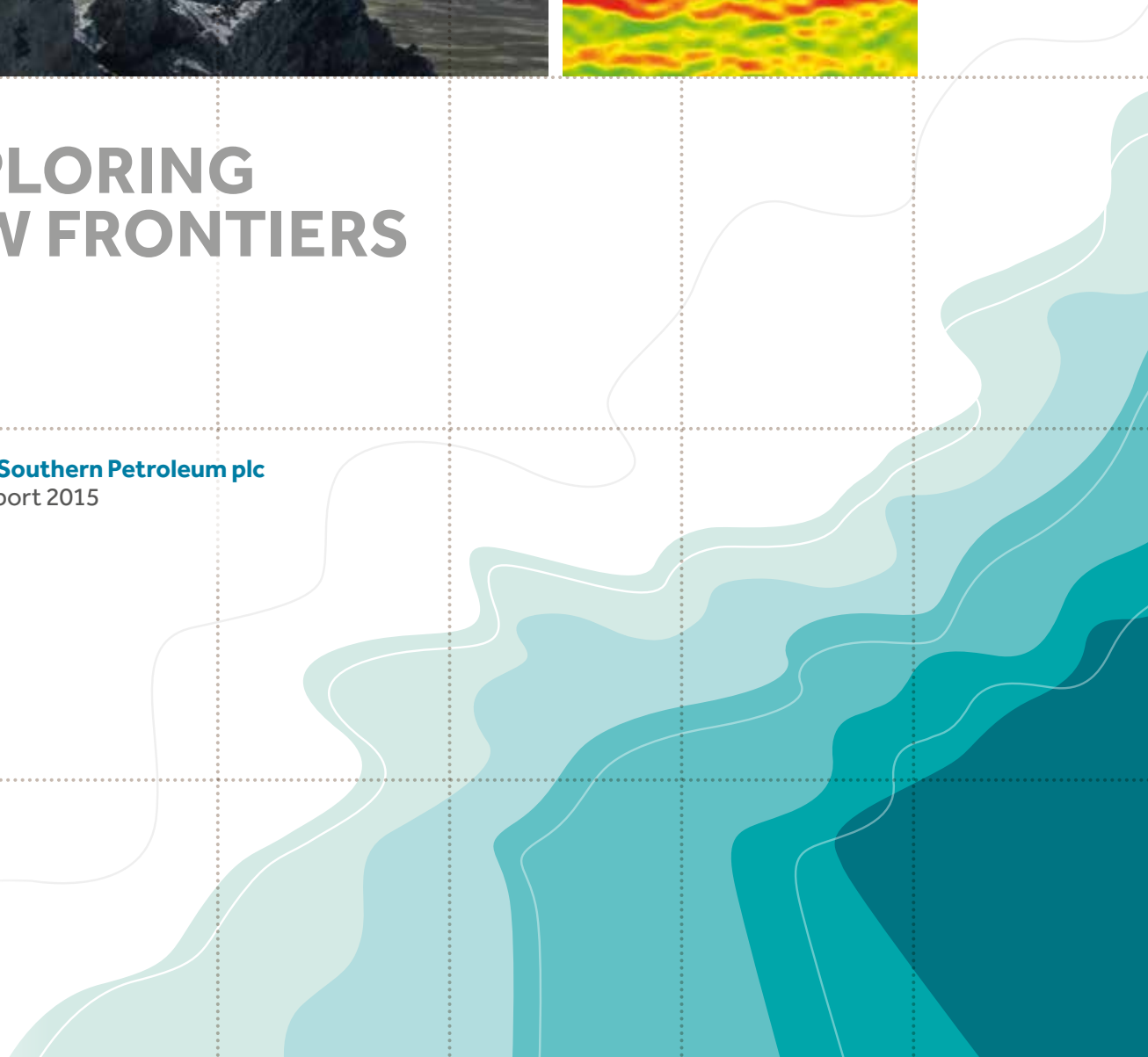
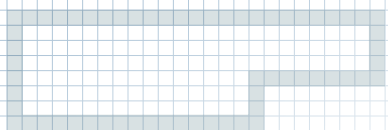


