



Falkland

Oil and Gas Limited

**Interim Results for the six months
ended 30 June 2009**

28th September 2009

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

Interim Results for the six months ended 30 June 2009

FOGL, the oil and gas exploration company focused on its extensive licence areas to the South and East of the Falkland Islands, announces Interim Results for the six months ended 30 June 2009.

Highlights

- Environmental impact assessments to be submitted for approval by early October 2009.
- Successful share placing to raise £7.6million (\$12.2million) before expenses to fund long lead drilling equipment, administration and general costs through 2010 and into 2011.
- Cash balance of \$19.3 million as at 30th June (2008 Interim: \$22.6million).

Richard Liddell, Chairman of FOGL, said:

"Our partner, BHP Billiton, continues to seek a suitable drilling rig for a drilling program currently scheduled for 2010, in line with our previous guidance. With the necessary preparatory work completed and funds available to secure long lead drilling equipment, we are well placed to move into the next exciting phase of exploration."

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Chairman's Statement

Preparation for drilling is now well advanced; the best prospects for drilling have been selected and an extensive site survey programme has been carried out. The results from these surveys have been integrated into environmental impact assessments which will shortly be submitted to the Falkland Islands' Government for review.

Commencement of drilling will be determined by the availability of a suitable rig. BHP Billiton, FOGL's farm-in partner, is actively seeking either a semi-submersible rig or a large drillship. Whilst there is a limited number of such rigs and all are currently under contract, the deepwater rig market is showing some signs of improvement.

As previously announced, earlier this year FOGL appointed Stellar Energy Advisors to commence a formal process to explore the possibility of funding the forthcoming drilling programme through a second farm-out and discussions in progress with a number of parties. The response and progress to date has been encouraging but we do not expect to be in a position to announce any conclusions in the immediate future. The Board will balance the funding and other benefits of a second farm-in with the retention of sufficient equity in the licences to provide substantial upside for shareholders from a successful drilling campaign.

During May 2009, FOGL raised £7.6 million (\$12.2million) through a placing of 10,448,099 new ordinary shares at 73p. FOGL was delighted that both existing and new institutional shareholders showed their strong support for FOGL's prospects through this placing.

Financials

FOGL 2009 with \$18.8 million in cash, of which \$6.2 million was invested in the exploration programme and \$1.2 million was used to cover administrative expenses. At the end of the period, the cash balance was \$19.3 million of which \$6.9 million is held in Sterling. The loss before tax for the six month period was \$3 million (2008: \$2.2 million), of which £1 million arose from the translation of the Company's sterling net borrowings.

Outlook

FOGL's general and administration costs are now financed through 2010 and into 2011 and we have sufficient funds to cover the cost of the long lead drilling equipment and also a proportion of the actual drilling costs.

BHP Billiton is currently reviewing a number of potential rig options and an announcement will be made as soon as a rig is secured.

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2009

| | 6 months ended | 6 months ended | Year ended |
|--|--------------------|----------------------|--------------------|
| | 30 June | 30 June | 31 December |
| | 2009 | 2008 | 2008 |
| | (Unaudited) | (Restated/Unaudited) | (Audited) |
| Note | \$ | \$ | \$ |
| Administrative expenses | (1,216,523) | (1,695,108) | (2,905,958) |
| Loss from operations | (1,216,523) | (1,695,108) | (2,905,958) |
| Finance income | 66,498 | 387,130 | 673,334 |
| Foreign exchange gains | - | - | 2,583,210 |
| Total Finance income | 66,498 | 387,130 | 3,256,544 |
| Finance costs | (881,114) | (914,696) | (1,596,659) |
| Foreign exchange Loss | (1,034,573) | - | - |
| Total Finance expense | (1,915,687) | (914,696) | (1,596,659) |
| Loss before tax | (3,065,712) | (2,222,674) | (1,246,073) |
| Income tax expense | - | - | (25,960) |
| Loss for the financial period | (3,065,712) | (2,222,674) | (1,272,033) |
| Total comprehensive income for the financial period | (3,065,712) | (2,222,674) | (1,272,033) |
| Attributable to: | | | |
| Equity shareholders | (3,065,712) | (2,222,674) | (1,272,033) |
| Loss per share | | | |
| Basic and diluted loss per share on loss for the period | 2 (3.24c) | (0.69c) | (1.38c) |

All amounts included above relate to continued operations.

