

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and/or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) (“FSMA”) if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser. Investment in the Company is speculative and involves a high degree of risk. Your attention is also drawn to the section headed “Risk Factors” in Part III of this document.

If you have sold or otherwise transferred all of your Existing Ordinary Shares in Falkland Islands Holdings plc, please immediately forward this document, together with the accompanying Application Form (in respect of shares held in certificated form) but not any personalised Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Existing Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

The Directors, whose names and functions appear on page 8 of this document, and the Company accept responsibility, both collectively and individually, for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document is not a prospectus for the purposes of the Prospectus Rules. Accordingly, this document has not been, and will not be, reviewed or approved by the Financial Services Authority of the United Kingdom (“FSA”), pursuant to sections 85 and 87 of FSMA, London Stock Exchange plc or any other authority or regulatory body.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to London Stock Exchange plc for the Offer Shares to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM Securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

It is expected that admission to AIM and dealings in the New Ordinary Shares will commence on 4 July 2012.

Falkland Islands Holdings plc

(Incorporated in England and Wales under the Companies Act 1985 with Registered No. 03416346)

Subscription of 2,500,000 Ordinary Shares at 320 pence per share, Open Offer of up to 619,837 Ordinary Shares at 320 pence per share on the basis of 1 Offer Share for every 15 Existing Ordinary Shares with an excess application facility

and

Notice of General Meeting

Nominated Adviser & Broker

W.H. Ireland Limited

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Falkland Islands Holdings plc which is set out in Part I of this document and to the Risk Factors in Part III of this document.

This document does not constitute an offer for sale or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, Offer Shares in any jurisdiction where such an offer or solicitation is unlawful and, subject to certain exceptions is not for distribution in or into the United States, Australia, Canada, South Africa, New Zealand or Japan. The Offer Shares will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States or qualify for distribution under any of the relevant securities laws of Canada, Australia or Japan, nor has any prospectus in relation to the Offer Shares been lodged with or registered by the Australian Securities and Investments Commission or the Japanese Ministry of

Finance. Overseas Shareholders and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document to a jurisdiction outside the UK should seek appropriate advice before taking any action.

The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares after Admission.

WH Ireland, which is regulated in the United Kingdom by the FSA and is a member of the London Stock Exchange is acting as nominated adviser and broker to Falkland Islands Holdings plc and no one else in connection with the Subscription and Open Offer and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Subscription and Open Offer and will not be responsible to anyone other than Falkland Islands Holdings plc for providing the protections afforded to clients of WH Ireland, or for providing advice in relation to the Subscription and Open Offer or any transaction or arrangement referred to in this document. WH Ireland is not underwriting the Subscription or Open Offer. No representation or warranty, express or implied, is made by WH Ireland as to the accuracy, completeness or fairness of any information in this document and WH Ireland accept no responsibility or liability for this document and accordingly disclaim all and any liability, whether arising in tort, contract or otherwise, which it might otherwise be found to have in respect of this document.

The Open Offer closes at 11.00 a.m. on 2 July 2012. If you are a Qualifying Shareholder and wish to apply for Offer Shares under the Open Offer you should follow the procedure set out in Part II of this document and, where relevant, complete and return the accompanying Application Form. If Qualifying Shareholders have any queries on the procedure for acceptance and payment, or to receive another Application Form and/or Form of Proxy, they should contact Capita Registrars (0871 664 0321 or, if calling from outside the UK on +44 (0) 20 8639 3399). Calls to the Capita Registrars 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Capita Registrars +44 (0) 20 8639 3399 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored for security and training purposes. Capita Registrars cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice), where relevant, quoting the serial number of their Application Forms. Capita Registrars will not give Qualifying Shareholders any other advice in connection with the Open Offer.

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ENCLOSURES

Application Form (if applicable)

Proxy Voting Form

Prepaid Reply Envelope – (for use within the UK only)

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

“Act”	the Companies Act 2006, as amended
“Admission”	admission of the Offer Shares and the Subscription Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM rules for Companies published by the London Stock Exchange from time to time
“Application Form”	the application form to be used by Qualifying non-CREST Shareholders in connection with the Open Offer
“Articles”	the articles of association of the Company (as amended from time to time)
“Banque Havilland”	Banque Havilland SA which is authorised and regulated in Luxembourg by the CSSF
“Blackfish Capital”	Blackfish Capital Alpha Fund SPC, a segregated portfolio company incorporated in the Cayman Islands, whose investment funds are managed by Blackfish Capital Management
“Blackfish Capital Management”	Blackfish Capital Management Limited, a subsidiary of Banque Havilland and an investment manager, authorised and regulated in the United Kingdom by the FSA
“Capita Registrars”	a trading name of Capita Registrars Limited
“certificated form” or “in certificated form”	an ordinary share recorded on a company’s share register as being held in certificated form (namely, not in CREST)
“Circular”	this document containing information about the subscription, Open Offer and General Meeting
“Code”	the City Code on Takeovers and Mergers, as amended from time to time
“Company” or “FIH”	Falkland Islands Holdings plc
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear is the operator (as defined in those regulations)
“CSSF”	Commission du Surveillance du Secateur Financier, the financial services regulatory body in Luxembourg
“Directors” or “Board”	the directors of the Company as at the date of this document whose names are set out on page 8 of this document, or any duly authorised committee thereof
“Enlarged Issued Share Capital”	the 12,417,404 Ordinary Shares in issue on Admission, assuming full subscription under the Subscription and Open Offer
“Euroclear”	Euroclear UK & Ireland Limited

“Excess Application Facility”	the facility described in this document under which Qualifying Shareholders who held 15 or more Ordinary Shares at the Record Date can apply to subscribe for additional Offer Shares over and above their Open Offer Entitlements
“Existing Ordinary Shares”	the 9,297,567 Ordinary Shares in issue at the date of this document, all of which are admitted to trading on AIM
“Form of Proxy”	the form or proxy for use in connection with the General Meeting which accompanies this document
“General Meeting” or “GM”	the General Meeting of the Company convened for 9.30 a.m. on 29 June 2012
“Group”	together the Company and its existing subsidiaries and subsidiary undertakings
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the Open Offer Shares and the Subscription Shares
“Notice of GM”	the notice of GM set out at the end of this document
“Offer Price”	320 pence per Ordinary Share
“Offer Shares”	up to 619,837 Ordinary Shares which are to be made available for subscription by Qualifying Shareholders under the Open Offer and may be allotted to eligible investors to the extent that the Open Offer is not fully taken up
“Open Offer”	the offer to Qualifying Shareholders to subscribe for the Offer Shares at the Offer Price, as described in this document
“Open Offer Entitlements”	entitlements to subscribe for Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer
“Options”	the options granted to Directors and others to subscribe for Ordinary Shares, details of which are set out in paragraph 2 of Part IV of this document
“Ordinary Shares”	ordinary shares of 10 pence each in the capital of the Company
“Overseas Shareholders”	Shareholders resident in, or citizens of, jurisdictions outside the United Kingdom
“Proposals”	the proposals set out in this document including the Subscription and the Open Offer
“Prospectus Rules”	the Prospectus Rules published by the Financial Services Authority
“Qualifying Shareholders”	holders of Existing Ordinary Shares at the Record Date
“Qualifying CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Open Offer Record Date are held in uncertificated form
“Qualifying non-CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Open Offer Record Date are held in certificated form
“Record Date”	6.00 p.m. on 11 June 2012

“Resolution”	the resolution set out in the Notice of GM contained in this document to be proposed at the GM
“Shareholders”	holders of Ordinary Shares
“Subscription”	the conditional subscription of the Subscription Shares by Blackfish Capital at the Offer Price pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 13 June 2012 between the Company and Blackfish Capital details of which are set out in paragraph 3.2 of Part IV of this document
“Subscription Shares”	the 2,500,000 Ordinary Shares to be issued pursuant to the Subscription
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, each State thereof, its territories and possessions (including the District of Columbia) and all other areas subject to its jurisdiction
“uncertificated” or “in uncertificated form”	an ordinary share recorded on a company’s share register as being held in uncertificated form in CREST and title to which, by virtue of the Uncertificated Securities Regulations 2001, may be transferred by means of CREST
“WH Ireland”	W.H. Ireland Limited, the Company’s nominated adviser and broker
“2011 AGM”	the annual general meeting of the Company held on 8 September 2011

A reference to £ is to pounds sterling, being the lawful currency of the UK.

