

# Falkland Oil and Gas Limited



Interim Results for the  
six months ended  
June 2010



18 August 2010

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

FOGL, the oil and gas exploration company focused on its extensive licence areas to the South and East of the Falkland Islands, announces the Interim Results for the six months ended 30 June 2010.

**Highlights**

- The Toroa exploration well was drilled during June 2010 and was completed on 12 July 2010
- The well reached a total depth of 2,476 metres, but did not encounter any reservoired hydrocarbons and was plugged and abandoned
- Cash balance of \$80.4 million as at period end (2009: \$19.3m)

**Richard Liddell, Chairman of FOGL, said:**

*"The first half of 2010 has been a period of great progress for the Company, in which we drilled the first well on our licence area. Although the Toroa well did not encounter hydrocarbons, the results have helped to reduce some of the key risks on the other plays in our licences."*

*"We look forward to continuing exploration in the deepwater area of licences, once a suitable rig has been secured"*

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## **Chairman's Statement**

During the first half of 2010 the Ocean Guardian drilling rig was contracted and drilled the Toroa prospect, our first exploration well on the licence area.

### **Toroa Well**

We announced on 12 July 2010, that the Toroa F61/5-1 exploration well had been drilled to a total depth of 2,476 metres and full logging operations had been completed. The well did not encounter any reservoir hydrocarbons and was plugged and abandoned. The well was completed within budget and without incident.

Further detailed evaluation of all the data gained from the well is now being carried out and an update on the results will be provided once all the analytical work has been completed.

### **Deepwater Rig**

In line with our licence commitments, we are actively seeking a suitable rig for exploration drilling activities in the deeper water areas of our licences. There are a limited number of such rigs available and despite a recent softening of the rig market, there is still considerable competition for the type of high specification rig required, which may extend our drilling programme into 2011.

### **Financials**

FOGL started the period with \$93.5 million in cash, of which \$11.3 million was expensed in the exploration programme and \$1.2 million used to cover administration costs. At the end of the period the cash balance was \$80.4 million of which \$11.7 million is held as 7.8 million Sterling. The loss before tax for the six month period was \$2.1 million (2009: £3 million).

### **Outlook**

Exploration drilling will resume in the deepwater area of our licences as soon as a suitable rig is secured.

# Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010

	<b>6 months ended</b>	6 months ended	Year ended
	<b>30 June</b>	30 June	31 December
	<b>2010</b>	2009	2009
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
Note	<b>\$000</b>	\$000	\$000
Administrative expenses	(1,198)	(1,217)	(2,839)
<b>Loss from operations</b>	<b>(1,198)</b>	<b>(1,217)</b>	<b>(2,839)</b>
<b>Finance income</b>	<b>295</b>	<b>66</b>	<b>115</b>
Finance costs	(618)	(881)	(1,699)
Foreign exchange Loss	(641)	(1,034)	(1,122)
<b>Total Finance expense</b>	<b>(1,259)</b>	<b>(1,915)</b>	<b>(2,821)</b>
<b>Loss before tax</b>	<b>(2,162)</b>	<b>(3,066)</b>	<b>(5,545)</b>
Taxation	-	-	217
<b>Loss for the financial period</b>	<b>(2,162)</b>	<b>(3,066)</b>	<b>(5,328)</b>
<b>Total comprehensive income for the financial period</b>	<b>(2,162)</b>	<b>(3,066)</b>	<b>(5,328)</b>
<b>Attributable to:</b>			
Equity shareholders of the parent	(2,162)	(3,066)	(5,328)
<b>Loss per share</b>			
Basic and diluted loss per share on loss for the period	<b>2</b>	<b>(1.48c)</b>	<b>(3.24c)</b>
		<b>(3.24c)</b>	<b>(5.16c)</b>

All amounts included above relate to continuing operations.

# Condensed Consolidated Statement of Financial Position

at 30 June 2010

	At 30 June 2010 (Unaudited) \$000	At 30 June 2009 (Unaudited) \$000	At 31 December 2009 (Audited) \$000
<b>Non-current assets</b>			
Property, plant and equipment	41	41	17
Deferred exploration expenditure	65,143	44,878	47,600
	<b>65,184</b>	<b>44,919</b>	<b>47,617</b>
<b>Current assets</b>			
Trade and other receivables	220	217	505
Cash and cash equivalents	80,444	19,342	93,536
<b>Total Assets</b>	<b>145,848</b>	<b>64,478</b>	<b>141,658</b>
<b>Current liabilities</b>			
Trade and other payables	(6,423)	(283)	(873)
Corporation tax payable	-	(217)	-
<b>Net current assets</b>	<b>74,241</b>	<b>19,059</b>	<b>93,168</b>
<b>Non-current liabilities</b>			
Convertible Loan Notes	(13,353)	(12,334)	(12,745)
<b>Total Liabilities</b>	<b>(19,776)</b>	<b>(12,834)</b>	<b>(13,618)</b>
<b>Net assets</b>	<b>126,072</b>	<b>51,644</b>	<b>128,040</b>
<b>Capital and reserves</b>			
Called up share capital	6	4	6
Share premium account	137,132	58,601	137,077
Other reserves	4,986	4,986	4,986
Retained deficit	(16,052)	(11,947)	(14,029)
<b>Equity attributable to shareholders of the parent</b>	<b>126,072</b>	<b>51,644</b>	<b>128,040</b>

