

RNS Number : 4537T  
Falkland Islands Holdings PLC  
28 September 2010

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**Falkland Island Holdings plc**

**("FIH" or "the Company")**

**Falkland Oil and Gas Limited - Licence Update**

Falkland Islands Holdings Plc ('FIH') the international services Group, which owns essential services businesses focused on transport and logistics notes the announcement today by Falkland Oil and Gas Limited, regarding an update on its licence area and operations.

The text of today's announcement by FOGL is shown below:

**Falkland Oil and Gas Limited**

**("FOGL" or "the Company")**

**Licence Update**

FOGL, the oil and gas exploration company focused on its extensive licence areas to the South and East of the Falkland Islands, announces certain changes to its licence arrangements with the Falkland Islands Government.

**Northern licence area**

Due to the tight rig market it is increasingly unlikely that the next phase of the drilling programme will commence in 2010 as required by the current terms of the licences. Following recent discussions, the Falkland Islands Government ("FIG") has agreed to extend the first phase of the northern 2004 licences by one year, so that they will now expire on 15 December 2011. No additional work obligations or acreage relinquishment will be required in respect of this licence extension and the existing Phase 1 work commitments remain unchanged.

**Southern licence area**

Separately, BHP Billiton has advised FIG and FOGL that it has elected not to enter the second phase of the southern 2002 licences which commences on 3 December 2010.

FOGL believes, based on the drilling results from the Toroa well analysed to date, that these licences are still prospective. Furthermore, we are still awaiting the analysis of some key well data and these results are now expected to be available in October. FOGL has identified a number of prospects and leads which may prove to be of interest, particularly in the event of drilling success in the deepwater area of the northern licences, or in the south, where the licences are contiguous with acreage held by Borders and Southern Petroleum.

Having fulfilled all the work obligations of Phase 1, FOGL has therefore decided to enter the second phase of these licences. This will entail the drilling of a single exploration well by 3 December 2015. BHP Billiton will assign its 51% licence interest to FOGL which takes FOGL's interest back to 100%. FOGL expects to take over the operatorship of these licences during the next few months.

Assignment of interest and change of operatorship are conditional on the approval of FIG.

**Tim Bushell, Chief Executive of FOGL, said:**

*"We welcome the Falkland Islands Government's understanding in agreeing to extend the licence terms. We intend to continue actively exploring the southern licences and with our joint venture partner, to secure a deepwater rig to resume drilling in the northern licences as soon as possible."*