SUBSCRIPTION AND OPEN OFFER STATISTICS

Offer Price	320p
Number of Ordinary Shares in issue at the date of this document	9,297,567
Number of Offer Shares	619,837
Number of Subscription Shares ²	2,500,000
Gross proceeds of the Subscription and Open Offer ^{1,2}	£10.0 million
Estimated net proceeds of the Subscription and Open Offer receivable by the Company ^{1,2}	£9.3 million
Percentage of the Enlarged Issued Share Capital represented by the Offer Shares ¹	5.0 per cent.
Percentage of the Enlarged Issued Share Capital represented by the Subscription Shares ^{1,2}	20.1 per cent.
Number of Ordinary Shares in issue at Admission ^{1,2}	12,417,404

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date	6.00 p.m. on 11 June 2012
Announcement of Subscription and Open Offer	14 June 2012
Dispatch of this document	14 June 2012
Existing Ordinary Shares marked 'ex' by the London Stock Exchange	14 June 2012
Open Offer Entitlements credited to CREST accounts of Qualifying CREST Shareholders	15 June 2012
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. on 26 June 2012
Latest time and date for receipt of Forms of Proxy for the General Meeting	9.30 a.m. on 27 June 2012
General Meeting	9.30 a.m. on 29 June 2012
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m. on 27 June 2012
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 28 June 2012
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate)	11.00 a.m. on 2 July 2012
Expected date of Admission and commencement of dealings in Subscription Shares and Offer Shares ³	8.00 a.m. on 4 July 2012
CREST accounts to be credited with Offer Shares	8.00 a.m. on 4 July 2012
Share certificates dispatched by	16 July 2012

Save for the date of publication of this document, each of the times and dates above are subject to change. Any such change, including any consequential change in the Subscription and Open Offer statistics above, will be notified to Shareholders by an announcement on a Regulatory Information Service.

Notes:

- (1) Statistics are prepared on the basis that all of the Offer Shares are subscribed and that no Ordinary Shares (other than the Subscription Shares and Offer Shares) are issued following the date of this document and before the completion of the Subscription and Open Offer.
- (2) Admission and dealing in the Subscription Shares and Offer Shares are conditional on the passing of the Resolution at the General Meeting.

PART I

LETTER FROM THE CHAIRMAN OF THE COMPANY

Falkland Islands Holdings plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 03416346)

Directors:

David Hudd (*Chairman*)

John Foster (*Managing Director*)

Mike Killingley (*Non-executive Director*)

Jeremy Brade (*Non-executive Director*)

Registered Office:

Kenburgh Court

133-137 South Street

Bishop's Stortford

Hertfordshire

CM23 3HX

14 June 2012

To Shareholders and, for information purposes only, to the holders of Options

Dear Shareholder,

**Subscription of 2,500,000 Ordinary Shares at 320 pence per share,
Open Offer of up to 619,837 Ordinary Shares at 320 pence per share on the basis
of 1 Offer Share for every 15 Existing Ordinary Shares
with an Excess Application Facility and Notice of General Meeting**

1. Introduction

Your Board announced today that it has conditionally raised £8.0 million (before expenses) by way of a Subscription by Blackfish Capital and that it proposes to raise up to approximately £2.0 million (before expenses) by way of the Open Offer, thus providing the Company's existing Shareholders the opportunity to subscribe for additional Ordinary Shares at the same price as the Subscription.

The purpose of this document is, amongst other things, to provide you with details of the Subscription and the Open Offer, to explain the background to and the reasons for these proposals and to explain why the Board considers that the Subscription and Open Offer will promote the success of the Company for the benefit of its members as a whole.

The terms of the Subscription and the Open Offer are described in this document. Qualifying Shareholders may subscribe for Offer Shares above their basic entitlement under the Open Offer if they so wish by use of the Excess Application Facility. Further details of the Excess Application Facility are given in Part II of this document.

The net proceeds of the Subscription and Open Offer are expected to be approximately £9.3 million (assuming full take up under the Open Offer) and will provide the Group with capital to exploit opportunities for development and expansion of the Group's business interests in the Falkland Islands.

The Open Offer and the Subscription are conditional, *inter alia*, upon Admission and also upon the passing by Shareholders of the Resolution at the General Meeting which will give the Directors the necessary authorities to allot and issue shares and to dis-apply statutory pre-emption rights in respect of the allotment of the Offer Shares and the Subscription Shares.

2. Use of proceeds

The net proceeds of the Subscription and Open Offer will be used to develop the Group's assets in the Falkland Islands in anticipation of the growth in the economy which the Board believe will follow from recent hydrocarbon discoveries. Rockhopper Exploration plc ("Rockhopper") has announced that its Sea

Lion discovery has contingent oil resources applicable to it of approximately 350 million barrels and, on development, a plateau production rate of 70,000 barrels per day. Rockhopper estimates gross capital costs of \$4.8 billion for the project of which it estimates that \$2 billion will be incurred prior to first oil. Furthermore, Rockhopper projects average annual operating costs of approximately \$170 million including \$39 million per year of onshore expenditure in the Falkland Islands.

The Falkland Island Government (“FIG”) will receive a production royalty of 9 per cent. of oil production and corporation tax on profits which together will amount to several billion dollars in respect of the Sea Lion project alone, assuming the Sea Lion project performs in line with Rockhopper’s expectations. FIG finances and the Falkland Islands economy would be transformed by its development. On 23 April 2012, Borders and Southern Petroleum plc announced a significant condensate discovery which further underpins the outlook for oil related development in the Falkland Islands.

Your Board is determined that the Group, through its principal operating subsidiary, The Falkland Islands Company Limited (“FIC”), should participate fully in the economic growth that will result from the exploitation of hydrocarbons. FIC has market leading positions in a number of its activities and also has significant development sites and land holdings both in Stanley, the capital of the Falkland Islands and in the surrounding area. Their development will be the initial priority for investment.

FIC’s development sites and existing land holdings in Stanley which total some 70 acres comprise land suitable for both commercial development and housing. FIC owns a number of sites close to the existing port on the outskirts of Stanley which are suitable for the development of a warehouse park for rental to oilfield services companies. The distance from the UK creates the need for comprehensive local storage facilities in the Falkland Islands in order to support offshore oil production activities. The cost of constructing a single new warehouse of 1,125sqm (45m x 25m) in size is estimated at approximately £1.2 million and a substantial investment is required to construct a warehouse park.

FIC has spent £2 million in the last 5 years in modernising its retail operations which account for two thirds of current revenues but further investment is required to cope with the expected increase in demand. New warehousing facilities are required and this will release valuable water front property in Stanley for future development. Upgrading of the company’s Land Rover dealership at a cost of £0.6 million is already underway.

In recent years FIC has successfully developed a number of housing sites in Stanley largely for the rental market for which there continues to be strong demand. Your Board anticipates that there will be significant demand for further residential accommodation in central Stanley directly linked to the specific requirements of the oil industry and plans are being progressed for the development of a number of such residential sites. Based on recent experience, building costs are anticipated to be in excess of £100,000 per unit. There is also likely to be a demand for office facilities linked to the anticipated influx of oil service companies and the viability of building an office park on the outskirts of Stanley is also under consideration.

A significant expansion of public infrastructure investment is also anticipated funded by FIG’s oil related royalty and tax revenues. At present there is limited construction capacity in the Falkland Islands. In order to meet the Group’s own requirements and to bid for FIG and other contracts, FIC has established a joint venture (South Atlantic Construction Company Limited) with a UK construction and engineering company, Trant Construction Limited (“Trant”). Trant has carried out Ministry of Defence and other contracts in the Falkland Islands for over 10 years and has an established reputation for successful and technically challenging construction and engineering projects. Trant were the main contractor for the new Gosport pontoon built for Gosport Borough Council in 2011 and now leased to the Group’s subsidiary The Portsmouth Harbour Ferry Company Limited (“PHFC”).

