

# **Falkland Oil and Gas Limited**

**Interim Results for  
the six months  
ended 30 June 2013**



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

**Interim Results for the six months ended 30 June 2013**

FOGL, the oil and gas exploration company focused on its extensive licence areas to the South and East of the Falkland Islands, announces its Interim Results for the six months ended 30 June 2013.

**Highlights**

- Strong Financial Position
  - Cash Balance of \$161 million at period end
  - Substantially carried through the next two exploration wells by Noble Energy
  - Sufficient funds to undertake 3D seismic survey in the northern licence area and participate in a multi-well drilling programme commencing in late 2014
  
- Actively working towards next drilling campaign
  - Acquired over 7,000 sq. km of 3D seismic data over the Diomedea fan complex and Cretaceous fault blocks
  - Initial interpretation of fast-track 3D seismic data over Diomedea Fan encouraging
  - Rig enquiry issued and available rigs identified from a broad range of drilling contractors

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

*"The first half of 2013 has seen excellent progress with the follow on work from the 2012 drilling campaign and preparations for the next.*

*One of the most exciting phases for FOGL and its shareholders is rapidly approaching, with the interpretation of the first 3D seismic acquired over our licences, followed by the selection of well locations from this new data.*

*Our financial position remains very strong and we are in an excellent position to take advantage of the opportunities to exploit our exploration licences and create value for our shareholders."*

**Contents**

Chairman's Report	1
Condensed Statement of Comprehensive Income	3
Condensed Statement of Financial Position	4
Condensed Statement of Cash Flows	5
Condensed Statement of Changes in Equity	6
Notes to the Interim results	7
Enquiries	9

## **Chairman's Report**

FOGL is pursuing an exploration programme which is geared not only to creating transformational value, but also achieving maximum impact from shareholder funds by prudently sharing both costs and risk with other oil companies.

In the first six months of 2013 FOGL and its co-venture partners conducted extensive 3D seismic surveys within its southern licences over the Diomedea fan complex and fault block area, adjacent to the Darwin discovery. Both surveys were managed by Noble Energy on behalf of the Joint Venture and were completed on time and within budget. These surveys will help take our sub-surface understanding to a new level. In particular, they will facilitate detailed mapping of prospects and provide well locations for the 2014/15 drilling campaign.

A key focus for the joint venture is to realise the value of our assets through oil exploration. Analysis of the 2012 drilling results has identified areas within the basin that are the most prospective for oil. The new 3D seismic will substantially enhance our ability to differentiate oil from gas prospects and will also, be invaluable for locating the best quality reservoir.

FOGL recently received the fast-track 3D seismic over the Diomedea fan complex and analysis of this data has commenced. Data quality and seismic imaging are excellent and we are encouraged by our initial interpretation. Noble Energy, who will take over operatorship of the southern licences in 2014, has already identified two material prospects, Humpback and Finback, using the new 3D data.

Work is underway to secure a suitable drilling rig for 2014. A rig enquiry was issued in June and a favourable response was received from a number of rig owners. Noble Energy is now following up this inquiry and is holding discussions with a number of potential rig contractors. It is likely that the rig will be shared with one or more of the other Falkland operators, thereby mitigating some of the mobilisation costs of both rig and associated drilling services. Long lead drilling equipment will be ordered in the near future and Noble are in advanced discussions with the Falkland Islands Government in regards to the provision and siting of a temporary port that will be used to service the offshore drilling operations.

## **Financials**

The loss before tax for the six months was \$0.9 million (2012: \$0.2 million), with interest earned in the period of \$1.2 million (2012: \$1.6 million). Foreign exchange losses of \$0.4 million (2012: gains of \$0.8 million) were incurred, principally on Sterling balances held to cover UK head office costs.

At 30 June 2013 the Company had cash and bank balances of approximately \$161 million and is fully funded for the current planned seismic work programme and up to three exploration wells.

## **Forward plans**

The fast-track data over the fault block area is expected shortly. The Joint Venture plans to acquire a third 3D seismic survey over the Northern area licences commencing during the fourth quarter of 2013.

The next phase of drilling is now being actively planned, with an expected commencement of operations in the fourth quarter of 2014. Noble Energy is currently looking to secure a suitable deepwater rig and is planning to drill a minimum of two exploration wells. A number of additional well options will also be sought in the rig contract and further wells will be drilled given sufficient encouragement.

