

## **Borders & Southern Petroleum Plc**

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### **Operating Highlights**

- Completed 3D seismic acquisition ahead of schedule and within budget
- Received fast track processed seismic data
- Received final processed data and commenced interpretation
- Cash balance as at 30 June 2008 is £12.5 million

### **Chief Executive's Statement**

The Board of Directors are delighted to report that our Falkland Islands exploration programme is progressing well and on track. Our current focus is on the interpretation of the new 3D data.

Within the first half of this year we completed the 3D seismic acquisition programme within our South Falkland Basin licences. The survey was completed ahead of schedule and within budget and without any safety or environmental incidents. The processing of the data commenced in mid February and a fast track product was received in April. Examples from this data were shown and discussed at our AGM in June. The Board was very pleased with the quality of this early processed data, along with the technical insights that it revealed.

At the end of July we took delivery of the fully processed 3D data. This has now provided us with spectacular imaging of the fold belt trend and will allow us to complete a comprehensive evaluation of our main plays: the simple four way dip closures and inverted tilted fault blocks.

Whilst the 3D interpretation is a long and detailed exercise which will extend into next year, our aim is to deliver drillable prospects in the fourth quarter of this year. The interpretation is at a very early stage but already we are developing new ideas on the geological history of the area and gaining a better understanding of the previously mapped prospects. The size of these prospects has not diminished and offer significant scale. (As previously reported, we have multiple structural prospects in excess of 50 square kilometres). The 3D has allowed us to confirm the structural integrity of these prospects.

One of the main early insights from the new data is the increased evidence for a working petroleum system. The Board of Directors now has a high degree of confidence of a working

source rock and credible migration pathways into the structures. There is a very strong, systematic relationship between the distribution of gas hydrates and the crests of anticlines, suggesting that many of the structures have been the focus for migrating hydrocarbons.

Additionally, there are numerous examples of hydrocarbon flags on the data, seismic amplitude anomalies in geologically sensible settings such as in the footwalls of faults associated with some of the prospects. These observations are all very positive, but we will hope to gain additional insights into these anomalies when we undertake the AVO studies later in the evaluation.

Previous modelling work had predicted both oil and gas generation in our acreage, similar to the discoveries of the contiguous Malvinas and Magallanes Basins. The new 3D data will allow us to refine our thermal modelling and source maturation studies to see if we can be more predictive on a prospect by prospect basis.

Once the mapping and prospect generation exercise is completed we would anticipate a much expanded prospect inventory. New structures that fell between the coarse grid of 2D seismic lines have been identified and the enhanced imaging of the 3D will allow us to map deeper structures. We will also define the stratigraphic trapping potential of the area, previously not assessed. The final prospect inventory is likely to include many large scale structures with multiple stacked targets. The prospects will be risked and ranked to come up with the initial drilling locations.

In parallel with the technical work we will be advancing our Environmental Impact Assessment. We are currently planning the benthic sampling programme using the 3D data as a guide.

Operationally we will be ready to drill next year and will be actively pursuing all possible options for early rig access. Our current energies are being placed into defining the best prospects possible. Once we get a firm understanding of the value of these prospects then we will make a decision on whether to farmout a share of the licence or not. There are many considerations in this decision, not only financial. Strategic reasons, such as access to rigs, or the chance to drill early wells will be assessed. We will ensure that shareholder's interests are foremost when making these important decisions.

As we look forward, the Board of Directors is very confident that it will deliver high quality prospects of significant scale that will lead to an exciting initial drilling campaign. We will update shareholders on the seismic interpretation as we progress the 3D interpretation.

