



Proposed Subscription & Open Offer
June 2012

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Proposed Subscription & Open Offer

- Subscription for ordinary shares to raise £8m at 320p per share from Blackfish Capital
- Open offer to raise further £2m from existing shareholders
 - Same pricing as Placing
 - 1 new share offered for every 15 held
 - All FKL Directors participating
 - Excess applications will be accommodated to secure full £2m
 - FKL to have ability to place balance in event of under-subscription
- Blackfish supportive of providing further project related equity and debt finance
- Subject to shareholder approval
- Use of Funds :
 - “ to develop the Group’s assets in the Falkland Islands in anticipation of the growth in the economy which the Board believes will follow from recent hydrocarbon discoveries ”*

Proposed Subscription & Open Offer

FKL Share Capital

Share capital	No. of shares	Post Placing
FKL Existing share capital	9,297,567	74.9%
Subscription of £8m	2,500,000	20.1%
Open offer to raise £2m	619,837	5.0%
New issued share capital post transaction	12,417,404	100.0%

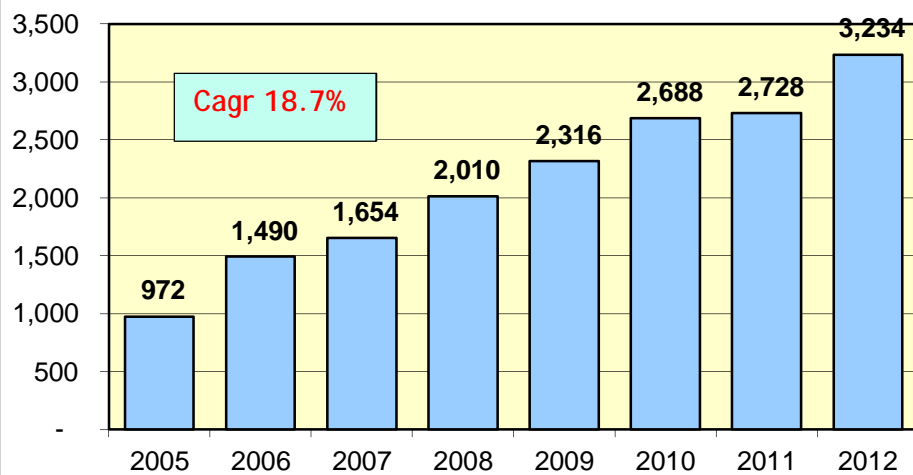
Illustrative Use of Funds

Indicative Capital Cost	£m
Increased investment in existing operations	1.0
Warehouse Park - Airport Road	4.0
Residential units - Fitzroy Road	1.5
Offices for lease	3.5
Indicative Capital Outlay	10.0

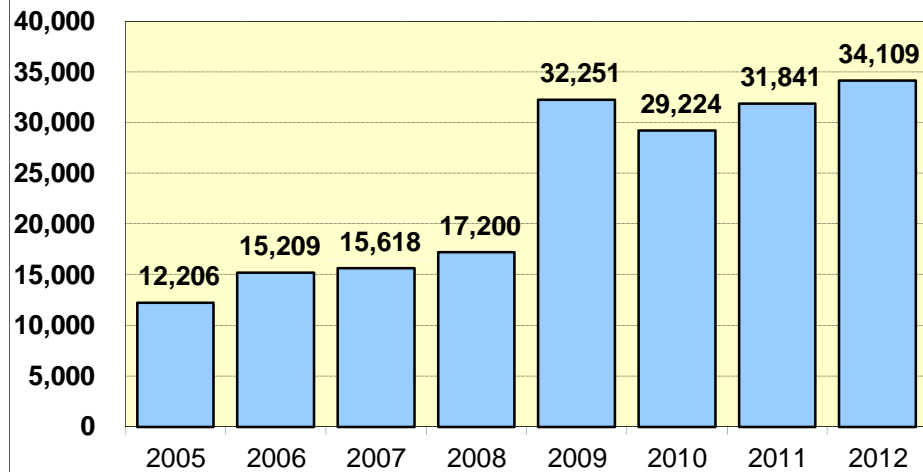
Capital investment shown above is illustrative and will be the subject of further evaluation.