EXPLORING NEW FRONTIERS

Borders & Southern Petroleum plc
Interim Report 2015





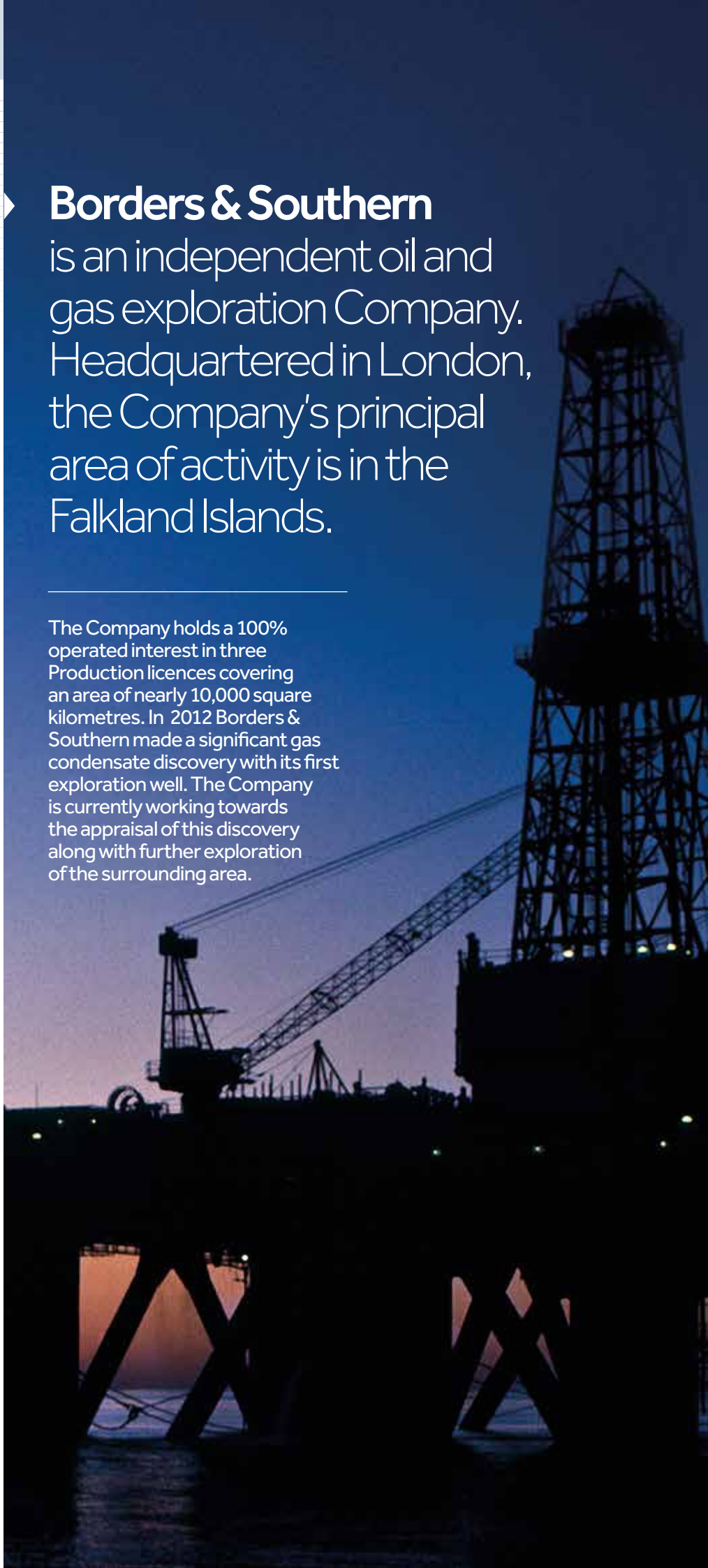
Borders & Southern

is an independent oil and gas exploration Company. Headquartered in London, the Company's principal area of activity is in the Falkland Islands.