Effective 1 July 2008, the Company's functional and presentational currency changed from pounds sterling to the United States dollar (US\$). For comparative purposes, the Interim period ended 30 June 2008 has been restated into US\$ amounts.

Condensed Consolidated Balance sheet

at 30 June 2009

| | At 30 June 2009 (Unaudited) \$ | At 30 June 2008 (Restated/ Unaudited) \$ | At 31 December 2008 (Audited) \$ |
|--|---|--|---|
| Non-current assets | | | |
| Property, plant and equipment | 40,577 | 107,911 | 79,111 |
| Deferred exploration expenditure | 44,878,765 | 33,099,995 | 38,643,981 |
| | 44,919,342 | 33,207,906 | 38,723,092 |
| Current assets | | | |
| Trade and other receivables | 216,669 | 200,920 | 296,123 |
| Cash and cash equivalents | 19,342,364 | 22,611,711 | 18,819,935 |
| Total Assets | 64,478,375 | 56,020,537 | 57,839,150 |
| Current liabilities | | | |
| Trade and other payables | (282,732) | (888,484) | (4,579,087) |
| Corporation tax liability | (217,397) | (165,995) | (146,409) |
| Net current assets | 19,058,904 | 21,728,152 | 14,390,562 |
| Non-current liabilities | | | |
| Convertible Loan Notes | (12,334,594) | (12,899,351) | (10,041,624) |
| Total Liabilities | (12,834,723) | (13,953,830) | (14,767,120) |
| Net assets | 51,643,652 | 42,066,707 | 43,072,030 |
| Capital and reserves | | | |
| Called up share capital | 4,014 | 3,688 | 3,681 |
| Share premium account | 58,601,121 | 47,198,961 | 47,109,162 |
| Other reserves | 4,985,693 | 4,995,197 | 4,985,693 |
| Retained earnings | (11,947,176) | (10,131,139) | (9,026,506) |
| Equity attributable to shareholders | 51,643,652 | 42,066,707 | 43,072,030 |

Condensed Consolidated Cash flow statement

for the six months ended 30 June 2009

| | 6 months ended 30 June 2009 (Unaudited) \$ | 6 months ended 30 June 2008 (Restated/Unaudited) \$ | Year ended 31 December 2008 (Audited) \$ |
|--|---|---|---|
| Operating Activities | | | |
| Loss for year before taxation | (3,065,712) | (2,222,674) | (1,272,033) |
| Finance income | (66,498) | (387,130) | (3,256,544) |
| Finance expense | 1,915,687 | 914,696 | 1,596,659 |
| Taxation Expense | - | - | 25,960 |
| | (1,216,523) | (1,695,108) | (2,905,958) |
| Depreciation | 38,534 | 40,866 | 70,001 |
| Share-based payments | 145,042 | 161,203 | 298,367 |
| Cash flow from operating activities before changes in working capital | (1,032,947) | (1,493,039) | (2,537,590) |
| Decrease in trade and other receivables | 79,454 | 205,613 | 90,777 |
| Decrease in trade and other payables | (4,296,355) | (15,528) | (484,911) |
| Cash generated from operations | (5,249,848) | (1,302,952) | (2,931,724) |
| Income tax refund | 72,298 | - | - |
| Net cash outflow used in operating activities | (5,177,550) | (1,302,954) | (2,931,724) |
| Cash flows used in investing activities | | | |
| Interest income | 66,498 | 387,130 | 673,334 |
| Purchase of property, plant and equipment | - | (335) | (1,326) |
| Deferred exploration expenditure | (6,234,784) | (1,344,989) | (2,699,716) |
| Net cash used in investing activities | (6,168,286) | (958,194) | (2,027,708) |
| Cash flows from financing activities | | | |
| Issue of ordinary share capital | 11,492,292 | - | - |
| Net cash inflow from financing activities | 11,492,292 | - | - |
| Net Increase/(decrease) in cash and cash equivalents | 146,456 | (2,261,148) | (4,959,432) |
| Cash and cash equivalents at start of period | 18,819,935 | 24,889,214 | 24,889,214 |
| Effect of exchange rate changes on cash and equivalents | 375,973 | (16,355) | (1,109,847) |
| Cash and cash equivalents at end of period | 19,342,364 | 22,611,711 | 18,819,935 |

