22 September 2016

**Borders & Southern Petroleum plc**
**("Borders & Southern" or "the Company")**

**Unaudited Results for the six months period ended 30 June 2016**

Borders & Southern (AIM: BOR), the London based independent oil and gas exploration company with assets offshore the Falkland Islands, announces preliminary unaudited results for the half year ending 30 June 2016.

**Highlights**

- Received extensions to the Company's Falkland Islands Production Licences and Discovery Area
- Completed engineering studies, evaluated Darwin development options and acquired contractor cost estimates
- Breakeven oil price for a phased FPSO development is $40 per barrel - commercially competitive against current global benchmarks
- Cash balance at 30 June 2016: $12.2 million (31 December 2015: $14.0 million, 30 June 2015: $14.6 million)

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**Notes:**

Borders & Southern Petroleum plc is an oil & gas exploration company listed on the London Stock Exchange AIM (BOR). The Company operates and has a 100% interest in three Production Licences in the South Falkland Basin covering an area of nearly 10,000 square kilometres. The Company has acquired 2,862 km of 2D seismic, 2,517 square kilometres of 3D seismic and drilled two exploration wells, making a gas condensate discovery (Darwin) with its first well. Management's previously reported un-risked base case (P50) resource estimate for the combined Darwin East and Darwin West structures, incorporating all proven and potential reservoirs, is 354 million barrels of recoverable condensate.

*The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.*

## Chief Executive's Statement

During this period of continued low oil prices, Borders & Southern has maintained a strategy of strict financial control and a focus on activities that will enhance the attractiveness of the Company's significant condensate discovery. Whilst we have not yet been able to secure a partner to help fund the appraisal drilling due to industry capital constraints, we have been able to demonstrate the commercial competitiveness of our Darwin discovery.

In the first half of the year we applied to the Falkland Islands Government for an extension to the Company's Production Licences and Discovery Area. In May we received confirmation that this had been approved. Production Licences PL018, PL019 and PL020 have been extended by a further three years without any additional work commitment. They will now expire in October 2020. The Darwin East discovery area has been extended for a further four years and will now expire in January 2022.

Two major technical projects were undertaken within the reporting period: a reservoir engineering study and a facilities engineering study. The results from these two pieces of work have been used to assess the commerciality of the Darwin discovery in a low oil price, but relatively low cost, environment and to determine how competitive it is against other global opportunities.

Several development options have been considered. Both full-field (Darwin East and Darwin West together) and phased developments have been evaluated. A development would involve sub-sea well completions tied back to a leased FPSO. The discovery is located in approximately 2000m of water but within 14 km to the south, water depths decrease to 1100m, allowing different engineering solutions to be assessed.

In the current economic environment, the Company's preferred development plan would be for a phased development, initially targeting 270 million barrels of condensate. This would require four production wells and three gas re-injection wells. Initial production rates would be 56,000 bopd.

Engineering contractors have provided up to date cost estimates for such a development, indicating a capex requirement of $1.36 billion (including a 25% contingency in recognition of the scoping level of the work). Based on these costs estimates, the Company's economic model indicates that the post appraisal breakeven oil price for the development would be $40 per barrel. This compares favourably with benchmark onshore US shale plays and many global offshore pre-sanction projects. These positive economic results are driven by: the attractive fiscal terms set by the Falkland Islands Government, the high quality reservoir which does not require a large number of development wells and a relatively straight-forward development plan using proven technology.

## Financial results

The Company incurred a loss from operations of $934,000 for the six month period ending 30 June 2016, down slightly from the corresponding period last year ($964,000). This reflects lower administrative expenses.

The Company has no debt and has a cash balance of $12.2 million. The majority of the Company's cash reserves are held in Sterling to match its ongoing expenses. Due to the recent fall in the pound relative to the US dollar, the reported cash balance is lower than might have been anticipated. Expenditure however, has decreased during the period.

