



1 March 2010

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

**Announcement of the Final Results for the twelve months ended 31 December 2009**

Poised to drill the Company's first exploration well

FOGL, the oil and gas exploration company focused on its extensive licence areas to the South and East of the Falkland Islands, announces Final Results for the year ended 31 December 2009.

**Highlights**

- Toroa prospect selected as first drilling target with mean, gross, unrisks prospective resources (recoverable hydrocarbons) of 1.7 billion barrels
- Placings raised a total of £57.6 million (\$94.7 million) gross before expenses
- Environmental Impact Study submitted in January 2010 with full regulatory approval for drilling expected imminently
- Ocean Guardian rig secured to drill the first ever exploration well in the East Falklands Basin
- BHP Billiton is seeking a suitable drilling rig in order to commence a deepwater drilling campaign
- Cash balance of \$93.5 million as at 31 December 2009 (2008: \$18.8 million)

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

"2010 will be a momentous year for FOGL. It will see the culmination of the work undertaken since the Company was founded in 2004, with the commencement of exploration drilling in our licences."

**Enquiries**

**FOGL** **020 7563 1260**  
Richard Liddell, Chairman  
David Hudd, Deputy Chairman

**Financial Dynamics** **020 7831 3113**  
Ben Brewerton

**Oriel Securities (Broker and NOMAD)** **020 7710 760**  
Richard Crawley/David Arch

**Chairman's and Chief Executive's Statement**

**Commencement of exploratory drilling**

2010 will see the culmination of the work undertaken since FOGL was founded in 2004, with the drilling of its first exploration well; the first ever well to be drilled in the East Falklands Basin.

During 2009, extensive site surveys were completed over four selected prospects, featuring different play types and large potential reserves. The results from these surveys were integrated into an Environmental Impact Statement (EIS) which has been reviewed by the Falkland Islands

Government (FIG). An addendum to the EIS was submitted in January 2010 and we now await FIG's final approval and consent to drill.

In November 2009, we announced that the joint venture was in advanced discussions with Desire Petroleum to contract the Ocean Guardian rig to drill the Toroa prospect. The Ocean Guardian has been contracted by Desire to drill a multi-well programme and the rig arrived in Falkland Islands waters in mid-February 2010. This rig has now been contracted for the third slot in the drilling programme, and we expect to start this well in the first half of 2010.

Since late 2009 we have been working with BHP Billiton to prepare for the drilling of the Toroa well. Due to the water depth, the prospect is best drilled by an anchored rig, such as the Ocean Guardian. However, the other prospects which have been site surveyed, Loligo, Nimrod, and Endeavour, all lie in water depths greater than 1,000 metres and are best suited to being drilled by a dynamically positioned drillship or semi-submersible rig. Toroa lies in water depths of between 550 and 750 metres and is situated approximately 140 kilometres (90 miles) south of Stanley, within the Company's southern (2002) licences.

### **Funding and Financials**

In May 2009, £7.6 million (gross before expenses) was raised through a Placing of 10,488,099 shares at 73p per share and in November 2009 a further £50 million (gross before expenses) was raised through the placing of 43,478,261 shares at 115p per share. Both existing and new institutional investors showed strong support for FOGL's prospects through these placings.

FOGL started the year with \$18.8 million in cash, of which \$12.9 million was invested in the exploration programme and \$2.8 million used to cover administration costs. At the end of the year the cash balance was \$93.5 million. The loss before tax for the year was \$5.5 million (2008: \$1.3 million) made up of an operating loss of \$2.8 million (2008: \$2.9 million), net finance costs of \$1.6 million (2008: \$1 million), and foreign exchange losses of \$1.1 million (2008: gain of \$2.6 million). The sterling proceeds of the placings were converted into US dollars shortly after their receipt, to the extent necessary to meet future US dollar expenditures. No dividend is proposed.

The Company believes it is fully funded for its share of the costs of both phases of the initial drilling programme. Phase One will commence in the first half of 2010 with the drilling of Toroa by the Ocean Guardian, and Phase Two, which is the deepwater campaign, is currently expected to start in late 2010. FOGL has retained a significant 49% interest in its licences, whilst under the terms of the farm-in agreement BHP Billiton is funding more than two thirds of the total cost of the committed two well programme.

### **Outlook**

2010 will be a momentous year for FOGL with the start of exploratory drilling. By any standard Toroa is a large, attractive prospect, but we believe the potential of our deeper water prospects is even greater and it is with much anticipation that we await the commencement of the deepwater drilling campaign. BHP Billiton is actively seeking a modern, dynamically positioned, semi-submersible rig or a large drillship to carry out this drilling programme.

