

17 September 2012

Falkland Island Holdings plc
("FIH" or "the Company")

Falkland Oil and Gas Limited - Loligo (42/07-01) Well Results - Gas Discovery

Falkland Islands Holdings Plc ('FIH') the international services Group, the AIM quoted international group which owns essential services businesses focused on retail, transport and logistics and which has a 4% shareholding in Falkland Oil and Gas Limited ("FOGL"), notes the statement today by FOGL, announcing that the Loligo exploration well is a gas discovery.

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

Falkland Oil and Gas plc
("FOGL" or "the Company")

Loligo (42/07-01) Well Results - Gas Discovery

FOGL, the oil and gas exploration company focused on its extensive licence areas to the South and East of the Falkland Islands, is pleased to announce that the Loligo exploration well is a gas discovery.

The Loligo well has proven a working hydrocarbon system in the northern part of the East Falkland basin. The results also demonstrate that Loligo is a viable stratigraphic trap. It is clear from the initial well results that the main hydrocarbon phase within the T1 to T5 aged reservoir objectives is gas, but it has not been possible to determine whether this gas has any liquid content.

Well 42/07-01 has been drilled to a depth of 4,043 metres. FOGL is the operator of the well, holding a 75% interest; its joint venture partner Edison International Spa ("Edison"), holds the remaining 25% interest. The well penetrated six Tertiary aged reservoir objectives on prognosis. These comprise the T1, T1 deep, T2 (Trigg), T2 deep (Trigg deep), T3 (Three Bears) and T5 targets. These objectives had all been identified on the basis of their seismic amplitude responses. Very strong gas shows (C1 to C5) were encountered whilst drilling through each of these horizons. Analysis of the wireline log data indicates that all six targets comprise fine grained sandstones, siltstones and claystones. FOGL interprets that these sediments have been deposited either outside, or at the distal (outer) end of the slope channel system.

Gas bearing zones were encountered over a 1,300 metre vertical interval from 2,420 to 3,720 metres. Petrophysical analysis of the T1 to T3 intervals inclusive (2,420 to 2,885 metres) indicates porosities ranging from 18% to 35% in the gas bearing zones. Due to the thin bedded nature of these sediments it is difficult to assess precisely both hydrocarbon saturation and the total net hydrocarbon bearing reservoir. Preliminary estimates however, suggest hydrocarbon saturations ranging from 40% to 60% and net hydrocarbon bearing reservoir of between 10 and 20 metres.

Within the T5 target two main hydrocarbon bearing zones were encountered (3,462 to 3,558 metres and 3,608 to 3,705 metres). The net hydrocarbon bearing reservoir in these two zones

was 46 and 59 metres respectively. Porosities ranged between 23% and 30%, averaging 24% and hydrocarbon saturations between 40% and 75%.

Attempts were made to obtain pressure data and collect fluid samples. This was unsuccessful, probably due to the fine grained nature of sediments in the gas bearing zone and also, not having access to the specialised test equipment appropriate for this type of formation.

Further detailed evaluation of all the well data, together with the existing seismic is now required in order to better define reservoir distribution and more precisely map the channel systems. Determining the reservoir potential of the thin bedded sandstones and siltstones using detailed petrophysical evaluation will be undertaken once the sidewall core samples have been analysed back in the UK. These studies will facilitate a better assessment of resource potential and also help define the work that will be required to further appraise this discovery over what is a large complex. The area of the previously mapped amplitude response at the target horizons range from approximately 250 square kilometres at T2 to over 600 square kilometres at T1. The T5 hydrocarbon zones were better than expected based on pre-drill estimates, but more work will now be required to define their areal extent.

FOGL now intends to plug and abandon the well, which is expected to take approximately 10 days. FOGL and Edison believe that it would be premature to drill a second well on Loligo at the current approved location (Loligo north-west) before having undertaken detailed analysis of the current well results. Accordingly the decision has been taken that the next well will be on the Scotia prospect in the Mid Cretaceous fan play. On the basis that Scotia is also drilled within budget, it is estimated that the Company's cash balance post the 2012 exploration campaign will not be less than US\$200m. A further announcement will be made when the Scotia well is spudded.

Tim Bushell, Chief Executive of FOGL said:

"The initial results of the Loligo well are encouraging. They have demonstrated that hydrocarbons have migrated into the Tertiary Channel Play. It is also clear that Loligo is a valid trap that contains multiple gas bearing zones, with over 100 metres of hydrocarbon bearing reservoir. We now need to focus on reservoir distribution within Loligo in order to find the sweet spots. A work programme will be undertaken to achieve this, assess the resource potential and commercial viability of this discovery.

"We now have a positive result from one of our major exploration prospects. This, together with the results from our next well, will help determine the priorities for our future exploration efforts. With our partners Noble Energy and Edison, we have the technical resources and funding in place to carry out substantial 3D surveys, followed by further drilling in 2014."

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The technical information included in this announcement has been reviewed, verified and compiled by the Company's geological staff, including a qualified person, Colin More BSc., MSc. (Exploration Director), who has over 26 years of experience in petroleum exploration, for the purpose of the Guidance Note for Mining, Oil and Gas Companies issued by the London Stock Exchange in respect of AIM companies, which outline standards of disclosure for mineral projects. Mr. More is a member of the Geological Society of London, the American Association of Petroleum Geologists and the Society of Exploration Geophysicists.