**Falkland Oil and Gas Limited**  
**Condensed Statement of Comprehensive Income**  
For the six months ended 30 June 2013

	Note	<b>6 months ended 30 June 2013 (Unaudited) \$000</b>	6 months ended 30 June 2012 (Unaudited) \$000	Year ended 31 December 2012 (Audited) \$000
Administrative expenses		<b>(1,362)</b>	(2,108)	(3,515)
Share based payment charges		<b>(474)</b>	(479)	(1,087)
<b>Loss from operations</b>		<b>(1,836)</b>	<b>(2,587)</b>	<b>(4,602)</b>
Finance income		<b>1,249</b>	1,622	2,807
Foreign exchange (losses) / gains		<b>(354)</b>	805	2,846
<b>Net finance income</b>		<b>895</b>	<b>2,427</b>	<b>5,653</b>
<b>(Loss) / profit before tax</b>		<b>(941)</b>	<b>(160)</b>	<b>1,051</b>
Taxation		-	-	-
<b>(Loss) / profit for the period</b>		<b>(941)</b>	<b>(160)</b>	<b>1,051</b>
 (Loss) / earnings per share (US cents)				
Basic and diluted	2	<b>(0.29)</b>	(0.05)	0.33

All amounts included above relate to continuing operations.

**Falkland Oil and Gas Limited**  
**Condensed Statement of Financial Position (unaudited)**  
At 30 June 2013

	Note	At 30 June 2013 \$000	At 30 June 2012 \$000	At 31 December 2012 \$000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	3	98,709	53,832	58,668
Inventory		3,503	4,329	3,518
Property, plant and equipment		66	68	67
		<b>102,278</b>	<b>58,229</b>	<b>62,253</b>
<b>Current assets</b>				
Trade and other receivables		4,945	123	54,911
Short-term financial assets	4	-	57,977	10,803
Cash and cash equivalents	4	161,133	162,713	174,095
		<b>166,078</b>	<b>220,813</b>	<b>233,809</b>
<b>Total assets</b>		<b>268,356</b>	<b>279,042</b>	<b>302,062</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		7,722	19,761	40,961
<b>Net current assets</b>		<b>158,356</b>	<b>201,052</b>	<b>198,848</b>
<b>Net assets</b>		<b>260,634</b>	<b>259,281</b>	<b>261,101</b>
<b>Capital and reserves</b>				
Called up share capital		11	11	11
Share premium account		275,840	275,840	275,840
Retained deficit		(15,217)	(16,570)	(14,750)
<b>Total Equity</b>		<b>260,634</b>	<b>259,281</b>	<b>261,101</b>

**Falkland Oil and Gas Limited**  
**Condensed Statement of Cash Flows (unaudited)**  
For the six months ended 30 June 2013

	6 months ended 30 June 2013 \$000	6 months ended 30 June 2012 \$000	Year ended 31 December 2012 \$000
Loss on operating activities	(1,836)	(2,587)	(4,602)
Depreciation and amortisation	17	14	26
Share based payment charges	474	479	1,087
<b>Net cash flow from operations</b>	<b>(1,345)</b>	<b>(2,094)</b>	<b>(3,489)</b>
(Increase) / decrease in trade and other receivables	(3,974)	2,080	1,687
Increase / (decrease) in trade and other payables	2,593	443	(269)
<b>Net cash provided by / (used in) operating activities</b>	<b>(2,726)</b>	<b>429</b>	<b>(2,071)</b>
<b>Investing activities</b>			
Exploration & evaluation expenditure	(75,873)	(37,016)	(42,362)
Inventory	15	(4,329)	(3,518)
Farmin and other contributions from partners	54,395	79,463	47,489
Other capital expenditure	(16)	(13)	(24)
Movement in short-term financial assets	10,803	(31,452)	15,722
Interest received	794	1,622	2,807
<b>Net cash (used in) / provided by investing activities</b>	<b>(9,882)</b>	<b>8,275</b>	<b>20,114</b>
<b>Financing activities</b>			
Issue of ordinary shares	-	75,077	75,077
Costs related to issue of ordinary shares	-	(3,291)	(3,287)
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>71,786</b>	<b>71,790</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(12,608)</b>	<b>80,490</b>	<b>89,833</b>
Cash and cash equivalents at the start of the period	174,095	81,416	81,416
Effect of foreign exchange rates	(354)	807	2,846
<b>Cash and cash equivalents at the end of the period</b>	<b>161,133</b>	<b>162,713</b>	<b>174,095</b>

**Falkland Oil and Gas Limited**  
**Condensed Statement of Changes in Equity (unaudited)**  
For the six months ended 30 June 2013

	Share capital \$000	Share premium \$000	Retained deficit \$000	Total equity \$000
Balance at 1 January 2012	7	204,054	(16,889)	187,172
Loss for the period	-	-	(160)	(160)
Share based payment charges	-	-	479	479
Ordinary shares issued	4	71,786	-	71,790
<b>Balance at 30 June 2012</b>	<b>11</b>	<b>275,840</b>	<b>(16,570)</b>	<b>259,281</b>
Profit for the period	-	-	1,212	1,212
Share based payment charges	-	-	608	608
<b>Balance at 31 December 2012</b>	<b>11</b>	<b>275,840</b>	<b>(14,750)</b>	<b>261,101</b>
Loss for the period	-	-	(941)	(941)
Share based payment charges	-	-	474	474
<b>Balance at 30 June 2013</b>	<b>11</b>	<b>275,840</b>	<b>(15,217)</b>	<b>260,634</b>

