

Falkland Islands Holdings PLC  
23 June 2004

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New Oil Exploration Company created

Falkland Islands Holdings is an AIM listed company with a range of interests in the Falkland Islands. It today announces the formation of a new oil exploration company.

Highlights:

- New company Falkland Oil & Gas Limited ('FOGL') set up together with Global Petroleum and funds managed by RAB Capital
- FOGL and Hardman Resources to invest \$4.5 million in funding a work programme offshore the Falkland Islands
- Leads exhibit potential to contain 200 million to 2.5 billion barrels of oil
- Corporate structure designed to facilitate eventual admission to the UK Alternative Investment Market ('AIM')

Falkland Islands Holdings PLC ('FIH'), is pleased to announce that in conjunction with its joint venture partners, Global Petroleum Limited ('Global') and Hardman Resources Limited ('HRL'), that it has reached agreement with RAB Special Situations Fund, a fund managed by AIM listed hedge fund manager, RAB Capital plc ('RAB') to fund the next 12 to 18 months work on their petroleum exploration licence offshore the Falkland Islands. The work programme includes the design, implementation, processing and interpretation of a 2D seismic survey.

This follows mapping in 2003 of 4,340 kilometres of purchased seismic data, which has identified a number of leads in water depths of 400-1,850 metres. The leads comprise targets with the potential to contain 200 million to 2.5 billion barrels of oil.

Under the agreement, the Joint Venture will also be restructured forming a new company, Falkland Oil and Gas Limited (FOGL). FOGL will own 77.5% of the licences with the remaining 22.5% to be held by Hardman. The shareholdings in FOGL will be RAB 45.4%, FIC 28.9% and Global 25.7%.

The Board of FOGL will comprise representatives of RAB, FIC and Global and the initial Chairman will be Dr. John Armstrong, Executive Chairman of Global Petroleum. FOGL has contracted Dampier Oil Limited, a wholly owned subsidiary of Global Petroleum, to operate the project during the seismic period.

Under the new arrangement, FOGL will contribute US\$3.6 million (as a result of share subscriptions to FOGL of US\$2.2 million by RAB; US\$1.1 million by FIH and US\$0.5 million by Global) and Hardman US\$0.9 million to a new US\$4.5 million survey to better detail leads in the offshore Falkland Islands licence areas.

At present, the FOGL-Hardman Joint Venture plans a 3,500km survey but this may be expanded subject to tenders received and whether a non-exclusive arrangement can be agreed with the seismic contractor.

The licences cover an area of 33,700 sq km and are located to the south and east of the Falkland Islands. No wells have been drilled in these areas. However, two wells in the adjacent Malvinas Basin to the west have flowed 3,000 bopd (Calamar No. 1) and 20 MMcfpd (Salmon No. 2) from the Cretaceous Springhill Formation whose equivalents are expected to occur in the new Joint Venture's licences.

These oil and gas flows offer support to the view that the Joint Venture's licences contain an active petroleum system within the 8,000 metres of Late Jurassic to Tertiary sedimentary section. The south and east Falkland areas are geologically distinct from the North Falkland Basin which was the focus for oil exploration activity during 1996-98. FOGL plans to seek an eventual admission to the UK Alternative Investment Market (AIM).

David Hudd, Chairman of Falkland Islands Holdings said:

'The creation of a new, fully funded oil exploration company that mirrors our minerals venture is an exciting development. FIH is well-placed to benefit, both directly and indirectly, from increased levels of activity in these sectors.'

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