Fortune Oil in developing our CBM business - the combination is very powerful. All upstream developments have risk and we cannot expect immediate results but the Company is very well placed to take advantage of China's CBM opportunities and the accelerating demand for gas."

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