

## Falkland Islands Holdings plc

### Falkland Oil and Gas plc – Exploration Activity Update

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Falkland Islands Holdings plc (“FIH”), an AIM quoted company operating a range of businesses in the Falkland Islands and the Portsmouth Harbour Ferry Company in the UK, and which also has a 16.2% strategic shareholding in Falkland Oil and Gas Limited (“FOGL”), notes the announcement issued today by FOGL, the full text of which is outlined below.

13<sup>th</sup> December 2007

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## Falkland Oil and Gas Limited

### Exploration Activity Update

Falkland Oil and Gas Limited (“FOGL” or the “Company”) is pleased to provide the following update on its Falkland Islands exploration programme and in particular the results from the two surveys acquired during 2007:

#### Highlights

- Encouraging results from the Controlled Source Electromagnetic (“CSEM”) survey.
- Positive CSEM anomalies, indicating the possible presence of trapped hydrocarbons.
- Improved definition of our top ranked prospects, as a result of the 2D infill seismic survey.
- FOGL’s top ranked prospects have the potential to contain hydrocarbon resources in excess of 10 billion barrels oil equivalent (mean, un-risked)

### **CSEM Survey**

The CSEM survey was carried out on behalf of FOGL by Offshore Hydrocarbon Mapping plc and was completed in August 2007. Over 750 kms of CSEM data were acquired along 7 lines, over a total of 12 prospects. This programme exceeded the Company's Licence commitment to the Falkland Islands Government.

Basic processing is now complete on all lines, and enhanced processing and interpretation, will continue over the next few months. The CSEM data has now been combined with FOGL's seismic interpretation and images, in order to highlight prospects of interest.

### **2D Infill seismic survey**

The FOGL proprietary 2D seismic survey was acquired by Wavefield Inseis AS between 19 November 2006 and 31 May 2007 and a total of 9,950km were acquired: 5215 km in the 2002 licences and 4735 km in the 2004 licences.

### **Survey Results**

#### **CSEM**

Results from the CSEM survey are encouraging, with 'positive' CSEM anomalies, indicating the possible presence of trapped hydrocarbons, being recognised over a number of our best prospects.

The most encouraging CSEM anomalies have been identified over the following 7 prospects: Loligo, Garrodia, Nimrod, Caird, Toroa, Lutra and Undine. These prospects also benefit from seismically derived direct hydrocarbon indications. All of these features could contain large amounts of oil and gas, with individual prospects containing potential recoverable volumes (mean un-risked resources) ranging up to 3,500 million barrels.

FOGL has focussed its work during the last year on a shortlist of ten prospects, which promise to offer the lowest exploration risk and largest resource volumes. This prospect inventory has the potential to hold, on a cumulative basis, in excess of 10 billion barrels oil equivalent (mean, un-risked resources). In addition, FOGL has identified over 90 other leads, which are not included in this estimate.

#### **2D seismic infill**

The 2007 2D survey was designed to infill the existing seismic grid in order to better define known leads and prospects. The new data has led to the identification of a significant new lead, located in quadrant 61. Other leads have been matured into substantial prospects. New seismic was also acquired over the fold-belt play and a seismic amplitude response combined with an attractive structural style, led to the decision to acquire additional CSEM data over another new lead.

The new seismic data have been carefully processed to preserve 'true amplitude' and a suite of AVO products is currently being produced from this dataset. These seismic products, which have the potential to be direct hydrocarbon indicators, will be generated over each prospect and the results, combined with the CSEM data, will determine a final prospect risk. This work will help prioritise the best prospects for drilling.

In summary, many of our top ranked prospects have seismic amplitude support, AVO responses and positive CSEM anomalies.

#### **Licence Terms**

The Falkland Islands Government (FIG) has consented to the assignment of a 51% licence interest to BHP Billiton and the approval of BHP Billiton as licence operator. All parties envisage the execution of formal documents to finalise this will occur shortly.

Under the revised Licence terms agreed by FIG, Phase 1 of the licences will be extended by 3 years until December 2010 and Phase 2 extended by 2 years, until December 2015. In return FOGL and BHP Billiton have agreed to make a 50% relinquishment of Area B (PPL30 and PPL31) of the 2004 licences and a 25% relinquishment of Area A of the 2004 licences (PPL 25 – PPL 29 inclusive). All significant leads and prospects have, in the opinion of the FOGL, been retained within the 2004 licence area. The retained area of the 2004 licences will be combined into a single administrative unit, with a total area of 34,336 square kilometres. No further relinquishment of the 2002 licences will be required as part of these changes. The total retained area of the 2002 and 2004 licences comprises 48,853 square kilometres, equivalent to over 220 UK North Sea blocks.

#### Forward plan

The results of the CSEM survey will be fully integrated with our existing work and with the recent 2D infill seismic in order to produce, a short list of the best prospects for drilling. This work will now be carried out in conjunction with our farm-in partner, BHP Billiton, who will take over operatorship of the licences from 1 January 2008. Seabed coring and site surveys are expected to be carried out in 2008. BHP Billiton is currently reviewing a number of potential rig options and an update on this will be provided at a future point.

Tim Bushell, Chief Executive of FOGL commented:

*“We are delighted with the results of our 2007 exploration programme. We have now identified a number of prospects that are seismically well defined and also have positive CSEM evidence for the presence of trapped hydrocarbons. Furthermore, all of these prospects have substantial reserve potential. The results of the CSEM and 2D seismic infill surveys have reduced exploration risk and have considerably improved the chances of finding commercial quantities of oil and gas within our licences.”*

13 December 2007

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#### Notes

The results of the Company's technical evaluation have been reviewed, verified and compiled by the Company's geological staff, which includes a qualified person, Colin More BSc., MSc. (Exploration Manager), who has over 25 years of experience in petroleum exploration, for the purpose of the Guidance Note for Mining, Oil and Gas Companies issued by the London Stock Exchange in respect of AIM companies, which outline standards of disclosure for mineral projects