



16 November 2009

FORTUNE OIL PLC
("Fortune Oil" or "the Company")

Third Quarter 2009 Interim Management Statement

Fortune Oil announces today its Interim Management Statement for the period 1 July 2009 to date.

3rd Quarter 2009 Highlights

- Strong growth in volume sales achieved in all of Fortune Oil's operations, as China's domestic economy continues to expand.
- Purchase of the shares held in Fortune Liulin Gas held by Molopo, announced separately today, such that Fortune Gas will on completion hold 100% of the Foreign Contractor rights in the Liulin CBM block.
- Independent consultants NSAI recently tripled the probable plus possible reserve estimates in the Liulin CBM block to 86.2 bcf. An application for reserves certification has been submitted to government for the northern section of the block.
- The volume sales of gas increased by 36 per cent in 3Q 2009 compared to 3Q 2008, although average sales margin is lower.
- Improvement in the profit margin for Bluesky has been maintained with the PRC government now aligning jet fuel prices closer to international levels.
- Demand for oil products has substantially increased in 3Q 2009 compared to 3Q 2008, with a 25 per cent increase in volume throughput for both Bluesky and West Zhuhai Products Terminal.
- An expansion of the West Zhuhai Products Terminal is now planned to service the growing local petrochemicals market.

China Economy

China's financial stimulus package has been successful in promoting an overall recovery in both industrial production and domestic consumption. There has also been a partial recovery in the export markets, with October year on year exports down 14 per cent compared to 23 per cent lower for August. Average inflation rates are close to zero so the government has not yet had to resort to tightening measures.

GDP growth for January to September 2009 was 7.7 per cent, according to the National Bureau of Statistics, and GDP growth is likely to exceed the government's target of 8 per cent for the 2009 calendar year. As an indication of the strong growth in domestic consumption, sales of automobiles in January to October 2009 were 36 per cent higher than in the same period last year and China is likely to displace USA as the world's largest car market in 2009.

Third quarter demand for transportation fuels was higher than in the same period in 2008, as reflected in the significant increase in volume sales for Fortune Oil's operations. This is in part due to the travel restrictions that were in place during the Olympics period in 2008 but is principally a result of the expansion of the domestic economy over the past year.

Gas Distribution

Volume sales of gas in 3Q 2009 were 122 million cubic metres, an increase of 36 per cent compared to 3Q 2008. Volume sales for the first nine months of 2009 were 347 million cubic metres, a 40 per cent increase over the same period in 2008. The volume growth has occurred across all of the gas operations.

While gas wellhead prices in China have been increasing in order to encourage exploitation of the country's gas resources, end user prices have been constrained by local limits and the economic downturn earlier in 2009. In addition the sales prices achievable for the Company's Henan LNG plants have been reduced by the start-up of competing domestic LNG plants. Despite the resulting reduction in average sales margin, the operating profit for the gas distribution business in 2009 is still expected to increase year on year.

Fortune Oil expects gas price levels to continue to rise across the supply chain in China. The cost of delivering imported gas to inland markets, whether from cross-border pipelines or LNG tankers, is still higher than the price of domestic gas. This further validates the Company's strategy of investment across the gas chain, particularly in upstream gas assets such as the Liulin coal bed methane project.

Coal Bed Methane

The Company has separately announced today the acquisition of the 26.1 per cent interest in Fortune Liulin Gas Company Limited ("FLG") held by Molopo Energy Limited ("Molopo"). On completion the acquisition will give Fortune Gas Investment Holdings Limited ("Fortune Gas") 100 per cent of the Foreign Contractor rights to the Liulin coal bed methane (CBM) block in Shanxi Province.

The consideration for the acquisition is US\$6 million (£3.6 million), of which US\$4 million is payable in cash and US\$2 million to be satisfied by the issue of 14,314,047 new Fortune Oil PLC ordinary shares of 1p each to Molopo and admission is expected to take place on 19 November 2009. Following the acquisition the 26.1 per cent interest in FLG will be transferred to Fortune Green Energy Limited ("FGE") such that FGE will hold 100 per cent of the issued share capital of FLG. FGE is a wholly owned subsidiary of Fortune Gas in which Fortune Oil has an 85 per cent interest. FGE will pay the Company US\$6 million in consideration for this transfer.

Discussions have already commenced with the Ministry of Land and Resources for reserves certification of the northern section of the Liulin CBM block. In line with local practices the application has been made by the government PSC party, China United Coalbed Methane Corporation (CUCBM), as the holder of the resource license, with Fortune Liulin Gas being defined in the application as the exploration company. This is the first time that a foreign company has been named in a CBM reserves certification application in China.

In October 2009 the Company announced the results of the updated resource analysis conducted by independent consultants Netherland, Sewell and Associates, Inc (“NSAI”). Their estimate of possible reserves (P3) in the Liulin block as of 30 June 2009 is 84.8 billion cubic feet (bcf), compared with their earlier estimate of 29.7 bcf as of 31 December 2007; plus NSAI accredited 1.4 bcf of probable reserves (P2). NSAI estimated that, assuming full field development, the value of Fortune Oil’s interest in the Liulin block is US\$193 million (£121 million), calculated as the present value sum of probable and possible reserves and best estimates for unrisksed contingent and prospective gas resources.

FLG has begun drilling a vertical pilot production cluster which will be fracture stimulated in early 2010. Under the State Pilot Project, CUCBM is now drilling 2 lateral wells and 15 vertical wells with further wells planned in 2010. The anticipated production rates in the coming year are sufficiently high that a CNG station is now being planned for 2010 to market the gas.

Oil Sector Operations

In 2009 the government has implemented a policy of aligning the prices of transportation fuels such as gasoline and jet fuel closer to international levels. This has helped to stabilise the oil products market, particularly in the aviation industry. Bluesky’s volume sales of jet fuel in 3Q 2009 were 0.54 million tonnes, a 25 per cent increase over 3Q 2008. This volume growth reflects increased growth in both cargo and passenger traffic by domestic airlines, particularly in comparison to the Olympics period last year. The losses experienced by Bluesky in the first few months of 2009 have been more than offset by the operational gains already seen in the second and third quarters and we expect Bluesky to make a positive profit contribution in 2009.

Throughput of crude oil at the Maoming SPM in 3Q 2009 was 2.3 million tonnes, similar to the level in 3Q 2008. Throughput in the first 9 months of 2009 has been 5 per cent higher than in the same period in 2008 despite the month-long shut-down earlier this year to renovate the buoy system.

Throughput at the West Zhuhai products terminal in 3Q 2009 was 0.56 million tonnes, a 25 per cent increase compared to 3Q 2008. An expansion is now planned for the terminal which will incorporate more storage capacity to service the growing local petrochemicals industry. It is likely that the expansion will be funded by a loan arranged by the terminal joint venture and should be operational by 2011.

Fortune Oil’s trading business continues to import petroleum products such as luboil, fuel oil and petrochemicals on a low risk basis. The trading volumes to date in 2009 are higher than those in the same period in 2008.

To date in 2009 there have been no lost time accidents at any of the Company’s operations.

Financial Position

The Company is currently in negotiation with banks to refinance the US\$50 million term loan which is due in April 2010. 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.

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