3. Details of the Open Offer

Qualifying Shareholders are invited to apply for Offer Shares under the Open Offer at a price of 320p per Offer Share, payable in full on application and free of all expenses, *pro rata* to their existing shareholdings on the basis of:

1 Offer Share for every 15 Existing Ordinary Shares

held at the Record Date and so in proportion for any other number of Existing Ordinary Shares then held. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Offer Shares. Fractional entitlements which would have otherwise arisen will not be issued.

The Open Offer is subject to the satisfaction, amongst other matters, of the following conditions on or before 4 July 2012, (or such later date being not later than 31 July 2012, as the Company may decide):

- Passing of the Resolution; and
- Admission becoming effective by 8.00 a.m. on 4 July 2012, (or such later time or date not being later than 8.00 a.m. on 31 July 2012 as the Company may decide).

The Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares and the Subscription Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of Admission.

The Open Offer has been structured so as to allow Qualifying Shareholders to subscribe for Ordinary Shares at the Open Offer price *pro rata* to their existing holdings.

Qualifying Shareholders who held 15 or more Ordinary Shares at the Record Date may, in addition, make applications in excess of their *pro rata* initial entitlement. Once subscriptions under the Open Offer Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part. To the extent that New Ordinary Shares are not subscribed by existing Shareholders, Open Offer entitlements will lapse. Further details of the Open Offer and the Excess Application Facility are given in Part II of this document.

If applications from Qualifying Shareholders do not result in the Open Offer being fully subscribed, the Directors reserve the right to seek applications for Offer Shares from eligible persons, such as market professionals high net worth individuals and certified sophisticated investors to the extent required to take up the balance of the Open Offer not subscribed for by Qualifying Shareholders.

Settlement and dealings

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that such Admission will become effective and that dealings will commence on 4 July 2012. Further information in respect of settlement and dealings in the New Ordinary Shares is set out in paragraph 7 of Part II of this document.

The New Ordinary Shares will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared following Admission.

Overseas Shareholders

Certain Overseas Shareholders may not be permitted to subscribe for Offer Shares pursuant to the Open Offer and should refer to paragraph 6 of Part II of this document.

4. Details of the Subscription

Separately to the Open Offer, the Company has conditionally raised £8.0 million (before expenses) by way of the subscription of 2,500,000 new Ordinary Shares at the Offer Price (320 pence per New Ordinary Share) by Blackfish Capital, an investment fund managed by Blackfish Capital Management. The Subscription Shares would represent approximately 20.1 per cent. of the Enlarged Issued Share Capital of the Company following Admission (assuming that the Open Offer is fully taken-up).

Alongside the proposed equity investment, Blackfish Capital Management has provided to FIH a letter of intent expressing its enthusiasm in exploring further opportunities in the Falkland Islands, including the provision of debt and/or equity financing for projects including a new commercial port, facilities for the oil services sector and property development. The Directors believe that the potential for mutually beneficial cooperation with Blackfish Capital Management and its extended network of clients is significant and, whilst

the letter of intent does not represent a commitment to do so, looks forward to exploring these opportunities further.

The Offer Price represents a discount to the closing mid-market price on 13 June 2012 (the latest practicable date prior to the publication of this document) of 10.5 per cent.

Further details of the Subscription Agreement and the arrangements with Banque Havilland are given in paragraphs 3.2 and 3.3 of Part IV of this document.

The Subscription is conditional, *inter alia*, upon:

- the passing of the Resolution; and
- Admission becoming effective by no later than 8.00 a.m. on 4 July 2012 (or such later time and/or date, being no later than 8.00 a.m. on 20 July 2012 as the Company may decide).

The New Ordinary Shares will be issued credited as fully paid and will rank in full for all dividends and other distributions declared, made or paid after Admission in respect of Ordinary Shares and will otherwise rank on Admission *pari passu* in all respects with the Existing Ordinary Shares. The Subscription Shares are not being made available to the public and are not being offered or sold in any jurisdiction where it would be unlawful to do so.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. On the assumption that, *inter alia*, the Resolution is passed, it is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on or around 4 July 2012.

5. Current trading and future prospects

The Company's annual report published on 6 June 2012, the full text of which is available from the Company's website, contained the following statement regarding current and future trading:

For the current year, trading has been satisfactory and in line with our expectations. Whilst we do not expect the rate of growth achieved across the Group in the year ended March 2012 to be repeated in the coming year, in the medium term we are confident of further growth at Momart, steady progression at PHFC and in the Falklands our assets and businesses are well placed to take advantage of the transformational change which seems increasingly likely.

The Directors do not consider the current trading position or future prospects of the Group to have changed materially since 6 June 2012.

The Directors intend to continue to pursue a progressive dividend policy, notwithstanding the enlargement of the Company's share capital by the Subscription and Open Offer.

6. General Meeting

Set out at the end of this document is a notice convening a General Meeting of the Company to be held at 9.30 a.m. on 29 June 2012 at the offices of FTI Consulting, Holborn Gate, 26 Southampton Buildings, WC2A 1PB, at which the Resolution will be proposed.

At the 2011 AGM, shareholders passed resolutions to (i) grant the Directors authority to allot equity securities up to a maximum nominal value of £325,000, and (ii) dis-apply statutory pre-emption rights to allow the allotment by the Directors of equity securities for cash up to an aggregate nominal value of £92,204 without the requirement for such equity securities to be first offered to existing shareholders.

The second of these authorities is insufficient to allow the Subscription and the Open Offer to proceed without further Shareholder approval. Accordingly, the Open Offer and the Subscription are conditional on the passing by Shareholders of the Resolution.

The Company is therefore proposing that Shareholders pass the Resolution as a special resolution in order to:

- (a) grant authority to the Directors under section 551 of the Act, to allot Ordinary Shares up to a maximum aggregate nominal amount of £311,984 (being the maximum required for the purposes of issuing the Subscription Shares and the Offer Shares), such authority expiring immediately following Admission; and
- (b) empower the Directors, pursuant to section 570 of the Act, to disapply the statutory pre-emption rights in relation to the allotment of the Subscription Shares and Offer Shares, such power expiring immediately following Admission.

This authority and power will be in addition to those granted at the 2011 AGM and will enable the Directors to effect the Subscription and the Open Offer.

If the Resolution is passed by Shareholders at the General Meeting but the Subscription does not complete, the Directors undertake to restrict the use of the general authority to allot shares and the power to disapply pre-emption rights to the Offer Shares only.

7. Action to be taken in respect of the General Meeting

Please check that you have received the following with this document:

- a Form of Proxy for use in respect of the General Meeting; and
- a reply-paid envelope for use in connection with the return of the Form of Proxy (in the UK only).

Whether or not you propose to attend the General Meeting in person, you are strongly encouraged to complete, sign and return your Form of Proxy in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received, by post or, during normal business hours only, by hand, at PXS, 34 Beckenham Road, Beckenham BR3 4TU by no later than 9.30 a.m. on 27 June 2012 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

Alternatively, you can submit your proxies electronically at www.capitashareportal.com by following the instructions on the website. Electronic proxy appointments must be received by 9.30 a.m. on 27 June 2012 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

If you hold your shares in the Company in uncertificated form (that is, in CREST) you may vote using the CREST Proxy Voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of the General Meeting set out at the end of this document). Proxies submitted via CREST must be received by the Company's agent (ID RA10) by no later than 9.30 a.m. on 27 June 2012 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

This will enable your vote to be counted at the General Meeting in the event of your absence. The completion and return of the Form of Proxy or the use of the CREST Proxy Voting service will not prevent you from attending and voting at the General Meeting, or any adjournment thereof, in person should you wish to do so.

8. Action to be taken in respect of the Open Offer

If you are a Qualifying non-CREST Shareholder you will find an Application Form accompanying this document which gives details of your Open Offer Entitlement (i.e. the number of Offer Shares allocated to you). If you wish to apply for Offer Shares under the Open Offer, you should complete the enclosed Application Form in accordance with the procedure set out at paragraph 3 of Part II of this document and on the Application Form itself and post it in the accompanying prepaid envelope (for use within the UK only), together with payment in full in respect of the number of Offer Shares applied for to Capita Registrars,

Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 2 July 2012, having first read carefully Part II of this document and the contents of the Application Form. If you are a Qualifying CREST Shareholder and you will receive a credit to your appropriate stock account in CREST in respect of your Open Offer Entitlement and a further credit in respect of the excess shares available. You should refer to the procedure set out at paragraph 3(ii) of Part II of this document.

