



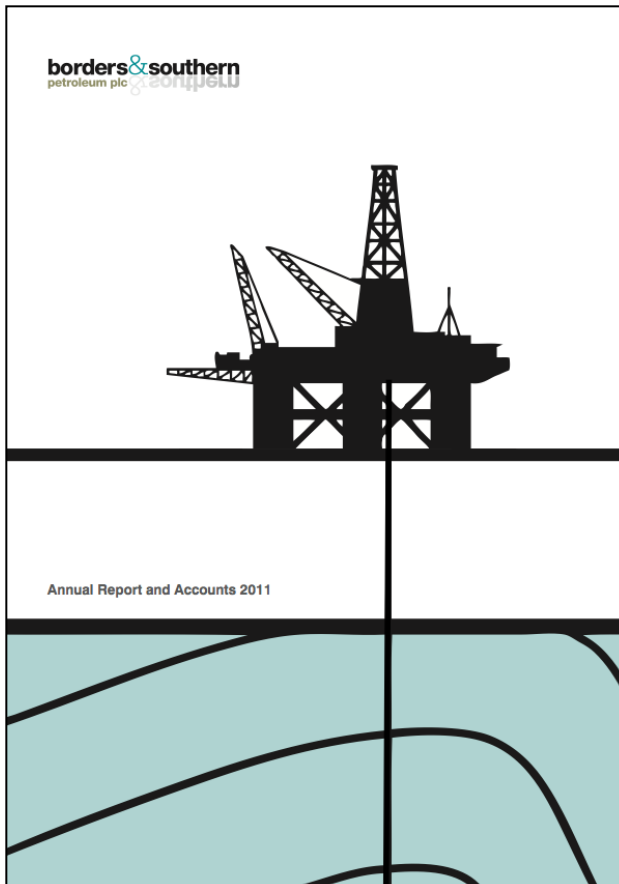
borders&**southern**
petroleum plc

AGM
Institute of Directors – Pall Mall
10 am, 29th June 2012

Highlights

- Opened up a new hydrocarbon province to the south of the Falkland Islands
- Delivered a gas condensate discovery with the Company's first exploration well
- Defined an exciting Lower Cretaceous Play Fairway
- Unlocked our strong prospect inventory

Financial Summary



- Annual Report can be downloaded from our website:
bordersandsouthern.com

Pre-drill Well Cost Estimates

Darwin	Stebbing	Mob / Demob	Total
\$ 55.5 million	\$ 60.9 million	\$ 31.8 million	\$ 148.2 million

Pre-drill contingency: approximately \$55 million

Darwin cost overrun: approximately \$40 million

Fund raising in April 2012: \$75 million (gross)

