Borders & Southern Petroleum Plc

ANNUAL REPORT AND ACCOUNTS 2024

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Further information:

www.bordersandsouthern.com

ABOUT US

Borders & Southern is an independent oil and gas exploration company with three Production Licences and a Discovery Area Licence in the Falkland Islands. The Licences are located approximately 150 kilometres south-east of the Islands and cover an area of just under 10,000 square kilometres. The Company currently holds a 100% operating interest.

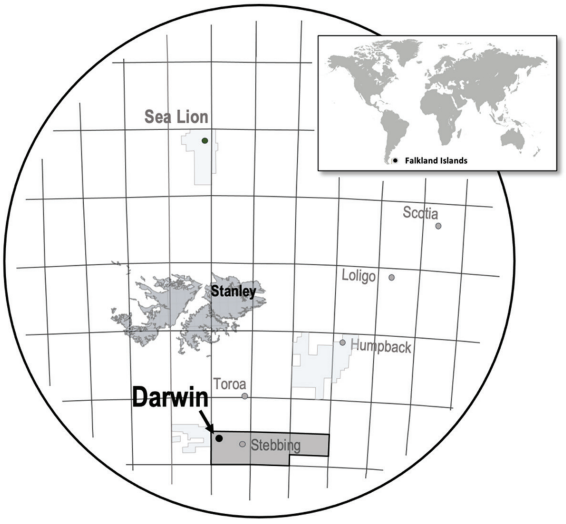
Exploration activity to date has included the acquisition of 2,517 square kilometres of 3D seismic data and the drilling of two wells. The first well, drilled on the Darwin prospect, resulted in a significant, liquids rich, gas condensate discovery. The second well, drilled on the Stebbing prospect, a different play type to the first, failed to reach its reservoir target but had good hydrocarbon shows.

The Darwin discovery has been independently assessed to contain 3.2 TCF of wet gas initially in-place (un-risked, best estimate), and a contingent and prospective resource of 462 million barrels of condensate and LPG (un-risked, best estimate).

The Company has commissioned numerous engineering and technical studies to evaluate the discovery and to advance its appraisal and development. No technical roadblocks have been identified. Independent analysis indicates that, following successful appraisal, the discovery could be brought into production using a conventional FPSO development.

Our objective is to monetise the Darwin discovery prior to testing further prospects within our extensive and exciting prospect inventory.

Falkland Islands



CHAIRMAN'S AND CEO'S REVIEW

After my first full year as Borders and Southern CEO, it is my pleasure to address shareholders and bring everyone up to date with what has happened in the past twelve months and what we hope to achieve in the months and years to come.

I was lucky enough to inherit a very robust project with highly commercial economics, a great board and a top technical team. Together we have executed three strategic moves that leaves us in what we believe is a much stronger position going forward.

Firstly, we have further refined our phased early production offering which we believe will better appeal to potential international partners as it requires relatively low capex and offers accelerated payback.

Secondly, we took the key step to appoint an International Investment Bank with worldwide networks to assist the Company in a farm-out to finance the next phase of the development of the Darwin discovery. We believe that this appointment, together with significant changes in industry appetite for projects, will greatly assist us in achieving our goal of bringing in a partner (or partners) on favourable terms. It is worth noting that the new advisor has sufficient confidence in the strength of the investment case that they have agreed to work on a success case basis as opposed to the more usual retainer fees.

And thirdly, we have made the vital move to put the Company onto a firmer financial footing. During 2024 the company also took several steps to further reduce overhead costs, which included moving offices. The Company has always benchmarked its overhead costs against its peers we remain in the lowest cost quartile. These reductions further reinforce this. We also completed two capital raises to strengthen the balance sheet (one post year end) and concomitantly, our negotiating position for the farm-out. In total we have raised about £3.7m (pre costs) which, together with our existing resources, gives us well over two years runway. Cash in the bank gives us the time and firepower to make the right deal or deals for shareholders, rather than be forced to accept the first one.

These three initiatives have put us in a much stronger position. We are already seeing the benefits with renewed interest from multiple parties in the data room. It is worth pointing out that Darwin is an appraisal project. Hundreds of millions of dollars have already been spent in the high risk exploration phase. Whilst the appraisal and development phases require significant capital, the exploration risk has been much reduced and will be eliminated once we have tested a well as part of the appraisal program. We know we have a world class project which is attracting interest from tier one industry potential partners. We are really excited by Darwin and the prospects nearby as well as the size and scale of the remainder of the portfolio which can be seen in detail in our latest presentation on the website. We look forward to reporting progress to the market in due course.

In June 2024 we welcomed Dr. Sean Guest to the board as a non-executive director. Sean is currently the President and Chief Executive of Valeura Energy and has a long and successful track record in the oil and gas industry. His experience and expertise will be of great help, particularly as we go through this farm-out and development phase.

I would like to thank all existing and new shareholders for your support. I very much look forward to the year ahead and providing further updates on our progress.

Harry Dobson
Non-Executive Chairman

Harry Baker
Chief Executive

BUSINESS MODEL

Our vision is to be a successful exploration company through the discovery and subsequent monetisation of hydrocarbons for the benefit of all our stakeholders.

Our pledge is to always act with honesty and integrity. Our drive to succeed will not compromise high standards of business ethics and we will act safely and responsibly in all our activities.

Exploration Strategy

The Company's exploration strategy focuses on frontier and emerging basins, where early entry, and access to a significant acreage position at relatively low cost, can be achieved. The basins we evaluate must have the potential to yield large individual prospect sizes and where there is a high yet-to-find. Critically, the basins must display good evidence for a working source rock.

Prior to entry, a comprehensive technical screening is completed to help mitigate the sub-surface risks. Screening project economics are undertaken to confirm that the project rewards justify the investment decision. Our acreage in the Falklands met all our technical and commercial criteria. Post acreage capture, the acquisition of high-quality 3D seismic data is essential to unlocking the petroleum system. Applying industry leading tools and techniques helps reduce the sub-surface risks prior to drilling. The Company was fortunate to achieve success with its first well, as our pre-drill interpretation was proven to be correct.

Our strategy requires access to financial resources at various stages in the project. The scale of resource required increases as the project matures. At the screening level capital expenditure is relatively modest but ramps up significantly through data acquisition, drilling, then appraisal and development. Our two main routes to funding are through the capital markets or securing partners. In the event of a development reaching final investment decision, funding is likely to come from both debt and equity.

Our Team

We have a small, experienced team, that is supported by expert consultants with extensive industry experience. Many of our consultants have worked with the Company over a long period of time.

Our key strengths are: Technical rigour, Commercial discipline, and Risk management

The technical team has a proven track record in basin evaluation and discovery. We acquire high quality data, use leading edge technology and create detailed sub-surface interpretations.

The Company has robust financial controls in-place. We maintain a low overhead, hold no debt, and ensure that our financial resources are effectively directed towards our strategic objectives.

Our activities are underpinned by thorough risk identification, monitoring and mitigation. Prior to operational phases, Company policies are reviewed and modified to ensure current industry best practice standards are applied. We aim to operate responsibly, displaying care and respect to all our stakeholders and the environment.

DARWIN GAS CONDENSATE

Darwin Gas Condensate

The Darwin gas condensate discovery is located 150km south of the Falkland Islands, in 2000m of water. It comprises two adjacent tilted fault blocks (named Darwin East & Darwin West). The liquids-rich gas condensate has been independently assessed to contain (un-risked best estimate) 3.2 TCF of wet gas initially in-place. The un-risked best estimate contingent (2C) and prospective resource has been assessed to be 462 million barrels of condensate and LPG.

The Early Cretaceous (Aptian) reservoir is a high-quality, laterally continuous shallow marine sandstone. It has been interpreted to represent shelf bars and sheet sands. The reservoir is exceptionally imaged on 3D seismic data, where hydrocarbons are marked by a positive AVO response, a clear flat spot and amplitude conformance to structure. The area of seismic amplitude anomaly is 26 square kilometres.

The discovery well (61/17-1) encountered a gross reservoir interval of 84.5m, net pay of 67.8m, average porosity 22% (up to 30%) and average permeability of 337mD (up to 1D). The condensate yielded a CGR of 148stb/MMscf. The condensate has a 49 degrees API gravity, typical of an ultra-light crude oil.

Independent un-risked resource assessment

Estimated Wet Gas Initially In-place (Bscf)				Best Estimate Gross Contingent & Prospective Resource		
	Low	Best	High		Condensate (MMSTB)	Condensate& LPG(MMBBL)
Darwin East	659	1,096	1,759	Darwin East (2C Contingent)	115	170
Darwin West	1,361	2,110	3,160	Darwin West (Prospective)	202	292

Phased Development Concept

The Company has designed, and had validated, a phased development concept. Following successful appraisal, an initial production rate of 26,000 bpd could be achieved from two production wells and one gas injector well on Darwin East. The concept would be a conventional FPSO development, utilising standard industry technology. Reservoir fluids would be produced from the field via subsea flow lines. The condensate would be processed and stored on the FPSO before being offloaded to shuttle tankers for export. The dry gas would not be flared, but re-injected back into the reservoir. Several options have been identified to expand production up towards 70,000bpd.

