14 June 2012

Falkland Islands Holdings plc

(“Falkland Islands Holdings” or “the Group”)

Subscription and Open Offer

Falkland Islands Holdings, the AIM quoted international services group, which owns essential services businesses in the Falkland Islands and UK, focused on transport and logistics, together with 14 million shares in AIM quoted oil exploration company Falkland Oil and Gas Limited (**“**FOGL**”**), is pleased to announce that it has conditionally raised £8.0m (before expenses) by way of a Subscription by Blackfish Capital, an investment fund advised by Blackfish Capital Management, and that it proposes to raise up to £2.0m (before expenses) by way of an Open Offer which will provide the Company’s existing Shareholders with the opportunity to subscribe for additional Ordinary Shares at the same price as the Subscription.

Highlights:

Subscription and Open Offer details

- Subscription to raise £8.0m at 320p per share
- Open offer to raise up to a further £2.0m from existing shareholders
  - Same pricing as subscription
  - 1 Offer Share for every 15 Existing Ordinary Shares held
  - All Falkland Islands Holdings Directors participating
  - Excess applications will be accommodated to maximise participation in the Open Offer
  - The Group to have ability to place balance in event of under-subscription

Opportunity 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

- Board believes significant opportunities exist following recent hydrocarbon discoveries
- Hydrocarbon exploration continues in both Southern and Northern basins
- Commercial exploitation of oil will involve a major improvement in the Islands’ infrastructure

Net proceeds will provide the capital to exploit the opportunities including:

- Development and expansion of the Group’s business interests on the Falkland Islands
- Development of key Group sites for new warehousing, offices and residential accommodation
- Work needs to commence now to maximise returns, given lengthy supply chain
- Blackfish Capital Management is supportive of providing further project related equity and debt finance either directly or via its extended client network

David Hudd, Chairman of Falkland Islands Holdings, said:

“We are excited by the opportunity to develop the Group’s existing assets in the Falkland Islands in anticipation of the growth in the economy, which the Board believes will follow from recent hydrocarbon discoveries. Given the Company’s history in the Falkland Islands and our leading position, we are confident that further investment now, will generate attractive returns.

“We are delighted to have a supportive keystone investor in Blackfish Capital and we believe that further investment now in the Falkland Islands is in the best interest of our shareholders to enable the Company to participate in what we believe could be an explosive period of growth.”

- Ends -

Enquiries:

Falkland Islands Holdings

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Billy Clegg / Edward Westropp / Georgina Bonham	

The following is extracted from the text of a letter from the Chairman of Falkland Islands Holdings plc which is included in the Circular providing information on the proposals posted to shareholders today:

Dear Shareholder,

1. Introduction

Your Board is pleased to announce that it has conditionally raised £8 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 letter is, amongst other things, to provide Shareholders 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 briefly described in this letter and described in further detail in the Circular. 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 set out in the Circular, to be posted to shareholders today.

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 project 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.

The 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. The 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 Shares 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 the Circular.

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 the Circular.

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 the Circular.

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 the Circular) 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 the Circular.

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 31 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 the Circular 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 and the power to disapply pre-emption rights to the Offer Shares only.

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

Whether or not they propose to attend the General Meeting in person, Shareholders are strongly encouraged to complete, sign and return their 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, Shareholders can submit 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).

Shareholders holding shares in the Company in uncertificated form (that is, in CREST) 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 the Circular). Proxies submitted via CREST must be received by the Company's agent (ID RA10) by no later than 09.30 a.m. on 24 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 votes to be counted at the General Meeting in the event of a shareholder's absence. The completion and return of the Form of Proxy or the use of the CREST Proxy Voting service will not prevent a shareholder from attending and voting at the General Meeting, or any adjournment thereof, in person should they wish to do so.

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

Qualifying non-CREST Shareholders will find an Application Form accompanying the Circular which gives details of their Open Offer Entitlement (i.e. the number of Offer Shares allocated to them). If shareholders wish to apply for Offer Shares under the Open Offer, they should complete this Application Form in accordance with the procedure set out at paragraph 3 of Part II of the Circular 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 the Circular and the contents of the Application Form. Qualifying CREST Shareholders will receive a credit to their appropriate stock account in CREST in respect of their Open Offer Entitlement and a further credit in respect of the excess shares available. Shareholders should refer to the procedure set out at paragraph 3(ii) of Part II of the Circular.

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, a shareholder has an Application Form in respect of their Open Offer Entitlement or their Open Offer Entitlement has been credited to their stock account in CREST. The procedures for application and payment are set out in Part II of the Circular. 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 the Circular and the Open Offer.

9. Recommendation and Directors intentions

The Board believes that the Subscription and the Open Offer as described in the Circular 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

Definitions

Defined terms used in this announcement have the meanings defined in the Company's shareholder circular dated the 14th of June. This shareholder circular is available at www.fihplc.com.