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FORTUNE OIL PLC
(“Fortune Oil” or the “Company”)

Fortune Oil Acquires Significant Stake in Armenian Iron Ore Mines

Highlights

- Total investment of US\$24 million representing a 35% equity interest in Bounty Resources Armenia Limited (“BRAL”) which in turn controls three Armenian iron ore mines with proven, probable and inferred reserves of 1,832 million tons
- Fortune Oil has the option to increase this holding to 50% for an additional US\$16 million investment
- Transaction follows launch of Fortune Oil’s new strategy in November to actively pursue overseas investment opportunities related to the demand for energy and resources in China
- First mine, Hrazdan, contains high quality iron ore (40% iron concentration) and is expected to be profitable in 2014
- China is the world’s largest importer of iron ore accounting for 60% of China’s total iron ore consumption in 2010

Mr. Tee Kiam Poon, Chief Executive of Fortune Oil, commented:

“We are extremely pleased to have begun implementing our new Resources Strategy with our investment in these three iron ore mines in Armenia. The ever growing demand for resources in China, in addition to these mines containing a significant amount of reserves, makes this a very exciting opportunity. This is truly a “step-change” for the Company and its shareholders. We look forward to this acquisition making a positive contribution in years to come.”

Fortune Oil, a company listed on the London Stock Exchange main board focusing on oil, natural gas and resource supply operations and investments in China, has today announced that it has invested a total of US\$24 million for a 35% equity interest in BRAL, a company which controls three iron ore mines in Armenia. The licences to the three Armenian mines are owned by Nagin LLC (a locally incorporated entity) which in turn is a 72% subsidiary of Caspian Bounty Steel Limited, an 83.3% subsidiary of BRAL.

In addition, Fortune Oil has acquired the remaining 16.7% minority shareholding in CBSL for US\$2 million.

The BRAL and CBSL investments will be financed from the Company’s existing cash reserves.

Under the agreement, Fortune Oil has the option to invest a further US\$16 million for an additional 15% of BRAL (the “Option”), which would take the entire investment amount for the 50% stake to US\$40 million. BRAL currently only has one other shareholder, Bounty Investment Holdings Limited, an investment holding company in various energy/resource projects globally. The acquisition is being effected through Giant Global Development Limited, a subsidiary of Fortune Oil.

Prior to exercising the Option, Fortune Oil’s effective equity interest in the three Armenian mines is 33% which after Option exercise increases to 42%.

The investment in BRAL is in-line with Fortune Oil’s recent launch of its Resources Strategy, focused on actively pursuing overseas investment opportunities to capitalise on the demand for energy and resources in China, which was announced on 18 November 2010. In addition to Fortune Oil’s investment in BRAL, the Company is also in the process of establishing a strategic alliance with leading Chinese and international organisations to support its resources business and capitalise on growth opportunities.

Between 2000-2010, China’s iron ore imports increased from 69 million tons to 619 million tons. It is expected that China’s iron ore imports will increase to approximately 712 million tons in 2011.

Background on the Mines

The three iron ore mines are located in the Armenian cities of Hrazdan, Abovyan and Svarants and have proven, probable and inferred reserves of 77 million tons (Hrazdan), 255 million tons (Abovyan) and 1,500 million tons (Svarants) which have been confirmed by Russian standards and a July 2010 Minarco-Mineconsult desktop assessment. The three iron ore assets will be developed in phases to effectively manage capital/financing requirements. The US\$24 million investment, and any proceeds from the exercise of the Option, will be applied towards mine preparation, mining the ore, and processing it to maximise the iron ore concentrate (66% iron).

Fortune Oil is in the process of engaging SRK Consulting to complete the reserve certification for the Hrazdan iron ore mine from Russian standards to international standards (JORC, Joint Ore Reserves Committee) which is expected to be completed in Q3 2011. The JORC certification will assist in obtaining additional capital to further develop the Hrazdan iron ore mine from banks and/or China Volant Industry Company (“Volinco”), a state owned corporation in China which will provide up to US\$1 billion of medium term export financing to Fortune Oil over the next three years (as announced on 18 November 2010).

Fortune Oil has identified a number of highly qualified candidates for the role of Armenia Iron Ore Project Manager and will be making an announcement in due course.

About the Mines

Hrazdan

Hrazdan will be the first mine to be developed. The iron ore is of high quality (40% iron concentration), very close to the surface and there is easy access to necessary infrastructure such as water, rail, local power plant and road access, enabling the resource to be developed quickly.

The current development plan envisages first production to commence in 2014, reaching between 1.5-2.0 million tons per annum. The amount of iron ore concentrate produced is planned to be between 800,000-1,000,000 tons per annum. The Hrazdan reserves of 77 million tons (Proven and Probable reserves of 37 and 40 million tons, respectively) will be developed over a 15 year period. The product will be exported by rail car to a major port in either Georgia, Turkey or Iran with the ultimate market being China.

Abovyan

It is currently planned that Abovyan will be developed second, as the iron ore reserve is deeper than at Hrazdan. The size of the Abovyan reserve (255 million tons) is expected to allow processing of approximately 20 million tons per annum, producing up to 8 million tons per annum of iron ore concentrate. The Abovyan mine has similar existing infrastructure (i.e. rail, road, water, power, etc) benefits to the Hrazdan mine. The Abovyan reserves of 255 million tons (Proven and Probable reserves of 84 and 171 million tons, respectively) are planned to be developed over a 10 year period.

Svarants

Svarants will be developed last, as it is in an early exploratory stage, with only an initial assessment completed to date. The Svarants mine has potential iron ore reserve of approximately 1,500 million tons (Probable and Inferred reserves of 500 and 1,000 million tons, respectively).

BRAL was incorporated in June 2010 with its only asset being its indirect equity interest in the three Armenian iron ore mines and recorded no profits.

Background on Fortune Oil

Fortune Oil is a leading independent energy company engaged in the investment and operations of oil and natural gas supply projects in China. With over 17 years of operating history in China, Fortune Oil has acquired a unique portfolio of high quality oil and natural gas projects across the country and has formed a strong partnership with domestic and international market leaders. Fortune Oil is listed on the Main Market in London with its operational headquarters in Hong Kong.

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