FKL - 8 Year Track Record

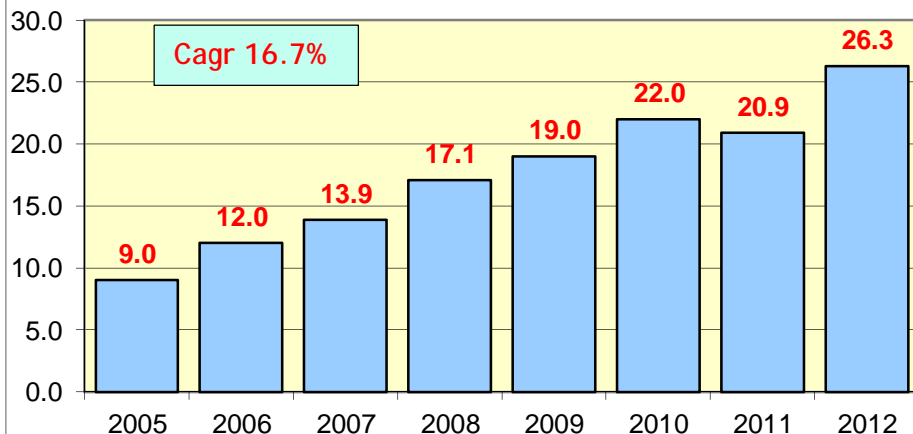
Growth in Underlying Pre Tax Profit (PBTae)



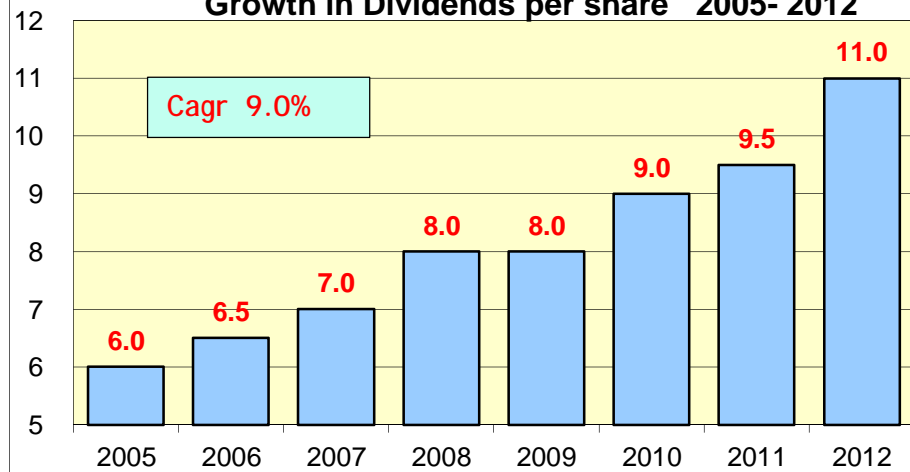
Growth in Turnover 2005 -2012



EPS Growth 2005- 2012



Growth in Dividends per share 2005- 2012



- Significant opportunities abound
- FIC uniquely positioned with freehold development sites in Stanley
- Equity injection of £10m provides initial risk capital
- Bank debt will follow as property investments generate revenue
- Investment will enable FIC to exploit available opportunities
- Work needs to commence NOW to maximise returns given lengthy supply chain
- Additional management being recruited to implement strategy

Significant business opportunities for FIC

- Provision of facilities for Oil Services companies utilising existing FIC freehold land in Stanley
 - Warehouse / Storage yards : Secure modern facilities for parts and to support maintenance activity offshore
 - Offices - Modern, connected, H&S compliant offices space required for oil industry
 - Accommodation - purpose built units for long stay staff
- Joint venture with Trant Construction - South Atlantic Construction Company (SACC)
 - Initial fast track construction of Oil Services infrastructure as above
 - Bidding for FIG and private sector construction and engineering contracts
- Agency opportunities - providing Falkland Islands representation for international groups
- Deep water port - initial work on private sector solution in progress