The benefits of a phased development concept are clear. Less initial capital is required to get a field into production. The time to first production can be reduced. Project payback can be accelerated. And project expansion can come from free cash flow. Project payback for a Darwin East, 26,000 bpd scheme, could be achieved within two years of first production, assuming a $60 per barrel oil price. Project economics are positively influenced by the quality of the reservoir that requires a relatively low number of development wells and the attractive fiscal terms set by the Falkland Islands Government.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal Risks and Uncertainties

As an oil and gas exploration company, Borders & Southern is subject to a variety of risks and uncertainties. Managing risk effectively is fundamental to delivering safe and responsible business plans and strategic objectives. Our approach is to ensure that all significant risks are identified, their potential impact understood, and the likelihood of their occurrence assessed. The Board of Directors review the risk register and ensure management plans are put in place where appropriate.

Sub-surface risk – exploration for oil and gas is inherently a risky business and commercial success cannot be guaranteed. Whilst many of the technical risks can be mitigated, they cannot be eliminated.

The Company has an experienced sub-surface team with a proven track record. Industry experts provide specialist supplementary skills. Current technologies and techniques are used in all evaluations.

Health and Safety risk – drilling for oil and gas in a remote, offshore environment presents many risks to personal safety including serious injury or death.

The Company employs experienced drilling management teams. Prior to operations, detailed risk assessments and mitigation plans are put in place, along with emergency response exercises, closely following industry best practices.

Environmental risk – the Falkland Islands are located in a remote area with an abundant range of wildlife and plant life that could be at risk from operational incidents.

Prior to operations, the Company undertakes detailed environmental impact assessments and baseline studies using industry specialists. Mitigation plans are put in place including oil response training for all relevant personnel.

Climate change risk – the activities of exploration and production companies could be subject to restrictions or moratoriums in response to carbon emission reduction targets.

A Darwin development would have a lower carbon signature than many oil developments around the world. There is no indication that the Falkland Islands Government want to place restrictions on the production of hydrocarbons as the potential revenues will have a profound economic benefit to the Islands.

Financial (access to capital) risk – The Company will need to raise further funds to carry out the implementation of its business plan in the absence of a farm-out. There can be no assurance that further funds will not be required in the future to complete future drilling or carry out the implementation of the Group's business plan.

The Company holds a high-quality asset (Darwin) with a low break-even oil price and a relatively small environmental footprint. Based on economic and environmental considerations, the Board considers Darwin to be very competitive against other global opportunities.

At year end, the Company had $1.9 million in cash resources and post balance date the Company raised £2.2 million (pre costs which together is sufficient cash resources to cover Company costs until end 2026. Beyond that, the Company will either need to complete a farm-out or raise additional resources to demonstrate to the Falkland Islands Government that it has sufficient resources to pay the licence fees.

Energy Market Volatility – energy prices have historically been very volatile with the potential for sustained low prices in the future. Whilst the Company can, when in production, potentially hedge some of this risk, it is very likely that the Company would continue to be impacted by any volatility in the energy markets.

The Darwin project appears very robust at current levels of oil price. Project modelling suggests it is economic down to at least $40 per barrel.

Political risk – the sovereignty of the Falkland Islands is challenged by Argentina.

In the 2013 referendum in the Falkland Islands the people voted unequivocally to remain as a British Overseas Territory. The British Government strongly supports the Falkland Islands right to determine their own future and rebuts Argentina's claim to sovereignty.

Russia's war with Ukraine

Whilst the Company is not currently in operations, if the Russia/Ukraine conflict is on-going when it is operating, it could disrupt the supply chains and increase costs.

The oil industry is global with multiple supply sources around the world and has proven historically to be adept at adjusting to changing circumstances.

PRINCIPAL RISKS AND UNCERTAINTIES continued

Israel's war in Gaza

The current war in Gaza does not have a direct impact on the Company but it has had an impact on investments into and out of the region. This has the potential to impact on future investments in upstream projects around the world high percentage on oil and gas revenues coming from that region.

Tarrifs

The Company is not currently operating so is not incurring the level of costs that would be expected during a drilling campaign so any tariffs that are or will potentially be subjected to the Company are unlikely to materially impact the Company in the short term. During a drilling campaign the Company is likely to be able to adjust purchases to minimise any tariff impact.

Dependence on key personnel – the success of the Group, in common with other businesses of a similar size, will be dependent on the expertise and experience of its directors and senior management. The loss of key personnel could harm the business or cause delays to the plans of the Group whilst management time is directed at finding suitable replacements. The future success of the Group is in part dependent upon its ability to identify, attract, motivate and retain staff with the requisite experience.

Measures are in place and are under review to reward and retain key individuals and to protect the Group from the impact of staff turnover.

Reliance on third parties – the Group may contract with third parties for commercial evaluation and support, equipment and services. The failure of a third party to perform its obligations and quality could subject the Group to additional costs, delays or abandonment of the projects.

The oil industry is global and services, people and equipment can be sourced from many parts of the world, often at short notice.

ESG

Borders & Southern's business is to create value through the discovery and monetisation of hydrocarbons. To be successful, we recognise that all our stakeholders should benefit, including shareholders, host governments, the communities in which we operate, employees and partners. We aim to conduct our operations safely, in line with industry best practice. We focus on limiting and mitigating our impact on the environment and we aim to conduct operations in an ethical and transparent way with strong corporate governance.

Climate Change and the Energy Transition

The 2016 Paris Agreement set out targets to reduce the anthropogenic emissions of gasses that contribute towards global warming. Energy production through the combustion of fossil fuels is one of several factors that contribute to greenhouse gas emissions. But with energy demand expected to increase in line with continued global population growth and economic development, the transition away from fossil-based energy resources to greener, renewable forms of energy is complex, particularly as recent events in Eastern Europe have highlighted the importance of energy security. The global challenge is to reduce carbon emissions by transitioning to renewable energy sources whilst maintaining the reliability of energy supply.

During the energy transition, hydrocarbons are likely to remain a significant strategic resource. Advancements in carbon capture will play a role, but high grading of projects based on their carbon intensity might be expected. Upstream emissions from exploration, extraction and transportation differ widely between hydrocarbon accumulations. This reflects differences in the sub-surface complexity, physical and thermodynamic properties of the hydrocarbons and production and management practices, along with differences in regulatory regimes. Tools available to assess the carbon intensity of global oil and gas fields highlight the differences. For instance, heavier crude oils typically require more energy to extract, transport and refine. Some regulatory regimes allow the flaring of gas during production, whilst others do not.

Darwin, with its high quality reservoir and highly mobile reservoir fluids, will require a low number of development wells. There would be no routine flaring of gas. After the separation of the condensate, dry gas would be reinjected back into the reservoir. The carbon intensity from wellhead to refinery, is likely to be favourable compared to many other producing fields. Global benchmarking has shown that deep water fields with high throughput wells, less routine flaring, using modern technology, typically have lower carbon intensities than other categories such as offshore shelf, onshore shale and oil sands.

In the downstream refining process, carbon intensity varies between different oil categories. Heavy oils, with low API, typically require more energy to refine than light oils. Condensate samples collected from the Darwin discovery well have an API gravity of 46-49 degree, similar to an ultra-light crude oil and putting it at the lighter end of the oil spectrum.

At present the Company is in a non-operational phase and has a minimal environmental footprint. This will change when we enter the appraisal drilling phase, with an increase in emissions. Prior to the start of operations, the Company commits to

PRINCIPAL RISKS AND UNCERTAINTIES continued

fully integrating climate change into its business plan. We will define measures, report transparently, and mitigate our own emissions as far as practicable.

Going concern

The 31 December 2024 financial statements has been prepared based on the going concern basis, which assumes the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. The going concern assessment of the Parent Company has been performed as part of the Group's going concern assessment.

At 31 December 2024, the Group had a net cash position of $2.09m (31 December 2023: $1.9m). The Group does not have any external borrowings or debts. The Group and the Parent Company have a commitment to drill a well before the expiry of their production and discovery area licences on 31 December 2026 (see note 19). The Group plans to fund the well developments through a farm-out or by raising additional capital if the farm-out is not successful. If the Group does not successfully raise the capital needed or identify a suitable farm-out partner, the Group will seek to gain an extension to the licences and the associated commitment to drill the well. This is in line with previous extensions and the Directors are confident that further extensions will be granted. Historically, the Falkland Islands Government has required the Group to show evidence of its ability to pay the licence fees before an extension. The Directors discussed the extension of the production and discovery area licences with the Falkland Islands Government in April and May 2024, including the conditions and commitments attached to the licences.

As part of its plan to raise funds, the Group made a corporate presentation to the market in the first quarter of 2025, which included its plan for drilling the well. As a result of this, the Parent Company raised £2.2 million ($2.8 million) through a share issue. In addition to this, as at the date of approval of the financial statements, the Group's financial advisor is currently seeking potential farm-out partners. Discussions are ongoing but not yet at an advanced stage.

In performing their assessment of the Group and the Parent Company's ability to continue as going concerns, the Directors have prepared a cashflow forecast for the period ending 30 May 2026, which indicates that in current conditions, the Group and the Parent Company will have sufficient cash to cover its costs. At present the cost base of the business principally consists of administrative costs, listing costs and costs to maintain the licences in good-standing. Therefore, no additional funding will be required, before June 2026 to meet the day-to-day operational cashflow requirements of the Group and the Parent Company.

As noted above, the Group and the Parent Company have a commitment to drill a well before the expiry of their production and discovery area licences on 31 December 2026. To meet this commitment, they need to secure further funding, either through a farm-out or by raising capital if the farm-out is not successful. However, neither option is guaranteed. If the Group does not successfully raise the capital needed or identify a suitable farm-out partner, the Group will seek to gain an extension to the licences and the associated commitment to drill the well, which is also not guaranteed. This indicates the existence of a material uncertainty which may cast significant doubt on the Group and the Parent Company's ability to continue as going concerns and therefore, the Group and the Parent Company may be unable to realise their assets and discharge their liabilities in the ordinary course of business.