The latest time for applications to be received under the Open Offer is 11.00 a.m. on 2 July 2012. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your Open Offer Entitlement or your Open Offer Entitlement has been credited to your stock account in CREST. The procedures for application and payment are set out in Part II of this document. Further details also appear on the Application Form which has been sent to Qualifying Shareholders. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

9. Recommendation and Directors intentions

The Board believes that the Subscription and the Open Offer as described in this document will promote the success of the Company for the benefit of its members as a whole. Reflecting the opportunities that we perceive for the Company, I and my fellow Directors, who are all shareholders, intend to subscribe for our full allocations under the Open Offer and to apply for excess allocations amounting to not less than 40,000 shares.

Accordingly, the Board having been so advised by WH Ireland unanimously recommends that Shareholders vote in favour of the Resolution, as the Directors intend to do in respect of their own beneficial shareholdings amounting to 129,000 Ordinary Shares in Company (representing approximately 1.4 per cent. of the Existing Ordinary Shares).

Yours faithfully,

David Hudd
Chairman

PART II

DETAILS OF THE OPEN OFFER

1. Introduction

The Open Offer has been structured so as to allow Qualifying Shareholders to subscribe for Ordinary Shares at the Offer Price *pro rata* to their existing holdings. Qualifying Shareholders may in addition make applications for additional Offer Shares in excess of their initial *pro rata* entitlement under the Open Offer. Once initial *pro rata* entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part. To the extent that Offer Shares are not subscribed by existing Shareholders, Open Offer entitlements will lapse.

2. Open Offer

The Company hereby invites Qualifying Shareholders to apply, on and subject to the terms and conditions set out herein and in the Application Form, and subject to the Articles of Association of the Company, for Offer Shares at a price of 320 pence per share, free from all expenses, payable in cash in full on application. The closing mid-market price for an Ordinary Share, on 13 June 2012 (being the last practicable date before the publication of this document) was 357.5 pence.

Subject to fulfilment of the conditions set out below and (in respect of shares held in certificated form) in the Application Form, Qualifying Shareholders are being given the opportunity to subscribe for Offer Shares at the Offer Price payable in full on application and free of all expenses, *pro rata* to their existing shareholdings, on the basis of:

1 Offer Share for every 15 Existing Ordinary Shares

held at the Record Date and so on in proportion for any greater number of Ordinary Shares then held. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Offer Shares. Fractional entitlements which would have otherwise arisen will not be issued. Qualifying Shareholders who held fewer than 15 Ordinary Shares at the Record Date will not receive an Application Form.

Qualifying Shareholders who held 15 or more Ordinary Shares at the Record Date may make applications for Offer Shares in excess of their initial *pro rata* entitlement. The Open Offer Entitlements of Qualifying CREST Shareholders will be credited to their stock account in CREST and in addition Qualifying CREST Shareholders will receive credit in respect of the excess shares available. Any monies paid in excess of the amount due in respect of an application will be returned to the applicant (at the applicant's risk and without interest) within 14 days by way of cheque. The action to be taken in relation to the Open Offer is described in paragraph 3 below.

The Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with and will carry the same voting and dividend rights as, the Existing Ordinary Shares. The Open Offer is conditional, *inter alia*, on the passing of the Resolution and Admission. It is expected that Admission will occur and dealings in the Offer Shares will commence on 4 July 2012. If such conditions are not fulfilled on or before 8.00 a.m. on 4 July 2012 (or such later date, being not later than 8.00 a.m. on 31 July 2012, as the Company may decide) application monies are expected to be returned without interest by crossed cheque in favour of the applicant(s) (at the applicant's risk) by post as soon as practicable after that date and any Open Offer Entitlements admitted to CREST will be disabled. Any interest earned on the application monies will be retained for the benefit of the Company.

The Open Offer is not a rights issue. Qualifying Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should also be aware that in the Open Offer, unlike in a rights issue, any Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer.

Completed Application Forms (in respect of shares held in certificated form), accompanied by full payment, should be returned by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 2 July 2012.

The Offer Shares will represent approximately 5.0 per cent. of the Enlarged Issued Share Capital (assuming full take up of all Offer Shares and completion of the Subscription).

Further terms of the Open Offer are set out in this Part II and, where relevant, in the Application Form.

3. Procedure for Application

The action to be taken by you in respect of the Open Offer depends on whether at the relevant time you have an Application Form in respect of your entitlement under the Open Offer or you have Open Offer Entitlements credited to your CREST stock account in respect of such entitlement.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service operated by the London Stock Exchange giving details of the revised dates.

(i) ***Qualifying non-CREST Shareholders (Shareholders who hold share certificates and receive an Application Form in respect of their entitlement under the Open Offer)***

(a) *General*

Subject to the provisions set out in this Part II in relation to the Overseas Shareholders, Qualifying non-CREST Shareholders will have received an Application Form enclosed with this document. The Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date. It also shows your Open Offer Entitlement (i.e. the number of Offer Shares allocated to you on a *pro rata* basis) for which you are entitled to apply under the Open Offer. Qualifying non-CREST Shareholders who held 15 or more Ordinary Shares at the Record Date may apply for more than their initial Open Offer Entitlement should they wish to do so.

The instructions and other terms set out in the Application Form constitute part of the terms of the Open Offer.

(b) *Market Claims*

Applications may only be made on the Application Form which is personal to the Qualifying Shareholders(s) named thereon and may not be assigned, transferred or split except in the circumstances described below. **The Application Form represents the right to apply for Offer Shares and is not a document of title and cannot be separately traded.** It is transferable only to satisfy legitimate market claims in relation to market purchases pursuant to the rules of the London Stock Exchange prior to the Existing Ordinary Shares being marked “ex” the entitlement to the Open Offer. Applications may be split or consolidated only to satisfy legitimate market claims up to 3.00 p.m. on 28 June 2012. Any Qualifying non-CREST Shareholder who has sold or transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to the Open Offer, should consult his stockbroker or other professional adviser as soon as possible since the invitation to acquire Offer Shares under the Open Offer may represent a benefit which can be claimed from him by the purchaser or transferee under the rules of the London Stock Exchange. Qualifying non-CREST Shareholders who have sold all or part of

their registered holdings should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the purchaser or transferee or the bank, stockbroker or other agent through whom or by whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Application Form should not, however, subject to certain exceptions, be forwarded to or transmitted in or into the United States of America, Australia, Canada, South Africa, New Zealand or Japan.

(c) *Application Procedures*

Qualifying non-CREST Shareholders wishing to apply for Offer Shares should complete the Application Form in accordance with the instructions printed thereon and post it in the accompanying reply paid envelope (for use within the UK only) or return it (so as to arrive by not later than 11.00 a.m. on 2 July 2012), together with payment in full for the number of Offer Shares applied for, to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, (0871 664 0321 or, if calling from outside the UK on +44 (0) 20 8639 3399. Calls to the Capita Registrars 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Capita Registrars +44 (0) 20 8639 3399 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Capita Registrars cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice. Applications received after 11.00 a.m. on 2 July 2012 will not be accepted.

If any Application Form is sent by first class post within the United Kingdom, Qualifying non-CREST Shareholders are recommended to allow at least four business days for delivery. The Company may elect in its absolute discretion to accept Application Forms and remittances received after 11.00 a.m. on 2 July 2012. The Company may also in its sole discretion elect to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions, or if it does not strictly comply with the terms and conditions of application. Applications will not be acknowledged.

The Company, also reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 11.00 a.m. on 2 July 2012 from an authorised person (as defined in FSMA) specifying the number of Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

(d) *Payments*

Under the Money Laundering Regulations 2007, Capita Registrars may be required to check the identity of persons who subscribe for in excess of the sterling equivalent of Euro 15,000.00 of Offer Shares. Capita Registrars may therefore undertake electronic searches for the purposes of verifying identity. To do so Capita Registrars may verify the details against the Applicant's identity, but also may request further proof of identity. Capita Registrars reserve the right to withhold any entitlement (including any refund cheque) until such verification of identity is completed to its satisfaction.

Payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society and must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to Capita Registrars Limited re: "Falkland Islands Holdings plc – Open Offer A/C". Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or Bank has confirmed the name of the account holder by stamping

or endorsing the building society cheque/bankers' draft to such effect. The account name should be the same as that shown on the application. Cheques or bankers' drafts will be presented for payment upon receipt. The Company reserves the right to instruct Capita Registrars to seek special clearance of cheques and bankers' drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due and any interest earned on such payments will accrue for the benefit of the Company. It is a term of the Open Offer that cheques will be honoured on first presentation, and the Company may elect in its absolute discretion to treat as invalid, acceptances in respect of which cheques are not so honoured. If cheques or bankers' drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account pending fulfilment of such conditions. If all the conditions of the Open Offer have not been fulfilled or (where appropriate) waived by 8.00 a.m. on 4 July 2012 (or such later date as the Company may, in its absolute discretion, elect, but in any event not later than 8.00 a.m. on 31 July 2012), the Open Offer will lapse and application monies will be returned to applicants (at the applicants' risk), without interest, by crossed cheque in favour of the applicant(s) within 14 days after that date.

(e) *Effect of Application*

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form, you (as the applicant(s)):

- (i) agree that all applications, and contracts resulting therefrom, under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (ii) confirm that in making the application you are not relying on any information or representation other than such as may be contained in this document and you accordingly agree that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation not contained in this document; and
- (iii) represent and warrant that if you have received some or all of your entitlements under the Open Offer from a person other than the Company, you are entitled to apply under the Open Offer in relation to such entitlements under the Open Offer by virtue of a legitimate market claim.

The instructions, notes and other terms set out in the Application Form, form part of the terms of the Open Offer.

If you do not wish to apply for any of the Offer Shares to which you are entitled under the Open Offer, you should not complete and return the Application Form.

If you are in doubt whether or not you should apply for any of the Offer Shares under the Open Offer, you should consult your independent financial adviser immediately. All enquiries in relation to the procedure for application for Qualifying non-CREST Shareholders under the Open Offer should be addressed to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU telephone (0871 664 0321 or, if calling from outside the UK on +44 (0) 20 8639 3399. Calls to the Capita Registrars 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Capita Registrars +44 (0) 20 8639 3399 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Capita Registrars cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice).

(ii) ***Qualifying CREST Shareholders (Shareholders who hold shares in CREST whose Open Offer Entitlement is credited to their stock account in CREST)***

(a) *General*

The Directors have applied for the Offer Shares to be admitted to CREST with effect from Admission and Euroclear has agreed to such admission. Accordingly, settlement of transactions in the Offer Shares following Admission may take place within the CREST system if the relevant Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Persons subscribing for Offer Shares as part of the Open Offer may, however, elect to receive Ordinary Shares in uncertificated form if they are a “system member” (as defined in the Uncertificated Securities Regulations 2000).

In general, the Ordinary Shares that are held in uncertificated form under CREST will be subject to the rules, regulations and procedures governing CREST and its system members as in effect from time to time. Ownership of an Ordinary Share held in uncertificated form under CREST may only be transferred in compliance with the procedures of CREST in effect from time to time.

Subject to the provisions set out in the relevant paragraph dealing with Overseas Shareholders in this Part II, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlement equal to the number of Offer Shares for which he is entitled to apply under the Open Offer.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements cannot be admitted to CREST, or the stock accounts of Qualifying CREST Shareholders cannot be credited by close of business on 15 June 2012, or such later time as the Company may decide, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlement credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

CREST members who wish to apply for some or all of their entitlements to Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Capita Registrars (0871 664 0321 or, if calling from outside the UK on +44(0) 20 8639 3399. Calls to the Capita Registrars 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus any of your service provider’s network extras. Calls to the Capita Registrars +44 (0) 20 8639 3399 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Capita Registrars cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice). If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) *Market claims*

The Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying

CREST Shareholder originally entitled or by a person entitled by virtue of a legitimate market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) *Excess Application Facility*

Qualifying CREST Shareholders who held 15 or more Ordinary Shares at the Record Date who wish to make applications for additional Offer Shares (in excess of their initial *pro rata* entitlement) should follow the instructions below for submitting a USE in respect of the Excess Application Facility.

All enquiries in connection with the procedure for making an excess application should be addressed to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (0871 664 0321 or, if calling from outside the UK on +44 (0) 20 8639 3399. Calls to the Capita Registrars 0871 664 0321 number are charged at 10 pence per minute (including VAT) plus any of your service provider’s network extras. Calls to the Capita Registrars +44 (0) 20 8639 3399 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Capita Registrars cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice).

(d) *USE Instructions*

CREST members who wish to apply for Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event (“USE”) instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Capita Registrars under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of Capita Registrars in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Offer Shares referred to in paragraph (i) above.

(e) *Content of USE Instructions*

The USE instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to Capita Registrars);
- (ii) the ISIN of the Open Offer entitlement. This is GB00B7Z4QV89;
- (iii) the participant ID of the accepting CREST member;
- (iv) the member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of Capita Registrars, in its capacity as a CREST receiving agent. This is 9RA01;
- (vi) the member account ID of Capita Registrars, in its capacity as a CREST receiving agent. This is 27683FAL;

- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Offer Shares referred to in paragraph (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 2 July 2012; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 2 July 2012.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 2 July 2012 in order to be valid is 11.00 a.m. on that day.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 4 July 2012 or such later time and date as the Company may, in its absolute discretion, elect (being no later than 8.00 a.m. on 31 July 2012), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Capita Registrars will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter. The interest earned on such monies will be retained for the benefit of the Company.

(f) *Content of USE Instructions in respect of the Excess Application Facility*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of excess Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to Capita Registrars);
- (ii) the ISIN of the Open Offer excess entitlement. This is GB00B846NF53;
- (iii) the participant ID of the accepting CREST member;
- (iv) the member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of Capita Registrars, in its capacity as a CREST receiving agent. This is 9RA01;
- (vi) the member account ID of Capita Registrars, in its capacity as a CREST receiving agent. This is 27683FAL;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Offer Shares referred to in paragraph (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 2 July 2012; and

- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 2 July 2012.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 2 July 2012 in order to be valid is 11.00 a.m. on that day.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 4 July 2012 or such later time and date as the Company may, in its absolute discretion, elect (being no later than 8.00 a.m. on 31 July 2012), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Capita Registrars will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter. The interest earned on such monies will be retained for the benefit of the Company.

(g) *Deposit of Open Offer Entitlements into and withdrawal from CREST*

A Qualifying non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying non-CREST Shareholder named in the Application Form or into the name of a person entitled by virtue of a legitimate market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to so deposit the Open Offer Entitlements set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the Open Offer Entitlements prior to 11.00 a.m. on 2 July 2012.

In particular, having regard to normal processing times in CREST and on the part of Capita Registrars, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the Open Offer Entitlements under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 27 June 2012, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 26 June 2012, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 2 July 2012.

Delivery of an Application Form with the CREST Deposit Form duly completed whether in respect of a deposit into the account of the Qualifying non-CREST Shareholder named in the Application Form or into the name of another person, shall constitute a representation and

warranty to the Company and Capita Registrars by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed “Instructions for Depositing entitlements under the Open Offer into CREST” on page 3 of the Application Form, and a declaration to the Company and Capita Registrars from the relevant CREST member(s) that it/they is/are not citizen(s) or resident(s) of the United States, Australia, Canada, Japan or the Republic of South Africa and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a legitimate market claim.

(h) *Validity of Application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 2 July 2012 will constitute a valid application under the Open Offer.

(i) *CREST Procedures and Timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 2 July 2012. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(j) *Incorrect or Incomplete Applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through Capita Registrars reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question; or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST member in question.