Falkland Islands - Background information

- Land area 4,700 sq miles - Half size of Wales
- GDP GDP c.£100m (£60m of which is derived from fishing)
- Population (2006)

Stanley -	2,115
MPA (civilian)	477
Camp -	<u>363</u>
Total	<u>2,955</u> (Estimate 2012: 3,100)
- Government Self-governing overseas territory
Foreign policy/Defence - HM UK Government responsibility
- Government ('FIG') - Substantial accumulated reserves £100m
Substantial surplus 2010/11 - £19.4m
2011-12 - £14.5m
Due to tax on oil workers taxes and buoyant fishing
Capital spending programme - £26m for three years

- Sea Lion discovery by Rockhopper Exploration Plc (“Rockhopper”)
 - 200km North of Falkland Islands, in 450m of water
 - 90% chance of successful development
 - 355m bbls net recoverable to Rockhopper
 - Plateau production rate 70,000 barrels of oil per day
 - Gross capital cost of \$4.825bn of which \$2bn prior to first oil
 - Gross cost includes \$2.4bn for 34 wells
 - Annual operating costs \$171m pa, \$39m pa onshore
- Sea Lion : Rockhopper draft timetable
 - Field Development Plan - Q1 2013
 - Commence drilling 2014
 - First oil produced 2016
- Estimated FIG royalty and tax revenues \$8bn over life of field
- “Significant” Gas condensate discovery at Darwin prospect by Borders & Southern Petroleum (“Borders & Southern”) in April 2012

Falkland Islands - Hydrocarbon Exploration Continues

1. Southern Basin - Exploration drilling
 - a) Borders & Southern
Stebbing well in progress (1.3bn bbl resource potential)
 - b) Falkland Oil & Gas
Loligo well follows Stebbing in July 2012 (4.7bn bbl resource potential)
Second well -Scotia (1.1bn bbl potential) or Nimrod (1.5bn bbl potential) or 2nd well on Loligo
2. Southern Basin - Seismic
 - Borders & Southern raised cash for further 3D seismic
3. Northern Basin - Development and further exploration
 - a) Rockhopper has identified multiple further prospects/leads and Johnson Gas discovery
 - b) Desire Petroleum (mkt cap £80m) have an interest in Sea Lion
 - c) Argos Resources (mkt cap £36m)

Both Desire and Argos have identified prospects for further work

Property development opportunities

FIC: Sites for development

Site	Location & size	Development Potential
Airport Road/FIPASS (slide 15)	FIPASS area -11.0 acres	Warehousing
Fitzroy Road (slide 16)	North boundary of FIC complex, Central Stanley	Planning for 13 houses
YPF (former depot) (slide 17)	Central Stanley -2.25 acres	Prime site for high density housing / offices
East Jetty (slide 18)	Waterfront Stanley - 3.0 acres	FIC warehousing - prime site for re-development
Gordon Lines/ "Coastel" Road (slide 19)	FIPASS area -7.5 acres	Warehousing & lay down areas
Fairy Cove (slides 20 & 21)	North side of Stanley Harbour - 301 acres	Adjoins site for proposed new deep water port at Navy Point
Dairy Paddock (slide 22)	Western Stanley -36 acres	Planning for 350 houses

Aerial view of Stanley & Harbour



Airport Road site looking towards FIPASS and the harbour

Map ref: site no 16



For Map see slide 23

Rear of FIC Complex - Fitzroy Road - with planning permission

Map ref : No. 13



For Map see slide 24

YPF site East Stanley : (2.25 acres)

Map ref: No. 15



For Map see slide 24

Aerial View of Crozier Place and East Jetty Site

Map Ref: Site no. 12



For Map see slide 24

Gordon Lines / "Coastel" Road site (7.5 acres)

Map ref: No. 17



For Map see slide 23

Fairy Cove site looking West (301 acres)