# **Falkland Oil and Gas Limited**

## **Notes forming part of the Interim Results**

**For the six months ended 30 June 2013**

### **1. Accounting policies**

The condensed unaudited interim financial information set out in this report is based on the financial statements of Falkland Oil and Gas Limited ("FOGL"). The condensed financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which were prepared in accordance with International Financial Reporting Standards. The financial statements of the Group for the 6 months ended 30 June 2013 were approved and authorised for issue by the Board on 23 September 2013. These financial statements 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 2013 and are consistent with International Financial Reporting Standards adopted for use in the European Union.

### **Basis of preparation**

The financial information for the six months ended 30 June 2013 and 30 June 2012 is unreviewed and unaudited and does not constitute the Company's statutory financial statements for those periods. The comparative financial information for the full year ended 31 December 2012 has been derived from the statutory financial statements for that period. The statutory accounts for the year ended the 31 December 2012 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 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.

Following the completion of the 2012 work programme and the finalisation of joint venture billings the statement of Financial Position as at 31 December 2012 has been restated to reclassify \$22.6m from amounts recoverable from joint venture partners to exploration and appraisal expenditure. The restatement does not impact on total assets, net assets or retained earnings and equally does not affect the Statement of Comprehensive Income or the Statement of Cash Flows.



# Falkland Oil and Gas Limited

## Notes forming part of the Interim Results (continued)

For the six months ended 30 June 2013

### 2. (Loss) / earnings per share

The loss per share is calculated on the reported loss for the period of \$941,000 (2012: interim loss of \$160,000, year end 31 December 2012: profit of \$1,051,000). The weighted number of shares and the weighted average number of diluted shares is set out below. There is no difference between diluted loss per share and the basic loss per share for the periods ended 30 June 2013 and 30 June 2012 as the Company reported a loss for these periods. There is no significant difference between the basic and diluted earnings per share for the year ended 31 December 2012.

	6 months ended		Year ended 31
	30 June	30 June	December 2012
	2013	2012	
Weighted average number of ordinary shares	<b>320,000,000</b>	303,186,932	314,762,294
Effect of options	<b>1,583,807</b>	1,209,452	1,088,716
<b>Weighted average number of diluted shares</b>	<b>321,583,807</b>	<b>304,396,384</b>	<b>315,851,010</b>

### 3. Intangible assets

	Exploration & appraisal expenditure \$000
<b>Cost</b>	
<b>Balance at 1 January 2012</b>	78,481
Additions	104,650
BHP settlement funds	(24,265)
Contributions to back costs	(100,198)
<b>Balance at 31 December 2012</b>	<b>58,668</b>
Additions	40,041
<b>Balance at 30 June 2013</b>	<b>98,709</b>

As described in note 1, following the completion of the 2012 work programme and the finalisation of joint venture billings \$22.6 million of costs at 31 December 2012 has been reclassified from trade receivables to exploration and appraisal expenditure.

# Falkland Oil and Gas Limited

## Notes forming part of the Interim Results (continued)

For the six months ended 30 June 2013

### 4. Cash and cash equivalents

	At 30 June 2013 \$000	At 30 June 2012 \$000	At 31 December 2012 \$000
Cash at bank and in hand	36,133	162,713	174,095
Term deposits	125,000	-	-
Restricted cash balances	-	57,977	10,803
	<b>161,133</b>	220,690	184,898
Less: included in short-term financial assets	-	(57,977)	(10,803)
<b>Total cash and cash equivalents</b>	<b>161,133</b>	<b>162,713</b>	<b>174,095</b>

### 5. Interim Statement

Copies of this Interim report for the six months ended 30 June 2013 will be available from FOGL's UK office 32-34 Wigmore Street, London, W1U 2RR, and on the company's website [www.fogl.com](http://www.fogl.com).

**Enquiries:**

**Falkland Oil and Gas Limited**

**+44 (0) 20 7563 1260**

Tim Bushell, Chief Executive

**RBC Capital Markets (Nominated Advisor and  
Joint Broker)**

**+44 (0) 20 7653 4000**

Jeremy Low / Matthew Coakes / Daniel Conti

**Jefferies Hoare Govett (Joint Broker)**

**+44 (0) 20 7029 8000**

Alex Grant / Chris Zeal / Graham Hertrich

**FTI Consulting**

**+44 (0) 20 7831 3113**

Ben Brewerton / Ed Westropp