

Thursday 22<sup>nd</sup> December 2005

# Falkland Oil and Gas Limited

(“FOGL” or “the Company”)

## Interim results for the period ended 30 September 2005

### Management Changes

FOGL, the oil and gas exploration company operating in the undrilled South and East Falkland Basins, announces its unaudited interim results for the 6 months ended 30 September 2005.

#### Highlights

- 2D seismic survey is proceeding well with 20,000 km completed of the 24,500km planned
- Technical information continues to provide encouragement that the Company's licences could contain a new petroleum province
- Technical and commercial information presentations to potential participants commenced in September; attended so far by a number of oil companies including majors
- Stellar Energy Advisors appointed to manage the farm out project
- Cash balance £16.5m at 30 November 2005

#### Management Changes

- Richard Liddell appointed Non-Executive Chairman to succeed John Armstrong who steps down as Executive Chairman but will remain on the Board.
- Process to recruit a UK-based CEO is well advanced, further announcement imminent

#### Outlook

- Complete 2D Seismic Survey – recording, processing and interpretation in first half 2006
- Introduce new participants by farm out in first half 2006
- First exploration well targeted for 2007

**John Armstrong, Executive Chairman of FOGL, said:**

*"While we continue to progress our second 2D seismic survey, which will take the total seismic acquired to about 24,500 km, we are also seeking to attract third party participants (i.e. farminees) to the project. The scale of the opportunity is such that we believe that the route to maximise shareholder value is through the involvement of other companies. We have begun to speak with a number of companies, including majors, and we are targeting the first farm in as soon as is possible in the New Year.*

*We have steadily strengthened the management team at FOGL in line with the growing potential of our licences and we feel that the Company now needs a full time chief executive and a UK-based chairman. As such, I will be standing down as Chairman and will be succeeded by Richard Liddell, a non-executive director since March 2005, as Non-Executive Chairman. The search for a UK based chief executive is well advanced and we expect to make an announcement on this in the very near future.*

*All the indications are that oil and gas is present in our licences, and that the leads are big enough to hold very large volumes. The key question now is whether oil and gas is present in sufficient quantities to be commercial. Whilst the technical evidence is encouraging, commerciality can only be determined by drilling and 2007 remains our target for the first well."*

**Enquiries:**

**FOGL**

David Hudd, Deputy Chairman

07771 893 267

**College Hill**

Ben Brewerton / Nick Elwes

020 7457 2020

[www.fogl.com](http://www.fogl.com)

## **Interim Statement**

### **Current Activity**

Having completed the analysis of the 9,450 km 2D seismic survey undertaken earlier this year, FOGL began a new 15,000 km 2D seismic survey in June; 10,054 km have been completed to date. The new survey will cover all 130 leads previously identified but with particular emphasis on the 50 most promising to enable FOGL to locate drillable prospects. To achieve this, the new lines will be closely spaced in some areas to enable detailed mapping of the prospects. The company anticipates that the survey will be completed, processed and interpreted in the first half of 2006. Technical information continues to provide encouragement that oil and gas could be present and that the Company's licences could contain a new petroleum province.

In May, after announcing the preliminary results of its 9,450 km 2D seismic survey, FOGL received a number of enquiries from large oil companies regarding the possibility of participation in the project. Several areas for farm out have been delineated and an information presentation room (data room) was opened in our Wigmore Street office in September this year.

In view of the high level of oil industry interest, Stellar Energy Advisors, a firm specialising in brokering farm out deals, has been retained to expedite the farm out programme. The objective is to secure partners with the appropriate financial capability and deepwater experience with FOGL retaining sufficient equity to provide significant success case value for the shareholders.

### **Management Changes**

The management team has been significantly strengthened since the IPO and the appointment of a Chief Executive and a UK based Chairman will position the company for the next stage of its development.

Richard Liddell, who joined the Board as a non-executive Director in March, will become Non-Executive Chairman on 1 January 2006, succeeding John Armstrong, the founding Chairman of the company who has served as Executive Chairman since flotation. Richard has twenty-six years experience in the oil and gas industry and was Operations Director of Premier Oil plc from 1999 until 2003. Prior to that, he spent two years as Director of Development at BG Exploration and Production. He previously held a number of positions during an eighteen-year spell at Philips Petroleum Company.

John Armstrong has decided to step down as Executive Chairman at the end of this year having been involved with project since its inception three years ago. John is based in Australia and, with the project now larger than originally envisaged, he proposed to the Board that he stand down as Chairman when it became clear that the Company needed a full time CEO based in the UK. John will remain on the Board as a non-executive director and he will continue to be closely involved in the Company's relationship with the Falkland Islands' Government

The process of recruiting a full time chief executive is well advanced and we expect to be able to make a further announcement in the coming weeks. In the interim, Richard Liddell will act as Executive Chairman.

The changes announced today are in addition to the appointment in April of Patrick Bird as Exploration Manager.

**Outlook**

The clear objective for FOGL is to define and prioritise prospects for drilling. The current programme is to complete and evaluate the 15,000 km 2D seismic survey now in progress and then to consider further technical work including 3D seismic and sea bed logging. The Company's goal is to develop a multi-well drilling programme, targeting drilling in 2007.

Contact with oil companies about farming into FOGL's licences will continue and we anticipate further progress on this in the New Year.