The Directors consider that the required funding will be forthcoming and therefore the going concern basis of preparation is deemed appropriate. The financial statements do not include any adjustments that would be necessary if the Group and the Parent Company were unable to continue as going concerns.

Directors' Duties

The Directors act in accordance with a set of duties detailed in section 172 of the Companies Act which are summarised as follows:

- A director of a company must act in the way they consider, in good faith, would be the most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so, have regard to:
    - The likely consequences of any decisions in the long term;
    - The interests of the company's employees;
    - The need to foster the company's business relationships with suppliers, customers and others;
    - The impact of the company's operations on the community and environment;
    - The desirability of the company maintaining a reputation for high standards of business conduct; and
    - The need to act fairly between shareholders of the company.

PRINCIPAL RISKS AND UNCERTAINTIES continued

Section 172 Statement

In addition to that outlined in the Chairman's and CEO's report (page 3) the ESG section above and in the Director's Report (pages 14-15), the Directors fulfilled their duties during the year in the following ways.

Throughout the year the Company has engaged with its key stakeholders and has incorporated their feedback into the Board's main strategic decisions. The two principal areas of strategic focus have been the pursuit of funding/partners for the next phase of operations and the advancement of the sub-surface technical work.

As a company active in the Falkland Islands we ensure we represent the interests of the Falkland Islands community, the Falkland Islands Government, Department of Minerals and environmental groups. As a member of FIPLA (Falkland Islands Petroleum Licensee's Association), not only do we foster relationships with other Falkland Islands operating companies, but also engage with the government on petroleum policy development and matters impacting our business. We also provide support to environmental groups for base-line studies with the objective of minimising our impact on the natural environment. Through our monthly reporting to the Falkland Islands Department of Minerals we communicate developments in our sub-surface work and listen to any feedback offered by their advisors at the British Geological Survey.

In our technical work, we have developed wider relationships with the academic community. For many years we have made our data available to certain British universities and mentored students.

The Company's strategies, results and on-going developments are communicated to shareholders and other stakeholders through the Company's website, incorporating London Stock Exchange public releases and presentation material. The Board of Directors are made aware of shareholder comments and feedback. Shareholders are encouraged, where possible, to attend the annual AGM to offer direct feedback to all the Company's Directors.

As a relatively small company with a business structure that has a limited number of in-house roles supported by expert out-sourced functions, we are able to ensure a high level of communication with all employees. This cultivates a good appreciation of business risks and objectives and provides employees with direct access to all Board members and input into critical decision making.

The Strategic Report was approved by the Directors on 15 May 2025 and signed on its behalf by:

Harry Dobson
Non-Executive Chairman

INTRODUCTION TO GOVERNANCE

Principles of corporate governance

I am, along with the rest of the directors, responsible for corporate governance. The board currently comprises the Non-Executive Chairman, two Executive Directors and two Non-executive Directors. The roles of the Chairman and CEO are separate and clearly defined. All of the Directors bring independent judgement to bear on issues of strategy, performance, resources, key appointments and standards. One of the critical roles of the board is to make decisions that are in the best interests of the Company and that follow the six key factors in S172(1) of the Companies Act. The board meets regularly throughout the year and all the necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. The board considers that the current balance of Executive and Non-executive Directors is appropriate for the Company, taking into account its size and status. All Directors retire by rotation.

QCA Corporate Governance

The Company follows the QCA corporate governance code which was chosen as the most appropriate for the time being. The Company remains compliant with the principles of the code and further details can be found on its website under investor relations/ corporate governance.

My role as Chairman

I have been Chairman of the Company since its inception and I am responsible for the effective running of the board and for ensuring that it plays a constructive role in the development of the Company. Together with the Chief Executive Officer, I also set and run the board meeting agendas. I am in regular contact with the Chief Executive Officer on matters to do with the strategy.

Role of the Non-executive Directors

Both William Hodson and Sean Guest bring oil and gas business experience to the board and its Committees. They also provide independent views on the Company's performance, operations and strategy. They are actively involved in other Companies as executives or investors so their skills are kept up to date through these activities.

Audit Committee

The Audit Committee comprises two Non- executive Directors. The members of the Audit Committee and their attendance at meetings of the Audit Committee during 2024 are detailed in page 11.

The objectives of the Audit Committee are to ensure:

- the accuracy and integrity of the financial statements and related disclosures;
- the keeping of adequate books, records and internal controls;
- compliance with legal and regulatory requirements; and
- oversight and communication with the Auditors

Internal Controls

The board is responsible for approving all major projects, external reports and budgets. The Company has robust internal controls and risk management procedures which are reviewed regularly to ensure they are aligned with best practice.

Insurances

The Company has taken out Directors and Officers insurance that provides insurance cover for all Directors and senior officers of the Company. This insurance is reviewed annually.

Key performance indicators

At this stage in its development, the Company is focused on the development of the Darwin discovery. When the Company commences production, KPIs will be developed and reported as appropriate. The Directors do, however, closely monitor certain financial information, in particular overheads and cash balances.

Harry Dobson
Non-Executive Chairman 16 May 2025

BOARD OF DIRECTORS

Harry Dobson

Non-executive Chairman

Committee Memberships

Chairman of the Remuneration Committee and member of the Audit Committee

Experience

- Former investment banker and senior partner of Yorkton Securities plc
- Former Chairman of American Pacific Mining Company Inc, Lytton Minerals Limited, Kirkland Lake Gold Inc and Rambler Metals and Mining plc
- Former director of Copper Bay Limited, Glenmore Highlands Inc., Belvedere Resources Ltd and Concordia Resource Corp.

Harry Baker

Chief Executive Officer

Committee Memberships

None

Experience

- Nearly 24 years of capital markets experience from previous roles with Auctus Advisors, GMP First Energy, Mirabaud Securities and Canaccord Capital.

Peter Fleming

Finance Director

Committee Memberships

None

Experience

- Over 30 years of upstream oil and gas experience including BHP Billiton
- Held senior positions in exploration and business development, investment evaluation, acquisitions and disposals and strategic planning
- Masters degrees in business administration and finance.

William Hodson

Non-executive Director

Committee Memberships

Chairman of the Audit Committee and member of the Remuneration Committee

Experience

- Over 20 years' experience advising clients in the natural resources sector.
- Former partner of Ocean Equities Limited
- Former partner in Pareto Securities Limited.

Sean Guest

Non-executive Director

Committee Memberships

Member of the Audit Committee the Remuneration Committee

Experience

- Currently President and CEO of Valeura Energy Inc.
- Over 35 years' experience in upstream oil and gas
- Held senior roles in Woodside, Shell and Schlumberger

Number of board meetings during 2024

Attendance	Board	Remuneration Committee	Audit Committee
Harry Dobson	5	–	2
Harry Baker	5	–	–
Peter Fleming	5	–	–
William Hodson	5	–	2
Sean Guest	1	–	1

REMUNERATION COMMITTEE REPORT

On 18 May 2005 all of the Company's Directors entered into a service agreement with the Company except for William Hodson who signed the agreement when he joined during 2022, Harry Baker signed the agreement in February 2024 and Sean Guest in June 2024.

The board has a Remuneration Committee comprising myself and two non-executive Directors. The members of the Remuneration Committee are detailed in the Directors' Report.

The purpose of the Remuneration Committee is to independently ensure the company remunerates fairly and responsibly and ensure that the level and composition of remuneration for all employees is competitive. Both short- and long-term performance-based components are reviewed. The Company benchmarks its remuneration and overheads with comparable peer group companies.

The remuneration of the Directors for the year ended 31 December 2024 was as follows:

	Basic salary		Share-based payment		**Total 2024**		Total 2023	
	£	$	£	$	**£**	**$**	£	$
Harry Dobson	–	–	–	–	**–**	**–**	–	–
Harry Baker	104,167	133,432	29,461	37,302	**133,628**	**170,734**	–	–
Peter Fleming	100,000	127,863	11,784	14,920	**111,784**	**142,783**	100,000	120,000
William Hodson	20,000	25,572	–	–	**20,000**	**25,572**	20,000	24,000
Howard Obee	20,833	26,397	–	–	**20,833**	**26,397**	125,000	150,000
Sean Guest	–	–	6,591	8,345	**6,591**	**8,345**	–	–
	245,000	313,264	47,836	60,567	**292,836**	**373,831**	245,000	294,000

Howard Obee left the Company at the end of February 2024 and was paid £20,800 ($26,000) in 2024 and £125,000 ($150,000) in 2023.

The Company paid £30,000 ($38,000) (2023 £30,500 ($38,000)) in employer National Insurance for its Directors during the year. The Group operates a pension scheme for some of its employees. Bruce Farrer, a key management person, was paid a salary of £100,000 in 2024 ((£100,000 – 2023).

Share-based payment disclosed above relates to the share-based payment expense. There were no options exercised during the year by Directors.

Harry Dobson
Non-Executive Chairman of the Remuneration Committee

16 May 2025

DIRECTORS' REPORT

Directors and their interests

The following are Directors who served during the year:

	Appointed on	Resigned on
Harry Dobson	8 June 2004	
Harry Baker	01 March 2024	
Peter Fleming	5 April 2005	
William Hodson	29 December 2020	
Sean Guest	16 June 2024	
Howard Obee	8 June 2004	1 March 2024

The beneficial and other interests of the Directors and their families in the share capital at 31 December 2024 and at 31 December 2023, were as follows:

	At 31 December 2024 Number	At 31 December 2023 Number
Harry Dobson	**109,372,000**	81,372,000
Harry Baker	**3,333,333**	–
Peter Fleming	**2,200,000**	2,200,000
William Hodson	**666,667**	–
Sean Guest	**1,666,667**	–

The ordinary shares in which Harry Dobson is interested are held by the Zila Corporation (Zila), a company owned by the Whitmill Trust Company Limited, as trustee of The Lotus Trust of which he is a beneficiary. During 2024 Zila, Harry Baker, Wiliam Hodson and Sean Guest subscribed to shares as part of the October capital raise.