Health, Safety & Environment

Rig mobilised – 2nd December 2012

First well spud – 31st January 2012

Total days to date: 211 days

- LTIs: Two
- Environmental incidents: None



Health, Safety & Environment - LTIs

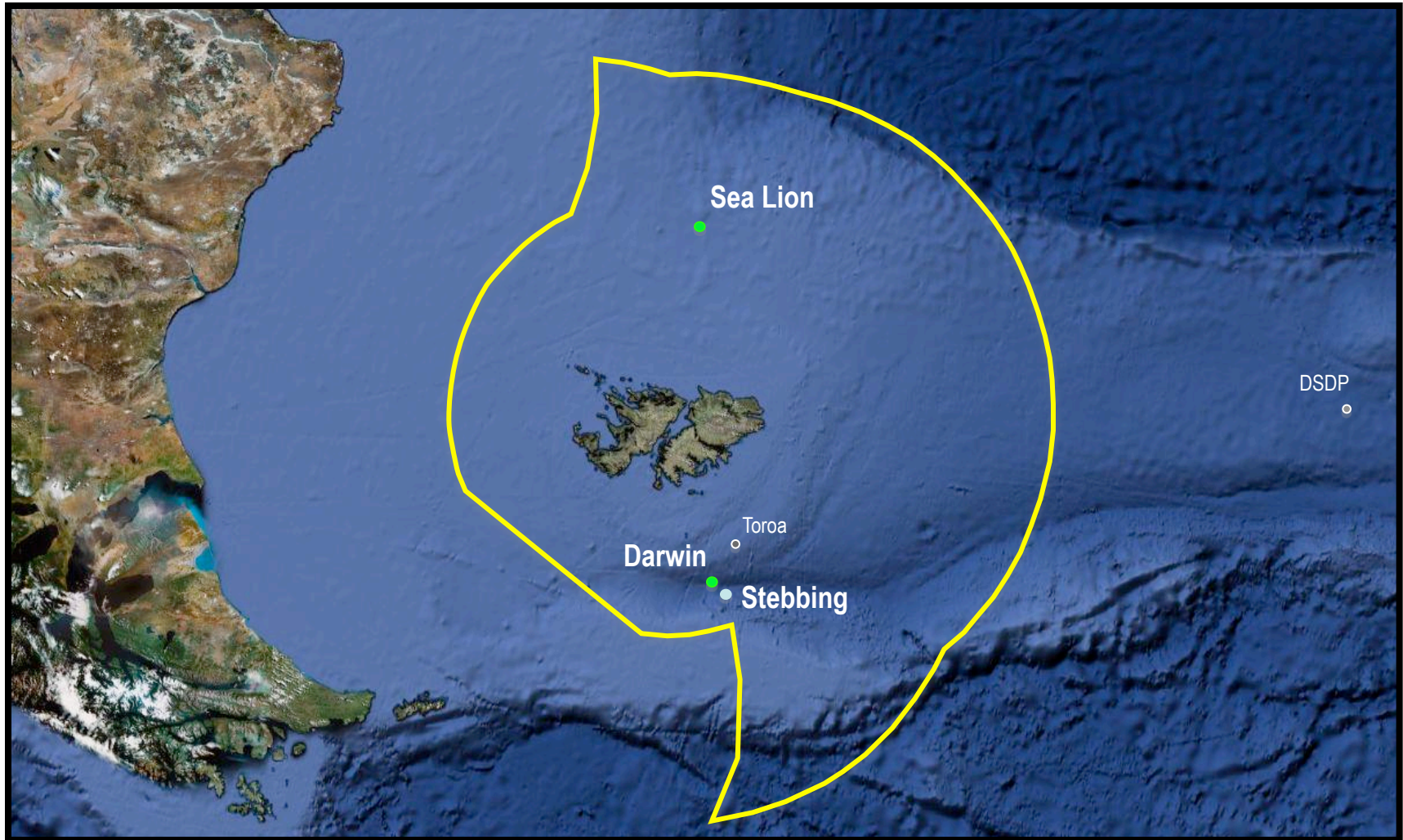
Onshore LTI

Trip and fall at supply base resulting in a fractured elbow
Returned to work in less than 2 weeks