Condensed Consolidated Statement of changes in equity (unaudited)

| | Share capital \$ | Share premium \$ | Retained deficit \$ | Other Reserve \$ | Total \$ |
|--|---------------------|---------------------|------------------------|---------------------|-------------------|
| Balance as at 1st January 2008 | 3,688 | 47,198,961 | (8,069,668) | 4,995,197 | 44,128,178 |
| Total comprehensive income for the period | - | - | (2,222,674) | - | (2,222,674) |
| Share based payments | - | - | 161,203 | - | 161,203 |
| Balance as at 30 June 2008 | 3,688 | 47,198,961 | (10,131,139) | 4,995,197 | 42,066,707 |
| Revaluation adjustment in currency conversion | (7) | (89,799) | 16,828 | (9,504) | (82,482) |
| Total comprehensive income for the period | - | - | 950,642 | - | 950,642 |
| Share based payments | - | - | 137,163 | - | 137,163 |
| Balance as at 31 December 2008 | 3,681 | 47,109,162 | (9,026,506) | 4,985,693 | 43,072,030 |
| Total comprehensive income for the period | - | - | (3,065,712) | - | (3,065,712) |
| Share based payment | - | - | 145,042 | - | 145,042 |
| Shares Issued | 333 | 12,251,625 | - | - | 12,251,958 |
| Costs associated with issue of share capital | - | (759,666) | - | - | (759,666) |
| Balance as at 30 June 2009 | 4,014 | 58,601,121 | (11,947,176) | 4,985,693 | 51,643,652 |

Notes forming part of the interim report

for the six months ended 30 June 2009

1. Accounting policies

The consolidated unaudited interim financial information set out in this report is based on the consolidated financial statements of Falkland Oil and Gas Limited ("FOGL") and its subsidiary company (together referred to as the 'Group'). The accounts of the Group for the 6 months ended 30 June 2009 were approved and authorised for issue by the Board on 24th September 2009. These accounts have been prepared in accordance with the accounting policies that are expected to be applied in the Report and Accounts of FOGL for the year ending 31 December 2009 and are consistent with International Financial Reporting Standards adopted for use in the European Union.

The presentation applied to the interim report is in line with the new IAS 1 ('*Presentation of Financial Statements*') in respect of the primary statements presentation.

Basis of preparation

The accounts have been consolidated in order to incorporate FOGL Finance Limited, a wholly owned subsidiary.

The financial information for the six months ended 30 June 2009 and 30 June 2008 is unreviewed and unaudited and does not constitute the Group's statutory financial statements for those periods. The comparative financial information for the full year ended 31 December 2008 has, however, been derived from the statutory financial statement for that period. The statutory accounts for the year ended the 31 December 2008 have been filed with the registrar of Companies. The auditors' report on those accounts was unqualified, however because of the existence of material uncertainty which cast significant doubt about the Group's ability to continue as a going concern, the Independent Auditors' Report contained an emphasis of matter to this effect. The Independent Auditors' report did not include any references to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

The financial statements are presented in United States Dollars and all values are rounded to the nearest dollar (\$) except when otherwise indicated.

The financial statements have been prepared under the historical cost convention, except for financial assets, which are carried at fair value.

The Company has certain contractual agreements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The Company includes its share of assets, liabilities and cash flows in joint arrangements, measured in accordance with the terms of each arrangement.

2. (Loss) per share

The basic loss per share is calculated on a loss of \$ 3,065,712 (2008: interim loss of \$ 2,222,674) and on 94,692,402 (2008: 92,325,706) ordinary shares, being the weighted average number of ordinary shares in issue during the period. There is no difference between diluted loss per share and the basic loss per share as the Group reported a loss for the period.

3. Going Concern

In May 2009, FOGL raised £7.6million (\$12.2million) at 73p before expenses (£7.2million or \$11.5million net) through an issue of 10,448,099 new ordinary shares in the capital of the Company at a price of 73 pence per share. The net proceeds are to be used to fund long lead drilling items, general and administration costs through 2010 and into 2011. Accordingly, the directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

4. Interim Statement

Copies of this Interim report for the six months ended 30 June 2009 will be available from the UK office 32-34 Wigmore Street, London, W1U 2RR, and on the company's website www.fogl.com.