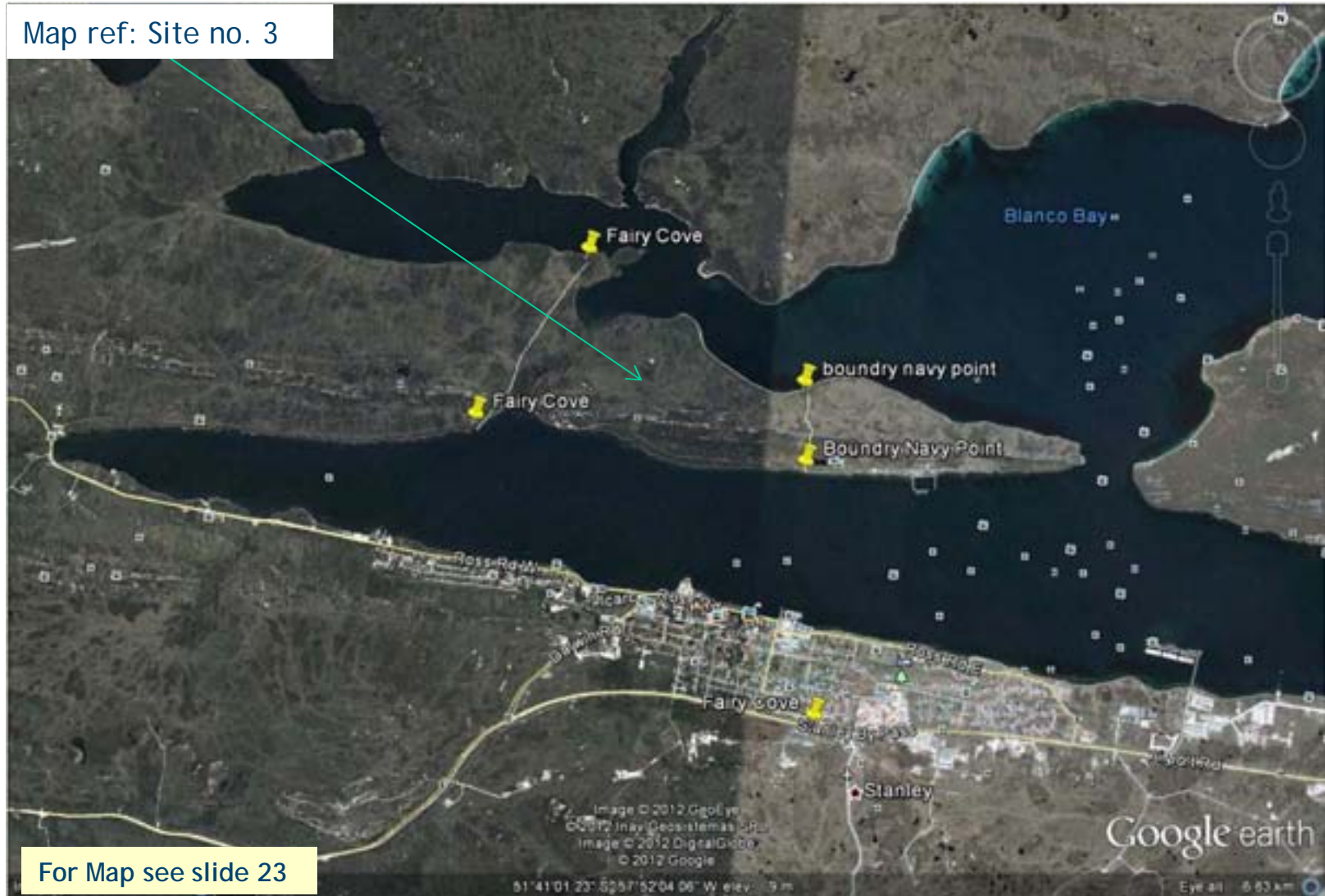
Map ref: site 03



For Map see slide 23

Aerial View of Stanley Harbour showing Fairy Cove

Map ref: Site no. 3



For Map see slide 23

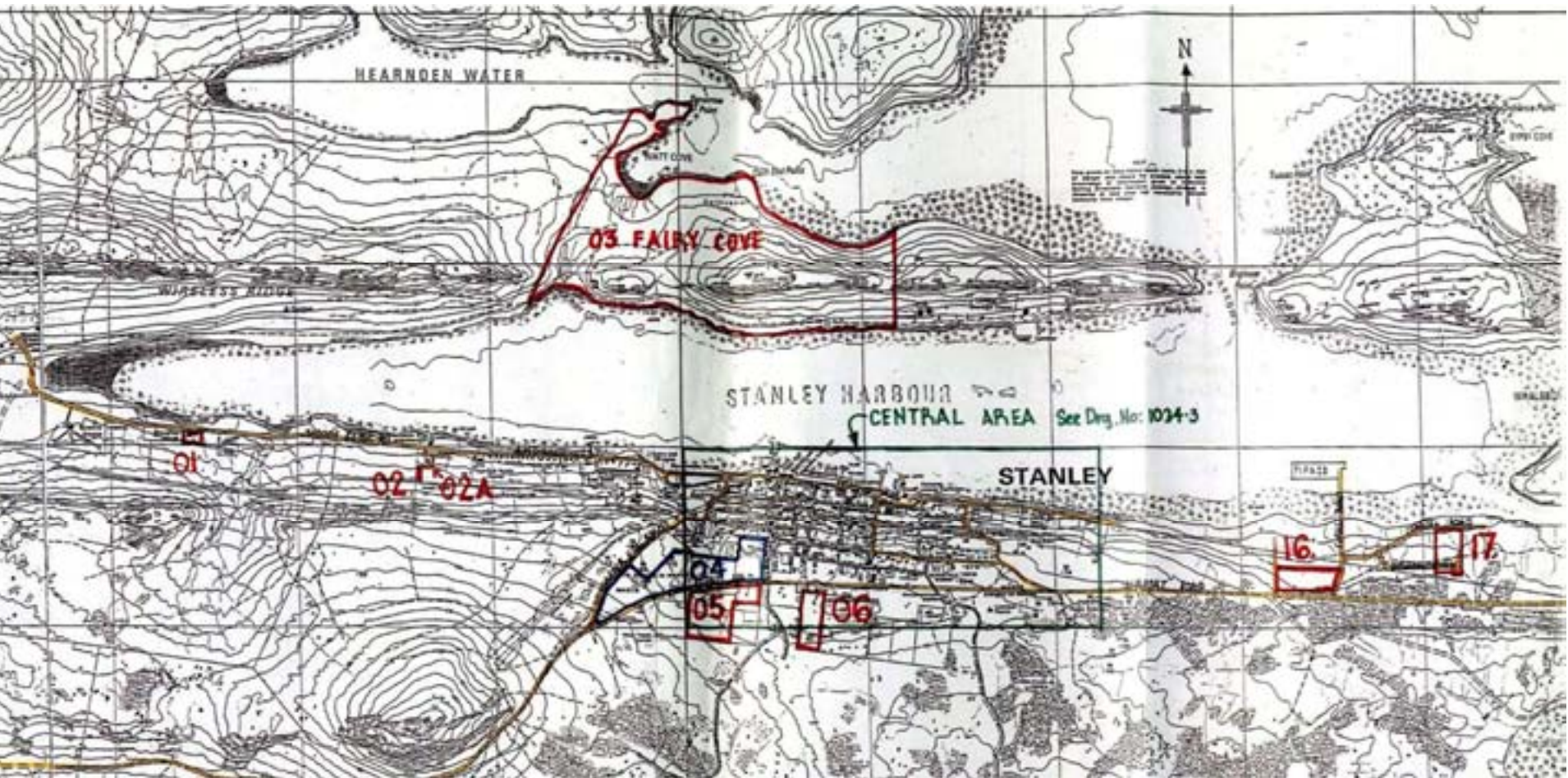
Dairy Paddock looking North East (36 acres)

Map ref: site no 04



For Map see slide 23

Map of Principal FIC sites in Stanley area



Scale : 1 : 12,500

FIPASS - Temporary Port in East Stanley





Falkland Islands Holdings plc - June 2012