The Group has provided the Directors with qualifying indemnity insurance from a third party.

Share options

	Number of options held at the beginning of the year	Number of options held at the end of the year	Fair value of Options	Exercise price	Vesting period
Harry Baker	–	22,000,000	1 pence	2.3 pence	three years
Peter Fleming	–	8,800,000	1 pence	2.3 pence	three years
Sean Guest	–	7,300,000	1 pence	2.3 pence	three years

The share-based payments are the amortisation over the vesting period of the fair value of options issued to Directors in previous years. See note 8 for more details.

DIRECTORS' REPORT continued

Substantial shareholders

At 31 March 2025, the following held 3% or more of the nominal value of the Company's shares carrying voting rights:

	Number of Ordinary shares	% of share capital
Zila Corporation	112,319,368	12.80%
Alan Brimacombe	104,535,965	11.91%
Mr H Mason	55,000,000	6.27%
Monique Newlands	33,250,000	3.79%
Interactive Investor	32,568,562	3.71%
Hargreaves Lansdown	32,226,503	3.67%
HSDL	26,431,525	3.01%

Domicile

The Parent Company of the Group, Borders & Southern Petroleum plc, is a public limited company and is registered and domiciled in England.

Results and dividends

The Group Statement of Comprehensive Income is set out on page 23 and shows the result for the year. The Directors did not recommend the payment of a dividend (2023 – $nil).

Review of business and future developments

A review on the operations of the Group is contained in the Chairman and CEO's Review on page 3 onwards.

Charitable and political donations

There were no political or charitable contributions made by the Company or the Group during the year (2022– $nil).

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in note 21 of the financial statements.

Energy Efficiency

As the Company is not currently in operations, the energy usage is very low so the Company is not required to disclose specific energy efficiency information.

Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with UK adopted International Accounting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM market.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with UK adopted International Accounting Standards, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

DIRECTORS' REPORT continued

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditor

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of its audit and to establish that the auditor is aware of that information.

The Directors are not aware of any relevant audit information of which the auditor is unaware.

BDO LLP has expressed its willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting, by order of the board

William Slack
Company Secretary May 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BORDERS & SOUTHERN PETROLEUM PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2024 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Borders & Southern Petroleum Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2024 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position , the consolidated statement of changes in equity, the company statement of financial position, the company statement of changes in equity, consolidated statement of cash flows, the company statement of cash flows, and notes to the financial statements, including a summary of material accounting policy information.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is UK adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 to the financial statements which indicates that the Group and the Parent Company have a commitment to drill a well before the expiry of their production and discovery area licences on 31 December 2026. To meet this commitment, they need to secure further funding, either through a farm-out or by raising capital if the farm-out is not successful. However, neither option is guaranteed. If the Group does not successfully raise the capital needed or identify a suitable farm-out partner, the Group will seek to gain an extension to the licences and the associated commitment to drill the well, which is also not guaranteed. As stated in Note 1 to the financial statements, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group and the Parent Company's ability to continue as going concerns. The financial statements do not include any adjustments that would be necessary if the Group and the Parent Company were unable to continue as going concerns. Our opinion is not modified in respect of this matter.

Given the material uncertainty noted above and our risk assessment, we considered going concern to be a key audit matter.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- Obtaining, challenging and assessing the base case cash flow forecasts and the underlying assumptions which have been approved by the Directors. We held discussions with the Directors to establish the level of certainty of the expected fund-raising initiatives to fund the costs relating to the commitment to drill a well before the expiry of the production licence.
- We reviewed the correspondences between the Directors and Falkland Islands Government that occurred in April and May 2024 relating to the extension of the production and discovery area licences expiring in December 2026 and the conditions and commitments attached to the licences.
- We compared the Group's and the Parent Company's actual operational results in the current year to the budget for 2024, to assess the Directors' ability to forecast accurately.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BORDERS & SOUTHERN PETROLEUM PLC continued

- We challenged the Directors forecasted costs by assessing against year-to-date actual costs and contracts as appropriate.
- We reviewed the mathematical accuracy of the cash flow model.
- We reviewed the costs associated with drilling the well and discussed with the Directors to understand the plans in place for finding a partner, and the stage they are in finding a partner. We also reviewed the Group's engagement letter with the financial advisor and discussed with the audit committee on the progress of the farm-out.
- We reviewed the corporate presentation the market made in the first quarter of 2025 and agreed the £2.2 million cash raised subsequent to year end to bank statements.
- Performing stress testing analysis on the cash flows in order to determine whether there were alternative scenarios, other than those identified by the Directors, in which liquidity was breached. Our testing included scenarios application of inflation increase to the costs we expected to change due to inflation, and we recalculated the expected monthly cash flows to end of June 2026.
- We reviewed and considered the adequacy and consistency of the disclosure within the financial statements relating to the Directors' assessment of going concern basis of preparation against the cash flow models to ensure key judgements within the assessment are appropriately disclosed.

In auditing the financial statements, we have concluded that Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2024	2023
Key audit matters	Carrying value of exploration and evaluation of assets (Group) and intercompany loan receivable (Parent Company)	✓	✓
	Going Concern (Group and Parent Company)	✓	✓
Materiality	**Group financial statements as a whole** $4.2m (2023:$4.1m) based on 1.4% (2023: 1.4%) of Total assets.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, the applicable financial reporting framework and the Group's system of internal control. On the basis of this, we identified and assessed the risks of material misstatement of the Group financial statements including with respect to the consolidation process. We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risks to the group financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the group risk of material misstatement to an acceptable level, in order to provide a basis for our opinion.

Components in scope

The Group consists of the Parent Company (Borders & Southern Petroleum Plc) and one subsidiary (Borders & Southern Falkland Islands Limited). As part of performing our Group audit, we have determined Parent Company to be in full scope audit and the subsidiary to be full scope audit on financial statement areas based on the Group risks assessment. Both components are audited by the Group audit team. Both the components are managed centrally by the same finance team which is based in the United Kingdom and therefore the control environment is the same.

For components in scope, we used a combination of risk assessment procedures and further audit procedures to obtain sufficient appropriate evidence. These further audit procedures included procedures on the entire financial information of the component, including performing substantive procedures.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BORDERS & SOUTHERN PETROLEUM PLC continued

Procedures performed at the component level

We performed procedures to respond to group risks of material misstatement at the component level that included the following.

Component	Component Name	Entity	Group Audit Scope
1	Parent entity	Borders & Southern Petroleum Plc	Statutory audit and procedures on the entire financial information of the component.
2	Subsidiary	Borders & Southern Falkland Islands Limited.	Full scope procedures on one or more classes of transactions, account balances or disclosures

For the purpose of our group audit, the group consisted of two components in total which were two legal entities.

The Group engagement team has performed all procedures directly and has not involved component auditors in the Group audit.

Procedures performed centrally

We considered there to be a high degree of centralisation of financial reporting and commonality of controls and similarity of the group's activities and business lines in relation to all FSAs. We therefore designed and performed procedures centrally in these areas.

The group operates and also outsource a centralised IT function that supports IT processes for all components. This IT function is subject to specified risk-focused audit procedures, predominantly the testing of the relevant IT general controls and IT application controls.

Locations

The Parent Company (Borders & Southern Petroleum Plc) is based in the United Kingdom and Borders & Southern Falkland Islands Limited is based in Falkland Islands. The Group is currently in exploration stage with limited operations in Falkland Islands. Our audit teams as a result worked with the central finance team located in London and no visits were made.

Changes from the prior year

There are no changes in the Group from prior year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BORDERS & SOUTHERN PETROLEUM PLC continued