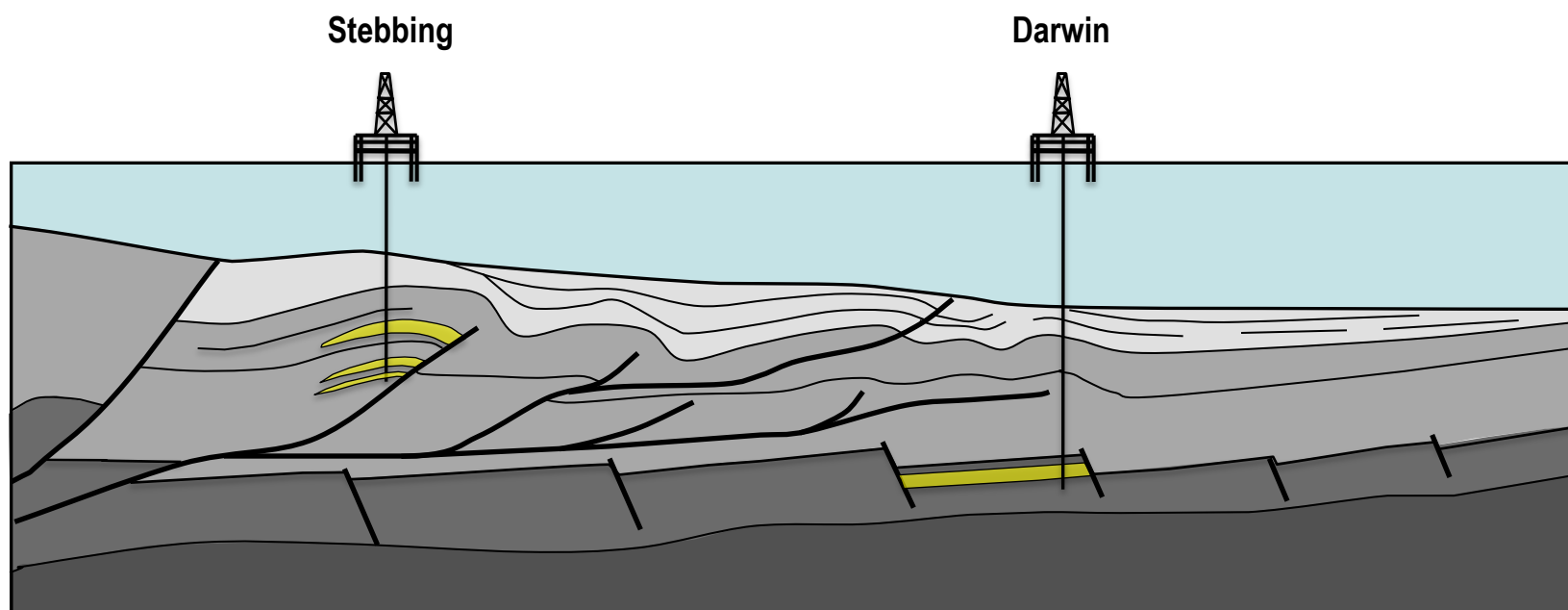
Offshore LTI

Slip and fall from a “half-height” resulting in a double fracture and dislocation of ankle
Injury occurred at approximately 05.30am on 5th February
Helicopter mobilised – Injured person arrived at King Edward Hospital, Stanley by midday
ISOS mobilised private jet plane on 5th February and injured person flown to Santiago, Chile for surgery
After some rest the injured person was flown from Chile to Norway arriving home on the 9th February
Returned to work in less than 2.5 months

Falkland Islands



Schematic Cross Section



Reservoir Characteristics

- Age: Lower Cretaceous
- Depositional environment: Shallow marine shelf
- Lithology: Sandstone
- Gross interval thickness: 84.5 m
- Net Pay: 67.8 m
- Average hydrocarbon saturation: 71.5%
- Average porosity: 22%
- Maximum porosity: 30%
- Average Permeability: 337 mD

Darwin – Gas Condensate Discovery

- A gas condensate is a low density mixture of hydrocarbon liquids dissolved in saturated natural gas that come out of solution when the pressure drops below the dewpoint
- Condensate contributes over 10% of global crude oil production
- Typically few contaminants, easy to refine
- Priced at + / - Brent



