

Falkland Islands Holdings plc

("FIH", "the Company" or "the Group")

AGM Statement and Trading update

The following comments were made by Falkland Islands Holdings Chairman, David Hudd, at the Company's Annual General Meeting, held at 11.30 am today:

"Trading in our Falklands' businesses has started satisfactorily during the Austral winter. Income from Fishing Agency activity has continued to be affected by the early closure of the Illex squid fishery by the Falkland Islands Government in late March. However, economic activity in the Islands has to date remained largely unaffected with consumer confidence being buoyed by exploration activity and as a consequence retail operations within the Falkland Islands Company ("FIC") have continued to make modest progress.

In late June FIC announced having reached agreement with Exel, freight managers for the UK Ministry of Defence, to take cargo space on the MOD vessels which supply the Islands operating 10 vessel sailings each year. Despite the recent sharp increases seen in global fuel and vessel charter costs this new arrangement will enable the group to maintain its freight rates to customers whilst at the same time improving service levels by doubling the frequency of sailings.

Trading at Portsmouth Harbour Ferry Company ("PHFC"), the Group's other main business, has also continued to progress well. In November 2004 car parking charges were introduced in Gosport for the first time and passenger volumes were adversely affected but since then activity has been boosted by the celebrations of the 200th anniversary of the Battle of Trafalgar and the International Festival of the Sea in June, both of which were centred around Portsmouth harbour. In addition ferry fares were increased with effect from 1 June and this combined with the increased passenger activity over the early summer period has seen the company make encouraging progress during the first quarter of the new financial year.

I am also pleased to be able to announce that in July, Cobham Travel Services ("CTS"), the travel agency subsidiary of PHFC, was sold for a cash consideration which represents a modest premium to net assets. In the first quarter of the year CTS made a small loss.

The Group continues to be strongly cash generative and has recently negotiated an increase in its working capital facilities (overdraft facilities have been increased from £0.8 million to £2.0 million) to give additional flexibility.

Shareholders will also be aware that the group owns strategic stakes in the AIM listed exploration companies, Falkland Oil and Gas ("FOGL") and Falkland Gold and Minerals ("FGML").

FOGL has made remarkable progress since its IPO in October 2004 which is reflected in the substantial increase in the share price. The seismic results to date have been encouraging and have far exceeded initial expectations. In order to fund the expanded exploration programme FOGL raised £10 million on 3 June through a share placing at 85p per share. Your company subscribed for a further 2.35 million shares in that placing, taking FIH's shareholding in FOGL up to 18.3% (16.8 million shares). FOGL currently has £19.3 million in cash which its Board believes is sufficient to fund exploration activities through 2006.

Those activities will include a further 2D seismic survey of a minimum of 8,000km, which was commenced in June, with an option to extend to 15,000km and a 2,000 sq km 3D survey. This work is expected to take place in the next 12 to 18 months. FOGL has been granted a 2 year extension of the southern area licences and following some licence relinquishments FOGL now has an average 90% interest in 79,000 sq km of which 29,000 sq km is in the southern licences.

In the second half of 2005 the interpretation and analysis of seismic data will proceed with the objective of defining about 20 drillable prospects to be followed by a multi-well programme targeted to begin in 2007. FOGL has already received expressions of interest from a number of potential partners and a formal programme will commence shortly to attract companies to participate in exploration activities.

FGML, in which the Group owns 14.4% of the share capital, has established its operating base at Goose Green and to date has drilled 3 of the 23 target sites identified by the aero magnetic survey. The first results which relate to one of the targets show sub economic indications of gold and other precious metals and analysis of the other 2 is ongoing. FGML is still at a very early stage of its exploration programme and work is proceeding on a number of fronts to fully understand the geological settings and then to focus on higher grade zones.

The outlook remains positive for your Company, trading in the first quarter is in line with our expectations and we are well positioned to take advantage of increased economic activity related to exploration both by our associated companies and others which are active in the Falklands. Your Board looks forward to building on these solid foundations by making further acquisitions to strengthen the Group's core operations."

25 July 2005

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