Key audit matter		How the scope of our audit addressed the key audit matter
Carrying value of exploration and evaluation assets (Group) and Intercompany loan receivable (Parent Company) **(Please refer to notes 12 & 14 and note 1 for the relevant accounting policies)**	The Group's exploration and evaluation assets associated with the Darwin and Stebbing license areas in the Falkland Islands represent the key assets on the Group's statement of financial position. As at 31 December 2024, the Group's exploration and evaluation assets totalled $293.4m (2023: $294.2m). Management performed an impairment indicator review to assess whether there were any indicators of impairment for the exploration assets, noting that the current licences have an expiry date in December 2026. Given the inherent judgement involved in the assessment of potential triggers for impairment and any subsequently required assessment of the carrying value of the exploration and evaluation assets, and the overall significance of the carrying value in the context of the Group statement of financial position, we considered this to be a key audit matter. As at 31 December 2024, the Parent Company has an intercompany loan receivable from its subsidiary, amounting to $294.4 million (2023: $293.9 million). Judgement is required in determining whether and expected credit loss should be recorded against the intercompany loan. Management considered whether the subsidiary could repay the loans if they were demanded at the statement of financial position date. Based on management's assessment, no expected credit loss was recognised. Given the inherent judgement involved in the assessment of the expected credit loss, and the significance of the carrying value in the context of the parent Company statement of financial position, we considered this to be a key audit matter.	• We assessed and challenged Management's impairment indicator review to establish whether it was performed in accordance with the Group's accounting policy and the relevant accounting standard. • We confirmed that the exploration licenses were valid at the year end and that no breaches of licences and commitments had occurred. • We considered whether there was evidence in the Group cash flow forecasts that funding was available to maintain the exploration and evaluation assets in full. • We have obtained prior year technical reports prepared by the expert engaged by Management to report to them on the resources and possible production output of the project, which includes an economic model estimating the net present value of the exploration and evaluation assets over the life of the project. We rolled over from prior year the consideration of the independence, competence and objectivity of Management's expert with reference to their scope of work, qualifications and the declarations of independence made in their report. We have read their report and considered whether its content highlights any indicators of impairment not already considered by Management. • We have confirmed our understanding of the nature and terms of the intercompany loan receivable through discussion with management and obtaining supporting documentation. • We have obtained and reviewed management's assessment for expected credit losses and evaluated the ability of the subsidiary to repay the loan balance, based on the assessment of the underlying exploration and evaluation assets. **Key observations:** We noted that the Group has a commitment to drill a well before the expiry of its production licence on 31 December 2026. The Directors are exploring the strategic options available to drill a well and the possibility of obtaining an extension to the licences and the associated commitments. Although we agreed with the Directors' assessment there were no triggers for impairment under IFRS 6 (Group) or expected credit losses under IFRS 9 (Parent Company) at 31 December 2024, we noted if the Directors did not identify a strategic option that would result in the drilling of the commitment well or secure an extension to the licence, it could result in an impairment trigger or expected credit loss in future. The financial statements do not contain the adjustments that would be required if an impairment were to arise. We found the Directors' assessment of the carrying value of E&E assets and intercompany receivables to be acceptable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BORDERS & SOUTHERN PETROLEUM PLC continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2024 $m	**2023 $m**	**2024 $m**	**2023 $m**
Materiality	4.2	4.1	4.1	4.1
Basis for determining materiality	Group materiality was set at 1.4% (2023: 1.4%) of the total assets.		Parent company materiality was set at 1.4% (2023: 1.4%) of the total assets.	
Rationale for the benchmark applied	We consider total assets to be the financial metric of the most interest to shareholders and other users of the financial statements, given the Group and Parent Company are natural resources exploration entities			
Performance materiality	3.1	3.1	3.1	3.1
Basis for determining performance materiality	Performance materiality was set at 75% (2023: 75%) of the above materiality levels.			
Rationale for the percentage applied for performance materiality	Performance materiality has been set at 75% considering the nature of activities, historic audit adjustments and Management's attitude to correcting identified misstatements.			

Specific materiality

We also determined that for Consolidated statement of comprehensive income, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on 10% (2023:10%) of loss before taxation of $138,000 (2023: $102,000). We further applied a performance materiality level of 75% (2023:75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component performance materiality

For the purposes of our Group audit opinion, we set performance materiality for each component of the Group, based on a percentage of 95% (2023: 75%) of Group performance materiality dependent on a number of factors including nature, size and our assessment of the risk of material misstatement of those components. Component performance materiality was $3.0m (2023: $2.3m).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of $83,000 (2023: $82,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BORDERS & SOUTHERN PETROLEUM PLC continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the document entitled annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BORDERS & SOUTHERN PETROLEUM PLC continued

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the UK adopted international accounting standards, Companies Act 2006, UK tax legislation, AIM Listing Rules and applicable Falklands Islands mineral resources laws and regulations.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be UK Bribery Act.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management those charged with governance including Audit Committee, regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
    - Detecting and responding to the risks of fraud; and
    - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and fraudulent reporting on the annual report narrative disclosures.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias related to assessment of the impairment triggers carrying value of exploration asset; and
- Reviewing the narrative disclosures on the annual report and assessed consistence with our understanding of the Group.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BORDERS & SOUTHERN PETROLEUM PLC continued

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditors responsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Black (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

15 May 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024

Continuing Operations	Note	**2024 $'000**	2023 $'000
Administrative expenses		**(1,159)**	(1,141)
Loss from operations	3	**(1,159)**	(1,141)
Finance income	9	**15**	81
Finance expense	9	**(73)**	–
Loss before tax		**(1,217)**	(1,060)
Tax expense	10	**–**	–
Loss for the year and total comprehensive loss for the year attributable to equity owners of the parent		**(1,217)**	(1,060)
Basic and diluted loss per share (see note 4)	4	**(0.16) cents**	(0.14) cents

There is no other comprehensive income.

The notes on pages 31 to 44 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

		2024		2023	
	Note	**$'000**	**$'000**	$'000	$'000
Assets					
Non-current assets					
Property, plant and equipment	11		**10**		8
Intangible assets	12		**294,269**		293,741
Total non-current assets			**294,279**		293,749
Current assets					
Other receivables	14	**1,090**		164	
Cash and cash equivalents	15	**2,090**		1,928	
Total current assets			**3,180**		2,092
Total assets			**297,459**		295,841
Liabilities					
Current liabilities					
Trade and other payables	16		**(1,181)**		(156)
Total net assets			**296,278**		295,685
Equity attributable to the equity owners of the parent company					
Share capital	17		**12,456**		11,155
Share premium	17		**310,977**		310,541
Other reserves			**1,851**		1,778
Retained deficit			**(28,990)**		(27,773)
Foreign currency reserve			**(16)**		(16)
Total equity			**296,278**		295,685

The notes on pages 31 to 44 form part of the financial statements.

The financial statements were approved by the board of Directors and authorised for issue on 16 May 2025.

Harry Baker
Director

Peter Fleming
Director

Company Number: 05147938

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Share capital $'000	Share premium $'000	Other reserves $'000	Retained deficit $'000	Foreign currency reserve $'000	Total $'000
Balance at 1 January 2023	10,718	310,195	1,778	(26,713)	(16)	295,962
Loss and total comprehensive loss for the year	–	–	–	(1,060)	–	(1,060)
Shares issue	437	346	–			783
Balance at 31 December 2023	11,155	310,541	1,778	(27,773)	(16)	295,685
Loss and total comprehensive loss for the year	–	–	–	(1,217)	–	(1,217)
Shares issue	1,301	436	73			1,810
Balance at 31 December 2024	**12,456**	**310,977**	**1,851**	**(28,990)**	**(16)**	**296,278**

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	**Description and purpose**
Share capital	This represents the nominal value of shares issued.
Share premium	Amount subscribed for share capital in excess of nominal value.
Other reserves	Fair value of options issued less transfers to retained deficit on expiry.
Retained deficit	Cumulative net gains and losses recognised in the Consolidated Statement of Comprehensive Income.
Foreign currency reserves	Differences arising on the translation of foreign operation to US dollars.

The notes on pages 31 to 44 form part of the financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
At 31 December 2024

		2024		2023	
	Note	**$'000**	**$'000**	$'000	$'000
Assets					
Non-current assets					
Property, plant and equipment	11		**10**		8
Inter-company loan	14		**294,448**		293,920
Total non-current assets			**294,458**		293,928
Current assets					
Other receivables	14	**1,090**		164	
Cash and cash equivalents	15	**2,090**		1,928	
Total current assets			**3,180**		2,092
Total assets			**297,638**		296,020
Liabilities					
Current liabilities					
Trade and other payables	16		**(1,182)**		(157)
Total net assets			**296,456**		295,863
Equity attributable to owners of the parent company					
Share capital	17		**12,456**		11,155
Share premium	17		**310,977**		310,541
Other reserves			**1,851**		1,778
Retained deficit			**(28,810)**		(27,593)
Foreign currency reserve			**(18)**		(18)
Total equity			**296,456**		295,863

The Parent Company has taken advantage of the exemption from the requirement to publish its own income statement.

The Parent Company loss for the year ended 31 December 2024 was $1,217,000 (2023: $1,060,000). The notes on pages 31 to 44 form part of the financial statements.

The financial statements were approved by the board of Directors and authorised for issue on 16 May 2025.

Harry Baker
Director

Peter Fleming
Director

Company Number: 05147938

COMPANY STATEMENT OF CHANGES IN EQUITY
At 31 December 2024

	Share capital $'000	Share premium reserve $'000	Other reserves $'000	Retained deficit $'000	Foreign currency reserve $'000	Total $'000
Balance at 1 January 2023	10,718	310,195	1,778	(26,533)	(18)	296,140
Loss and total comprehensive loss for the year	–	–	–	(1,060)	–	(1,060)
Share issue	437	346	–	–	–	783
Balance at 31 December 2023	11,155	310,541	1,778	(27,593)	(18)	295,863
Loss and total comprehensive loss for the year	–	–	–	(1,217)	–	(1,217)
Shares issue	1,301	436	73	–	–	1,810
Balance at 31 December 2024	**12,456**	**310,977**	**1,851**	**(28,810)**	**(18)**	**296,456**

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share capital	This represents the nominal value of shares issued.
Share premium	Amount subscribed for share capital in excess of nominal value.
Other reserves	Fair value of options issued less transfers to retained deficit on expiry.
Retained deficit	Cumulative net gains and losses recognised in the Consolidated Statement of Comprehensive Income.
Foreign currency reserve	Differences arising on the translation of foreign operation to US dollars.

