

Falkland Islands Holdings PLC  
14 September 2004

Tuesday 14th September 2004

Update on Falkland Oil and Gas Limited Admission to AIM

Falkland Oil and Gas Limited ('FOGL'), of which Falkland Islands Holdings plc ('FIH') holds 28.9%, today issued an announcement (set out below) regarding the status of a placing and public offer. FIH is writing to all of its shareholders to give them details of how to register to receive a copy of the prospectus if they so wish.

The following sets out the text of the announcement issued today by FOGL:

Falkland Oil and Gas Limited  
Placing of Shares and Public Offer

Falkland Oil and Gas Limited ('FOGL') intends to commence marketing with a view to the issue of new shares for cash through a Placing and Public Offer (the 'Issue') to raise up to £12 million enabling it to expand its oil exploration programme. FOGL intends to apply for admission of its shares to trading on AIM, subject to completion of the Issue.

The prospectus, when published, will be available to eligible investors from the offices of KBC Peel Hunt, 111 Old Broad Street, London EC2N 1PH and from [www.falklandoilandgas.com](http://www.falklandoilandgas.com)

- FOGL was formed in May 2004 to invest in an offshore oil exploration programme in licences covering approximately 33,700 sq km to the south and east of the Falkland Islands.
- FOGL holds a 77.5 per cent. interest in seven offshore production licences granted by the government of the Falkland Islands.
- Two wells in the adjacent Malvinas Basin to the west of the FOGL's acreage have flowed hydrocarbons. In addition, in a well to the east, clean sands of Oxfordian age were found which could provide potential reservoirs for oil and gas if present in FOGL's licences.

- Based on FOGL's interpretation of the pre-existing seismic data, eight leads have been identified as being potentially capable of trapping hydrocarbons and have been selected for further investigation.

- The directors of FOGL believe that each of the eight leads is of a sufficient size that they could contain commercially exploitable volumes of hydrocarbons, provided source rocks exist and there are suitable reservoirs and seals to hold the oil and gas.

- The existence of reservoirs and source rocks to the west and east of the South Falklands Basin leads the FOGL directors to believe that similar geological features may exist in the area of FOGL's licences.

- The first stage of further investigation of these leads involves a 2D seismic survey already funded by the founding shareholders and targeted to commence by the end of 2004 with a view to further delineating and ranking their prospectivity.

- Following a period of interpretation of the results of the 2D seismic survey in early 2005, and assuming the results of such interpretation are satisfactory, FOGL would expect a 3D seismic survey to be commenced in mid-2005 in order to establish the most promising locations for drilling. This survey is expected to cover an area of up to 1,500 sq km. Drilling is targeted to commence in 2006, subject to satisfactory results of the 3D seismic survey, rig availability and agreeing a suitable funding arrangement, possibly by farm-out.

- The Falkland Islands fiscal system applicable to production licences currently compares favourably with that of many other countries. The regime is predominantly profits based and the FOGL directors believe that the Falkland Islands Government is committed to ensuring that the overall tax system remains attractive and conducive to attracting future investment.

John Armstrong, Executive Chairman of FOGL, said:

'On completion of the surveys scheduled for this year, we intend to undertake 3D seismic surveys to provide a more detailed and accurate picture of the licence area and intend that this will be funded by the proceeds from the placing and public offer.'

KBC Peel Hunt has been appointed as Nominated Adviser and Broker to FOGL.

[www.falklandoilandgas.com](http://www.falklandoilandgas.com)

Enquiries:

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Introduction

FOGL was formed in May 2004 by Falkland Islands Holdings plc (through its subsidiary The Falkland Islands Company Limited), Global Petroleum Limited (through its subsidiary Dampier Oil Limited) and RAB Special Situations LP to invest in an offshore oil exploration programme.

FOGL's principal assets are 77.5% interests in seven exploration licences covering approximately 33,700 sq km in the South Falkland and Falkland Plateau Basins. These licences are held jointly with Hardman Resources which has the remaining 22.5% interest.

FOGL and Hardman plan to commence 2D seismic surveys in the final quarter of 2004, the funding for the Company's share of the cost of which has already been provided by the founder shareholders.

Reasons for the Placing and Public Offer

Following the analysis of the results of these surveys in the first quarter of 2005, FOGL will conduct 3D seismic surveys. It is intended that these will be funded by the net proceeds of the proposed Placing and Public Offer.

Subsequent to completion of the Issue, it is expected that Admission to AIM will take place in October 2004.

Current Ownership of FOGL

Current shareholdings in FOGL are: Falkland Islands Holdings plc 28.9%; Global Petroleum 25.7%; and RAB Special Situations LP 45.4%.

Falkland Islands Holdings plc is the UK listed parent of the Falkland Islands Company, an historic company incorporated under Royal Charter involved in several commercial activities in the Islands ranging from Retailing and Distribution to Port Services & Shipping. FIH has recently acquired a 26% shareholding in the Portsmouth Harbour Ferry Company as part of a strategy to diversify its activities.

Global Petroleum Limited is an Australian-based exploration company. In addition to its interest in FOGL, Global has a 20% interest in a major licence offshore Kenya in joint venture with Woodside Petroleum and Dana Petroleum. Global provides the operational management and support for FOGL's current exploration programme.

RAB Special Situations LP is one of a number of funds managed by RAB Capital plc, the AIM listed fund manager.

This document has been approved by KBC Peel Hunt Ltd ('KBC Peel Hunt') for the purposes of section 21 of the Financial Services and Markets Act 2000. FOGL has appointed KBC Peel Hunt, whose registered office is at 111 Old Broad Street, London EC2N 1PH to act as its nominated adviser and broker for the purposes of the London Stock Exchange's AIM Rules in connection with FOGL's proposed admission to AIM. KBC Peel Hunt is acting exclusively for FOGL in relation to FOGL's proposed admission to AIM and no-one else and will not be responsible to anyone, other than FOGL, for providing the protections afforded to customers of KBC Peel Hunt or for advising any other person on FOGL's proposed admission to AIM, on any acquisition of shares in FOGL or on any other matter referred to in this document.

Prospective investors are advised that an investment may only be made by eligible investors and in reliance on the Prospectus when published and their attention is drawn to the risk factors to be set out in that document.'

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