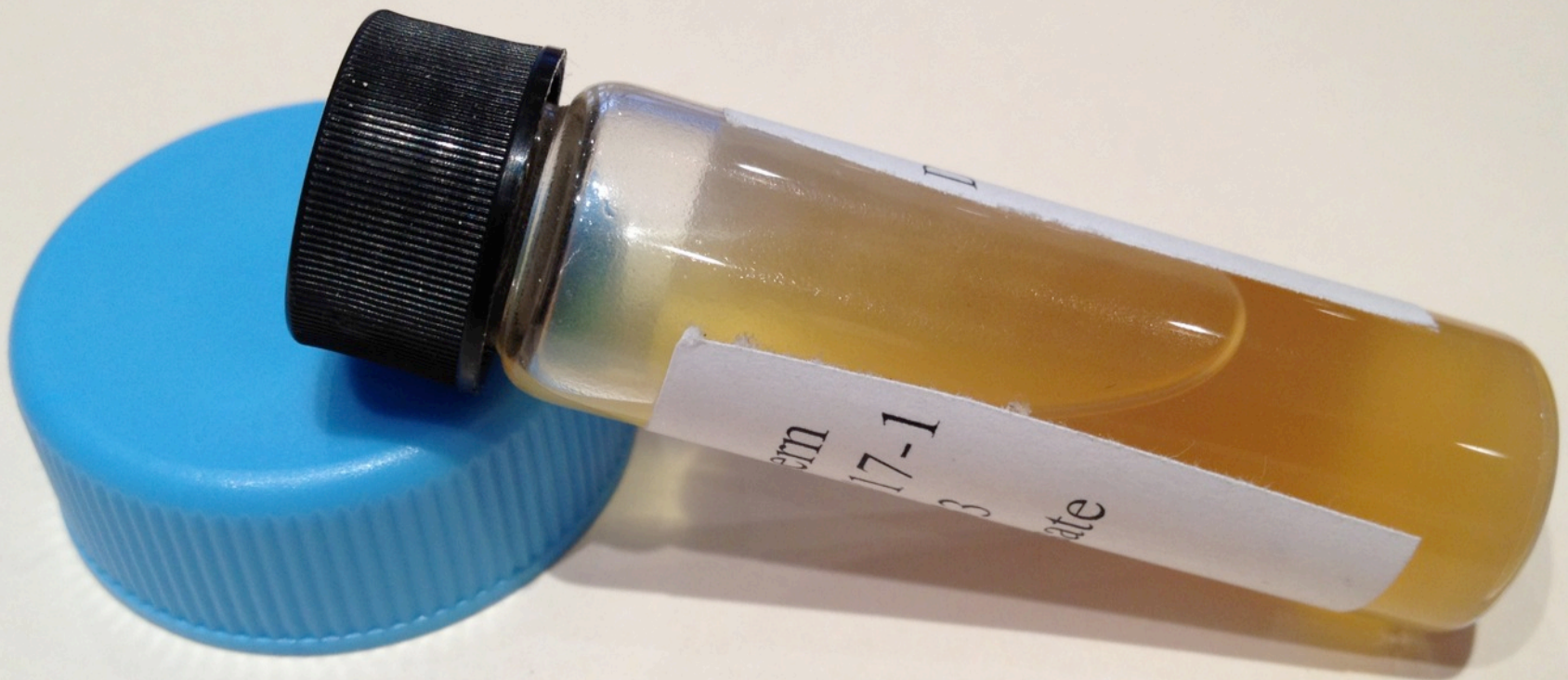
Fluid Samples

- Pressurised samples have been shipped back to UK
- Samples sent to lab for analysis on 18th June
- Work is anticipated to take up to 10 weeks

Objectives of Analysis

- Characterise the reservoir fluids
- Provide data for reservoir modeling and forecasting
- Identify components and properties of the produced fluids that may impact flow potential or facility integrity

Darwin – Condensate Sample



Darwin – Initial Resource Estimates

Gas in place (TCF)

Min	Most Likely	Max
1.88	2.44	2.88

Liquids (mmbbl) ?

Key Questions

- What is the value of the discovery ?
- How do we monetise the discovery ?
- Is Darwin a stand alone development or do we need additional discoveries ?
- Is Darwin a Gas only, liquids only or gas and liquids project ?
- What development concepts – FPSO, Floating LNG ?
- How do we fund future work: partners v capital markets ?

Technical analysis > Project economics and development concepts

Future work – Geology

What we have learnt

- We have confirmed our understanding of Lower Cretaceous reservoirs, seals, and regional geothermal gradients.
- The source rock was not penetrated by the well.

Studies to be undertaken:

- Biostratigraphy
- Geochemistry
- Sedimentology
- Petrography

Questions needing to be answered

- Why gas condensate ?
- Can we predict the distribution of oil, gas, condensate ?

Future work - Seismic

What we have learnt

- Value of good quality 3D
- We have confirmed our understanding of velocities, lithologies, event picking, mapping and some aspects of amplitude / lithology-fluid prediction