(k) *Effect of Valid Application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Capita Registrars’ payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);

- (ii) request that the Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Memorandum and Articles of Association of the Company;
 - (iii) agree that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England and Wales;
 - (iv) represent and warrant that he is not applying on behalf of any Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States, Australia, Canada, South Africa, New Zealand or Japan and he is not applying with a view to reoffering, reselling, transferring or delivering any of the Offer Shares which are the subject of this application to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States, Australia, Canada, South Africa, New Zealand or Japan except where proof satisfactory to the Company has been provided to the Company and that he is able to accept the invitation by the Company of any requirement which it (in its absolute discretion) regards as unduly burdensome, nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Offer Shares under the Open Offer;
 - (v) represent and warrant that he is not and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;
 - (vi) confirm that in making such application he is not relying on any information in relation to the Company other than that contained in this document and agrees that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof, shall have any liability for any such other information and further agree that having had the opportunity to read this document, he will be deemed to have had notice of all the information concerning the Company contained therein; and
 - (vii) represent and warrant that he is the Qualifying CREST Shareholder originally entitled to the Open Offer Entitlements or that he has received such Open Offer Entitlements by virtue of a legitimate market claim.
- (l) *Company's discretion as to Rejection and Validity of Applications*
The Company may in its sole discretion:
- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this section entitled "Procedure for Application";
 - (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
 - (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which Capita Registrars receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Capita Registrars have received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Capita Registrars in connection with CREST.

4. Money Laundering Regulations

It is a term of the Open Offer that, to ensure compliance with the Money Laundering Regulations 2007, the money laundering provisions of the Criminal Justice Act 1993, Part VIII of the Financial Services and Markets Act 2000 and the Proceeds of Crime Act 2002 (together with the provisions of the Money Laundering Sourcebook of the Financial Services Authority and the manual of guidance produced by the Joint Money Laundering Steering Group in relation to financial sector firms) (together, the "Regulations"), that Capita Registrars may, in its absolute discretion, require verification of your identity to the extent that you have not already provided the same. Pending the provision to Capita Registrars of evidence of your identity, definitive certificates in respect of Offer Shares may be retained at its absolute discretion. If within a reasonable time after a request for verification of identity Capita Registrars has not received evidence satisfactory to it, the Company may, in its absolute discretion, terminate your Open Offer participation in which event the monies payable on acceptance of the Open Offer participation will, if paid, be returned without interest and net of bank charges by cheque to the applicant(s). To comply with the money laundering requirements, payment in respect of your Open Offer participation should be drawn from an account in your own name on a branch of a building society or bank in the United Kingdom and must bear the appropriate sort code in the top right hand corner. If this is not practicable and you must use a cheque or bankers' draft drawn on a building society or bank then:

- (i) you should write your name and address on the back of the cheque and record your date of birth against your name; and
- (ii) request the building society or bank to print or write on the back of the cheque the full name and account number of the person whose building society or bank account is being debited and add their stamp.

For applications over £12,750 (being the approximate equivalent to 15,000 Euros), Qualifying non-CREST Shareholders are also requested to submit with the Application Form as documentary evidence of identity and address one certified copy document from each of the following lists (as appropriate):

Personal identity documents (UK resident individuals)

- current signed passport;
- Northern Ireland Voter's Card;
- current full UK driving licence;
- benefits book or original notification letter from the Benefits Agency confirming the right to benefit;
or
- HM Revenue & Customs tax notifications e.g. tax assessment, statement of account or notice of coding.

Evidence of address (UK resident individuals)

- recent utility bill or utility statement (mobile telephone bills are not acceptable);

- local authority tax bill (current year);
- current UK driving licence (if not used for evidence of name);
- benefits book or original notification letter from the Benefits Agency confirming the right to benefit (provided one or other has not been used as evidence of personal identity); or
- HM Revenue & Customs correspondence addressed to you at stated address (provided HM Revenue & Customs notifications have not been used as evidence of personal identity).

If you are not a UK resident individual such proof of identity may include:

- a certified copy of an official identity card; or
- a certified copy of a driving licence; or
- a certified extract from a full passport (i.e. a copy of the front cover and pages showing photograph, personal details and signature, date and place of issue and serial number); and a certified copy of satisfactory evidence of an address (e.g. utility bill or bank statement).

If you are a corporation, please supply:

- a certified copy of your articles of association or statutes or published accounts or certificate of incorporation or trade register entry or certificate of trade;
- the names and addresses of all directors and specimen signatures; and
- evidence of identity and address as stated above for each director.

All certified documents must be certified by a professional person such as a lawyer or attorney, notary or an official entity such as an embassy, consulate or high commission of the country of issue.

5. Taxation and Stamp Duty

If you are in any doubt as to your tax position, or if you are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

6. Overseas Shareholders

In respect of persons not resident in the United Kingdom or who are citizens of countries other than the United Kingdom the Open Offer may be affected by the laws or regulatory requirements of jurisdictions outside the United Kingdom. It is the responsibility of each overseas shareholder to satisfy himself as to the full observance of the laws of any relevant jurisdiction in connection with the Open Offer and voting at the General Meeting. No person receiving a copy of this document and/or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him/her nor should he/she in any event use such Application Form unless in the relevant territory such an invitation could lawfully be made to him/her or such Application Form could be lawfully be used without compliance with any registration or other legal or regulatory requirements other than any which may have been fulfilled.

In particular, the Offer Shares have not been registered under the United States Securities Act of 1933 (as amended) or the relevant securities legislation in Australia, Canada, South Africa, New Zealand or Japan and therefore the Offer Shares may not be offered, sold, transferred or delivered directly or indirectly in the United States of America, Australia, Canada, South Africa, New Zealand or Japan or their respective territories and possessions. No application form will be accepted from, any Shareholder who is unable to give the warranty set out in the Application Form or who the Company or its agent has reason to believe is ineligible to apply.

It is the responsibility of any person receiving a copy of this document or an Application Form and wishing to make an application to subscribe for Offer Shares to satisfy himself/herself as to the full observance of the laws and regulatory requirements of any relevant territory, including the obtaining

of all necessary governmental or other consents which may be required or observing any other formalities needing to be observed in such territory and the payment of any taxes due in such jurisdiction.

The Company and its agent reserves the right to treat as invalid any application, or purported application, to subscribe for Offer Shares pursuant to the Open Offer which appears to the Company or its agent to have been executed, effected or despatched in a manner which may involve a breach of the securities legislation of any jurisdiction or which does not include the warranties set out in the Application Form. Completion of an Application Form shall constitute a warranty that the Shareholder is eligible to apply.

7. Settlement and Dealings

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that the New Ordinary Shares will be admitted to trading on AIM and that dealings will commence on 4 July 2012. None of the New Ordinary Shares are being made available to the public except under the terms of the Open Offer. For Qualifying non-CREST Shareholders, definitive share certificates for the Offer Shares are expected to be dispatched by first class post by 16 July 2012. For Qualifying CREST Shareholders, it is expected that the relevant account will be credited on the day of Admission. Notwithstanding any other provision of this document, the Company reserves the right to issue any Offer Shares in certificated form. This right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Company's registrars in connection with CREST. No temporary documents of title will be issued and pending despatch of the definitive share certificates, transfers of the New Ordinary Shares will be certified against the register. All documents and remittances sent by or to an applicant (or his/her agent, as appropriate) will be sent through the post at the risk of the person entitled thereto.

PART III

RISK FACTORS

An investment in the Offer Shares involves a degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in the Offer Shares. The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not purport to comprise all those risks associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Company's business.

If any of the following risks actually occur, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In this event, the price of the Ordinary Shares could decline and investors may lose all or part of their investment. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her.

There are various risk and other factors associated with an investment of the type described in this document. In particular:

1. Risks relating to the Group's businesses

(a) *Failure, interruption or unavailability of the Group's operational infrastructure*

The Group's ability to provide products or services is dependent on its operational infrastructure particularly the supply of goods to the Falklands from the UK and the operation of PHFC's vessels. Any impairment to such infrastructure (for example, by structural damage, terrorist activity or industrial action) could result in the failure by the Group to provide products or services to its customers. A disruption to the supply of products or services to its customers could have a materially adverse effect on the Group's business, operating results or financial condition.

(b) *The Group operates in competitive markets*

The Group's ability to obtain or maintain any competitive advantage will require continued investment in the development of the Group's infrastructure and facilities. There can be no assurance that the Group will have sufficient resources to continue to make these investments nor that the Group's competitors do not devote significantly more resources than Group to the development of infrastructure and facilities. In addition, the Group cannot predict the pricing or promotional activities of its competitors or their effect on its ability to market and sell its products and services. In order to ensure that it remains competitive, the Group may be required to reduce its prices as a result of price reductions by its competitors. This could adversely affect the results of the Group's operations.

