



10 November 2008

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

**Third Quarter 2008 Interim Management Statement**

Fortune Oil announces today the Interim Management Statement for the period 1 July 2008 to date.

3Q08 Highlights

- Continuing strong growth of natural gas sales (over 40 per cent year on year), with no indication of a slow-down.
- Slower China GDP growth is not expected to affect natural gas revenues but, along with oil price volatility, may impact Bluesky revenues.
- Total of £33 million raised through investments by new strategic partners, Kerry Holdings and Wilmar International Limited.
- Seeking acquisition opportunities, particularly in the gas sector.

China Economy

China's GDP growth decreased to an annualised 9 per cent in the third quarter of 2008, in part due to Olympics-related restrictions on travel and production. The GDP growth is now decelerating because of lower exports, however domestic consumption remains strong. Household and national debt remain among the lowest in the world and China continues to invest in infrastructure. According to the National Bureau of Statistics, the investment in fixed assets for the first three quarters of 2008 exceeded that in the same period last year by 27 per cent, with the highest growth in the western and central regions (where Fortune Oil's gas operations are located)

Fortune Oil has not seen any reduction in the domestic demand for clean fuels, and the growth in the Company's gas sales is limited by infrastructure and supply availability rather than demand. We still expect natural gas prices to rise in China over the medium-to-long term, as measured in both RMB and US\$ terms.

Gas Distribution

Sales of natural gas continue to grow strongly: sales from January to October 2008 were 278 million cubic metres, an increase of over 40 per cent compared to the same period in 2007. Due to the strong demand for natural gas in China, this business continues to experience sustained growth and sales margins.

Since 1 July 2008, Fortune Oil has completed the acquisition of Xinyang and Sishui gas companies and has commenced construction of a 1.5 bcm capacity pipeline at Tianjin. A second Liquefied Natural Gas (LNG) plant is now being commissioned at Puyang; gas supply commitments from both CNPC and Sinopec are expected to double the Puyang LNG sales capacity to 100 million cubic metres in 2009.

Coal Bed Methane

Although it should have long term benefits for China's CBM industry, the anticipated split of CNPC from CUCBM has caused delays in the development of

China's CBM industry, for example in government decision making. Fortune Oil was able to procure an extension of the Liulin Production Sharing Contract ("PSC") in April 2008, and the PSC rights remain fully intact; but no other CBM companies have been able to extend their PSCs since then due to the delay in the CUCBM restructuring.

The geological data obtained to date continues to confirm high gas contents in the Liulin coal seams. The exploration programme so far has been focused on isolated science wells in order to meet the China reserves certification requirements, but there have been delays due to both weather and land permitting issues. The initial exploration targets agreed with Fortune Oil's partners were coal seams 8/9; LW3 science well produced commercial quantities of gas whilst the other isolated wells took longer than anticipated to dewater. Seams 3/4/5 are now being fractured in the old EP1/EP2 wells and the new EP5 well, as isolated wells in these seams are expected to produce commercial quantities of gas more rapidly. In addition, Fortune Oil plans to spud in a lateral well before the end of the year.

Discussions continue with coal mines in China regarding the "degassing" of their coal seams prior to mining. Fortune Oil expects such coal seam gas, which can be exploited outside the PSC regime, to be a major source of natural gas in China, particularly in Shanxi Province where the Company is initiating the development of natural gas markets. Fortune Oil continues to believe that such natural gas is the only clean fuel available in sufficient and sustainable quantities to supply China's households, factories and vehicles.

### Oil Sector Operations

Bluesky's volume sales of jet fuel from January to October 2008 were 1.5 million tonnes, an 8 per cent increase over the same period in 2007. Jet fuel sales in the third quarter were affected by the travel restrictions imposed during the Olympics period. Oil price volatility is also adding uncertainty to the operating environment for airlines and Bluesky. Sales of jet fuel in 2009 are expected to be augmented by the new FedEx Asia hub at Guangzhou, for which Bluesky is now commissioning the supply facilities.

Throughput of crude oil at the Maoming SPM from July to October period was 3.1 million tonnes and oil products throughput at the West Zhuhai products terminal was 0.6 million tonnes, both similar to the same period in 2007. Fortune Oil's trading business continues to import petroleum products such as luboil and to export petrochemicals. In October 2008 the Company disposed of its remaining interests in Fu Duo, a non-core LPG distribution business.

To date in 2008 there have been no lost time accidents at any of the Company's operations.

### Funding

Over the past few months Fortune Oil has established a strong funding position: on 4th July 2008 a Kerry Holdings subsidiary invested £9.85 million in a placement for 4.74 per cent in Fortune Oil's share capital, and on 4th November 2008 Wilmar International Limited invested US\$36 million (£23 million) to acquire a minority 15 per cent interest in the Company's integrated gas business.

The Company's syndicated term loan of US\$50 million is being amortised over the 18 month period to April 2010 and benefits from a favourable interest margin above

LIBOR or HIBOR of 1.1 per cent. The Group cash balance exceeds the outstanding Group bank loan balances and the Board envisages no difficulties in meeting both current loan repayment obligations and investment commitments.

Fortune Oil notes that the pound sterling has weakened by approximately 25 per cent against the RMB in 2008 to date. At current levels the exchange rate movements are expected to strengthen the Company's balance sheet on translation to sterling.

In summary, Fortune Oil continues to trade in line with expectations. The Company's strategy of developing an integrated gas business is working well and is underpinned by continued strong domestic demand. With funds in place to continue its programme of investment in this area, the Board is confident of achieving further growth.

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