The notes on pages 31 to 44 form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

		2024		2023	
	Note	**$'000**	**$'000**	$'000	$'000
Cash flow from operating activities					
Loss before tax			**(1,217)**		(1,060)
Adjustments for: Depreciation	11		**6**		–
Share-based payment	8		**73**		–
Finance costs	9		**73**		–
Finance income	9		**(15)**		(81)
Cash flows used in operating activities before changes in working capital			**(1,080)**		(1,141)
(Increase)/decrease in other receivables			**(926)**		412
Increase/(decrease) in trade and other payables			**1,025**		(408)
Net cash outflow from operating activities			**(981)**		(1,137)
Cash flows used in investing activities					
Purchase of tangible assets	11	**(8)**		(8)	
Purchase of intangible assets	12	**(528)**		(497)	
Interest received	9	**15**		–	
Net cash used in investing activities			**(521)**		(505)
Cash flows used in financing activities					
Shares issue, net of directly attributable costs	17	**1,737**		783	
Net cash from financing activities			**1,737**		783
Net increase/(decrease) in cash and cash equivalents			**235**		(859)
Cash and cash equivalents at the beginning of the year	15		**1,928**		2,707
Exchange (loss)/gain on cash and cash equivalents			**(73)**		81
Cash and cash equivalents at the end of the year			**2,090**		1,928

The notes on pages 31 to 44 form part of the financial statements.

COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

		2024		2023	
	Note	**$'000**	**$'000**	$'000	$'000
Cash flow from operating activities					
Loss before tax			**(1,217)**		(1,060)
Adjustments for: Depreciation	11		**6**		–
Share-based payment	8		**73**		–
Finance costs	9		**73**		–
Finance income	9		**(15)**		(81)
Cash flows used in operating activities before changes in working capital			**(1,080)**		(1,139)
(Increase) in other receivables			**(926)**		(46)
Increase/(decrease) in trade and other payables			**1,025**		(408)
Net cash outflow from operating activities			**(981)**		(1,593)
Cash flows used in investing activities					
Purchase of tangible fixed assets	11	**(8)**		(8)	
Interest received	16	**15**		–	
(Decrease) in amounts due from Group undertaking		**(528)**		(42)	
Net cash from/(used in) investing activities			**(521)**		(50)
Cash flows from financing					
Cash flows from financing activities					
Shares issue	17	**1,737**		783	
Net cash from financing activities			**1,737**		783
Net increase/(decrease) in cash and cash equivalents			**235**		(860)
Cash and cash equivalents at the beginning of the year	15		**1,928**		2,707
Exchange (loss)/gain on cash and cash equivalents			**(73)**		81
Cash and cash equivalents at the end of the year			**2,090**		1,928

The notes on pages 31 to 44 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

1 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied to all years presented.

The Consolidated and Parent Company financial statements have been prepared in accordance with UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

The consolidated financial statements have been prepared under the historical cost convention.

New standards, interpretations and amendments adopted from 1 January 2024

The following new standards and amendments are effective for the period beginning 1 January 2024:

- Classification of Liabilities as Current or Non-Current (Amendment to IAS 1).
- Lease Liability in a Sale or Leaseback (Amendment to IFRS 16).
- Non-Current Liabilities with Covenants (Amendment to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

None of these amendments had any impact on the Group.

New standards, interpretations and amendments not yet effective

At the date of authorisation of these financial statements, the group has not applied the following new Accounting Standards.

- Amendments to IFRS 18 Presentation and Disclosure in Financial Statements
- Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures
- Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments
- Amendments to IFRS 9 and IFRS 7 Contracts referencing Nature-dependent Electricity
- Lack of Exchangeability (Amendments to IAS 21)

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the group in future periods.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Going Concern

The 31 December 2024 financial statements has been prepared based on the going concern basis, which assumes the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. The going concern assessment of the Parent Company has been performed as part of the Group's going concern assessment.

At 31 December 2024, the Group had a net cash position of $2.09m (31 December 2023: $1.9m). The Group does not have any external borrowings or debts. The Group and the Parent Company have a commitment to drill a well before the expiry of their production and discovery area licences on 31 December 2026 (see note 19). The Group plans to fund the well developments through a farm-out or by raising additional capital if the farm-out is not successful. If the Group does not successfully raise the capital needed or identify a suitable farm-out partner, the Group will seek to gain an extension to the licences and the associated commitment to drill the well. This is in line with previous extensions and the Directors are confident that further

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

1 Accounting policies continued

extensions will be granted. Historically, the Falkland Islands Government has required the Group to show evidence of its ability to pay the licence fees before an extension. The Directors discussed the extension of the production and discovery area licences with the Falkland Islands Government in April and May 2024, including the conditions and commitments attached to the licences.

As part of its plan to raise funds, the Group made a corporate presentation to the market in the first quarter of 2025, which included its plan for drilling the well. As a result of this, the Parent Company raised £2.2 million ($2.8 million) through a share issue.

In addition to this, as at the date of approval of the financial statements, the Group's financial advisor is currently seeking potential farm-out partners. Discussions are ongoing but not yet at an advanced stage. In performing their assessment of the Group and the Parent Company's ability to continue as going concerns, the Directors have prepared a cashflow forecast for the period ending 30 May 2026, which indicates that in current conditions, the Group and the Parent Company will have sufficient cash to cover its costs. At present the cost base of the business principally consists of administrative costs, listing costs and costs to maintain the licences in good-standing. Therefore, no additional funding will be required, before June 2026 to meet the day-to-day operational cashflow requirements of the Group and the Parent Company.

As noted above, the Group and the Parent Company have a commitment to drill a well before the expiry of their production and discovery area licences on 31 December 2026. To meet this commitment, they need to secure further funding, either through a farm-out or by raising capital if the farm-out is not successful. However, neither option is guaranteed. If the Group does not successfully raise the capital needed or identify a suitable farm-out partner, the Group will seek to gain an extension to the licences and the associated commitment to drill the well, which is also not guaranteed. This indicates the existence of a material uncertainty which may cast significant doubt on the Group and the Parent Company's ability to continue as going concerns and therefore, the Group and the Parent Company may be unable to realise their assets and discharge their liabilities in the ordinary course of business.

The Directors consider that the required funding will be forthcoming and therefore the going concern basis of preparation is deemed appropriate. The financial statements do not include any adjustments that would be necessary if the Group and the Parent Company were unable to continue as going concerns.

Loss for the financial year

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements. The Parent Company loss for the year ended 31 December 2024 was $1,414,000 (2023: $1,060,000) which is dealt with in the financial statements of the Parent Company.

The Company's investments in subsidiaries

The Parent Company's subsidiaries are carried at cost less amounts provided for impairment.

Finance income and Finance expenses

Finance income consists of interest on cash deposits and foreign exchange gain. Interest is recognised using the effective interest method.

The finance expense consists of interest on lease liabilities and foreign exchange losses. Interest paid is recognised using the effective interest method.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of Directors.

Property, plant and equipment

Office equipment is initially recorded at cost. Depreciation is provided on office equipment to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Office equipment – 33.3%
Right-of-use assets (Property) – over term of lease

Assets are depreciated from the date of acquisition and on a straight-line basis. Right of use assets are depreciated from the date that the asset is available for use.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

1 Accounting policies continued

Exploration and evaluation expenditure

The Group applies the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources in respect of its exploration and evaluation expenditure. The requirements of IFRS 6 are not applied to expenditure incurred by the Group before legal rights to explore in a specific area have been granted, generally referred to as pre-licence expenditure. Likewise, the Group does not apply the requirements of IFRS 6 after the point at which the technical feasibility and commercial viability of extracting hydrocarbons are demonstrable.

The costs of exploring for and evaluating hydrocarbon resources are accumulated and capitalised as intangible assets by reference to appropriate cash-generating units (CGUs), generally referred to as full cost accounting. Such CGUs have been determined by the Group to be a Darwin CGU and a Stebbing CGU and are noted as not being larger than an operating segment prior to aggregation as determined in accordance with IFRS 8 Operating Segments. Whilst the short-term focus is on developing Darwin, Stebbing remains a viable prospect for growth beyond Darwin.

Capitalised exploration and evaluation expenditure may include, amongst other costs, costs of licence acquisition, third party technical services and studies, seismic acquisition, exploration drilling and testing, but do not include general overheads. Any property, plant and equipment (PPE) acquired for use in exploration and evaluation activities is classified as property, plant and equipment. However, to the extent that such PPE is consumed in developing an intangible exploration and evaluation asset, the amount reflecting that consumption is recorded as part of the cost of the intangible exploration and evaluation asset.

Intangible exploration and evaluation assets are not depreciated and are carried forward, subject to the provisions of the Group's impairment of exploration and evaluation policy, until the technical feasibility and commercial viability of extracting hydrocarbons are demonstrable. At such point, exploration and evaluation assets are assessed for impairment and any impairment loss is recognised before reclassification of the assets to a category of property, plant and equipment.

Impairment of exploration and evaluation expenditure

The Group's exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of the exploration and evaluation assets may exceed the assets' recoverable amount.

In accordance with IFRS 6, the Group firstly considers the following facts and circumstances in their assessment of whether the Group's exploration and evaluation assets may be impaired:

- whether the period for which the Group has the right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- whether substantive expenditure on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- whether exploration for and evaluation of hydrocarbons in a specific area have not led to the discovery of commercially viable quantities of hydrocarbons and the Group has decided to discontinue such activities in the specific area; and
- whether sufficient data exists to indicate that although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

If any such facts or circumstances are noted, the Group, as a next step, perform an impairment test in accordance with the provisions of IAS 36.

In such circumstances, the aggregate carrying value of the exploration and evaluations assets is compared against the expected recoverable amount of the CGU. The recoverable amount is the higher of value in use and the fair value less costs to sell. The Group has identified two cash-generating units, a Darwin CGU and a Stebbing CGU. In accordance with the provisions of IFRS 6 the level identified for the purposes of assessing the Group's exploration and evaluation assets for impairment may comprise one or more cash-generating units.

Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Foreign currencies

Transactions in foreign currencies are translated into US dollars at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the closing rates at the

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

1 Accounting policies continued

reporting date and the exchange differences are included in the Statement of Comprehensive Income. The functional and presentational currency of the Parent and all Group companies is the US dollar.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes amounts expected to be payable under any residual value guarantee;

- Right of use assets are initially measured at the amount of the lease liability incentives received, and increased for lease payments made at or before commencement of the lease; and
- initial direct costs incurred

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate.

The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

Share-based payments

The fair value of employee share option plans is calculated using the Black-Scholes pricing model. Non-employee options granted as part of consideration for services rendered are valued at the fair value of those services. Where information on the fair value of services rendered is not readily available, the fair value is calculated using the Black-Scholes pricing model.

In accordance with IFRS 2 Share-based Payments the resulting cost is charged to the Statement of Comprehensive Income over the vesting period of the options. The amount of charge is adjusted each year to reflect expected and actual levels of options vesting.

Where equity-settled share options are awarded, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted.

As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Consolidated Statement of Comprehensive Income over the remaining vesting period.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

1 Accounting policies continued

Financial instruments

Financial instruments are initially recorded at fair value. Subsequent measurement depends on the designation of the instrument, as follows:

- Other receivables are initially recognised at fair value and subsequently at amortised cost using the effective rate of interest, net of expected credit losses.
- Trade and other payables are initially recognised at fair value and subsequently at amortised cost using the effective rate of interest.

Financial instruments issued by Group companies are treated as equity only to the extent that they do not meet the definition of a financial liability.

- The Group's and Company's ordinary shares are all classified as equity instruments.
- Cash and cash equivalents consist of cash at bank on demand and balances on deposit with an original maturity of three months or less from inception.
- Inter-company receivables are held in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. These receivables are initially recognised at fair value and are subsequently carried at amortised cost.

IFRS 9: Impairment of financial assets

The Company has provided a loan to its 100% owned subsidiary that is the license holder in The Falkland Islands. Management have completed a scenario-based assessment of the expected credit loss in accordance with IFRS 9 and concluded that this loss is immaterial.

Taxes

The major components of tax on the profit or loss include current and deferred tax.

Current tax is based upon the profit or loss for the year adjusted for items that are non-assessable or disallowed and is calculated using tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Tax is charged or credited to the Statement of Comprehensive Income, except where the tax relates to items credited or charged directly to other comprehensive income or equity, in which case the tax is also dealt within other comprehensive income or equity respectively.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Statement of Financial Position differs to its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when deferred tax liabilities and assets are settled or recovered.

2 Critical accounting estimates and judgements

Critical accounting estimates and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of signing of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives will be reclassified from the previously reported results to take into account presentational changes.

Critical judgements in applying the Group's accounting policies

Management has made the following judgements which have the most significant effects on the amounts recognised in the financial statements:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

2 Critical accounting estimates and judgements continued

Recoverability of exploration and evaluation costs

Management has made the judgement to group two CGU's together for impairment purposes as both resources are contained within the same license and are close in proximity. Expenditure is capitalised as an intangible asset by reference to the CGUs and is assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgement as to whether there are any circumstances which are considered to be an indicator of impairment. The Production licences and the Discovery Area Licence associated with the CGUs have been extended to December 2026. When taken alongside the positive resource report communicated in 2018 and the expected cash flows from the development of Darwin, management have concluded that there is no impairment of the CGUs at the year end. The extension of the current licence period is dependent on the company demonstrating that it has the funds to pay the licence fees and drilling a commitment well so the company will need to raise additional funds before year end 2026 either through a farm-out or capital raise.

Recoverability of inter-group receivable balances (Company only)

Management are required to apply their judgement in the assessment of whether the inter-group receivable balances held by the Company are subject to any potential expected credit loss. Management have assessed the recoverability of the balances by reference to chances of success of finding first liquids attributed to the specific assets, probabilities around funding and the overall indicative value of the assets derived from third party reports.

3 Loss from operations is stated after charging (crediting)

	2024 $'000	2023 $'000
Staff costs (Note 6)	**496**	480
Share-based payment – equity-settled	**73**	—
Services provided by the auditors:		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated annual accounts	**106**	88
Fees payable to the Company's auditor and its associates for other services:		
Tax services	**3**	6
Depreciation of office equipment	**6**	—
Foreign exchange loss/(gain)	**73**	(71)

4 Basic and dilutive loss per share

The calculation of the basic and dilutive loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The loss for the financial year for the Group was $1,217,000 (2023 – loss $1,060,000) and the weighted average number of shares in issue for the year was 753,828,155 (2023 – 730,814,456). During the year the potential ordinary shares are anti-dilutive and therefore diluted loss per share has not been calculated. At the Statement of Financial Position date, there were 48,926,666 (2023: 2,700,000) potentially dilutive ordinary shares being the share options (see note 8 for further details).

5 Segment analysis

The Company operates in one operating segment (exploration for oil and gas) and in substantially one geographical market (the Falkland Islands), therefore no additional segmental information is presented.

Of the Group's total non-current assets, the property, plant and equipment are based in the UK and all other non-current assets are located in the Falkland Islands.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

6 Staff costs

Staff costs (including Directors) comprise:

	2024 $000	2023 $000
Wages and salaries	**441**	429
Employers' national insurance contributions	**48**	47
Employers' pension contributions	**7**	4
	496	480

The average number of employees (including Directors) employed during the year was six (2023 – five). All employees and Directors of the Group and the Company are considered to be the key management personnel.

7 Directors' emoluments

The Directors' emoluments for the year are as follows:

	2024 $'000	2023 $'000
Executive and Non-Executive Directors		
Wages and salaries	**313**	294
Share-based payments – equity-settled	**73**	—
	386	294

The fees and share-based payments made to each Director are disclosed in the Remuneration Committee Report. During the year, the highest paid director received total remuneration of $133,432 (2023 – $150,000). In addition, Bruce Farrer, Business Development Manager, was paid a salary of £100,000 (£100,000).

During the year retirement benefits were accruing to 1 Director (2023 – 1) in respect of defined contribution pension schemes.

8 Share-based payment

	2024 Weighted average exercise price	**2024 Number**	2023 Weighted average exercise price	2023 Number
Outstanding at 1 January	**11p**	**2,700,000**	**11p**	**3,300,000**
Lapsed during the year	**11p**	**1,400,000**	**15p**	**600,000**
Granted during the year	**2p**	**46,726,666**		
Outstanding at 31 December	**2p**	**48,026,666**	**7p**	**2,700,000**
Exercisable at 31 December	**2p**	**1,300,000**	**7p**	**2,700,000**

The Company operates a share option scheme.

All options are issued at market price at the time of issue, vest after three years and have a life of ten years. When exercised they are equity-settled. The weighted average contractual life of the options outstanding at the year end was 9 years (2023 – 2.1 years). The range of exercise prices of share options outstanding at the end of the year is 1.5p-2.5p (2023 – 0.018p-0.01125p).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

9 Finance income and expense

	2024	2023
	$'000	$'000
Foreign exchange (loss)/gain	**(73)**	71
Bank interest received	**15**	10
	(58)	81

10 Tax expense

	2024	2023
	$'000	$'000
Loss before taxation	**(1,217)**	(1,060)
Standard corporation tax charge at 25% (2023 -23.5%)	**(304)**	(249)
Remeasurement of deferred tax for changes in tax rate	**4**	(15)
Movement in unrecognised deferred tax for the year	**300**	264
Total current and deferred tax for the year	**—**	—

The Group has a deferred tax asset of approximately $3,705,256 (2023 – $3,403,844) in respect of unrelieved tax losses of approximately $14,821,022 at 2024 (2023 – $13,615,377), fixed asset timing differences of $107,000 (2023 – $110,000) and short term timing differences of $12,016 (2023 – $4,889). The rate of tax used in the calculation for the deferred tax asset is 25% (2023 – 25%).The deferred tax asset has not been recognised in the financial statements as the timing of the economic benefit is uncertain.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

11 Property, plant and equipment – Group and Company

	Right of use asset (Property) $'000	Office equipment $'000	Total $'000
Cost			
As at 1 January 2023	311	132	443
Additions	—	8	8
As at 31 December 2023	311	140	451
Depreciation			
As at 1 January 2023	311	132	443
Charge for the year	—	—	—
As at 31 December 2023	311	132	433
Net book value	**—**	8	8

	Right of use asset (Property) $'000	Office equipment $'000	Total $'000
Cost			
As at 1 January 2024	311	140	451
Additions	—	8	8
As at 31 December 2024	311	148	459
Depreciation			
As at 1 January 2024	311	132	443
Charge for the year	—	6	6
As at 31 December 2024	311	138	449
Net book value	—	10	10

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

12 Intangible assets

Group	Exploration and evaluation costs $'000
Cost	
As at 1 January 2023	293,244
Additions	497
As at 31 December 2023	293,741
Net book value	
As at 1 January 2023	293,244
As at 31 December 2023	293,741

Group	Exploration and evaluation costs $'000
Cost	
As at 1 January 2024	293,741
Additions	528
As at 31 December 2024	294,269
Net book value	
As at 1 January 2024	293,741
As at 31 December 2024	294,269

The licences were extended to 31 December 2026 during 2024. As noted in note 19, the Company has a one exploration well commitment on its production licences.

