



28 November 2007

Falkland Oil and Gas Limited
(‘FOGL’ the ‘Company’)

FOGL Partner increases interest in exploration agreement

Falkland Oil and Gas Limited (‘FOGL’) is pleased to announce that BHP Billiton has decided to exercise its option to increase its interests in FOGL’s 2002 and 2004 licences to the South and East of the Falkland Islands.

Highlights:

- BHP Billiton will increase its interest to 51% from the 40% announced on 2 October 2007
- FOGL retains a very substantial stake in the licences
- BHP Billiton will pay FOGL an additional US\$2.75 million in reimbursement of historical costs
- The decision by BHP Billiton to increase its interests in our licences further confirms our view of the significant petroleum potential of the South and East Falkland Basins.

Details of the agreement

Under the terms of the farm-out agreement announced on 2 October 2007 BHP Billiton had the option to further increase its interest in the licences. BHP Billiton has decided to exercise this option by increasing its interest to 51%. Consequently, BHP Billiton will pay four thirds of 51% (approximately 68%) of the costs of the near term work programme, including the drilling of two exploration wells and all other associated work to the completion of this drilling work. In addition, BHP Billiton will pay FOGL a further US\$2.75 million in relation to certain costs already incurred by the company. At end 2007 FOGL’s forecast cash position is £12.2 million (US\$25 million). As such, FOGL is now funded through a significant proportion of the near term exploration programme, which will include the drilling of the first two exploration wells.

Since announcing the agreement with BHP Billiton, FOGL has had discussions with a number of other parties potentially interested in farming in to the area. FOGL will now look to advance these discussions, but with the clear intent of retaining a material interest in its licences.

Tim Bushell, Chief Executive of FOGL commented:

BHP Billiton’s decision to increase its interests in our licences further confirms our view that the South and East Falkland basins are highly prospective and have the potential for the discovery of significant volumes of oil and gas.

Note to investors:

FOGL is planning to make an announcement on its 2007 exploration results and operational plans shortly.

Enquiries:

FOGL

Tim Bushell, Chief Executive

020 7563 1260

KBC Peel Hunt (Nominated Adviser)

Jonathan Marren / Matt Goode

020 7418 8900

College Hill

Nick Elwes / Paddy Blewer

020 7457 2020