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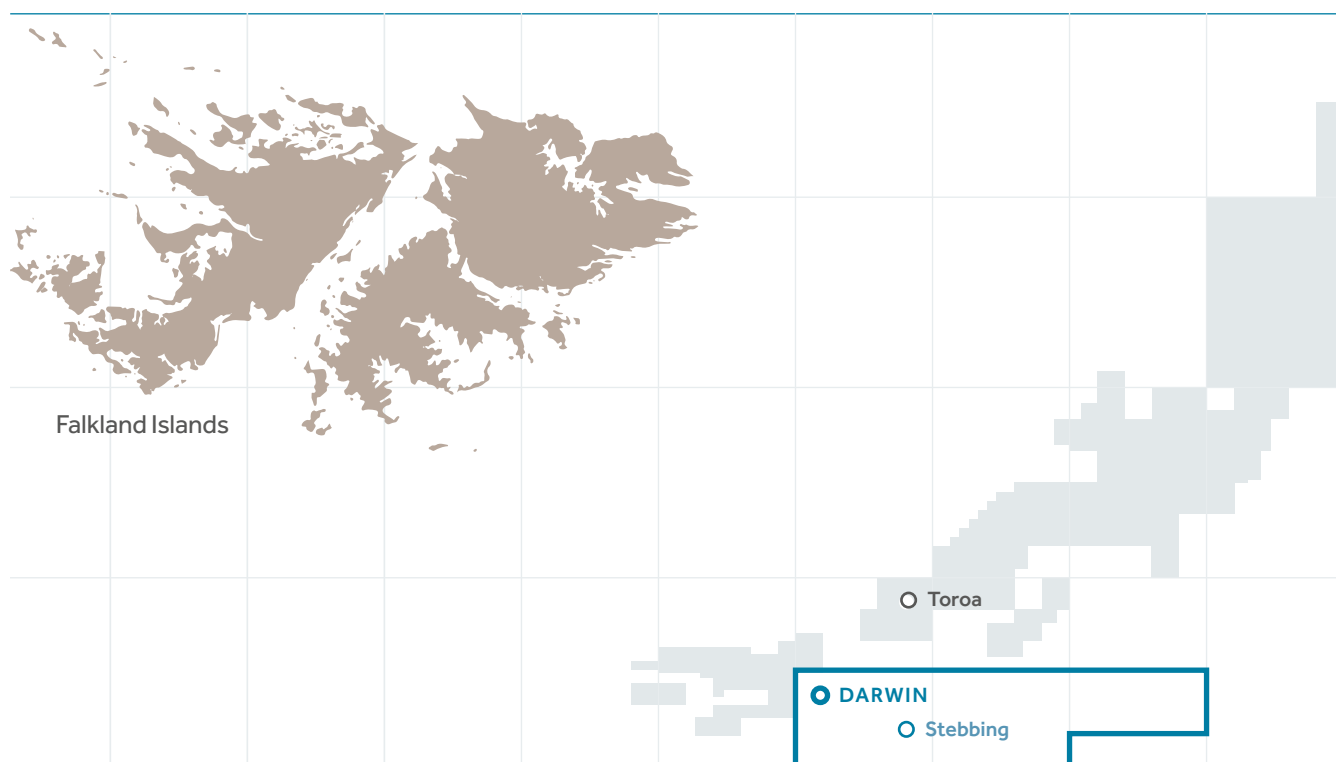
The Company holds a 100% operated interest in three Production licences covering an area of nearly 10,000 square kilometres. In 2012 Borders & Southern made a significant gas condensate discovery with its first exploration well. The Company is currently working towards the appraisal of this discovery along with further exploration of the surrounding area.



HIGHLIGHTS

2015 first half highlights

- Technical studies completed during the first half of the year resulted in a resource upgrade to 360 million barrels of recoverable condensate (best estimate (P50) unrisked) for the Darwin discovery and has defined a number of low risk near-field prospects.
- The farm-out process continues, but has been impacted by the industry downturn.
- Cash balance as of 30 June 2015: \$14.6 million (\$16.1 million at 31 December 2014).



What is gas condensate?

Natural gas-condensate is a low-density mixture of hydrocarbon liquids that are present as gaseous components in the raw natural gas produced from many natural gas fields. It condenses out of the raw gas if the temperature is reduced to below the hydrocarbon dew point temperature of the raw gas. It has a specific gravity ranging from 0.5 to 0.8, and is composed of hydrocarbons.

CHIEF EXECUTIVE'S STATEMENT

WITH HOWARD OBEЕ

Borders & Southern continues to focus on the farm-out of its Falklands project along with technical studies addressing risk reduction and prospect definition.

“

Our ongoing technical evaluation of Darwin has produced an upward revision of the recoverable resource and increased our confidence in the commercial viability of the discovery.