In considering the carrying value of intangible assets, the Company used external independent estimates of resource volume, production rates and operating and capital costs to compare the carrying value with net present value to assess whether there were any issues that would trigger an impairment assessment and based on these third-party reports, it was concluded that there were no triggers, so no impairments have been made. As noted earlier in the report, the current development plan is to bring Darwin into 26,000 bpod of liquids using three wells and an FPSO. This should enable a quick pay-back and provide funds to either increase production or for other projects.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

13 Investment in subsidiary

Company	2024 $	2023 $
Cost		
As at 1 January and 31 December	**2**	2
Net book value		
As at 31 December	**2**	2

The Company owns the two ordinary £1 subscriber share, being 100% of the issued share capital, in Borders & Southern Falkland Islands Limited. The Company is registered in England and its principal activity is oil and gas exploration. The Company's registered office is in One Fleet Place, London EC4M 7WS.

14 Other receivables

	Group		Company	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Non-current				
Amount due from subsidiary	**—**	—	**294,448**	293,920
Current				
Other receivables	**68**	164	**68**	164
Prepayments	**1,022**	—	**1,022**	—
	1,090	164	**1,090**	164
Total other receivables	**1,090**	164	**295,538**	294,084

All amounts owed by or to entities outside the group are shown as other receivables and prepayments and fall due for payment within one year. The Group's exploration licenses are held by a wholly owned subsidiary and all costs incurred by the subsidiary have been financed by the parent company. The amount due from the subsidiary is interest free and payable on demand and is expected to be repaid from the revenues of the Darwin field production. Management considers the loan to be in stage 2. All the internal and external technical and economic studies undertaken to date have confirmed Darwin to be economic. Sensitivities have been applied to the key inputs into the models used to analyse Darwin and the field has been proven to be robust under different scenarios. Management have also completed a scenario-based assessment based on their judgments of the expected credit loss in accordance with IFRS 9 and concluded that any loss is immaterial.

15 Cash and cash equivalents and restricted use cash

Group and Company	2024 $'000	2023 $'000
Cash available on demand	**2,090**	1,926
Cash on deposit	**—**	2
Total	**2,090**	1,928

Cash and cash equivalents consist of cash at bank on demand and balances on deposit with an original maturity of three months or less.

All of the company's bank deposits are with Lloyds Bank plc. It has a P-2 credit rating with Moody's, F1 with Fitch and A-2 with Standard & Poor's.

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For the year ended 31 December 2024

16 Trade and other payables

	Group		Company	
	2024 $'000	2023 $'000	**2024 $'000**	2023 $'000
Trade payables	**1,036**	12	**1,036**	12
Other taxes and social security costs	**17**	17	**17**	17
Accruals	**128**	127	**129**	128
Total	**1,181**	156	**1,182**	157

17 Share capital

Group and Company	**2024 $000**	2023 $000
Authorised		
1,200,000,000 ordinary shares of 1 pence each (2023 – 750,000,000)	**23,882**	14,926
Allotted, called up and fully paid		
830,814,456 ordinary shares of 1 pence each (2023 – 730,814,456)	**12,456**	11,155
Share capital		
At 1 January	**11,155**	10,718
Share issue	**1,301**	437
At 31 December	**12,456**	11,155
Share premium		
At 1 January	**310,541**	310,195
Share issue	**436**	346
At 31 December	**310,977**	310,541

In October 2024 the Group raised £1.5 million at an issue price of 1.5p/share. The Group subsequently announced a further capital raise of £2.2 million in February 2025 at 4.75p/share.

There are no restrictions on the share capital. Share issued during the year were on the same basis as for all other shares, being one vote per share.

18 Related party transactions

Company

During the year Borders & Southern Petroleum Plc paid expenses of $528,000 (2023 – $497,000) on behalf of its 100% owned subsidiary Borders & Southern Falkland Islands Limited. At the year end $294,448,000 (2023 – $293,920,000) was due from the subsidiary. Borders & Southern Falkland Islands Limited is a controlled party.

Group

There is no ultimate controlling party in either year.

19 Commitments

The Group Production Licence commitment is to drill one exploration well before 31 December 2026. The Company is seeking the funds to drill this well but, if it cannot before they are due to expire, the Company will seek to extend the Licences.

20 Post balance sheet events

Post balance sheet the Company raised £2.2 million ($2.8 million) through a share issue.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

21 Financial instruments

The main risks arising from the Group's operations are cash flow interest rate risk, foreign currency translation risk and credit risk. The Group monitors risk on a regular basis and takes appropriate measures to ensure risks are managed in a controlled manner.

The Group's deposits are held with Lloyds on short term deposits. Whilst there is a risk of Lloyds' ability to repay these deposits, the Group considers this risk to be low.

Liquidity is not considered to be a risk due to the funds raised during the year giving sufficient cash funds readily available to the Group at the year end.

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in the note.

Principal financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises, held by category, are as follows:

	Group		Company	
	2024	2023	**2024**	2023
Amortised Cost	**$'000**	$'000	**$'000**	$'000
Other Receivables	**1,090**	127	**295,359**	294,002
Cash and cash equivalents	**2,090**	1,928	**2,090**	1,928
Trade and other payables	**1,181**	156	**1,182**	157

Other receivables do not include items that are not financial instruments.

The fair values of the Group's financial assets and liabilities at 31 December 2024 and at 31 December 2023 are materially equivalent to the carrying value as disclosed in the Statement of Financial Position and related notes.

a) Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from monies held at bank and on deposit at variable rates. The considerations below and the figures quoted are the same for both Group and Company.

The Group's financial assets and liabilities accrue interest at prevailing floating rates in the United Kingdom or at pre-arranged fixed rates, as described further below. The Group does not currently use derivative instruments to manage its interest rate risk.

At 31 December 2024 the Group held cash at bank and in deposits under its control of $2,090,000 (2023 – $1,928,000), which forms the majority of the Group's working capital. Of the cash at bank and in deposit, $2,090,000 (2023 – $1,928,000) relates to deposits placed with banking institutions that are available on demand which carry interest at prevailing United Kingdom deposit floating rates. If there was 1% change in interest rates the impact on the Statement of Comprehensive Income would be $21,000 (2023 – $20,000).

b) Foreign currency translation risk

The operational currency of the oil and gas exploration and evaluation activities of the Group is US$ and the Group's presentational currency is US$. Foreign exchange risk arises because the Group's services and treasury function is UK sterling, which results in gains or losses on retranslation into US$. To minimise this foreign currency risk, cash balances are held in both £ sterling and US$.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

21 Financial instruments continued

The foreign currency profile of financial assets and liabilities of the Group and the Company are as follows:

	Group		Company	
Current financial assets	**Other receivables measured at amortised cost 2024 $000**	Other receivables measured at amortised cost 2023 $000	**Other receivables measured at amortised cost 2024 $000**	Other receivables measured at amortised cost 2023 $000
Held in UK £:				
Trade and other receivables	**25**	127	**25**	127
Cash and cash equivalents	**2,068**	1,888	**2,068**	1,888
Total current financial assets held in UK	**2,093**	2,015	**2,093**	2,015
Held in US$:				
Trade and other receivables	**—**	—	**—**	—
Cash and cash equivalents	**22**	40	**22**	40
Total financial assets	**2,115**	2,055	**2,115**	2,055

If there was a 10% change in the year end exchange rate there would be a movement in the US$ equivalent of financial assets held in UK£ of $318,000 (2023: $200,000) for the Group and Company.

	Group		Company	
	Financial liabilities measured at amortised cost 2024 $000	Financial liabilities measured at amortised cost 2023 $000	**Financial liabilities measured at amortised cost 2024 $000**	Financial liabilities measured at amortised cost 2023 $000
Held in UK£:				
Trade and other payables	**1,181**	156	**1,182**	157
Total financial liabilities	**1,181**	156	**1,182**	157

c) Credit risk

Neither the Group nor the Company have customers, so formal credit procedures are in the process of being established. Credit risk on cash balances is managed by only banking with reputable financial institutions with a high credit rating. The only significant concentration of credit risk on an ongoing basis is cash held at bank and the maximum credit risk exposure for the Group and Company is detailed in the table below:

	2024		2023	
	Carrying Value $000	**Maximum exposure $000**	Carrying Value $000	Maximum exposure $000
Cash and cash equivalents	**2,090**	**2,090**	1,928	1,928
Maximum credit risk exposure	**2,090**	**2,090**	1,928	1,928

Capital

The objective of the Directors is to maximise shareholder return and minimise risk by keeping a reasonable balance between debt and equity. To date, the Group has minimised risk by being purely equity financed. The Group considers its capital to comprise its ordinary share capital, share premium, accumulated retained deficit and other reserves.

CORPORATE DIRECTORY

Directors	Harry Dobson Harry Baker Peter Fleming William Hodson Sean Guest
Secretary	William Slack
Registered office	One Fleet Place London EC4M 7WS
Business address	70 Pall Mall London SW1Y 5JG
Nominated advisor and Joint Broker	Zeus Capital 125 Old Broad Street London EC2N 1AR
Joint Broker	Hannam & Partners 7-10 Chandos Street London W1G 9DQ
Solicitors	Wedlake Bell LLP 71 Queen Victoria Street London EC4V 4AY
Registrars	MUFG Corporate Markets 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL
Bankers	Lloyds TSB Bank plc 19-21 The Quadrant Richmond Surrey TW9 1BP
Independent Auditors	BDO LLP 55 Baker Street London W1U 7EU
Investor Relations	Tavistock 18 St. Swithin's Lane London EC4N 8AD

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