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

PetroChina Kunlun and Xinao Natural Gas Expansion Agreement

Fortune Oil (LSE: FTO.L) is a premium listed company admitted to trading on the Main Market of the London Stock Exchange focusing on oil, natural gas and resource supply operations and investments, primarily in China.

SUMMARY

- Creation of new joint venture with Kunlun and Xinao to supply natural gas in the Shijiazhuang Municipal Region. Shijiazhuang is the capital of Hebei Province, China.
- Fortune Oil, through its subsidiary Luquan Fu Xin Gas Company Limited, will acquire a 20% interest in the new venture, in exchange for allowing the venture use of its existing gas distribution network in Luquan.
- Luquan is located inside the Shijiazhuang Municipal Region which is currently limited to 90,000 connectable customers.
- By contrast, the city of Shijiazhuang alone has 2.4 million connectable customers using between 252-400 million cubic meters of gas per year.
- The new venture thus provides Fortune Oil access to a significantly larger natural gas market than Luquan, covering both Shijiazhuang itself and 17 other cities.

Fortune Oil is pleased to announce that it has entered into a joint venture agreement with PetroChina Kunlun Gas Utilization Co., Ltd (“Kunlun”) and Xinao Gas Development Co. Ltd (“Xinao”) to supply natural gas in Shijiazhuang which is the capital of Hebei Province, China, together with the 17 cities within Shijiazhuang Municipal Region. Separately, a general cooperation agreement has been entered into with Kunlun to jointly develop the natural gas market in other cities in China with low natural gas penetration rates.

Kunlun is a subsidiary of China National Petroleum Corporation (a state owned corporation) supplying natural gas throughout Shijiazhuang Municipal Region. Xinao is a subsidiary of ENN Energy Holdings Ltd, a Hong Kong listed non-state corporation, and is responsible for managing pipelines and using them to distribute natural gas to Shijiazhuang Municipal Region. Both groups are market leaders in supplying natural gas not only in Shijiazhuang Municipal Region but also throughout China.

The joint venture has been created through a newly incorporated entity, Shijiazhuang Kunlun Xinao Gas Company (“Kunlun Xinao Gas Company”). Luquan Fu Xin Gas Company Limited (“Luquan”), a 51% subsidiary of Fortune Gas (Hebei) Company Limited which in turn is wholly-owned by Fortune Gas Development Limited will receive 20% of the share capital of Kunlun Xinao Gas Company in consideration for providing a high pressure natural gas pipeline transmission and distribution asset located in the Shijiazhuang Municipal Region (the “Luquan Asset”). Kunlun and Xinao will hold 34% and 46% respectively of the share capital of Kunlun Xinao Gas Company by contributing natural gas assets and/or cash, the exact split of which is in the process of being finalized. As of 31 March 2011, the net book value of the Luquan Asset is RMB 10.805 million (£1.02 million) and it generated a net profit after tax of RMB 2.74 million (£258,000) for the year ended 31 December 2010. In addition, as part of the agreements for forming Kunlun Xinao Gas Company, Luquan will receive an amount equal to RMB 4.195 million (£395,000) by way of a non compete payment for agreeing not to compete with the newly formed entity for natural gas business in Luquan municipal region which is part of Shijiazhuang Municipal Region.

Rationale for the transaction

This strategic transaction allows Fortune Oil access to a significantly larger natural gas market both in terms of industrial and residential customers. Luquan is a city with 90,000 potential connectable customers whereas Shijiazhuang has potential connectable customers of 2.4 million using approximately 252-400 million cubic meters of natural gas per year. This does not take into account potential connectable customers and associated natural gas sales volume in the remaining 17 cities of Shijiazhuang Municipal Region, which also forms part of this agreement. In addition, partnering with Kunlun will ensure a reliable supply of natural gas at competitive pricing levels.

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

“We are extremely pleased with this new agreement partnering with Kunlun and Xinao to develop the natural gas market in Shijiazhuang Municipal Region. We couldn’t have asked for two better partners. As I stated when we completed the disposal of Henan Fortune Green Energy, Fortune Oil is firmly committed to restructuring and rationalizing its natural gas business that will increase its share of the natural gas market and deliver shareholder value.”

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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 recently started an expansion outside China securing resource projects. Fortune Oil is listed on the Main Market of the London Stock Exchange with its operational headquarters in Hong Kong.