”



The first half of 2015 has been particularly challenging for the Company due to the continued depressed oil price and the industry's reaction to it. Borders & Southern's prime focus has continued to be on securing partners for the next phase of drilling in its Falklands licences. However, the Company's efforts have been largely frustrated. Industry E&P expenditure has dropped significantly, with some analysts reporting a 25% reduction for the year, clearly reflected by the many idle drilling rigs. Frontier exploration discretionary expenditure is an obvious first target for companies wishing to trim budgets. More positively, the downturn does provide an opportunity to benefit from lower drilling costs due to reduced contract rates should a partner be secured. And whilst the short-term oil price continues to look uncertain, history tells us that commodity prices are cyclical. So we are preparing ourselves to take advantage of a recovery in the oil price when it comes.

One area where we can continue to add significant value during this industry downturn is through our technical work – reducing risk and improving our understanding of the acreage prospectivity. In doing so, we can demonstrate how technically and commercially competitive we believe our project is relative to other global opportunities. Borders & Southern has been a successful explorer, finding a rich gas condensate resource with the Company's first well. In May this year, we reported that the resource estimate for the Darwin Gas Condensate discovery had been revised upwards to 360 million barrels of recoverable condensate (best estimate (P50) unrisked). If these resource estimates can be substantiated through appraisal drilling, we believe that the discovery would be commercial at current oil prices.

The technical work completed during the year to date has included a reservoir characterisation study, a seismic inversion study and a reassessment of the structural/stratigraphic evolution of the South Falkland Basin. In our May announcement we reported on a number of relatively low risk mapped prospects surrounding the Darwin discovery. Technical work has continued on these prospects but is now incorporating other play types in the area covered by 3D seismic. From a technical perspective, the prospectivity of our acreage continues to look extremely strong.

During the first half of the year we have maintained tight budgetary control and continue to run a low overhead base. Administrative expenses for the half-year were \$0.96 million (first half 2014: \$1.67 million). The balance sheet remains strong, with cash reserves of \$14.6 million as at the end of June 2015. The Group reports a loss for the period of \$0.81 million (30 June 2014: \$0.93 million).

Howard Obee
Chief Executive

25 September 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Notes	6 months ended 30 June 2015 (unaudited) \$000	6 months ended 30 June 2014 (unaudited) \$000	12 months ended 31 December 2014 (audited) \$000
Administrative expenses		(964)	(1,665)	(3,037)
Loss from operations		(964)	(1,665)	(3,037)
Finance income	3	154	732	59
Finance expense		–	–	(910)
Loss before tax		(810)	(933)	(3,888)
Tax expense		–	–	–
Loss for the period and total comprehensive loss for the period attributable to equity owners of the parent		(810)	(933)	(3,888)
Loss per share – basic and diluted	2	(0.2) cents	(0.2) cents	(0.8) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	At 30 June 2015 (unaudited) \$000	At 30 June 2014 (unaudited) \$000	At 31 December 2014 (audited) \$000
Assets			
Non-current assets			
Property, plant and equipment	11	12	11
Intangible assets	290,453	289,787	289,966
Total non-current assets	290,464	289,799	289,977
Current assets			
Other receivables	404	576	329
Cash and cash equivalents	14,595	21,503	16,079
Total current assets	14,999	22,079	16,408
Total assets	305,463	311,878	306,385
Liabilities			
Current liabilities			
Trade and other payables	(106)	(2,815)	(250)
Current tax liability	–	–	–
Total liabilities	(106)	(2,815)	(250)
Total net assets	305,357	309,063	306,135
Equity			
Share capital	8,530	8,530	8,530
Share premium account	308,602	2,312	308,602
Other reserve	2,312	2,254	2,280
Retained deficit	(14,071)	(10,307)	(13,261)
Foreign currency reserve	(16)	(16)	(16)
Total equity	305,357	309,063	306,135

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Share capital \$000	Share premium account \$000	Other reserve \$000	Retained deficit \$000	Foreign currency reserve \$000	Total \$000
Unaudited						
Balance at 1 January 2015	8,530	308,602	2,280	(13,261)	(16)	306,135
Total comprehensive loss for the period	–	–	–	(810)	–	(810)
Recognition of share-based payments	–	–	32	–	–	32
Balance at 30 June 2015	8,530	308,602	2,312	(14,071)	(16)	305,357
Unaudited						
Balance at 1 January 2014	8,530	308,602	2,034	(9,372)	(16)	309,778
Total comprehensive income for the period	–	–	–	(933)	–	(933)
Recognition of share-based payments	–	–	218	–	–	218
Balance at 30 June 2014	8,530	308,602	2,252	(10,307)	(16)	309,061
Audited						
Balance at 1 January 2014	8,530	308,602	2,035	(9,373)	(16)	309,778
Total comprehensive loss for the year	–	–	–	(3,888)	–	(3,888)
Recognition of share-based payments	–	–	245	–	–	245
Balance at 31 December 2014	8,530	308,602	2,280	(13,261)	(16)	306,135

