

Falkland Islands Holdings PLC  
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Falkland Islands Holdings plc

The following announcement was made by Falkland Oil and Gas Limited this morning. Falkland Islands Holdings owns 18% of Falkland Oil and Gas Limited.

Falkland Oil and Gas Limited  
( 'FOGL' or 'the company' )

Significant increase in number of identified leads

Enhanced possibility of a new petroleum province in the South and East Falkland Basins

FOGL announces that it has completed its current 9,450 km 2D seismic data acquisition programme over most of its licence area. The initial interpretation of the preliminary processed records from the survey has proved encouraging and greatly exceeds the Company's initial expectations.

The programme has indicated a larger and more diverse project than originally anticipated and has identified numerous possible drill targets, with indications that some could potentially be of significant size.

FOGL has now identified approximately 130 leads, (1) far in excess of the eight (8) leads identified at the time of its AIM IPO in October 2004. Given the positive results of the survey, FOGL now plans to increase the scope of its exploration programme far beyond that envisaged at the time of the IPO.

Key points:

- Approximately 130 leads identified, a number of which appear capable of containing recoverable reserves in excess of 200 million barrels
- FOGL now represents a larger and more diverse project than originally anticipated
- Encouraging signs that oil and gas could be present
- Further work is planned targeting defining 20 drillable prospects by about mid-2006
- FOGL is targeting drilling of the first well in 2007
- Already an enhanced possibility of project success
- Licences cover area equivalent to the North Sea Southern Gas Basin and Central Graben

- Cash position of £10.9 million as at 31 March 2005. FOGL is evaluating its funding requirements and the source of funds for the increased exploration programme

John Armstrong, Executive Chairman of FOGL, said:

'In my opinion, this is the most exciting project I've seen for many years. The results of the 2D seismic are encouraging; the number of leads identified has far exceeded our most optimistic estimates and we believe it has greatly enhanced FOGL's prospects. It is clear that the scope of work needed to maximise the potential of our acreages has increased significantly.

'It is important to remember that, while the leads identified to date each have seismic expression which indicates the possible presence of a drillable prospect, when fully mapped, and with the benefit of further data, such leads may not have all the characteristics necessary to become drillable prospects. Nevertheless, the large number of leads distributed across several playtypes suggests that a number of the leads could become technically sound and potentially economically viable drill prospects. It is the Company's goal to identify and define 20 such prospects in the immediate future so that they can be considered for drilling in 2007.

'We have made a lot of progress in the six months since our AIM IPO and the results to date have been remarkable. Although there is a long way to go, it now seems quite possible that the Falkland Islands could become a new petroleum province by the end of the decade.'

#### Hydrocarbon Indicators

Initial interpretation of the new data gives considerable cause for optimism. The preliminary results of the survey identify numerous Direct Hydrocarbon Indicators (DHI's) pointing to the presence of working petroleum systems. The DHI's include gas chimneys, amplitudes and possibly gas hydrates. The leads are large and diverse, with some leads possibly covering areas of 300 to 500 sq km, sufficient to hold large reserves of oil or gas. There is also a wide range of play types with several different styles identified.

#### Exploration Programme & Funding Arrangements

FOGL plans to conduct further seismic surveys targeting all the leads but with particular emphasis on the approximately 50 most promising. The aim will be to develop 20 high quality, technically sound and potentially economically viable drilling prospects. The Company then intends to develop a multi-well drilling programme which may be able to begin in 2007.

Full details of the exploration programme are still to be finalised but given the increased number of identified leads the company expects to expand significantly the scope of the exploration programme.

Although FOGL had net cash of £10.9 million as at 31 March 2005, the increased scope of the programme will require additional funding and the Board is currently considering its options. A further statement on the funding arrangements and the full details of the programme will be announced soon.

## Potential Resources

The extent and depth of the basin suggests that, if it exists, the hydrocarbon resource could be of a major scale. According to estimates by MBA Petroleum Consultants, an independent consultant, 1,250 billion barrels of oil / oil equivalent could have been generated in and in the vicinity of FOGL's licences.

Scott Pickford, petroleum engineers, made an independent assessment of the initial eight (8) leads and concluded that each had the potential to contain between 200 million and 600 million barrels of recoverable oil(2). It is expected that Scott Pickford will be contracted to repeat the process and make an independent judgement on the potential resources indicated by the new data. Its findings will be announced on completion of the processing and interpretation which is expected to be in the third quarter of this year.

An overview presentation will be posted on the FOGL website giving a summary of the results announced here. Technical information including maps and seismic lines will be posted on the Company's website in the near future.

[www.fogl.co.uk](http://www.fogl.co.uk)

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(1) a 'lead' is a feature that requires further technical appraisal prior to a decision to drill

(2) P50 recoverable oil as estimated by Scott Pickford, a consultancy specialising in geology, petroleum engineering and economic analyses, in 2004 (IPO Prospectus)

## Notes to Editors

Falkland Oil and Gas Limited ('FOGL') is an oil and gas exploration company focused exclusively on opportunities offshore of the Falkland Islands. It was admitted to London's Alternative Investment Market ('AIM') on 14 October 2004 at an issue price of 40p. The current major shareholders of FOGL are: Falkland Islands Holdings plc (18%), Global Petroleum (16%) and RAB Capital plc (31%).

At the time of the admission to AIM, FOGL held a 77.5% interest in seven offshore production licences covering approximately 33,700 sq km to the south and east of the Falkland Islands. FOGL holds these licences in a joint

venture with Hardman Resources. In December 2004, FOGL was awarded a 100% licence over an additional 50,000 sq kms adjacent to its existing licence areas. The 83,700 sq km area held by FOGL is equivalent to 380 North Sea blocks: as large as the Southern Gas Basin and the Central Graben combined.

[www.fogl.co.uk](http://www.fogl.co.uk)

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