**Outlook**

The technical and commercial work undertaken during the first half of the year has demonstrated the quality of our discovered resource and its commercial competitiveness against other global opportunities. The Company is confident that this recent analysis will assist the farm-out process, so that we can take advantage of an upturn in the oil price and a return to increased capital expenditure in the industry, when it comes. Going forward, we will maintain a strong balance sheet and a disciplined budget. Our prime focus remains on securing partners and funding for Darwin's appraisal programme.

## Borders & Southern Petroleum Plc

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

| | Notes | **6 months ended 30 June 2016 (unaudited) $000** | 6 months ended 30 June 2015 (unaudited) $000 | 12 months ended 31 December 2015 (audited) $000 |
|---|---|---|---|---|
| Administrative expenses | | **(934)** | (964) | (1,968) |
| **LOSS FROM OPERATIONS** | | **(934)** | (964) | (1,968) |
| Finance income | 3 | **20** | 154 | 47 |
| Finance expense | | **(193)** | - | (679) |
| **LOSS BEFORE TAX** | | **(1,107)** | (810) | (2,600) |
| Tax expense | | **-** | - | - |
| **LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY OWNERS OF THE PARENT** | | **(1,107)** | (810) | (2,600) |
| Loss per share – basic and diluted | 2 | **(0.2) cents** | (0.2) cents | (0.54) cents |

**Borders & Southern Petroleum Plc**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

| | At 30 June 2016 (unaudited) $000 | At 30 June 2015 (unaudited) $000 | At 31 December 2015 (audited) $000 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | **-** | 11 | 10 |
| Exploration and Evaluation assets | **289,840** | 290,453 | 289,590 |
| **Total non-current assets** | **289,840** | 290,464 | 289,600 |
| **CURRENT ASSETS** | | | |
| Other receivables | **524** | 404 | 297 |
| Cash and cash equivalents | **12,222** | 14,595 | 14,011 |
| **TOTAL CURRENT ASSETS** | **12,746** | 14,999 | 14,308 |
| **TOTAL ASSETS** | **302,586** | 305,463 | 303,908 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| **TOTAL LIABILITIES** | **(159)** | (106) | (283) |
| **TOTAL NET ASSETS** | **302,427** | 305,357 | 303,625 |
| **EQUITY** | | | |
| Share capital | **8,530** | 8,530 | 8,530 |
| Share premium account | **308,602** | 308,602 | 308,602 |
| Other reserve | **2,282** | 2,312 | 2,370 |
| Retained deficit | **(16,968)** | (14,071) | (15,861) |
| Foreign currency reserve | **(19)** | (16) | (16) |
| **TOTAL EQUITY** | **302,427** | 305,357 | 303,625 |

**Borders & Southern Petroleum Plc**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

| | Share capital $000 | Share premium account $000 | Other reserve $000 | Retained Deficit $000 | Foreign currency reserve $000 | Total $000 |
|---|---|---|---|---|---|---|
| **Unaudited** | | | | | | |
| Balance at 1 January 2016 | 8,530 | 308,602 | 2,370 | (15,861) | (16) | 303,625 |
| Total comprehensive loss for the period | - | - | (88) | (1,107) | (3) | (1,198) |
| Recognition of share based payments | - | - | - | - | - | - |
| Balance at 30 June 2016 | 8,530 | 308,602 | 2,282 | (16,968) | (19) | 302,427 |
| **Unaudited** | | | | | | |
| Balance at 1 January 2015 | 8,530 | 308,602 | 2,280 | (13,261) | (16) | 306,135 |
| Total comprehensive income for the period | - | - | 32 | (810) | - | (778) |
| Recognition of share based payments | - | - | - | - | - | - |
| Balance at 30 June 2015 | 8,530 | 308,602 | 2,312 | (14,071) | (16) | 305,357 |
| **Audited** | | | | | | |
| Balance at 1 January 2015 | 8,530 | 308,602 | 2,280 | (13,261) | (16) | 306,135 |
| Total comprehensive loss for the year | - | - | - | (2,600) | - | (2,600) |
| Recognition of share based payments | - | - | 90 | - | - | 90 |
| Balance at 31 December 2015 | 8,530 | 308,602 | 2,370 | (15,861) | (16) | 303,625 |

