



19 May 2010

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

First Quarter 2010 Interim Management Statement

Fortune Oil announces today its Interim Management Statement for the period 1 January 2010 to date.

Highlights

- Strong growth in volume sales achieved in all operations in Q1 2010, with gas sales volumes up 27 per cent, Bluesky sales volumes up 18 per cent and West Zhuhai Terminal throughput up 58 per cent year-on-year.
- Margins in Q1 2010 have remained broadly stable across most businesses.
- Formal certification by Ministry of Land and Resources of reserves for seams 3, 4 and 5 in northern section of Liulin Coal Bed Methane (“CBM”) Block: gas in place resource of 5.3 billion cubic metres (bcm), of which 2.7 bcm are categorised as economically recoverable.
- Drilling to date at Liulin CBM yielding encouraging results, with the most recent lateral well producing over 4,000 cubic metres per day after only 1 week of dewatering
- The Company’s Trading business has begun importing coal into China as part of a wider strategy of seeking trading and investment opportunities for the supply of energy to China.
- Significant funding capacity for new projects backed by Fortune Oil’s net cash position and recently signed term loan for US\$80 million.

China Economy

China’s GDP increased by 11.9 per cent year-on-year in Q1 2010, according to a preliminary estimate announced by the National Bureau of Statistics. Industrial production and investment in fixed assets rose substantially and domestic sales of consumer goods increased by 17.9 per cent over the same period in 2009. Foreign trade recovered rapidly with even a small trade deficit in March 2010 (although exports exceeded imports for the quarter as a whole). Consumer price inflation remained under control at 2.2 per cent in Q1 2010 year-on-year and the Chinese government continues to restrict bank lending to certain sectors, particularly the property sector, in order to ensure sustainable economic growth.

Liulin CBM Certification

The Ministry of Land and Resources (“MLR”) has now formally registered the reserves certification for a section in the Liulin CBM block. The Company’s subsidiary, Fortune Liulin Gas Company (“FLG”), completed an application for reserves certification in Q4 2009 for seams 3, 4 and 5 in a northern section of the

block, covering 72 square kilometres and representing 39 per cent of the total block area. The MLR certificate states that gas in place in seams 3, 4 and 5 is 5.3 bcm (188 billion cubic feet, bcf) of which 2.7 bcm (95 bcf) are categorised as economically recoverable.

The Fortune Oil net share of the certified gas in place is 1.5 bcm. This represents only a portion of the Company's total share as certification has yet to be carried out for other seams and for other sections of the block. In China, reserves certification by MLR is a critical and necessary step as it enables preparation of an Overall Development Plan ("ODP") for commercial field development. Reserves certification for other sections of the block and ODP preparation are planned for 2010 and 2011.

This is the first time that a foreign company has been involved in a successful application for certification of CBM reserves in China since a new certification system was introduced in 2003.

Liulin CBM Drilling

Through the FLG joint venture, Fortune Oil and Arrow Energy International are currently drilling 2 lateral wells in the northern section of the block and testing a new 5-well vertical pilot in the southern section. FLG is investing alongside the government partner, China United Coal Bed Methane Corporation Ltd. ("CUCBM"), with the objective of demonstrating a gas production capacity of 50 million cubic metres per year (1.8 bcf per year) from 45 verticals and 5 lateral production wells drilled by the partners in 2009 and 2010.

The results to date of the current drilling campaign are promising. For example after just 1 week of pumping water (dewatering) from the latest lateral well, the gas flow has already reached 4,000 cubic metres per day and continues to rise.

Gas Distribution Operations

Volume sales of gas in Q1 2010 were 149 million cubic metres, an increase of 27 per cent compared to Q1 2009. The fundamental drivers for this business remain firmly in place, with the demand for natural gas as a clean fuel continuing to outstrip supply.

Government approval has now been obtained for the Liaoning Zhengrun joint venture at Dashiqiao and construction has started on two retail CNG stations in Xinyang and Changzhi. Fortune Oil continues to seek new gas supply opportunities, drawing upon the Company's deep local relationships and strong financial position to grow organically and through selective value-enhancing acquisitions.

Oil Sector Operations

Bluesky's sales of jet fuel in Q1 2010 were 0.55 million tonnes, an 18 per cent increase over the same period in 2009. The jet fuel price has been relatively stable in 2010 and the government continues to ensure that movements in domestic prices for transportation fuels track the movements in international prices. As a result, the operating margin in the aviation refueling business has also been stable. Bluesky continues to invest in new infrastructure to meet the increasing demand for jet fuel, such as new storage capacity at Nanning, the capital of Guangxi Province.

The Maoming SPM volume throughput in Q1 2010 was 2.3 million tonnes of crude oil, similar to that in Q1 2009. The SPM facility continues to operate efficiently, with an accident-free and spill-free record.

Volume throughput at the West Zhuhai Terminal in Q1 2010 increased by 58 per cent to 0.63 million tonnes year-on-year. This was due to both higher demand for fuels and petrochemicals in the Zhuhai region and to better performance by the terminal's management team. The previously announced plan to double the terminal's storage capacity in 2011 remains on track.

Fortune Oil continues to place significant emphasis on delivering sustainable growth through the implementation of rigorous health and safety standards throughout the Group. There have been no measurable spills or environmental incidents in Q1 2010 across the Company's operations. Regrettably, there has been one Lost Time Incident, in which a driver of a CNG truck was injured in a road accident.

Broadened Trading Business

Fortune Oil's Trading business expanded its scope in Q1 2010 to include coal in addition to oil and petrochemical products. The Company has purchased coal from Indonesia for supply into China, which is now a net importer of coal. This is the first step by Fortune Oil into the coal industry and forms part of a wider strategy of leveraging the Company's significant expertise and strong relationships in order to pursue new trading and investment opportunities for the supply of energy to China.

Strong Financial Position

On 14 April 2010 Fortune Oil PRC Holdings Limited, a wholly owned subsidiary of Fortune Oil, signed a US\$80 million (£52 million) term loan agreement with a syndicate of banks led by Standard Chartered. This facility was used to repay the US\$25 million balance of the previous US\$50 million term loan at its maturity date of 26 April 2010. The balance will be used for working capital and for new investments by the Group.

As at 19 May 2010, the Group cash balance exceeds the outstanding Group bank loan balances and the Board of Fortune Oil envisages no difficulties in meeting both current loan repayment obligations and investment commitments.

ENQUIRIES:

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