**Falkland Oil and Gas Limited**  
**Consolidated Statement of Comprehensive Income**  
**for the year ended 31 December 2009**

	2009 \$	2008 \$
Administrative expenses	(2,838,893)	(2,905,958)
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Loss from operations	(2,838,893)	(2,905,958)
Finance income	115,183	673,334
Foreign Exchange Gains	-	2,583,210
Total finance income	115,183	3,256,544
Finance costs	(1,699,361)	(1,596,659)
Foreign Exchange Loss	(1,122,158)	-
Total Finance Costs	(2,821,519)	(1,596,659)
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Loss for the year before taxation	(5,545,229)	(1,246,073)
Taxation expense	217,417	(25,960)
Loss for the year attributable to equity shareholders of the parent	(5,327,812)	(1,272,033)
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Total comprehensive income for the year attributable to equity	(5,327,812)	(1,272,033)
Shareholders of the parent	<hr/>	<hr/>
Loss for the year per ordinary share		
- Basic and diluted	(5.16c)	(1.38c)
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The loss for the year arose from continuing operations.

**Falkland Oil and Gas Limited**  
**Consolidated Statement of Financial Position**  
**at 31 December 2009**

	2009	2008
	\$	\$
Non-current assets		
Intangible assets	47,599,809	38,643,981
Property, plant and equipment	16,910	79,111
Investment in subsidiary	-	-
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	47,616,719	38,723,092
Current assets		
Trade and other receivables	504,830	296,123
Cash and cash equivalents	93,535,653	18,819,935
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Total assets	141,657,202	57,839,150
Current liabilities		
Trade and other payables	(873,146)	(4,579,087)
Current tax payable	-	(146,409)
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Net current assets	93,167,337	14,390,562
Non current liabilities		
Long term borrowings	(12,744,245)	(10,041,624)
Total liabilities	(13,617,391)	(14,767,120)
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Net assets	128,039,811	43,072,030
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Capital and reserves attributable to equity shareholders of the Company		
Share capital	5,452	3,681
Share premium	137,077,241	47,109,162
Other reserve	4,985,693	4,985,693
Retained earnings	(14,028,575)	(9,026,506)
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Total equity	128,039,811	43,072,030
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**Falkland Oil and Gas Limited**  
**Consolidated Statement of Cash Flows**  
**for the year ended 31 December 2009**

	2009	2008
	\$	\$
Operating activities		
Loss for the year	(5,327,812)	(1,272,033)
Finance income	(115,183)	(3,256,544)
Finance expense	2,821,519	1,596,659
Taxation expense	(217,417)	25,960
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	(2,838,893)	(2,905,958)
Depreciation	65,157	70,001
Share based payment expense	325,743	298,367
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Net cash flow from operating activities before changes in working capital	(2,447,993)	(2,537,590)
Decrease in trade and other receivables	57,705	90,777
Increase/(decrease) in trade and other payables	219,303	(484,911)
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Cash used in operations	(2,170,985)	(2,931,724)
Taxation paid	(269,576)	-
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Net cash flow from operating activities	(2,440,561)	(2,931,724)
Investing activities		
Interest received	115,183	673,334
Purchases of property, plant and equipment	(2,956)	(1,326)
Expenditure in respect of intangible assets	(12,881,072)	(2,699,716)
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Cash used in investing activities	(12,768,845)	(2,027,708)
Financing activities		
Issue of ordinary share capital (net of issue costs)	89,969,850	-
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	89,969,850	-
Net cash from financing activities		
Net increase (decrease) in cash and cash equivalents in the year	74,760,444	(4,959,432)
Cash and cash equivalents at start of year	18,819,935	24,889,214
Effect of foreign exchange rate changes on cash and cash equivalents	(44,726)	(1,109,847)
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Cash and cash equivalents at end of year	93,535,653	18,819,935
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**Falkland Oil and Gas Limited**  
**Consolidated Statement of Changes in Equity**  
**for the year ended 31 December 2009**

	Equity				Total
	Share capital \$	Share premium \$	Retained deficit \$	Other Reserve \$	Equity \$
Balance as at 1 January 2008	3,688	47,198,961	(8,069,668)	4,995,197	44,128,178
Total comprehensive income for the year	-	-	(1,272,033)	-	(1,272,033)
Revaluation adjustment resulting from change in functional currency	(7)	(89,799)	16,828	(9,504)	(82,482)
Share based payments	-	-	298,367	-	298,367
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 year	-	-	(5,327,812)	-	(5,327,812)
Share based payment	-	-	325,743	-	325,743
Shares Issued	1,771	94,939,919	-	-	94,941,690
Costs associated with issue of share capital	-	(4,971,840)	-	-	(4,971,840)
Balance as at 31 December 2009	5,452	137,077,241	(14,028,575)	4,985,693	128,039,811

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2009 or 2008, but is derived from those accounts. Statutory accounts for 2009 will be available at the end of March 2010. The auditors have reported on those accounts: their report was unqualified and did not draw attention to any matters by way of emphasis.