**Borders & Southern Petroleum Plc**

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

| | **6 months ended 30 June 2016 (unaudited) $** | 6 months ended 30 June 2015 (unaudited) $ | 12 months ended 31 December 2015 (audited) $ |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| LOSS BEFORE TAX | **(1,107)** | (810) | (2,600) |
| Adjustments for: | | | |
| Depreciation | **-** | - | 1 |
| Share-based payment | **-** | 32 | 90 |
| Net finance costs/(income) | **173** | (154) | 632 |
| Realised foreign exchange (losses)/gains | **10** | - | (8) |
| | **(924)** | (932) | (1,885) |
| (Increase)/decrease in trade and other receivables | **(303)** | (75) | 32 |
| Increase/ (decrease) in trade and other payables | **21** | (144) | 33 |
| **Net cash outflow from operating activities** | **(1,206)** | (1,151) | (1,820) |
| **Cash flows used in investing activities** | | | |
| Interest received | **19** | 24 | 47 |
| Capitalised exploration and evaluation costs | **(411)** | (487) | (773) |
| Proceeds from disposal of intangible assets | **-** | - | 1,149 |
| **Net cash used in investing activities** | **(392)** | (463) | 423 |
| **Net decrease in cash and cash equivalents** | **(1,598)** | (1,614) | (1,397) |
| Cash, cash equivalents and restricted use cash at the beginning of the period | **14,011** | 16,079 | 16,079 |
| Exchange gains/ (losses) on cash and cash equivalents | **(191)** | 130 | (671) |
| Cash , cash equivalents and restricted use cash at the end of the period | **12,222** | 14,595 | 14,011 |

**Borders & Southern Petroleum Plc**

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
For the six months ended 30 June 2016

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared using the recognition and measurement principles of International Accounting Standards, International Reporting Standards and Interpretations adopted for use in the European Union (collectively EU IFRSs). The Group has not elected to comply with IAS 34 "Interim Financial Reporting" as permitted. The principal accounting policies used in preparing the interim financial statements are unchanged from those disclosed in the Group's Annual Report for the year ended 31 December 2015 and are expected to be consistent with those policies that will be in effect at the year end.

The condensed financial statements for the six months ended 30 June 2016 and 30 June 2015 are unreviewed and unaudited. The comparative financial information does not constitute statutory financial statements as defined by Section 435 of the Companies Act 2006**.** The comparative financial information for the year ended 31 December 2015 is not the company's full statutory accounts for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

## 2. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. Diluted earnings per share are not stated as the dilution would relate only to share options and would not be material.

| BASIC AND DILUTED | **Loss after tax for the period $000** | **Weighted average number of shares** | **Loss per share cent** |
|---|---|---|---|
| **Six months ended 30 June 2016 (unaudited)** | **(1,107)** | **484,098,484** | **(0.2)** |
| Six months ended 30 June 2015 (unaudited) | (778) | 484,098,484 | (0.2) |
| Twelve months ended 31 December 2015 (audited) | (2,600) | 484,098,484 | (0.54) |

## 3. FINANCE INCOME AND EXPENSE

| **Net finance income/(expence)** | **6 months ended 30 June 2016 $000** | 6 months ended 30 June 2015 $000 | 12 months ended 31 December 2015 $000 |
|---|---|---|---|
| Bank interest receivable | **20** | 24 | 47 |
| Foreign exchange gain / (loss) | **(193)** | 130 | (679) |
| | **(173)** | 154 | (632) |

## 4. **SHARE OPTIONS**

During the period 50,000 share options granted to Howard Obee and Peter Fleming respectively expired.

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