# Condensed Consolidated Statement of Cash flows

for the six months ended 30 June 2010

	<b>6 months ended 30 June 2010 (Unaudited) \$000</b>	6 months ended 30 June 2009 (Unaudited) \$000	Year ended 31 December 2009 (Audited) \$000
<b>Operating Activities</b>			
Loss for year before taxation	<b>(2,162)</b>	<b>(3,066)</b>	<b>(5,328)</b>
Finance income	(295)	(66)	(115)
Finance expense	1,259	1,916	2,821
Taxation		-	(217)
	<b>(1,198)</b>	<b>(1,216)</b>	<b>(2,839)</b>
Depreciation	7	39	65
Share-based payments	139	145	326
<b>Cash flow from operating activities before changes in working capital</b>	<b>(1,052)</b>	<b>(1,032)</b>	<b>(2,448)</b>
Decrease in trade and other receivables	285	78	58
Decrease in trade and other payables	(690)	(4,296)	219
<b>Cash generated (used in) /from operations</b>	<b>(1,457)</b>	<b>(5,250)</b>	<b>(2,171)</b>
Income tax refund	270	72	(270)
<b>Net cash outflow generated from/(used in) operating activities</b>	<b>(1,187)</b>	<b>(5,178)</b>	<b>(2,441)</b>
<b>Cash flows used in investing activities</b>			
Interest income	295	66	115
Purchase of property, plant and equipment	(31)	-	(3)
Deferred exploration expenditure	(11,304)	(6,234)	(12,881)
<b>Net cash used in investing activities</b>	<b>(11,040)</b>	<b>(6,168)</b>	<b>(12,769)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital	55	11,492	89,970
<b>Net cash inflow from financing activities</b>	<b>55</b>	<b>11,492</b>	<b>89,970</b>
<b>Net (decrease)/Increase in cash and cash equivalents</b>	<b>(12,172)</b>	<b>146</b>	<b>74,760</b>
Cash and cash equivalents at start of period	<b>93,536</b>	<b>18,820</b>	<b>18,820</b>
Effect of exchange rate changes on cash and equivalents	(920)	376	(44)
<b>Cash and cash equivalents at end of period</b>	<b>80,444</b>	<b>19,342</b>	<b>93,536</b>

## Condensed Consolidated Statement of changes in equity (unaudited)

	Share capital \$000	Share premium \$000	Retained deficit \$000	Other Reserve \$000	Total \$000
<b>Balance as at 1<sup>st</sup> January 2009</b>	<b>4</b>	<b>47,109</b>	<b>(9,026)</b>	<b>4,986</b>	<b>43,073</b>
Total comprehensive income for the period	-	-	(3,066)	-	(3,066)
Share based payments	-	-	145	-	145
Shares Issued	-	12,252	-	-	12,252
Costs allocated with issue of share capital	-	(760)	-	-	(760)
<b>Balance as at 30 June 2009</b>	<b>4</b>	<b>58,601</b>	<b>(11,947)</b>	<b>4,986</b>	<b>51,644</b>
Total comprehensive income for the period	-	-	(2,262)	-	(2,262)
Shares Issued	2	78,476	180	-	78,658
<b>Balance as at 31 December 2009</b>	<b>6</b>	<b>137,077</b>	<b>(14,029)</b>	<b>4,986</b>	<b>128,040</b>
Total comprehensive income for the period	-	-	(2,162)	-	(2,162)
Share based payment	-	-	139	-	139
Shares option exercised	-	55	-	-	55
<b>Balance as at 30 June 2010</b>	<b>6</b>	<b>137,132</b>	<b>(16,052)</b>	<b>4,986</b>	<b>126,072</b>

# Notes forming part of the interim report

for the six months ended 30 June 2010

## 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 condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRSs. The accounts of the Group for the 6 months ended 30 June 2010 were approved and authorised for issue by the Board on 17th August 2010. 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 2010 and are consistent with International Financial Reporting Standards adopted for use in the European Union.

## 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 2010 and 30 June 2009 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 2009 has, however, been derived from the statutory financial statement for that period. The statutory accounts for the year ended the 31 December 2009 have been filed with the registrar of Companies. The auditors' report on those accounts was unqualified.

The financial statements are presented in United States Dollars and all values are rounded to the nearest thousand dollars (\$'000) except when otherwise indicated.

The Group 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 Group 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 \$ 2,162,318 (2009: interim loss of \$3,065,712) and on 146,252,066 (2009: 92,692,402) 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. Interim Statement

Copies of this Interim report for the six months ended 30 June 2010 will be available from the UK office 32-34 Wigmore Street, London, W1U 2RR, and on the company's website [www.fogl.com](http://www.fogl.com).