(c) *Threat of new entrants*

The Group's operations may be materially affected by the entrance of new competitors into the markets in which it operates who may offer cheaper and/or better products or services.

(d) *The Sovereign status of the Falkland Islands is disputed*

The Group has substantial operations and assets in the Falkland Islands. The Falkland Islands are a self governing overseas territory of the United Kingdom and the UK and the Falkland Islands Government have no doubt about the sovereignty of the UK. However, Argentina continues to assert

that the Falkland Islands are part of Argentina and any change in the current sovereignty status of the Islands could have a material adverse effect on the Group.

The Falklands Islands Government have recently announced that they plan to hold a referendum in 2013 under International supervision to determine the wishes of the Falkland Islanders on the sovereignty issue. In the unlikely event that the referendum supported the claims of Argentina to sovereignty or any other change to the current status of the Falkland Islands it could have a material effect on the Group.

(e) ***Changes to working practices and employment legislation***

Legislation regarding employment has changed in the last 15 to 20 years in the United Kingdom. Examples include the implementation of the Employment Rights Act 1996, changes to minimum wage provisions in UK legislation and the Working Time Directive. Further changes to employee legislation, which generally have the effect of increasing costs for employers, could have a detrimental effect on the operating profit of the Group.

2. Risks related to the Group's investment in Falkland Oil and Gas Limited

The Group has a shareholding in Falkland Oil and Gas Limited which is an AIM listed company engaged in hydrocarbon exploration in Falkland Island waters. Such exploration activities are capital intensive and involve a high degree of risk. There is no assurance that expenditure by that Company will lead to the discovery of commercial quantities of hydrocarbons and as a result the value of the Group's investment in Falkland Oil & Gas Limited may decline and the Group could lose all or part of its investment.

3. Risks specific to the industries in which the Group operates

(a) ***The Group's performance could be adversely affected by poor economic conditions generally***

The Group's performance will depend to a certain extent on a number of factors outside of the control of the Group which impact on activity levels in its markets, including political and economic conditions. Factors impacting activity levels in the Group's markets include, *inter alia*, gross domestic product growth, unemployment rate, consumer confidence, credit conditions, conditions in the fine art market, exchange rates, interest rates, taxation, regulatory changes, oil prices and terrorist attacks. Each of these factors could have an adverse effect on the financial performance of the Group.

(b) ***The Group's performance could be adversely affected by poor economic conditions in the Falkland Islands***

The Group derives a material proportion of its profits from the Falkland Islands. It is therefore sensitive to fluctuations in the Falklands Islands economy. In addition to the general economic risks described in 3.a (above) the Falklands Islands economy is in particular exposed to factors that are both unpredictable and outside the Group's control including: (i) variation in the revenues from fishing operations and tourist activity, (ii) the success or failure of hydrocarbon exploration and development activities currently being undertaken in the vicinity of the Falkland Islands (iii) the revenues from commercial viability of hydrocarbon deposits that may be developed in the vicinity of the Falkland Islands, which itself is a function of the market prices of hydrocarbon products.

(c) ***Economic, political, judicial, administrative, taxation or other regulatory factors***

The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Company will operate and holds its major assets.

(d) ***Insurance Risks***

The Company plans to insure its operations in accordance with industry practice and plans to insure the risks it considers appropriate for the Company's needs and for its circumstances. Insurance cover will not be available for every risk faced by the Company. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Company.

There is a risk that insurance premiums may increase to a level where the Company considers it is unreasonable or not in its interests to maintain insurance cover or not to a level of coverage which is in accordance with industry practice. In addition, the Company may, following a cost-benefit analysis, elect to not insure certain risks on the ground that the amount of premium payable for that risk is excessive when compared to the potential benefit to the Company of the insurance cover.

(e) ***Litigation***

The Group may be party to litigation in the course of its business. Any litigation, by the Group or against it, could be costly and lengthy and there can be no assurance that the Group will prevail. Litigation could also involve a significant diversion of resources and management attention and be disruptive to normal business operations.

(f) ***Mergers and Acquisitions***

The Group may participate in merger and acquisition activities where it is considered to be in the best interests of the Group. It should be noted that the rules requiring AIM companies to seek shareholder approval for transactions of a substantial size are less onerous relative to those on the Official List and accordingly, the risk associated with such acquisitions is heightened for Shareholders.

(g) ***Attraction and retention of executive management***

The Group is highly dependent upon its executive directors and a small number of key employees in its operating subsidiaries. The loss of such executive management could have a materially adverse effect on the Group.

In addition, in assessing any risk associated with an investment in the Ordinary Shares, it should be recognised that any investor would be relying on the ability and continued employment of these individuals.

(h) ***Requirement for further funds***

Although the Board believes they will be, the existing resources of the Company and the funds raised pursuant to the Proposals may not be sufficient for the future working capital requirements of the Company or allow the Company to exploit new opportunities. It may therefore be necessary for the Company to raise further funds in the future, which may be by way of issue of further Ordinary Shares.

4. General risks

(a) ***The Company's objectives may not be fulfilled***

The value of an investment in the Company is dependent upon the Company achieving the aims set out in this document. There can be no guarantee that the Company will achieve the level of success that the Board expects.

(b) ***Changes in UK and European fiscal policy***

The Company cannot predict the impact of future changes in European fiscal policy on its business. Amendments to existing legislation (particularly if there is an increase in tax rates or a withdrawal of any tax relief) or the introduction of new rules, may impact upon the decisions of either existing or potential customers. Changes in the interpretation of existing tax laws or amendments to existing tax laws or introduction of new tax legislation could materially adversely affect the Group's businesses and operating results.

(c) ***Forward looking statements***

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group and certain plans and objectives of the Directors with respect thereto. By their nature, forward-looking statements involve risk and uncertainty, because they

relate to events and depend on circumstances that will occur in the future and the factors described in the context of such forward-looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although the Directors believe that the expectations reflected in such forward-looking statements are reasonable, the Directors can give no assurance that such expectations will prove to have been correct.

5. Risks relating to the Ordinary Shares

(a) *Market information and nature of Ordinary Shares*

The market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets. Potential investors should be aware that the value of shares can rise or fall and that there may not be proper information available for determining the market value of an investment in the Company at all times. An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all of his/her investment.

(b) *Suitability of Ordinary Shares as an investment*

The Ordinary Shares may not be a suitable investment for all recipients of this document. Before making a decision, investors are advised to consult an appropriate independent investment adviser authorised through FSMA who specialises in advising on investments of this nature. The value of Ordinary Shares can go down as well as up and investors may get back less than their original investment.

(c) *Dilution of ownership of existing Ordinary Shares upon allotment of the Offer Shares*

If Qualifying Shareholders do not respond to the Open Offer by 11.00 a.m. on 2 July 2012, the latest date for application and payment in full in respect of their entitlements, their proportionate ownership and voting interest in the Ordinary Shares will be reduced and the percentage that their shareholding represents of the issued share capital of the Company will be reduced by a greater amount than arises from the Subscription alone.

(d) *Share Price Volatility and Liquidity*

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Company or the industry in which the Company operates or in response to specific facts and events, including positive or negative variations in the Group's interim or full year operating results and business developments of the Group and/or competitors. The market price of the Ordinary Shares may not reflect the underlying value of the Group and it is possible that the market price of the Ordinary Shares will trade at a discount to net asset value. Potential investors should be aware that the value of shares and the income from them can go down as well as up.