For further information please contact:

Howard Obee  
Chief Executive  
Borders & Southern Petroleum plc  
Tel: 020 7661 9348

Simon Hudson  
Director  
Tavistock Communications  
Tel: 020 7920 3150

## Borders & Southern Petroleum Plc

### CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		<b>6 months ended 30 June 2008 (unaudited) £</b>	6 months ended 30 June 2007 (unaudited) £	12 months ended 31 December 2007 (audited) £
<b>Continuing operations</b>	<b>Notes</b>			
Administrative expenses		<b>(230,095)</b>	(362,015)	(857,046)
<b>LOSS FROM OPERATIONS</b>		<b>(230,095)</b>	(362,015)	(857,046)
Finance income		<b>316,537</b>	244,857	689,323
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>86,442</b>	(117,158)	(167,723)
Income tax expense		<b>(41,000)</b>	-	-
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>45,442</b>	(117,158)	(167,723)
Profit/(loss) per share – basic and diluted	3	<b>0.02p</b>	(0.09p)	(0.11p)

# Borders & Southern Petroleum Plc

## CONSOLIDATED BALANCE SHEET

At 30 June 2008

	At 30 June 2008 (unaudited) £	At 30 June 2007 (unaudited) £	At 31 December 2007 (audited) £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2,496	6,057	3,893
Intangible assets	17,783,759	1,637,066	11,632,574
<b>Total non-current assets</b>	<b>17,786,255</b>	<b>1,643,123</b>	<b>11,636,467</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	149,020	124,659	157,440
Cash and cash equivalents	12,536,010	9,364,105	19,624,705
<b>TOTAL CURRENT ASSETS</b>	<b>12,685,030</b>	<b>9,488,764</b>	<b>19,782,145</b>
<b>TOTAL ASSETS</b>	<b>30,471,285</b>	<b>11,131,887</b>	<b>31,418,612</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	(126,555)	(63,734)	(1,160,324)
Current tax payable	(41,000)	-	-
	<b>(167,555)</b>	<b>(63,734)</b>	<b>(1,160,324)</b>
<b>TOTAL NET ASSETS</b>	<b>30,303,730</b>	<b>11,068,153</b>	<b>30,258,288</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	1,943,442	1,276,875	1,943,442
Share premium account	29,096,644	10,561,393	29,096,644
Other reserve	54,195	15,313	54,195
Retained earnings	(790,551)	(785,428)	(835,993)
<b>TOTAL EQUITY</b>	<b>30,303,730</b>	<b>11,068,153</b>	<b>30,258,288</b>

## Borders & Southern Petroleum Plc

### CONSOLIDATED CASH FLOW STATEMENT

For 6 months ended 30 June 2008

	6 months ended 30 June 2008 (unaudited)	6 months ended 30 June 2007 (unaudited)	12 months ended 31 December 2007 (audited)
	£	£	£
<b>Cash flow from operating activities</b>			
PROFIT/LOSS BEFORE TAX	86,442	(117,158)	(167,723)
Adjustments for:			
Depreciation	1,397	4,086	8,031
Exploration and evaluation expenditure transferred to income statement	-	-	2,525
Foreign exchange gains/(losses)	(70,630)	81,314	113,496
Share-based payment	-	-	38,882
Finance income	(316,537)	(244,857)	(689,323)
	<u>(299,328)</u>	<u>(276,615)</u>	<u>(694,112)</u>
Decrease/(increase) in trade and other receivables	25,225	(1,939)	(3,806)
(Decrease)/increase in trade and other payables	(1,033,769)	(2,070)	1,094,521
	<u>(1,307,872)</u>	<u>(280,624)</u>	<u>396,603</u>
<b>Net cash (outflow)/ inflow from operating activities</b>			
<b>Cash flows used in investing activities</b>			
Interest received	299,732	257,869	671,419
Exploration and evaluation expenditure	(6,151,185)	-	(9,998,033)
Purchase of property, plant and equipment	-	-	(1,780)
	<u>(5,851,453)</u>	<u>257,869</u>	<u>(9,328,394)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and share options (net of issue costs)	-	-	19,201,818
	<u>-</u>	<u>-</u>	<u>19,201,818</u>
<b>Net cash from financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>	(7,159,325)	(22,755)	10,270,027
Cash and cash equivalents at the beginning of the period	19,624,705	9,468,174	9,468,174
Exchange gains/( losses) on cash and cash equivalents	70,630	81,314	(113,496)
	<u>12,536,010</u>	<u>(9,364,105)</u>	<u>19,624,705</u>
Cash and cash equivalents at the end of the period			

