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

First Gas Sales Agreement at Liulin Block

Highlights

- First Gas Sales Agreement (“GSA”) at Liulin Block amounting to annual gross sales of RMB 52.1 million (£5.01 million).
- The entire coal bed methane (“CBM”) production (as outlined in the GSA) from the Liulin Block will be resold at an attractive margin.
- Hunger for natural gas in Shanxi province is outpacing supply for each client segment (e.g. Transportation, Residential and Commercial, etc).
- Validates decision to partner with China United Coal Bed Methane Corporation (“CUCBM”) and China United Shanxi CBM Company Limited (“Shanxi CBM”).

Fortune Oil is pleased to announce the signing of the first GSA for its Liulin Block CBM. Fortune Oil, through its 85% subsidiary Fortune Gas Investment Holdings Ltd, holds 65% of Fortune Liulin Gas Co Ltd. (“FLG”), which itself has a 50% revenue sharing interest in the Liulin Block, the other 50% interest being held by CUCBM. The remaining 35% interest in FLG is owned by Dart Energy Limited.

The GSA signed between CUCBM, as the Chinese gas rights owner, and Shanxi CBM is a 15-year agreement requiring Shanxi CBM to purchase 100,000 cubic meters per day of CBM gas on a take-or-pay basis. The GSA applies to CBM gas sales commencing 1 June 2011, with take-or-pay obligations commencing 1 June 2012. The price is RMB 1.58 per cubic meter including recently enacted Chinese government subsidies (subject to annual escalation and review) which equates to US\$6.59/gigajoule. A full years’ supply, assuming no escalation, at the minimum volume level would equate to gross sales of RMB 52.1 million (£5.01 million).

The gas produced from the Liulin block will be purchased and then resold to market, at a significant premium, by Shanxi CBM. Fortune Oil has a 50% equity interest in Shanxi CBM held through two subsidiaries of Fortune Gas Investment Holdings Ltd, Fortune Gas Investment Co. Ltd and Beijing Fu Hua Green Energy Technical Co. Ltd. Shanxi CBM is mandated by the Shanxi central and provincial governments to market CBM for local (i.e. Shanxi province) consumption.

The CBM from the Liulin Block will be utilised in a variety of natural gas markets across Shanxi province. The demand in Shanxi province for clean burning and low carbon natural gas continues to expand rapidly in all of the major energy sectors including power generation, as a transportation fuel, and for residential use.

The Liulin Block covers 198km² and is located 35 km from Luliang and 500 km south-west of Beijing within the south-east Ordos Basin in Shanxi Province. The project currently has certified 3P reserves of 89 petajoules and is designated a State Special Pilot Project enabling the acceleration of the exploration and development programme. The development plan for the Liulin Block consists of 176 production wells targeting three coal seams with high gas content and saturations.

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

“We are extremely pleased to have brought the Liulin CBM project to initial commercial operations. This is a significant milestone towards monetizing the full value of Liulin CBM for our shareholders. Through this GSA we now have achieved end-to-end gas from production to consumption – fully integrating our CBM business. We look forward to building additional CBM volume to meet the increasing demand of “clean energy” in Shanxi province. The positive long term relationships which we have forged with our partners CUCBM and Shanxi CBM has made this achievement possible.”

For further details:

Fortune Oil PLC

Tee Kiam Poon

Tel: 00 852 2583 3125

Premal Shah

Tel: 00 852 2583 3120

Pelham Bell Pottinger

Archie Berens / Zoe Sanders

Tel: 020 7861 3112