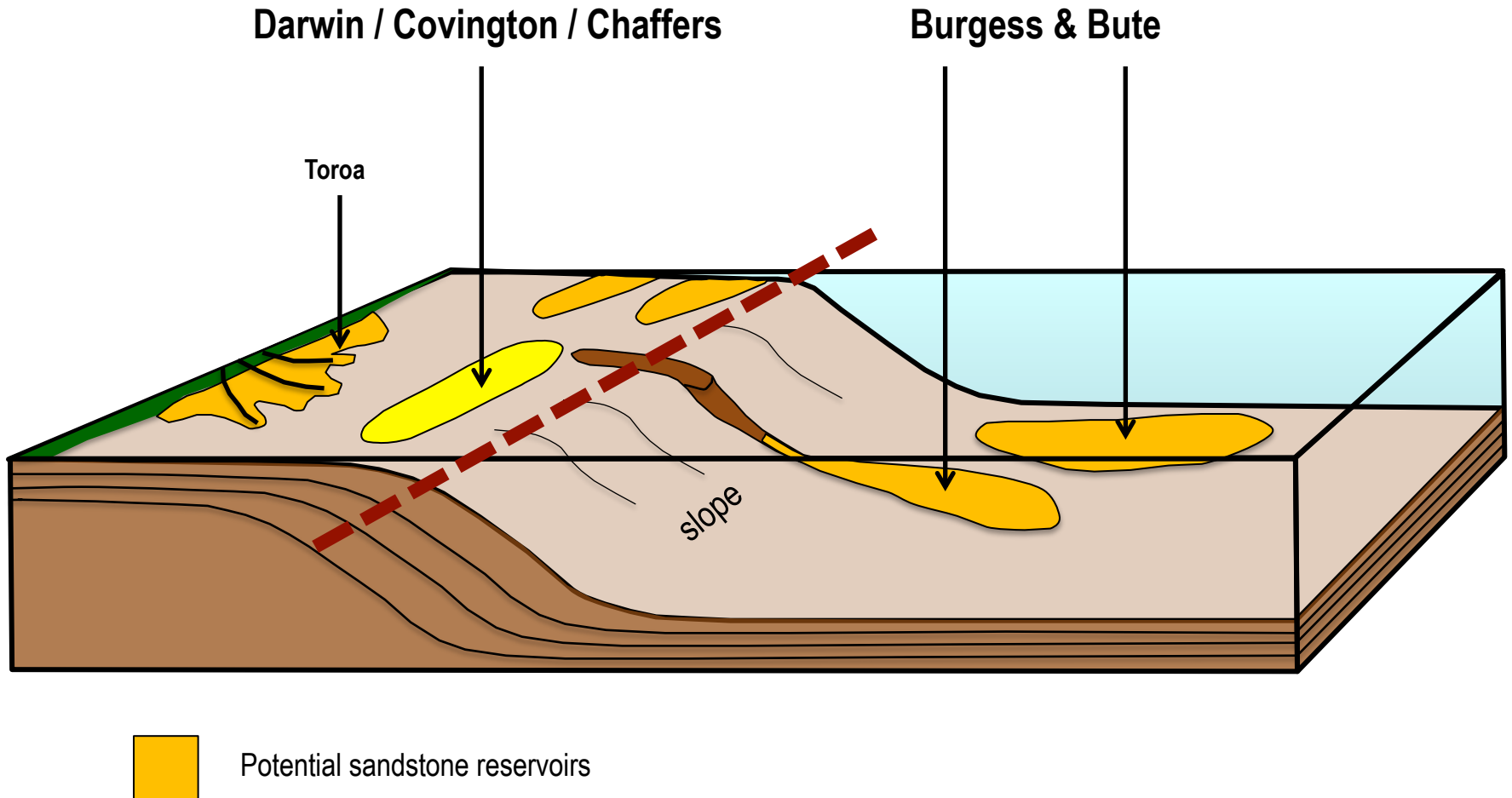
Projects to be undertaken

- 3D reprocessing – Prestack Depth Migration for prospect definition
- AVO analysis – updated AVO products from reprocessing
- New 3D acquisition – (currently tendering)
- Processing (probably PreSDM, AVO products)
- Interpretation and revamp of prospect inventory

Questions needing to be answered

- Can we predict hydrocarbon phase using seismic ?

Lower Cretaceous Palaeo-geography



Lower Cretaceous Prospects

Prospect	Trap type	Depositional Environment	Area sqkm	Further work
Darwin	Structural	Shallow marine shelf	26	Appraisal
Covington	Structural	Shallow marine shelf	37	3D
Chaffers	Structural	Shallow marine shelf	(?)	3D reprocessing
Bute	Stratigraphic	Slope	89	3D reprocessing
Burgess	Stratigraphic	Slope	47	3D reprocessing
Sullivan	Structural / strat.	?	132	3D reprocessing
Stokes	Structural / strat.	?	68	3D reprocessing
New Leads	Structural & Strat.	Shallow marine shelf	?	3D

Future Activity

- Evaluate Darwin fluid analysis
- Commercial evaluation of the discovery
- Understand impact of Stebbing well results
- Assess value of the prospect inventory
- Seismic tender – target next Southern Hemisphere summer
- Assess rig market
- Consider the future funding / partners

Summary

- Opened up a new hydrocarbon basin
- Validated one play fairway and working on others
- Have made a gas condensate discovery – 100% ownership
- Potential for a stand alone development at Darwin (may form part of a wider development)
- The Lower Cretaceous has significant upside, including deeper drilling
- Exciting future for the company
- News flow in the coming weeks: Stebbing well results, Darwin fluid analysis

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