(e) *Investment in AIM securities*

Although the Company is applying for the admission of the Subscription Shares and Offer Shares to trading on AIM, there can be no assurance that there will be an active trading market the Ordinary Shares will be maintained. Investment in shares traded on AIM is perceived to involve a higher degree of risk and to be less liquid than investment in companies whose shares are listed on the Official List. An investment in Ordinary Shares may be difficult to realise. Investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

PART IV

ADDITIONAL INFORMATION

1 Share Capital

The issued ordinary share capital of the Company as at the date of this document and as it is expected to be on Admission (assuming completion of the Subscription and maximum take up under the Open Offer) is set out below:

<i>Current issued and fully paid</i>		<i>Issued and fully paid post Admission</i>	
£	Number	£	Number
£929,756.70	9,297,567	£1,241,740.40	12,417,404

2 Directors' interests

The interests (all of which are beneficial unless stated otherwise) of the Directors and their immediate families and of persons connected with them (within the meaning of Section 252 of the 2006 Act) in the issued share capital of the Company and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the date of this document and as they are expected to be upon completion of the Subscription and Open Offer are as follows:

<i>Name</i>	<i>At the date of this document</i>		<i>On Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Issued Share Capital*</i>
David Hudd	100,000	1.08	125,000	1.01%
John Foster	15,000	0.16	25,000	0.20%
Mike Killingley	10,000	0.11	20,000	0.16%
Jeremy Brade	4,000	0.04	8,000	0.06%

* assuming completion of the Subscription, that each Director receives the full allocation of the application which they have applied for and maximum take up under the Open Offer

The share options of executive Directors may be summarised as follows:

<i>Date of grant</i>	<i>Number of shares D L Hudd</i>	<i>Number of shares J L Foster</i>	<i>Exercise price</i>	<i>Exercisable from</i>	<i>Expiry date</i>
10 February 2005	–	57,692	£5.200	10 Feb 2008	9 Feb 2015
14 June 2005	49,411	14,117	£4.250	14 Jun 2008	13 Jun 2015
7 August 2007	–	27,517	£3.300	7 Aug 2010	6 Aug 2017
15 July 2009	44,550	44,550	£2.900	15 Jul 2012	14 Jul 2019
21 December 2010	20,000	20,000	£3.425	21 Dec 2013	20 Dec 2020
Total	113,961	163,876			

Further details are given in the Directors Report for the year to 31 March 2012 which may be found on the Company's website.

3 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and/or its subsidiaries during the two years preceding the date of this document and are or may be material:

- 3.1 The Warrant Instrument issued by the Company dated 13 June 2012 under which the Company has created 100,000 Warrants. The Warrant Instrument contains provisions for the adjustment of the terms of the Warrants to reflect any reorganisation of share capital and the final date for exercise of the Warrants will be accelerated in the event of a general offer for the Company or if the Company gives notice to accelerate the final date for exercise.
- 3.2 The Subscription Agreement dated 13 June 2012 between the Company and Blackfish Capital, under which Blackfish Capital has agreed to subscribe for 2,500,000 Ordinary Shares at a price of 320p, payable in cash on subscription. The Subscription Agreement is conditional upon the passing of the Resolution and on Admission taking place no later than 4 July 2012 or such later date, but not later than 8.00 a.m. on 20 July 2012, as the Company may decide.
- 3.3 An agreement between the Company and Banque Havilland under which the Company has agreed to pay commission at the rate of 4 per cent on the monies subscribed by Blackfish Capital under the Subscription Agreement and to issue to Banque Havilland 100,000 warrants each giving the right to subscribe for 1 Ordinary Share at a price of £5 per share at any time in the period ending 31 December 2014 in consideration of its having introduced Blackfish Capital as an investor in the Company.
- 3.4 An agreement dated 13 June 2012 between the Company and WH Ireland under which WH Ireland has agreed to provide services in connection with the Subscription and Open Offer and the Company has agreed to pay commission and fees to WH Ireland not exceeding 3 per cent. of the total funds raised under the Subscription and Open Offer.

4 Litigation

The Group is not involved in any governmental, legal or arbitration proceedings which are having, may have or have had, in the previous 12 months, a significant effect on its financial position and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Group.

5 General

- 5.1 The total cost and expenses payable by the Group in connection with the Subscription and Open Offer (including professional fees, commissions, the cost of printing and the fees payable to the registrars) are estimated to amount to approximately £0.7 million (excluding VAT).
- 5.2 Save as disclosed in this document and save as announced through the London Stock Exchange there has been no significant adverse change in the financial or trading position of the Group since 31 March 2012, the date to which the most recent audited accounts have been drawn up.

6 Consent

WH Ireland has given and not withdrawn its consent to the publication of this document with the inclusion therein of the references to its name in the form and context in which it appears.

7 Availability of document

This document will be available for a period of 12 months from the date of this document on the Company's website (www.fihplc.com) free of charge in accordance with the requirements of Rule 26 of the AIM Rules.

NOTICE OF GENERAL MEETING

Falkland Islands Holdings plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 3416346)

NOTICE is hereby given that a General Meeting of Falkland Islands Holdings plc (the “**Company**”) will be held at the offices of FTI Consulting, Holborn Gate, 26 Southampton Buildings, London, WC2A 1PB on 29 June 2012 at 9.30 a.m. to consider and, if thought fit, pass the resolution set out below, which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT:

- A. for the purposes of section 551 of the Companies Act 2006 (the “Act”) (and so that expressions used in this resolution shall bear the same meanings as in the said Section 551), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £311,984 in connection with the allotment of the Subscription Shares and the Offer Shares (as defined in the circular to shareholders issued by the Company dated 14 June 2012, containing this Notice of General Meeting (the “Circular”)), such authority to expire, unless sooner revoked or varied by the Company in general meeting, immediately following Admission (as defined in the Circular), but so as to enable the Company, prior to the expiry of such period, to make any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and to enable the Directors to allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution, this authority being in addition to all previous authorities of the Directors pursuant to the said Section 551 which shall remain in force; and
- B. the Directors be empowered in accordance with section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by sub-paragraph A above, as if section 561(1) and sub-sections (1) – (6) of section 562 of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to the allotment of the Subscription Shares and Offer Shares as defined in the Circular for cash up to the maximum nominal amount of £311,984; such power to expire following Admission (as defined in the Circular), but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired, and to be in addition to any previous powers granted in accordance with section 570 of the Act, which shall remain in force.

BY ORDER OF THE BOARD

Registered office
Kenburgh Court,
133-137 South Street
Bishop’s Stortford,
Hertfordshire CM23 3HX

Carol Bishop
Company Secretary
Date: 13 June 2012

NOTES TO THE NOTICE OF GENERAL MEETING**Entitlement to attend and vote**

- 1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:
- 6.00 p.m. on 27 June 2012; or,
 - if this Meeting is adjourned, at 9.30 a.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

Appointment of proxies

- 2 If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes in the notes in the proxy form.
- 3 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- 4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. If a member appoints more than one person to act as his proxy the appointment of each proxy shall specify the shares held by the member in respect of which each proxy is to vote and no member may appoint more than one proxy (save in the alternate) to vote in respect of any one share held by that member. When two or more valid but differing appointments of proxy are received for the same share for use at the same meeting, the one which is last validly received (regardless of its date or the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which of any of such two or more valid but differing instruments of proxy was last received, none of them shall be treated as valid in respect of that share.
- 5 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of a proxy using hard copy proxy form

- 6 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.
- To appoint a proxy using the proxy form, the form must be:
- completed and signed;
 - sent or delivered to Capita Registrars at PXS, 34 Beckenham Road, Beckenham BR3 4TU; and
 - received by Capita no later than 48 hours before the time fixed for the Meeting or adjourned meeting or the taking of a poll at which the person named in the instrument proposes to vote.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Electronic appointment of proxies

- 7 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID:RA10) at least 48 hours before the time fixed for holding the Meeting or adjourned meeting or the taking of a poll at which the person named in the appointment proposes to vote. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is

transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 8 To register your vote online, please log on to www.capitashareportal.com and follow the on-screen instructions.

Appointment of proxy by joint members

- 9 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders stand in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

- 10 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita at PXS, 34 Beckenham Road, Beckenham BR3 4TU.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

- 11 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita at PXS, 34 Beckenham Road, Beckenham BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita at least 48 hours before the time fixed for holding the Meeting or adjourned meeting at which the vote is given or the poll demanded or (where the poll is taken other than on the same day as the Meeting or adjourned meeting) the time fixed for the taking of the poll at which the vote is cast.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

- 12 On 11 June 2012, the Company's issued share capital comprised 9,297,567 ordinary shares of 10p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company on 11 June 2012 is 9,297,567.

Communication

- 13 Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):

- Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

0871 664 0300 (calls cost 10p per minute plus network extras)

Callers from overseas may call +44(0)208 639 3399

Lines are open from 8.30 a.m. - 5.30 p.m.

ssd@capitaregistrars.com

You may not use any electronic address provided either:

- in the notice of General Meeting; or
- any related documents (including the Chairman's letter and proxy form),

to communicate with the Company for any purposes other than those expressly stated.