**Unaudited Profit and Loss Account  
for 6 months ended 30 September 2005**

	Note	Unaudited 6 months ended 30 September 2005 £	Audited 10 month period ended 31 March 2005 £
Administrative expenses		<u>(640,107)</u>	(460,133)
<b>Operating Loss</b>		<b>(640,107)</b>	(460,133)
Interest income		<u>361,163</u>	166,441
<b>Loss on ordinary activities before</b>		<b>(278,944)</b>	(293,692)
Tax on loss on ordinary activities		<u>-</u>	-
<b>Loss on ordinary activities after taxation</b>		<b>(278,944)</b>	(293,692)
<b>Loss for the period</b>		<b><u>(278,944)</u></b>	<b>(293,692)</b>
Loss per ordinary share – Basic and diluted	2	<b>(0.32p)</b>	(0.48p)

There were no recognised gains or losses in the current or prior period other than those dealt with in the profit and loss account above.

The operating loss for the current and prior period arose from continuing operations.

## Unaudited Balance Sheet at 30 September 2005

		Unaudited at 30 September 2005	Unaudited at 30 September 2005	Audited at 31 March 2005	Audited at 31 March 2005
	Note	£	£	£	£
<b>Fixed assets</b>					
Intangible fixed assets			4,823,615		2,866,836
Tangible fixed assets			68,097		11,277
			4,891,712		2,878,113
 <b>Current assets</b>					
Debtors		451,627		75,434	
Cash at bank and in hand		17,585,232		11,079,976	
		18,036,859		11,155,410	
<b>Creditors: amounts falling due within one year</b>		(112,409)		(656,844)	
<b>Net current assets</b>			17,924,450		10,498,566
<b>Net assets</b>			22,816,162		13,376,679
 <b>Capital and reserves</b>					
Called up share capital	4		1,835		1,600
Share premium account	4		23,386,963		13,668,771
Profit and loss account	4		(572,636)		(293,692)
<b>Shareholders' equity funds</b>			22,816,162		13,376,679

## Unaudited Cash Flow Statement for the 6 months ended 30 September 2005

	Unaudited 6 months ended 30 September 2005 £	Audited 10 month period ended 31 March 2005 £
Net cash (outflow) / inflow from operating activities	(1,550,860)	122,302
<b>Returns on investments and servicing of finance</b>		
Interest received	361,163	166,441
<b>Capital expenditure and financial investment</b>		
Expenditure in respect of intangible fixed assets	(1,956,779)	(2,866,836)
Expenditure in respect of tangible fixed assets	(66,695)	(12,302)
	(3,213,171)	(2,590,395)
<b>Cash outflow before financing</b>		
<b>Financing</b>		
Issue of ordinary share capital	10,000,000	14,697,514
Issue costs	(281,573)	(1,027,143)
	9,718,427	13,670,371
Increase in cash in the period	6,505,256	11,079,976
<b>Reconciliation of operating loss to net cash outflow from operating activities</b>		
Operating loss	(640,107)	(460,133)
Depreciation	9,875	1,025
Increase in debtors	(376,193)	(75,434)
(Decrease) / increase in creditors	(544,435)	656,844
	(1,550,860)	122,302
<b>Net cash (outflow) / inflow from operating activities</b>	(1,550,860)	122,302

**Reconciliation of movements in shareholders' funds  
For the 6 months ended 30 September 2005**

	<b>Unaudited 6 months ended 30 September 2005 £</b>	<b>Audited 10 month period ended 31 March 2005 £</b>
<b>Loss for the financial period</b>	(278,944)	(293,692)
New share capital subscribed (net of issue costs)	9,718,427	13,670,371
<b>Net addition to shareholders' equity funds</b>	9,439,483	13,376,679
Opening shareholders' equity funds	13,376,679	-
<b>Closing shareholders' equity funds</b>	22,816,162	13,376,679

## Notes to the interim results

### 1. Basis of financial information

The interim financial information in this announcement has been prepared on the same basis and using the same accounting policies as were applied in drawing up the Company's statutory financial statements for the 10 month period ended 31 March 2005.

The financial information for 6 months ended 30 September 2005 is unaudited. In the opinion of the directors the financial information for this period fairly presents the financial position, results of operations and cash flows for the period in compliance with Falkland Island Company law and generally accepted accounting principles.

The financial information for the 10 month period ended 31 March 2005 has been derived from the Company's audited financial statements for the period as filed with the Registrar of Companies and does not constitute the statutory financial statements for that period.

The auditor's report on the statutory financial statements for the 10 month period ended 31 March 2005 was unqualified.

### 2. Loss per share

The calculation of basic loss per ordinary share is based on a loss of £278,944 (10 month period ended

31 March 2005: loss £293,692) and on 87,843,137 ordinary shares (10 month period ended 31 March 2005: 61,510,000 ordinary shares), being the weighted average number of ordinary shares in issue during the period. There is no difference between the diluted loss per share and the basic loss per share presented as the company reported a loss for the period and, in accordance with Financial Reporting Standard Number 14, the share options in issue are not considered dilutive.

### 3. Dividends

The directors do not recommend the payment of a dividend.

### 4. Capital and reserves

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
<b>At 1 April 2005</b>	1,600	13,668,771	(293,692)	13,376,679
Issue of shares	235	9,999,765	-	10,000,000
Loss for the period	-	-	(278,944)	(278,944)
Expenses of share issue	-	(281,573)	-	(281,573)
<b>At 30 September 2005</b>	<u>1,835</u>	<u>23,386,963</u>	<u>(572,636)</u>	<u>22,816,162</u>