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	6 months ended 30 June 2015 (unaudited) \$000	6 months ended 30 June 2014 (unaudited) \$000	12 months ended 31 December 2014 (audited) \$000
Cash flow from operating activities			
Loss before tax			
Adjustments for:	(810)	(933)	(3,888)
Depreciation	–	1	2
Share-based payment	32	218	245
Net finance costs/(income)	(154)	(732)	851
Realised foreign exchange (losses)/gains	–	(13)	5
	(932)	(1,459)	(2,785)
(Increase)/decrease in trade and other receivables	(75)	441	889
(Decrease)/increase in trade and other payables	(144)	957	(518)
Tax paid	–	(185)	(185)
Net cash outflow from operating activities	(1,151)	(246)	(2,799)
Cash flows used in investing activities			
Interest received	24	34	59
Interest paid	–	–	–
Purchase of intangible fixed assets	(487)	(2,283)	(3,555)
Net cash used in investing activities	(463)	(2,249)	(3,496)
Cash flows from financing activities			
Proceeds from issue of shares	–	–	–
Net decrease in cash and cash equivalents	(1,614)	(2,495)	(6,295)
Cash, cash equivalents and restricted use cash at the beginning of the period	16,079	23,289	23,290
Exchange gains/(losses) on cash and cash equivalents	130	711	(916)
Cash and cash equivalents at the end of the period	14,595	21,505	16,079

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 2014 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 2015 and 30 June 2014 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 2014 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. LOSS 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.

	Loss after tax for the period \$000	Weighted average number of shares	Loss per share cent
Basic and diluted			
Six months ended 30 June 2015 (unaudited)	(810)	484,098,484	(0.2)
Six months ended 30 June 2014 (unaudited)	(933)	484,098,484	(0.2)
Twelve months ended 31 December 2014 (audited)	(3,888)	484,098,484	(0.8)

3. FINANCE INCOME AND EXPENSE

	6 months ended 30 June 2015 \$000	6 months ended 30 June 2014 \$000	12 months ended 31 December 2014 \$000
Finance income			
Bank interest receivable	24	34	59
Foreign exchange gain	130	698	–
	154	732	59

	6 months ended 30 June 2015 \$000	6 months ended 30 June 2014 \$000	12 months ended 31 December 2014 \$000
Finance expense			
Exchange loss on cash and other financial assets	–	–	910

CORPORATE INFORMATION

Directors	Harry Dobson Howard Obee Peter Fleming Stephen Posford Nigel Hurst-Brown	Solicitors	Dentons UKMEA LLP One Fleet Place London EC4M 7WS
Secretary	William Slack	Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
Registered office	One Fleet Place London EC4M 7WS		
Business address	33 St James's Square London SW1Y 4JS	Bankers	Lloyds TSB Bank plc 19–21 The Quadrant Richmond Surrey TW9 1BP
Nominated advisor and joint broker	Panmure Gordon & Co One New Change London EC4M 9AF		HSBC Bank plc 69 Pall Mall London SW1Y 5EZ
Joint broker	Mirabaud Securities LLP 33 Grosvenor Place London SW1X 7HY	Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

For further information please visit www.bordersandsouthern.com or contact:

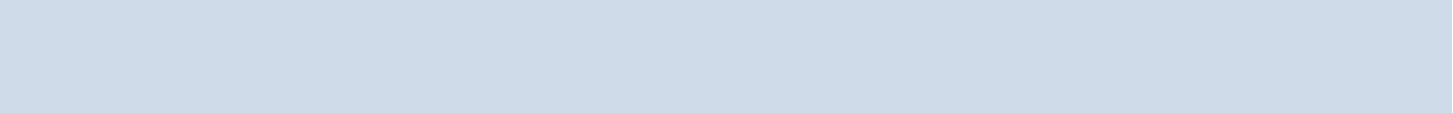
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Tavistock
Tel: 020 7920 3150

Dominic Morley/Adam James
Panmure Gordon (UK) Limited
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Notes:

Borders & Southern Petroleum plc is an oil and 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 with its first well.



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