## Borders & Southern Petroleum Plc

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For 6 months ended 30 June 2008

#### 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 principal accounting policies used in preparing the interim results are unchanged from those disclosed in the Group's Annual Report for the year ended 31 December 2007 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 2008 and 30 June 2007 is unreviewed and unaudited and does not constitute statutory financial statements as defined by Section 240 of the Companies Act 1985. The comparative financial information for the year ended 31 December 2007 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 237(2)-(3) of the Companies Act 1985.

#### 2. SEGMENTAL ANALYSIS

For the purpose of segmental information the operations of the group consist of one class of business, the exploration for hydrocarbon liquids and gas.

During the period the group's exploration and evaluation activities took place outside the UK, substantially in the Falkland Islands. All of the exploration expenditure capitalised during the period took place in the Falkland Islands.

The operating loss of the group is analysed as follows:

	<b>6 months ended 30 June 2008 £</b>	<b>6 months ended 30 June 2007 £</b>	<b>12 months ended 31 December 2007 £</b>
United Kingdom	227,134	345,484	738,467
Falkland Islands	2,961	16,531	30,307
Worldwide (excluding UK and Falkland Islands)	-	-	88,272
	<u>230,095</u>	<u>362,015</u>	<u>857,046</u>

## Borders & Southern Petroleum Plc

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For 6 months ended 30 June 2008

#### 3. PROFIT/(LOSS) PER SHARE

The calculation of the basic earnings per share is based on the profit or loss after tax attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. Diluted earnings per share is equal to basic earnings per share in the period to 30 June 2008 as the number of dilutive potential ordinary shares is not significant.

	Profit/(loss) after tax for the period £	Weighted average number of shares	Profit/(loss) per share pence
<b>BASIC AND DILUTED</b>			
<b>Six months ended 30 June 2008 (unaudited)</b>	<b>45,442</b>	<b>194,344,170</b>	<b>0.02</b>
Six months ended 30 June 2007 (unaudited)	(117,158)	127,687,500	(0.09)
12 months ended 31 December 2007 (audited)	(167,723)	147,182,725	(0.12)

## Borders & Southern Petroleum Plc

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For 6 months ended 30 June 2008

#### 4. STATEMENT OF CHANGES IN EQUITY

	Share capital £	Share premium reserve £	Other reserves £	Retained earnings £	Total £
Balance at 1 January 2007	1,276,875	10,561,393	15,313	(668,270)	11,185,311
Loss for the year and total recognised income and expense for the period	-	-	-	(117,158)	(117,158)
Balance at 30 June 2007	<u>1,276,875</u>	<u>10,561,393</u>	<u>15,313</u>	<u>(785,428)</u>	<u>11,068,153</u>
Balance at 1 July 2007	1,276,875	10,561,393	15,313	(785,428)	11,068,153
Loss for the year and total recognised income and expense for the period	-	-	-	(50,565)	(50,565)
Issue of share capital	666,567	18,535,251	-	-	19,201,818
Recognition of share based payments	-	-	38,882	-	38,882
Balance at 31 December 2007	<u>1,943,442</u>	<u>29,096,644</u>	<u>54,195</u>	<u>(835,993)</u>	<u>30,258,288</u>
Balance at 1 January 2008	1,943,442	29,096,644	54,195	(835,993)	30,258,288
Profit for the period and total recognised income and expense for the period	-	-	-	45,442	45,442
Balance at 30 June 2008	<u>1,943,442</u>	<u>29,096,644</u>	<u>54,195</u>	<u>(790,551)</u>	<u>30,303,730</u>