20 JANUARY 2009

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

Trading Update

Fortune Oil wishes to provide a trading update for the 12 months ending 31 December 2008 based on the currently available unaudited management information.

Overview

- Oil price volatility causing loss in Bluesky's inventory value.
- Natural gas volume sales in 2008 (unaudited) up 41% to 354 cubic meters with sustained operating margins in the gas distribution business.
- Strong current cash balance of U$95 million (£66 million), with the Company seeing no difficulties in meeting current loan repayment facilities and investment commitments.
- Fortune Oil stands to benefit from RMB 4 trillion (£400 billion) government stimulus package aimed at boosting China's domestic economy.

Bluesky Aviation Refuelling

As indicated in the Interim Management Statement on 10 November 2008, oil price volatility has impacted the Bluesky operations in the last few months of 2008. During the last 6 months of 2008 there was an unprecedented and severe reduction in international oil and jet fuel prices. In mid-2008 the domestic price for jet fuel was below international prices, but by November it was significantly above international prices.

The domestic ex-refinery price of jet fuel and the price supplied to domestic airlines are still determined by the government. In response to the falling international price on 19 December 2008 the Chinese government reduced the domestic price by RMB for jet fuel by 32 per cent. This sudden price reduction adversely affected the inventory value for all companies such as Bluesky that were holding jet fuel. As most of this inventory has now been sold at the lower price there has been a reduction in profit in respect of Fortune Oil's interest in Bluesky of approximately RMB 37 million (£3.3 million using average exchange rates) for 2008.

Fortune Oil and Bluesky do not speculate in jet fuel pricing and also do not hedge against jet fuel prices. Previous management studies have shown that it is not in shareholders' interests to try to hedge against government policy on fuel pricing and it is not possible to predict or prevent the very large price decrease announced by the government in December.

In 2008 volume sales by Bluesky increased slightly to 1.7 million tonnes for Bluesky (2007: 1.6 million tonnes) The Board expects Bluesky's volume sales of jet fuel to rise in 2009 as the Chinese government supports the domestic airlines and introduces measure to stimulate growth. In particular growth will come from the new FedEx terminal at Guangzhou Baiyun International Airport, which should open formally on 6 February 2009.

Natural Gas Distribution

Volume sales of natural gas increased in 2008 to approximately 354 million cubic metres, an increase of 41 per cent over the sales in 2007. The operating margins in the gas distribution business have been sustained and the Board expects further strong growth in the gas business during 2009. The demand for natural gas as a clean fuel remains strong in Fortune Oil's target markets (north and central China), where the industries are not so dependent on export markets and the gas sales are limited by infrastructure and supply availability rather than demand.

The second liquefied natural gas (LNG) train at Puyang is in the final stages of testing by the Company's LNG subsidiary, Green Energy. Commercial sales are expected to start in February 2009. The capacity of the plant is 55 million cubic metres per year and gas will be supplied by pipeline under a contract with CNPC.

Coal Bed Methane

The Company's subsidiary, Fortune Liulin Gas (FLG), is continuing a successful exploration programme in the Liulin CBM block in preparation for reserves certification. In November/December 2008 FLG completed the fracturing of seams 3/4/5 in four of its five pilot production wells (EP1, EP2, EP4, EP5). These wells and pilot LW3 are being dewatered and the fluid level gradually reduced. Gas desorption and gas flow have already commenced in four out of the five pilot wells.

The government partner for FLG in the Liulin block will continue to be China United Coalbed Methane Corporation Ltd (CUCBM) following the split from CUCBM by CNPC. The Liulin block will continue to be a focal point for CUCBM in the development of CBM assets in Ordos Basin.

Other Oil Sector Operations

In 2008 volume throughputs for the oil sector operations have been similar to those in 2007. The unaudited throughputs in 2008 were 9.1 million tonnes for Maoming SPM (2007: 9.3 million tonnes), and 1.9 million tonnes for West Zhuhai Products Terminal (2007: 2.1 million tonnes).

The inventory effects seen for Bluesky have not impacted the performance of the Maoming SPM and West Zhuhai Products Terminal, as these businesses do not hold their own inventory. There were also no such inventory impacts on the Trading business, whose performance substantially improved with a RMB 15 million (£1.2 million) contribution in 2008.

Positive Outlook

Fortune Oil will announce its audited results for the year ended 31 December 2008 in late April 2009. Subject to audit, Fortune Oil expects the total profit for 2008 to be higher than in 2007 due to an improved net performance of the Company's businesses excluding Bluesky plus the gain on deemed disposal of 15 per cent of the gas business in November 2008.

The Fortune Oil PLC Group has a strong cash balance of approximately US$95 million (£66 million). This cash balance continues to exceed the outstanding Group bank loan balances and the Board envisages no difficulties in meeting both current loan repayment obligations and investment commitments.

During the last quarter of 2008, China announced a RMB 4 trillion (£400 billion) stimulus package to boost the domestic economy. This includes significant investment in infrastructure such as gas pipelines, rail links and airports. Fortune Oil expects to benefit from these investments as they will boost the demand for energy, particularly for natural gas.

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