

Tuesday 31<sup>st</sup> May 2005

## **Falkland Islands Holdings plc**

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

### **Falkland Oil and Gas Limited ("FOGL" or "the Company")**

#### **Placing of New Ordinary Shares**

The board of FOGL is pleased to announce the placing by KBC Peel Hunt Ltd of 11,764,706 ordinary shares of 0.002p ("New Ordinary Shares") at a price of 85p per share to raise £10,000,000 (approximately £9,700,000 after expenses).

The New Ordinary Shares have been placed with certain institutional and other investors, including directors.

The board is also pleased to announce that it has entered into a further 2D seismic contract with Geophysical Services Incorporated of Calgary to acquire a minimum 8,000 km of 2D seismic with an option for the Company to extend the survey subject to agreement between FOGL and Hardman. The programme is scheduled to cover areas in both the 2002 and the 2004 licence areas and will concentrate on areas of interest identified in the initial 9,450 km survey which has just been completed. The new 2D seismic programme will use the GSI Admiral boat and is expected to commence in June 2005. Hardman Resources Ltd is also a party to the new 2D seismic contract.

#### **Reasons for the placing**

FOGL was formed in May 2004 to invest in an offshore oil exploration programme in licence areas south and east of the Falkland Islands. It was admitted to AIM in October 2004, raising £12 million in the process. FOGL then held (and retains) a 77.5% interest in licences covering approximately 33,700 sq km; Hardman Resources Limited holds the remaining 22.5% interest in these licences. In December 2004, the Company was awarded a 100% interest in licences over an additional 50,000 sq kms adjacent to its existing licence areas.

On 3 May 2005, FOGL announced the preliminary results of a 9,450 km 2D seismic survey over most of its licence areas. The survey has identified 130 leads, far in excess of the eight leads identified at the time of the AIM IPO in 2004. Given the positive results, FOGL announced that it planned to significantly increase the scope of its exploration programme.

#### **Use of proceeds**

The net funds raised, together with existing cash resources which totalled approximately £11,000,000 at 31 March 2005, will enable the Company to fund its plans to conduct further seismic surveys targeting all the leads but with particular emphasis on the 50 most promising. The aim will be to develop about 20 high quality, technically sound and potentially economically viable drilling prospects. This programme is expected to include a minimum of 8,000 km and possibly up to 15,000 km of 2D seismic survey, through the contract with GSI referred to above, and possibly a 2,000 sq km 3D seismic survey. The funds raised will be sufficient, in the opinion of the Directors and on the basis of current estimates, to fund this work and cover the Company's overheads through 2006.

The strengthened funding position should also improve the Company's position when negotiating with potential farm-in partners.

**Further details of the placing**

Application will be made to London Stock Exchange plc for the New Ordinary Shares to be admitted to trading on AIM. Admission of the New Ordinary Shares is expected to become effective on 3 June 2005.

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing ordinary shares, including the right to receive all dividends and other distributions declared or paid thereon following admission.

The placing is conditional upon the placing agreement between KBC Peel Hunt Ltd and the Company having become unconditional in all respects and not having been terminated prior to admission of the New Ordinary Shares, and admission of the New Ordinary Shares becoming effective by 3 June 2005 or such later date (not being later than 17 June 2005) as the Company and KBC Peel Hunt may agree.

**John Armstrong, Executive Chairman, commented:**

*"The results of the 2D seismic announced in May were very encouraging and far exceeded our most optimistic estimates. It was clear from the large number of leads identified that the amount of work needed to maximise the potential of our acreage had increased significantly.*

*"The proceeds of this placing will provide us with the necessary funds to expand the scope of our planned exploration programme and give us the best possible chance of success."*

**Enquiries:**

**FOGL**

John Armstrong, Executive Chairman	0061 408 824370
David Hudd, Deputy Chairman	07771 893 267

**KBC Peel Hunt Ltd**

Jonathan Marren	020 7418 8900
-----------------	---------------

**College Hill**

Ben Brewerton / Jim Joseph	020 7457 2020
----------------------------	---------------

END