

25 March 2010

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

Liulin Coal Bed Methane Update

Highlights

Fortune Oil is pleased to announce the following significant advancements for the Liulin Coal Bed Methane (“CBM”) block:

- An extension of the exploration period for the Production Sharing Contract (“PSC”) for the Liulin CBM block has been approved by the Ministry of Commerce for a further two years to 29 March 2012.
- As a consequence, under the arrangements with Arrow Energy International Pte Ltd (“Arrow International”), Arrow will now pay US\$5.3 million to Fortune (which was deferred pending renewal of the PSC exploration period) after which Arrow International will hold a 35 per cent interest in Fortune Liulin Gas (“FLG”). Arrow International has already paid US\$8 million to the Fortune Oil Group in December 2009, US\$6 million of which has been invested in FLG to fund the current field operations.
- Fortune Oil is confident that the ongoing involvement and investment by Arrow International in Liulin will not be affected by the proposed restructuring of its parent company, Arrow Energy Limited. Staff from Arrow International have already been integrated into the FLG operations team.
- FLG has now commenced the drilling of lateral wells in Liulin, which will significantly enhance production capacity from the field.
- FLG is working alongside China United Coalbed Methane Corporation (CUCBM) under the framework of the Liulin State Pilot Project. The agreed objective of the combined drilling campaign is to demonstrate for the State Pilot Project a gas production capacity of 50 million cubic metres per year (1.8 billion cubic feet per year) from the wells drilled in 2009 and 2010. Gas sales agreements are currently being negotiated for the future sale of CBM from the Liulin block.

Fortune Liulin Gas

The Ministry of Commerce has approved the extension of the PSC exploration period for the Liulin CBM block for a further two years to 29 March 2012.

Further to the Subscription and Shareholders Agreement dated 18 December 2009, and as detailed in the Company announcement of the same day, Arrow Energy International (“Arrow International”) will as a result pay a further US\$5.3 million to Fortune Green Energy Limited (“FGE”) after which Arrow International will have a 35 per cent interest in FLG. The remaining 65 per cent interest will be held by FGE, in which Fortune Oil has an 85 per cent controlling interest. Completion of this transaction is expected within the coming week.

On 22 March 2010 the Board of Arrow Energy Limited, the parent company of Arrow International, recommended to its shareholders the acceptance of an offer from Shell and PetroChina as a result of which Arrow International would become part of a demerged Australian Stock Exchange listed entity to be called Dart Energy Ltd. Dart Energy Ltd would house all the international assets and several of the early stage CBM exploration assets of Arrow Energy Limited, along with the existing staff of Arrow International and a number of the current senior executives of Arrow Energy Limited. Fortune Oil views this as a positive outcome for the continuing involvement of Arrow International in the Liulin block and the ongoing ability to leverage Arrow International's technical expertise and field development experience. Personnel from Arrow International have already been seconded to FLG and are now fully integrated into the FLG operations team, for example in the design and supervision of the new lateral wells.

Quarterly Drilling Update

The Company is pleased to announce that the first of two lateral wells has been spudded in Liulin by FLG. These lateral wells are targeting production from seams 8 and 9 in the northern section of the Liulin block, and each will comprise two 1,000 metre branches. These two wells will complement the two lateral wells being drilled by FLG's government partner, CUCBM, in the northern section of the block. The Company expects that a significant portion of the Liulin block will be developed using lateral wells as they have a far greater production capacity than vertical wells.

FLG is also in the process of fracture-stimulating the 6 vertical cluster wells that were drilled in late 2009 in the southern section of the block. These wells complement the 17 vertical production wells drilled by CUCBM in late 2009, also in the south. It is planned to drill further vertical wells in the southern section in 2010.

FLG and CUCBM have a joint objective under the Liulin State Pilot Project to demonstrate gas production capacity of 50 million cubic metres per year (1.8 billion cubic feet per year) from the wells drilled in 2009 and 2010. Negotiations have already commenced concerning an initial gas sales agreement with CUCBM Shanxi, an existing joint venture between Fortune Oil and CUCBM. It is envisaged that CUCBM Shanxi will construct facilities in the Liulin block for marketing the early CBM production as Compressed Natural Gas ("CNG"). The higher gas volumes anticipated in the later production phase will require additional marketing infrastructure and discussions have already commenced with regional pipeline companies for this.

In December 2009 FLG and CUCBM completed the application for certification of reserves totalling 5 billion cubic metres (180 billion cubic feet) for seams 3, 4 and 5 in a northern section of the block. The formal certification is still awaiting a final sign-off from the Ministry of Land and Resources. Application for reserves certification for additional coal seams across the block will be possible once the 2010 drilling campaign has been completed.

Mr Qian Benyuan, Chairman of Fortune Oil PLC, commented:

"We are very pleased to commence our spring drilling campaign in partnership with Arrow Energy International and CUCBM. All parties are committed to ensuring that Liulin is one of the first commercial producers of CBM in China as envisaged under the State Pilot Project. The new lateral wells, coming at the same time as the PSC extension, are a key step forward towards achieving this goal."

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